

ANNUAL REPORT

# FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

December 31, 2020



FRANKLIN  
TEMPLETON



# Franklin Templeton Variable Insurance Products Trust Annual Report

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\*Not part of the annual report. Retain for your records

<b>Not FDIC Insured</b>	<b>May Lose Value</b>	<b>No Bank Guarantee</b>
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## Important Notes to Performance Information

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

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

# Franklin Mutual Shares VIP Fund

This annual report for Franklin Mutual Shares VIP Fund covers the fiscal year ended December 31, 2020.

## Class 2 Performance Summary as of December 31, 2020

Average annual total return of Class 2 shares represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

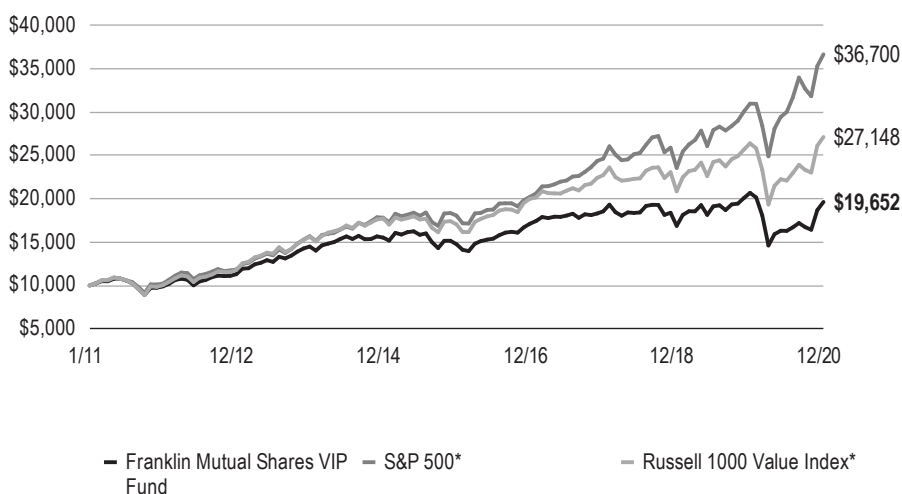
Share Class	Average Annual Total Return
<b>2</b>	
1-Year	-5.04%
5-Year	+5.88%
10-Year	+6.99%

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

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

### Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®) and the Russell 1000® Value Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



\*Source: Morningstar. Please see Index Descriptions following the Fund Summaries.

# Franklin Mutual Shares VIP Fund

## Fund Goal and Main Investments

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

## Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Value securities may not increase in price as anticipated or may decline further in value. Investing in foreign securities typically involves more risks than investing in U.S. securities, including risks related to currency exchange rates and policies, country or government specific issues, less favorable trading practices or regulation and greater price volatility. Securities issued by small and mid-capitalization companies may be more volatile in price than those of larger companies and may involve additional risks. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. A merger or other restructuring, or a tender or exchange offer, proposed or pending at the time the Fund invests in merger arbitrage securities may not be completed on the terms or within the time frame contemplated, which may result in losses to the Fund. Debt obligations of distressed companies typically are unrated, lower-rated, in default or close to default and are generally more likely to become worthless than the securities of more financially stable companies. To the extent that the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, the Fund may be subject to

## Geographic Composition

12/31/20

	<b>% of Total Net Assets</b>
United States	82.1%
United Kingdom	6.9%
Switzerland	3.4%
South Korea	2.8%
Other	0.6%
Short-Term Investments & Other Net Assets	4.2%

greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

## Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's new benchmark, the Russell 1000<sup>®</sup> Value Index, posted a +2.80% total return for the period under review.<sup>1</sup> Also for comparison, the Fund's prior benchmark, the Standard & Poor's<sup>®</sup> 500 Index (S&P 500<sup>®</sup>), posted a +18.40% total return for the same period.<sup>1</sup> The Russell 1000<sup>®</sup> Value Index is replacing the S&P 500 as the Fund's benchmark. The investment manager believes the composition of the Russell 1000<sup>®</sup> Value Index more accurately reflects the Fund's current investment strategy and portfolio characteristics.

## Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index (USD), posted a +16.82% total return for the 12 months ended December 31, 2020.<sup>1</sup> Stocks fell sharply in early 2020 as many investors sold equities amid fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Global equities began to rebound in late March 2020 amid optimism about easing lockdown restrictions, vaccine and treatment development and economic stimulus measures. Despite declines in September and October due to geopolitical tensions and rising infection rates, markets rebounded in November and December, as positive sentiment about successful trials of COVID-19 vaccines,

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

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

the beginning of vaccination programs in some countries and apparent resolution of political uncertainty supported markets.

In the U.S., pandemic-related restrictions caused stiff economic headwinds, including mass layoffs that drove the unemployment rate to 14.8% in April 2020.<sup>2</sup> According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February, and the country slipped into a deep recession. Equities began to rebound in the spring amid the government's fiscal and monetary stimulus, declining jobless claims, rising retail sales and optimism about treatments and potential vaccines for COVID-19. Following a record annualized decline in second-quarter gross domestic product (GDP), resilient consumer spending helped drive third-quarter GDP to expand at a record annualized rate, although growth slowed in the fourth quarter. Equities continued to rise during the summer but declined in the fall due to concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election. Despite signs that the economic recovery was stalling as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new U.S. stimulus bill.<sup>2</sup>

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

In the eurozone, the economy contracted again in the fourth quarter of 2020, following quarter-on-quarter expansion in the third quarter and contractions in the first and second quarters. After several months of gains due to easing restrictions and robust stimulus measures, European developed market equities, as measured by the MSCI Europe Index (USD), declined in September and October as rising infection rates heightened investor concerns that the nascent economic revival could stall. Nevertheless, successful vaccine development and a Brexit resolution supported European developed market equities, as measured by the MSCI Europe Index (USD), to post a +5.93% total return for the period.<sup>1</sup>

2. Source: U.S. Bureau of Labor Statistics.

## Top 10 Industries

12/31/20

	% of Total Net Assets
Pharmaceuticals	10.1%
Banks	8.3%
Insurance	6.3%
Media	6.0%
Software	4.8%
Oil, Gas & Consumable Fuels	4.7%
Technology Hardware, Storage & Peripherals	4.3%
Food Products	4.2%
Health Care Providers & Services	3.9%
Health Care Equipment & Supplies	3.4%

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index (USD), posted a +21.30% total return for the 12 months under review.<sup>1</sup> Although pandemic-related lockdowns derailed economic growth in early 2020, sharp market declines were followed by rebounds as China's economy, a key driver of the region's economic activity, recovered from the contraction in the first quarter and expanded during the rest of 2020. Asian stocks rose as the region's economies reopened, aided by robust stimulus measures and optimism that economic revitalization would be further spurred by COVID-19 vaccines.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index (USD), posted a +18.69% total return for the period, despite steep pandemic-related declines in early 2020, benefiting from improving economic activity, stabilizing oil prices and U.S. dollar weakness.<sup>1</sup> In spite of higher COVID-19 cases in some countries, emerging market stocks rallied near the end of 2020, bolstered by easing political uncertainty, commencement of COVID-19 vaccinations and rising commodity prices.

## Investment Strategy

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

disappointments, litigation, management strategy or other perceived negatives. While the vast majority of our undervalued equity investments are made in publicly traded companies globally, we may invest occasionally in privately held companies as well. Our portfolio selection process generally includes an assessment of the potential impacts of any material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company.

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

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

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

## Manager's Discussion

A year ago, we reflected on a decade of equity market strength and solid, but weaker, returns for our value investing strategy. 2020 turned out to be an amplification of this performance gap, rather than a correction. The year started with a continuation of strong performance from market-darling growth stocks. The gap exploded as COVID-19 led to lockdowns and people working from home. The market leaders often benefited from these changes, with technology tools being adopted more quickly than before. Meanwhile, the lockdowns and disruption severely impacted many companies thought of as value stocks.

Even as central banks and governments across the globe acted through fiscal and monetary stimulus, the recovery came slowly and only accelerated when the prospects of an effective vaccine helped markets understand when the

health crisis might be over. By the end of 2020, the MSCI World Value Index (USD) had recovered to be almost flat, with a -0.38% return.<sup>1</sup> However, growth stocks advanced substantially further, as evidenced by the MSCI World Growth Index (USD), ending the year up +34.18%.<sup>1</sup>

Many signs of increased speculation in the market have appeared, with a surge in the number of IPOs not seen since the tech bubble and a boom in special purpose acquisition companies (SPACs), a type of company which raises money opportunistically and then looks around for a profitable opportunity. There is no guarantee that equity markets will not go higher or that some speculation will not be profitable, but we try to look through the speculation and continue to see attractive values in various parts of the market.

Our traditional value equity investment approach is complemented with two other strategies, distressed investing and merger arbitrage. We were active in both during 2020.

Within merger arbitrage, which involves trading the stocks of companies involved in a merger or acquisition (M&A), activity has climbed in tandem with increasing confidence about an end to the pandemic crisis. Significant new deals have been announced and some present attractive investment opportunities. In addition, the deals which were impacted by the emergence of the coronavirus have seen renegotiated terms and moved toward amicable resolution. This includes deals such as Tiffany's acquisition by LVMH Moët Hennessy Louis Vuitton and Taubman's acquisition by Simon Property Group. We expect an ongoing acceleration of M&A activity given a recovering economy, strong markets, and the hope for increasing regulatory and trade predictability under the incoming U.S. administration.

Within our distressed credit strategy, we targeted companies and industries directly impacted by the coronavirus pandemic. The robust government fiscal and monetary interventions have limited the number of attractive options, but we found opportunities in the energy sector and the retail and travel industries. As the vaccine news arrived and liquidity remained strong, the opportunities have become more limited. We expect to see fewer new distressed debt opportunities than the merger arbitrage opportunities discussed above.

## Fund Performance

Turning to Fund performance, top positive contributors included Charter Communications, Samsung Electronics and Cognizant Technologies.



Shares of U.S.-based cable operator Charter Communications rallied throughout much of 2020's second half, lifted by second-quarter earnings that exceeded consensus expectations. The stay-at-home economy emerging in the wake of the coronavirus pandemic led to an increase in the number of high-speed data subscribers and lower turnover among the existing customer base. These factors drove higher margins and increased free cash flow, which management used to buy back stock. Third-quarter results were also strong, with high-speed data net subscriber additions and residential video growth soundly beating expectations. The company's financials also continued to improve.

After experiencing COVID-related volatility during the first few months of the year, the stock price of South Korea-based electronics and computer peripherals manufacturer Samsung Electronics started to recover in April and continued an upward trajectory for the remainder of the year, making it a leading contributor to portfolio performance. The company posted strong first-quarter results, with revenue and operating profit rising year-over-year, propelled by sales of its memory chips. Demand for memory chips increased during the lockdown, driven by hyperscale data center spending and spending to enable working from home and online learning. Investors are optimistic that strength in memory prices can continue and Samsung is expected to announce a new capital return program in early 2021, which may include a special dividend.

Shares of U.S.-based Cognizant Technology Solutions Group, a provider of information technology (IT), consulting and business process outsourcing services, rose in February largely due to fourth-quarter 2019 financial results that beat expectations. After price fluctuation in March due to uncertainty around the impact of COVID-19, the stock continued its rally after first-quarter 2020 results announced in May were also better than expected, despite softer-than-expected margins and pandemic-related expenses. Second-quarter financial results similarly beat expectations. Shares of Cognizant rallied as management's turnaround initiatives contributed to positive investor sentiment. The pandemic has also accelerated digital transformation across industries, which resulted in solid growth for IT services vendors such as Cognizant. Growth in the company's digital practice segments—which were up by half—drove second-quarter results. Cognizant continued to ramp up its digital strategy by acquiring seven companies that it merged into existing divisions during 2020's first three quarters. A strong third-quarter announcement and broader recovery in IT services demand continued to support the stock price, which generally rose throughout the remainder of the period.

## Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
Medtronic plc <i>Health Care Equipment &amp; Supplies, United States</i>	3.4%
Charter Communications, Inc. <i>Media, United States</i>	3.3%
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage &amp; Peripherals, South Korea</i>	2.8%
Merck & Co., Inc. <i>Pharmaceuticals, United States</i>	2.6%
CVS Health Corp. <i>Health Care Providers &amp; Services, United States</i>	2.5%
Oracle Corp. <i>Software, United States</i>	2.5%
Walt Disney Co. (The) <i>Entertainment, United States</i>	2.4%
Kraft Heinz Co. (The) <i>Food Products, United States</i>	2.3%
Comcast Corp. <i>Media, United States</i>	2.3%
JPMorgan Chase & Co. <i>Banks, United States</i>	2.3%

During the period under review, Fund investments that detracted from performance included American International Group (AIG), Wells Fargo and Citizens Financial Group.

The stock price of U.S.-based insurer AIG fell from mid-February through late March. The declining valuation was fueled by investor concerns regarding the coronavirus outbreak and operating shortfalls in fourth-quarter earnings. An uncertain environment and changes in leadership and business strategy continued to affect the company throughout the remainder of the year, culminating in the announcement of the spinoff of its life insurance business and a change in leadership. We have since exited the position.

The performance of U.S.-based diversified financial services company Wells Fargo was affected by the regulatory restrictions placed on it following the account opening scandal, particularly the ability to grow the size of its balance sheet freely. These limits negatively impacted the company in March when a flurry of companies rushed to draw on their credit lines to strengthen their liquidity positions as the effects of the pandemic became more tangible. After the March downturn, COVID-related uncertainty and interest-rate declines continued to hinder the organization, leading management to revise its forward guidance several times throughout the year. First-quarter earnings fell short of expectations, and Wells Fargo posted a second-quarter loss, although much of it was due to the bank's massive contribution to its loan loss reserves. The company also drastically cut its dividend. During the third quarter,

headline earnings fell short of expectations, but many of the costs endured during the quarter were associated with restructuring, which management expects will reduce cost in 2021. In addition to shedding its student loan business in 2020, the company looks forward to streamlining its business model further in the year ahead.

The stock price of U.S.-based banking services company Citizens Financial Group declined from mid-February through late March. The valuation reduction was fueled by investor concern regarding the coronavirus outbreak and its economic effects, including increased borrower defaults and a falling interest-rate environment which decreases the profitability of lending products. However, the price stabilized as the broader market calmed down. In April, the bank posted decent first-quarter financial results amid a deteriorating economic environment. Management reported modest increases in revenue, loans and net interest margin, and broadly stable credit performance in the loan portfolio. However, in June, bank stocks retreated based on concerns about potential dividend cuts resulting from the Federal Reserve Board's stress tests of large banks. The company's stock price was bolstered in July by favorable second-quarter earnings, but continued to experience volatility toward period-end as third-quarter results fell short of consensus, due in part to large payments into reserves. We have since exited the stock.

During the period, the Fund held currency forwards and futures seeking to hedge most of the currency risk of the portfolio's non-U.S. dollar investments. The hedges had a negative overall impact on the Fund's performance as the dollar fell against most currencies during the period.

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

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*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

## Class 2 Fund Expenses

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

### Actual Fund Expenses

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

### Hypothetical Example for Comparison with Other Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 <sup>1,2</sup>	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 <sup>1,2</sup>	
2	\$1,000	\$1,205.20	\$5.37	\$1,020.27	\$4.92	0.97%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include any ongoing expenses of the Contract for which the Fund is an investment option or acquired fund fees and expenses.

## Financial Highlights

### Franklin Mutual Shares VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
<b>Class 1</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$19.19	\$17.71	\$20.71	\$20.40	\$19.48
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.55 <sup>c</sup>	0.46	0.36	0.49	0.50
Net realized and unrealized gains (losses) . . . . .	(1.68)	3.39	(2.04)	1.22	2.56
Total from investment operations . . . . .	(1.13)	3.85	(1.68)	1.71	3.06
Less distributions from:					
Net investment income . . . . .	(0.50)	(0.42)	(0.55)	(0.53)	(0.46)
Net realized gains . . . . .	(0.63)	(1.95)	(0.77)	(0.87)	(1.68)
Total distributions . . . . .	(1.13)	(2.37)	(1.32)	(1.40)	(2.14)
Net asset value, end of year . . . . .	\$16.93	\$19.19	\$17.71	\$20.71	\$20.40
Total return <sup>d</sup> . . . . .	(4.85)%	22.92%	(8.86)%	8.64%	16.35%
<b>Ratios to average net assets</b>					
Expenses <sup>e,f,g</sup> . . . . .	0.73%	0.71%	0.71%	0.72%	0.72%
Expenses - incurred in connection with securities sold short	0.01%	0.02%	0.01%	—	0.01%
Net investment income . . . . .	3.48% <sup>c</sup>	2.35%	1.77%	2.34%	2.57%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$157,734	\$158,431	\$537,324	\$653,700	\$610,395
Portfolio turnover rate . . . . .	36.96%	38.50%	24.67%	18.32%	24.45%

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

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

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

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

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

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

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

**Franklin Mutual Shares VIP Fund** (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
<b>Class 2</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$18.81	\$17.40	\$20.36	\$20.08	\$19.20
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.51 <sup>c</sup>	0.40	0.31	0.43	0.45
Net realized and unrealized gains (losses) . . . . .	(1.65)	3.32	(2.00)	1.20	2.52
Total from investment operations . . . . .	(1.14)	3.72	(1.69)	1.63	2.97
Less distributions from:					
Net investment income . . . . .	(0.45)	(0.36)	(0.50)	(0.48)	(0.41)
Net realized gains . . . . .	(0.63)	(1.95)	(0.77)	(0.87)	(1.68)
Total distributions . . . . .	(1.08)	(2.31)	(1.27)	(1.35)	(2.09)
Net asset value, end of year . . . . .	\$16.59	\$18.81	\$17.40	\$20.36	\$20.08
Total return <sup>d</sup> . . . . .	(5.04)%	22.57%	(9.07)%	8.35%	16.06%
<b>Ratios to average net assets</b>					
Expenses <sup>e,f,g</sup> . . . . .	0.98%	0.96%	0.96%	0.97%	0.97%
Expenses - incurred in connection with securities sold short	0.01%	0.02%	0.01%	—	0.01%
Net investment income . . . . .	3.25% <sup>c</sup>	2.10%	1.52%	2.09%	2.32%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$2,620,645	\$2,931,753	\$2,516,834	\$3,476,913	\$3,621,358
Portfolio turnover rate . . . . .	36.96%	38.50%	24.67%	18.32%	24.45%

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

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

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

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

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

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

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

**Franklin Mutual Shares VIP Fund** (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
<b>Class 4</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$18.99	\$17.55	\$20.53	\$20.23	\$19.32
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.49 <sup>c</sup>	0.38	0.29	0.41	0.44
Net realized and unrealized gains (losses) . . . . .	(1.66)	3.36	(2.02)	1.21	2.53
Total from investment operations . . . . .	(1.17)	3.74	(1.73)	1.62	2.97
Less distributions from:					
Net investment income . . . . .	(0.44)	(0.35)	(0.48)	(0.45)	(0.38)
Net realized gains . . . . .	(0.63)	(1.95)	(0.77)	(0.87)	(1.68)
Total distributions . . . . .	(1.07)	(2.30)	(1.25)	(1.32)	(2.06)
Net asset value, end of year . . . . .	\$16.75	\$18.99	\$17.55	\$20.53	\$20.23
Total return <sup>d</sup> . . . . .	(5.17)%	22.44%	(9.16)%	8.25%	15.94%
<b>Ratios to average net assets</b>					
Expenses <sup>e,f,g</sup> . . . . .	1.08%	1.06%	1.06%	1.07%	1.07%
Expenses - incurred in connection with securities sold short	0.01%	0.02%	0.01%	—	0.01%
Net investment income . . . . .	3.13% <sup>c</sup>	2.00%	1.42%	1.99%	2.22%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$116,704	\$120,345	\$105,047	\$122,942	\$122,476
Portfolio turnover rate . . . . .	36.96%	38.50%	24.67%	18.32%	24.45%

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

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

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

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

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

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

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

## Statement of Investments, December 31, 2020

## Franklin Mutual Shares VIP Fund

	Country	Shares	Value
<b>Common Stocks 93.8%</b>			
<b>Aerospace &amp; Defense 2.3%</b>			
BAE Systems plc . . . . .	United Kingdom	4,955,228	\$33,047,711
Huntington Ingalls Industries, Inc. . . . .	United States	201,965	34,430,993
			67,478,704
<b>Auto Components 0.0%<sup>†</sup></b>			
<sup>a,b,c</sup> International Automotive Components Group Brazil LLC . . . . .	Belgium	1,730,515	36,801
<b>Automobiles 0.9%</b>			
General Motors Co. . . . .	United States	626,250	26,077,050
<b>Banks 8.3%</b>			
Bank of America Corp. . . . .	United States	1,220,023	36,978,897
Citigroup, Inc. . . . .	United States	998,798	61,585,885
JPMorgan Chase & Co. . . . .	United States	528,683	67,179,749
Synovus Financial Corp. . . . .	United States	962,235	31,147,547
Wells Fargo & Co. . . . .	United States	1,416,289	42,743,602
			239,635,680
<b>Beverages 0.6%</b>			
Heineken NV . . . . .	Netherlands	158,036	17,612,080
<b>Biotechnology 0.3%</b>			
<sup>b</sup> Alexion Pharmaceuticals, Inc. . . . .	United States	59,817	9,345,808
<b>Building Products 1.7%</b>			
Johnson Controls International plc. . . . .	United States	1,052,349	49,028,940
<b>Capital Markets 1.2%</b>			
Credit Suisse Group AG . . . . .	Switzerland	2,740,559	35,383,025
<b>Communications Equipment 1.0%</b>			
Cisco Systems, Inc. . . . .	United States	645,776	28,898,476
<b>Consumer Finance 1.9%</b>			
Capital One Financial Corp. . . . .	United States	561,002	55,455,048
<b>Containers &amp; Packaging 1.5%</b>			
International Paper Co. . . . .	United States	863,984	42,957,284
<b>Diversified Financial Services 2.1%</b>			
<sup>b</sup> Berkshire Hathaway, Inc., B. . . . .	United States	64,294	14,907,850
Voya Financial, Inc. . . . .	United States	758,210	44,590,330
			59,498,180
<b>Diversified Telecommunication Services 0.3%</b>			
<sup>a,b,c</sup> Windstream Holdings, Inc. . . . .	United States	609,467	8,068,734
<b>Electric Utilities 1.0%</b>			
Pinnacle West Capital Corp. . . . .	United States	367,001	29,341,730
<b>Electrical Equipment 2.2%</b>			
<sup>b</sup> Sensata Technologies Holding plc. . . . .	United States	1,214,086	64,030,896
<b>Electronic Equipment, Instruments &amp; Components 0.6%</b>			
Corning, Inc. . . . .	United States	497,343	17,904,348
<b>Energy Equipment &amp; Services 0.8%</b>			
Schlumberger NV . . . . .	United States	1,034,400	22,580,952
<b>Entertainment 2.4%</b>			
<sup>b</sup> Walt Disney Co. (The). . . . .	United States	380,169	68,879,019



**Franklin Mutual Shares VIP Fund** (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Equity Real Estate Investment Trusts (REITs) 1.2%</b>			
Alexander's, Inc. . . . .	United States	31,168	\$8,644,445
Uniti Group, Inc. . . . .	United States	517,941	6,075,448
Vornado Realty Trust. . . . .	United States	577,242	21,554,216
			36,274,109
<b>Food &amp; Staples Retailing 1.8%</b>			
Kroger Co. (The). . . . .	United States	1,604,213	50,949,805
<b>Food Products 4.2%</b>			
Archer-Daniels-Midland Co. . . . .	United States	647,613	32,646,171
Conagra Brands, Inc. . . . .	United States	606,522	21,992,488
Kraft Heinz Co. (The) . . . . .	United States	1,959,930	67,931,174
			122,569,833
<b>Health Care Equipment &amp; Supplies 3.4%</b>			
Medtronic plc . . . . .	United States	828,839	97,090,200
<b>Health Care Providers &amp; Services 3.9%</b>			
Anthem, Inc. . . . .	United States	126,694	40,680,176
CVS Health Corp. . . . .	United States	1,074,742	73,404,879
			114,085,055
<b>Household Durables 2.7%</b>			
Lennar Corp., A. . . . .	United States	398,374	30,368,050
Newell Brands, Inc. . . . .	United States	2,255,143	47,876,686
			78,244,736
<b>Household Products 0.7%</b>			
Energizer Holdings, Inc. . . . .	United States	494,021	20,837,806
<b>Industrial Conglomerates 1.4%</b>			
General Electric Co. . . . .	United States	3,783,136	40,857,869
<b>Insurance 7.0%</b>			
Alleghany Corp. . . . .	United States	106,350	64,202,431
Everest Re Group Ltd. . . . .	United States	142,284	33,307,262
Hartford Financial Services Group, Inc. (The) . . . . .	United States	1,040,835	50,980,098
MetLife, Inc. . . . .	United States	732,181	34,375,898
Willis Towers Watson plc . . . . .	United States	90,068	18,975,526
			201,841,215
<b>IT Services 2.1%</b>			
Cognizant Technology Solutions Corp., A. . . . .	United States	748,658	61,352,523
<b>Media 6.0%</b>			
<sup>b</sup> Charter Communications, Inc., A. . . . .	United States	145,766	96,431,497
Comcast Corp., A . . . . .	United States	1,282,070	67,180,468
<sup>b</sup> iHeartMedia, Inc., A. . . . .	United States	717,645	9,315,032
<sup>a</sup> <sup>b</sup> iHeartMedia, Inc., B . . . . .	United States	12,783	154,309
			173,081,306
<b>Oil, Gas &amp; Consumable Fuels 4.7%</b>			
BP plc. . . . .	United Kingdom	13,763,147	47,496,552
Kinder Morgan, Inc. . . . .	United States	1,821,394	24,898,456
Williams Cos., Inc. (The) . . . . .	United States	3,163,081	63,419,774
			135,814,782
<b>Pharmaceuticals 10.3%</b>			
<sup>b</sup> Elanco Animal Health, Inc. . . . .	United States	326,387	10,010,289



Franklin Mutual Shares VIP Fund (continued)

	Country	Shares	Value
<b>Common Stocks (continued)</b>			
<b>Pharmaceuticals (continued)</b>			
Eli Lilly and Co. . . . .	United States	396,656	\$66,971,399
GlaxoSmithKline plc . . . . .	United Kingdom	3,207,819	58,700,848
Merck & Co., Inc. . . . .	United States	916,817	74,995,631
Novartis AG, ADR . . . . .	Switzerland	676,615	63,892,754
Perrigo Co. plc . . . . .	United States	524,909	23,473,931
			298,044,852
<b>Semiconductors &amp; Semiconductor Equipment 1.0%</b>			
<sup>b</sup> Inphi Corp. . . . .	United States	47,300	7,590,231
Xilinx, Inc. . . . .	United States	146,300	20,740,951
			28,331,182
<b>Software 3.2%</b>			
<sup>b</sup> Avaya Holdings Corp. . . . .	United States	116	2,221
NortonLifeLock, Inc. . . . .	United States	1,034,757	21,502,251
Oracle Corp. . . . .	United States	1,110,810	71,858,299
			93,362,771
<b>Specialty Retail 1.1%</b>			
Tiffany & Co. . . . .	United States	210,393	27,656,160
<sup>a,b</sup> TRU Kids Parent LLC . . . . .	United States	2,039	4,656,309
<sup>a,b</sup> Wayne Services Legacy, Inc. . . . .	United States	2,039	—
			32,312,469
<b>Technology Hardware, Storage &amp; Peripherals 4.3%</b>			
Samsung Electronics Co. Ltd. . . . .	South Korea	1,077,041	80,306,987
Western Digital Corp. . . . .	United States	796,144	44,098,416
			124,405,403
<b>Textiles, Apparel &amp; Luxury Goods 1.4%</b>			
PVH Corp. . . . .	United States	417,411	39,190,719
<b>Tobacco 3.0%</b>			
Altria Group, Inc. . . . .	United States	674,777	27,665,857
British American Tobacco plc. . . . .	United Kingdom	1,292,980	48,020,738
British American Tobacco plc, ADR . . . . .	United Kingdom	307,878	11,542,346
			87,228,941
<b>Wireless Telecommunication Services 1.3%</b>			
<sup>b</sup> T-Mobile US, Inc. . . . .	United States	219,900	29,653,515
Vodafone Group plc . . . . .	United Kingdom	4,928,703	8,095,927
			37,749,442
<b>Total Common Stocks (Cost \$2,066,489,398)</b> . . . . .			<b>2,715,837,773</b>
		<b>Warrants</b>	
<b>Warrants 0.0%<sup>†</sup></b>			
<b>Diversified Telecommunication Services 0.0%<sup>†</sup></b>			
<sup>a,b</sup> Windstream Holdings, Inc., 9/21/55 . . . . .	United States	34,368	454,998
<b>Software 0.0%<sup>†</sup></b>			
<sup>b</sup> Avaya Holdings Corp., 12/15/22 . . . . .	United States	91,551	297,541
<b>Total Warrants (Cost \$436,130)</b> . . . . .			<b>752,539</b>

Franklin Mutual Shares VIP Fund (continued)

	Country	Principal Amount <sup>†</sup>	Value
<b>Corporate Bonds 3.5%</b>			
<b>Airlines 1.1%</b>			
<sup>d</sup> American Airlines, Inc., Senior Secured Note, 144A, 11.75%, 7/15/25	United States	17,841,000	\$20,601,895
<sup>d</sup> Mileage Plus Holdings LLC / Mileage Plus Intellectual Property Assets Ltd., Senior Secured Note, 144A, 6.5%, 6/20/27	United States	11,070,000	11,921,006
			<u>32,522,901</u>
<b>Diversified Telecommunication Services 0.9%</b>			
<sup>e</sup> Frontier Communications Corp., Senior Note, 10.5%, 9/15/22	United States	22,633,000	11,848,715
Senior Note, 11%, 9/15/25	United States	25,535,000	13,453,753
			<u>25,302,468</u>
<b>Machinery 0.2%</b>			
<sup>d</sup> Navistar International Corp., Senior Secured Note, 144A, 9.5%, 5/01/25	United States	4,878,200	5,484,926
<b>Multiline Retail 0.2%</b>			
<sup>d</sup> Macy's, Inc., Senior Secured Note, 144A, 8.375%, 6/15/25	United States	4,438,000	4,933,281
<b>Software 1.1%</b>			
<sup>d</sup> Veritas US, Inc. / Veritas Bermuda Ltd., Senior Note, 144A, 10.5%, 2/01/24	United States	23,445,000	23,929,491
Senior Secured Note, 144A, 7.5%, 2/01/23	United States	2,856,000	2,868,209
Senior Secured Note, 144A, 7.5%, 9/01/25	United States	6,752,000	6,937,680
			<u>33,735,380</u>
<b>Total Corporate Bonds (Cost \$113,484,377)</b>			<u><b>101,978,956</b></u>
<b>Senior Floating Rate Interests 0.4%</b>			
<b>Software 0.4%</b>			
<sup>g</sup> Veritas US, Inc., Term Loan, B, 6.5%, (3-month USD LIBOR + 5.5%), 9/01/25	United States	10,477,740	10,463,333
<b>Total Senior Floating Rate Interests (Cost \$10,283,135)</b>			<u><b>10,463,333</b></u>
		<u>Shares</u>	
<b>Companies in Liquidation 0.0%<sup>†</sup></b>			
<sup>a,b,h</sup> Bosgen Liquidating Trust c/o Verdolino and Lowey P.C., Contingent Distribution	Netherlands	347,093	—
<sup>a,b,h</sup> Tribune Media, Litigation Trust, Contingent Distribution	United States	397,730	—
<sup>a,b,h</sup> Vistra Energy Corp., Litigation Trust, Contingent Distribution	United States	90,618,405	135,928
<sup>a,b,h</sup> Walter Energy, Inc., Litigation Trust, Contingent Distribution	United States	6,301,000	—
<b>Total Companies in Liquidation (Cost \$2,834,275)</b>			<u><b>135,928</b></u>
<b>Total Long Term Investments (Cost \$2,193,527,315)</b>			<u><b>2,829,168,529</b></u>
<b>Short Term Investments 1.8%</b>			
	Country	Principal Amount <sup>†</sup>	Value
<b>U.S. Government and Agency Securities 1.8%</b>			
<sup>i</sup> FHLB, 1/04/21	United States	10,000,000	10,000,000
<sup>i</sup> U.S. Treasury Bills, 1/05/21	United States	5,000,000	5,000,001
<sup>j</sup> 1/14/21	United States	4,000,000	3,999,961

Franklin Mutual Shares VIP Fund (continued)

Short Term Investments (continued)

	Country	Principal Amount <sup>†</sup>	Value
<b>U.S. Government and Agency Securities</b> (continued)			
U.S. Treasury Bills, (continued)			
<sup>i</sup> 1/21/21	United States	5,000,000	\$4,999,917
<sup>i</sup> 2/04/21	United States	6,000,000	5,999,768
<sup>i</sup> 2/11/21	United States	6,000,000	5,999,683
<sup>i</sup> 6/10/21	United States	15,000,000	14,995,241
<sup>i</sup> 6/24/21	United States	2,500,000	2,499,139
			43,493,710
<b>Total U.S. Government and Agency Securities (Cost \$53,491,453)</b>			<b>53,493,710</b>
<b>Total Short Term Investments (Cost \$53,491,453)</b>			<b>53,493,710</b>
<b>Total Investments (Cost \$2,247,018,768) 99.5%</b>			<b>\$2,882,662,239</b>
<b>Securities Sold Short (1.9)%</b>			<b>(55,249,855)</b>
<b>Other Assets, less Liabilities 2.4%</b>			<b>67,670,775</b>
<b>Net Assets 100.0%</b>			<b>\$2,895,083,159</b>
		<b>Shares</b>	
<b>Securities Sold Short (1.9)%</b>			
<b>Common Stocks (1.9)%</b>			
<b>Insurance (0.7)%</b>			
<sup>k</sup> Aon plc, A.	United States	97,273	(20,550,867)
<b>Pharmaceuticals (0.2)%</b>			
<sup>k</sup> AstraZeneca plc, ADR.	United Kingdom	127,069	(6,352,179)
<b>Semiconductors &amp; Semiconductor Equipment (1.0)%</b>			
Advanced Micro Devices, Inc.	United States	252,134	(23,123,209)
Marvell Technology Group Ltd.	United States	109,878	(5,223,600)
			(28,346,809)
<b>Total Common Stocks (Proceeds \$54,658,735)</b>			<b>(55,249,855)</b>
<b>Total Securities Sold Short (Proceeds \$54,658,735)</b>			<b>\$(55,249,855)</b>

<sup>†</sup>The principal amount is stated in U.S. dollars unless otherwise indicated.

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

<sup>a</sup>Fair valued using significant unobservable inputs. See Note 12 regarding fair value measurements.

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

<sup>c</sup>See Note 9 regarding restricted securities.

<sup>d</sup>Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$76,676,488, representing 2.6% of net assets.

<sup>e</sup>See Note 7 regarding credit risk and defaulted securities.

<sup>f</sup>See Note 1(f) regarding senior floating rate interests.

<sup>g</sup>The coupon rate shown represents the rate at period end.

<sup>h</sup>Contingent distributions represent the right to receive additional distributions, if any, during the reorganization of the underlying company. Shares represent total underlying principal of debt securities.

<sup>i</sup>The security was issued on a discount basis with no stated coupon rate.

<sup>j</sup>A portion or all of the security has been segregated as collateral for securities sold short and/or open forward exchange contract. At December 31, 2020, the aggregate value of these securities pledged amounted to \$30,077,000, representing 1.0% of net assets.

<sup>k</sup>See Note 1(d) regarding securities sold short.

**Franklin Mutual Shares VIP Fund** (continued)

At December 31, 2020, the Fund had the following futures contracts outstanding. See Note 1(c).

**Futures Contracts**

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
<b>Foreign exchange contracts</b>					
Foreign Exchange EUR/USD . . . . .	Short	39	\$5,969,925	3/15/21	\$(35,213)
Foreign Exchange GBP/USD . . . . .	Short	446	38,074,462	3/15/21	(565,439)
Total Futures Contracts . . . . .					<u>\$(600,652)</u>

\*As of period end.

At December 31, 2020, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

**Forward Exchange Contracts**

Currency	Counter-party <sup>a</sup>	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
<b>OTC Forward Exchange Contracts</b>							
British Pound . . . . .	BNY	Buy	868,495	1,181,261	1/19/21	\$6,645	\$—
British Pound . . . . .	BOFA	Buy	2,215,312	2,898,020	1/19/21	132,027	—
British Pound . . . . .	BOFA	Sell	970,000	1,289,199	1/19/21	—	(37,542)
British Pound . . . . .	HSBK	Buy	4,546,959	4,925,332	1/19/21	101,601	—
British Pound . . . . .	HSBK	Sell	23,898,346	31,333,163	1/19/21	—	(1,354,398)
British Pound . . . . .	SSBT	Sell	270,445	358,706	1/19/21	—	(11,202)
British Pound . . . . .	UBSW	Buy	3,077,763	4,150,424	1/19/21	59,264	—
British Pound . . . . .	UBSW	Sell	4,713,613	6,309,979	1/19/21	—	(137,185)
Swiss Franc . . . . .	HSBK	Sell	14,940,976	16,835,528	2/16/21	—	(62,705)
Swiss Franc . . . . .	UBSW	Sell	14,940,976	16,830,635	2/16/21	—	(67,597)
Euro . . . . .	HSBK	Sell	4,288,795	5,208,334	2/23/21	—	(37,227)
South Korean Won . . . . .	HSBK	Buy	15,981,640,747	14,442,764	5/14/21	242,622	—
South Korean Won . . . . .	HSBK	Sell	34,999,519,250	31,308,787	5/14/21	—	(851,957)
South Korean Won . . . . .	UBSW	Sell	14,950,923,952	13,389,043	5/14/21	—	(349,226)
South Korean Won . . . . .	HSBK	Sell	39,878,506,618	36,100,480	6/18/21	—	(541,407)
South Korean Won . . . . .	UBSW	Sell	9,030,995,877	8,156,146	6/18/21	—	(141,875)
Total Forward Exchange Contracts . . . . .						<u>\$542,159</u>	<u>\$(3,592,321)</u>
Net unrealized appreciation (depreciation) . . . . .							<u>\$(3,050,162)</u>

<sup>1</sup>In U.S. dollars unless otherwise indicated.

<sup>a</sup>May be comprised of multiple contracts with the same counterparty, currency and settlement date.

See Note 10 regarding other derivative information.

See Abbreviations on page MS-32.

## Statement of Assets and Liabilities

December 31, 2020

	<b>Franklin Mutual Shares VIP Fund</b>
<b>Assets:</b>	
Investments in securities:	
Cost - Unaffiliated issuers . . . . .	\$2,247,018,768
Value - Unaffiliated issuers . . . . .	\$2,882,662,239
Cash . . . . .	249,463
Receivables:	
Investment securities sold . . . . .	7,218,599
Capital shares sold . . . . .	77,457
Dividends and interest . . . . .	8,193,647
European Union tax reclaims (Note 1g) . . . . .	4,300,357
Deposits with brokers for:	
Securities sold short . . . . .	55,864,970
Futures contracts . . . . .	1,199,421
Variation margin on futures contracts . . . . .	83,819
Unrealized appreciation on OTC forward exchange contracts . . . . .	542,159
Other assets . . . . .	510,791
Total assets . . . . .	<u>2,960,902,922</u>
Liabilities:	
Payables:	
Investment securities purchased . . . . .	2,588,829
Capital shares redeemed . . . . .	1,490,220
Management fees . . . . .	1,640,057
Distribution fees . . . . .	584,295
Securities sold short, at value (proceeds \$54,658,735) . . . . .	55,249,855
Unrealized depreciation on OTC forward exchange contracts . . . . .	3,592,321
Accrued expenses and other liabilities . . . . .	674,186
Total liabilities . . . . .	<u>65,819,763</u>
Net assets, at value . . . . .	<u>\$2,895,083,159</u>
Net assets consist of:	
Paid-in capital . . . . .	\$2,293,080,699
Total distributable earnings (losses) . . . . .	602,002,460
Net assets, at value . . . . .	<u>\$2,895,083,159</u>
	<b>Franklin Mutual Shares VIP Fund</b>
<b>Class 1:</b>	
Net assets, at value . . . . .	\$157,733,886
Shares outstanding . . . . .	9,315,159
Net asset value and maximum offering price per share . . . . .	<u>\$16.93</u>
<b>Class 2:</b>	
Net assets, at value . . . . .	\$2,620,645,087
Shares outstanding . . . . .	158,010,079
Net asset value and maximum offering price per share . . . . .	<u>\$16.59</u>
<b>Class 4:</b>	
Net assets, at value . . . . .	\$116,704,186
Shares outstanding . . . . .	6,966,093
Net asset value and maximum offering price per share . . . . .	<u>\$16.75</u>

## Statement of Operations

for the year ended December 31, 2020

	<b>Franklin Mutual Shares VIP Fund</b>
Investment income:	
Dividends: (net of foreign taxes of \$1,075,153)	
Unaffiliated issuers . . . . .	\$93,301,427
Interest:	
Unaffiliated issuers . . . . .	13,460,951
Adjustment for uncollectible interest (Note 7) . . . . .	(2,537,110)
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates) . . . . .	2,493
Non-controlled affiliates (Note 3e) . . . . .	3,234
Other income (Note 1g) . . . . .	3,547,616
Total investment income . . . . .	<u>107,778,611</u>
Expenses:	
Management fees (Note 3a) . . . . .	17,224,633
Distribution fees: (Note 3c)	
Class 2 . . . . .	5,771,709
Class 4 . . . . .	368,212
Custodian fees (Note 4) . . . . .	19,860
Reports to shareholders . . . . .	538,247
Professional fees . . . . .	182,211
Trustees' fees and expenses . . . . .	15,435
Dividends on securities sold short . . . . .	390,444
Other . . . . .	192,728
Total expenses . . . . .	24,703,479
Expense reductions (Note 4) . . . . .	(14,263)
Expenses waived/paid by affiliates (Note 3e) . . . . .	(1,883)
Net expenses . . . . .	<u>24,687,333</u>
Net investment income . . . . .	<u>83,091,278</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers . . . . .	(76,454,397)
Written options . . . . .	(262,792)
Realized gain distributions from REITs . . . . .	866,978
Foreign currency transactions . . . . .	17,575
Forward exchange contracts . . . . .	(7,306,854)
Futures contracts . . . . .	(994,414)
Securities sold short . . . . .	(1,409,935)
Net realized gain (loss) . . . . .	<u>(85,543,839)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	(175,321,183)
Translation of other assets and liabilities denominated in foreign currencies . . . . .	305,714
Forward exchange contracts . . . . .	(664,306)
Futures contracts . . . . .	119,615
Securities sold short . . . . .	1,381,584
Net change in unrealized appreciation (depreciation) . . . . .	<u>(174,178,576)</u>
Net realized and unrealized gain (loss) . . . . .	<u>(259,722,415)</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$(176,631,137)</u>

## Statements of Changes in Net Assets

	<b>Franklin Mutual Shares VIP Fund</b>	
	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$83,091,278	\$70,482,893
Net realized gain (loss) . . . . .	(85,543,839)	95,516,825
Net change in unrealized appreciation (depreciation) . . . . .	(174,178,576)	497,609,167
Net increase (decrease) in net assets resulting from operations . . . . .	(176,631,137)	663,608,885
Distributions to shareholders:		
Class 1 . . . . .	(9,923,875)	(35,828,591)
Class 2 . . . . .	(153,724,682)	(330,340,832)
Class 4 . . . . .	(7,227,115)	(13,089,406)
Total distributions to shareholders . . . . .	(170,875,672)	(379,258,829)
Capital share transactions: (Note 2)		
Class 1 . . . . .	15,161,489	(436,530,771)
Class 2 . . . . .	9,448,782	198,182,849
Class 4 . . . . .	7,450,316	5,322,730
Total capital share transactions . . . . .	32,060,587	(233,025,192)
Net increase (decrease) in net assets . . . . .	(315,446,222)	51,324,864
Net assets:		
Beginning of year . . . . .	3,210,529,381	3,159,204,517
End of year . . . . .	\$2,895,083,159	\$3,210,529,381

# Notes to Financial Statements

## Franklin Mutual Shares VIP Fund

### 1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Mutual Shares VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

#### a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities and derivative financial instruments listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple

exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

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

Investments in open-end mutual funds are valued at the closing NAV. Investments in repurchase agreements are valued at cost, which approximates fair value.

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

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



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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

**b. Foreign Currency Translation**

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

value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

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

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

**c. Derivative Financial Instruments**

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

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

## Franklin Mutual Shares VIP Fund (continued)

### 1. Organization and Significant Accounting Policies

(continued)

#### c. Derivative Financial Instruments (continued)

Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At December 31, 2020 the Fund had OTC derivatives in a net liability position of \$3,050,162 and the aggregate value of collateral pledged for such contracts was \$3,166,835.

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

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

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

The Fund purchased or wrote exchange traded option contracts primarily to manage and/or gain exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss. The Fund did not hold any option contracts at period end.

See Note 10 regarding other derivative information.

#### d. Securities Sold Short

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

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements

**Franklin Mutual Shares VIP Fund** (continued)**1. Organization and Significant Accounting Policies**  
(continued)**d. Securities Sold Short** (continued)

until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a specified percentage of the value of the securities sold short. The Fund is obligated to pay fees for borrowing the securities sold short and is required to pay the counterparty any dividends and/or interest due on securities sold short. Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund.

**e. Securities Lending**

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At December 31, 2020, the Fund had no securities on Loan.

**f. Senior Floating Rate Interests**

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced its intention to cease sustaining LIBOR after 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the Fund's investments that use or may use a floating rate based on LIBOR cannot yet be determined.

**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). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any

## Franklin Mutual Shares VIP Fund (continued)

### 1. Organization and Significant Accounting Policies

(continued)

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

related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, when EU reclaims are received by the Fund and the Fund previously passed foreign tax credit on to its shareholders, the Fund will enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

#### h. Security Transactions, Investment Income, Expenses and Distributions

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

have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

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

#### i. Accounting Estimates

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

#### j. Guarantees and Indemnifications

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

**Franklin Mutual Shares VIP Fund** (continued)

**2. Shares of Beneficial Interest**

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
<b>Class 1 Shares:</b>				
Shares sold	991,549	\$14,998,414	765,653	\$14,772,259
Shares issued in reinvestment of distributions	686,298	9,923,875	2,031,099	35,828,591
Shares redeemed	(619,658)	(9,760,800)	(24,880,289)	(487,131,621)
Net increase (decrease)	1,058,189	\$15,161,489	(22,083,537)	\$(436,530,771)
<b>Class 2 Shares:</b>				
Shares sold	22,804,922	\$339,671,560	29,854,091	\$583,466,693
Shares issued in reinvestment of distributions	10,848,601	153,724,682	19,094,846	330,340,832
Shares redeemed	(31,525,525)	(483,947,460)	(37,705,675)	(715,624,676)
Net increase (decrease)	2,127,998	\$9,448,782	11,243,262	\$198,182,849
<b>Class 4 Shares:</b>				
Shares sold	1,256,949	\$18,190,882	625,179	\$11,842,479
Shares issued in reinvestment of distributions	504,687	7,227,115	749,250	13,089,406
Shares redeemed	(1,132,933)	(17,967,681)	(1,022,438)	(19,609,155)
Net increase (decrease)	628,703	\$7,450,316	351,991	\$5,322,730

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



**Franklin Mutual Shares VIP Fund** (continued)

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

**a. Management Fees**

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

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

**b. Administrative Fees**

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

**c. Distribution Fees**

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

**d. Transfer Agent Fees**

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

**e. Investments in Affiliated Management Investment Companies**

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

**Franklin Mutual Shares VIP Fund** (continued)

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

**e. Investments in Affiliated Management Investment Companies** (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
<b>Franklin Mutual Shares VIP Fund</b>								
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	\$—	\$20,927,000	\$(20,927,000)	\$—	\$—	\$—	—	\$3,234
<b>Total Affiliated Securities . . . . .</b>	<b>\$—</b>	<b>\$20,927,000</b>	<b>\$(20,927,000)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>		<b>\$3,234</b>

**f. Interfund Transactions**

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the year ended December 31, 2020, these purchase and sale transactions aggregated \$0 and \$1,702,055, respectively.

**4. Expense Offset Arrangement**

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

**5. Income Taxes**

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

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

Capital loss carryforwards not subject to expiration:

Short term . . . . .	\$9,931,155
Long term . . . . .	75,381,114
<b>Total capital loss carryforwards . . . . .</b>	<b>\$85,312,269</b>

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income . . . . .	\$91,085,601	\$66,965,945
Long term capital gain . . . . .	79,790,071	312,292,884
	<b>\$170,875,672</b>	<b>\$379,258,829</b>

**Franklin Mutual Shares VIP Fund** (continued)

**5. Income Taxes** (continued)

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments .....	\$2,217,193,537
Unrealized appreciation .....	\$764,953,178
Unrealized depreciation .....	(158,385,145)
Net unrealized appreciation (depreciation) .....	<u>\$606,568,033</u>
Distributable earnings:	
Undistributed ordinary income .....	<u>\$76,328,333</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of EU reclaims, partnerships, defaults, return of capital from securities, foreign currency transactions and wash sales.

**6. Investment Transactions**

Purchases and sales of investments (excluding short term securities and securities sold short) for the year ended December 31, 2020, aggregated \$978,618,859 and \$908,035,887, respectively.

**7. Credit Risk and Defaulted Securities**

The Fund may purchase the pre-default or defaulted debt of distressed companies. Distressed companies are financially troubled and could be or are already involved in financial restructuring or bankruptcy. Risks associated with purchasing these securities include the possibility that the bankruptcy or other restructuring process takes longer than expected, or that distributions in restructuring are less than anticipated, either or both of which may result in unfavorable consequences to the Fund. If it becomes probable that the income on debt securities, including those of distressed companies, will not be collected, the Fund discontinues accruing income and recognizes an adjustment for uncollectible interest. For the year ended December 31, 2020, the Fund recorded an adjustment for uncollectible interest of \$2,537,110 as noted in the Statement of Operations.

At December 31, 2020, the aggregate long value of distressed company securities for which interest recognition has been discontinued was \$25,302,468, representing 0.9% of the Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

**8. Novel Coronavirus Pandemic**

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

**9. Restricted Securities**

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



**Franklin Mutual Shares VIP Fund** (continued)

**9. Restricted Securities** (continued)

At December 31, 2020, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
<b>Franklin Mutual Shares VIP Fund</b>				
1,730,515	International Automotive Components Group Brazil LLC	12/26/08	\$1,149,241	\$36,801
609,467	<sup>a</sup> Windstream Holdings, Inc. . . . .	9/21/20	4,827,676	8,068,734
<b>Total Restricted Securities</b> (Value is 0.28% of Net Assets). . . . .			<b>\$5,976,917</b>	<b>\$8,105,535</b>

<sup>a</sup>The Fund also invests in unrestricted securities of the issuer, valued at \$454,998 as of December 31, 2020.

**10. Other Derivative Information**

At December 31, 2020, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
<b>Franklin Mutual Shares VIP Fund</b>				
Foreign exchange contracts . . .				
	Variation margin on futures contracts	\$—	Variation margin on futures contracts	\$600,652 <sup>a</sup>
	Unrealized appreciation on OTC forward exchange contracts	542,159	Unrealized depreciation on OTC forward exchange contracts	3,592,321
Total . . . . .		<u>\$542,159</u>		<u>\$4,192,973</u>

<sup>a</sup>This amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at year end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment. For the year ended December 31, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
<b>Franklin Mutual Shares VIP Fund</b>				
Foreign exchange contracts . . .				
	Futures contracts	\$(994,414)	Futures contracts	\$119,615
	Forward exchange contracts	(7,306,854)	Forward exchange contracts	(664,306)
Equity Contracts . . . . .				
	Written options	(262,792)	Written options	—
Total . . . . .		<u>\$(8,564,060)</u>		<u>\$(544,691)</u>

For the year ended December 31, 2020, the average month end notional amount of futures contracts and options represented \$56,504,189 and 885 shares, respectively. The average month end contract value of forward exchange contracts was \$154,922,257.

**Franklin Mutual Shares VIP Fund** (continued)

**10. Other Derivative Information** (continued)

See Note 1(d) regarding derivative financial instruments.

**11. Credit Facility**

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. 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. Effective February 5, 2021, the Borrowers, renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

**12. Fair Value Measurements**

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

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

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

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Franklin Mutual Shares VIP Fund</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense . . . . .	\$34,430,993	\$33,047,711	\$—	\$67,478,704
Auto Components . . . . .	—	—	36,801	36,801
Automobiles . . . . .	26,077,050	—	—	26,077,050
Banks . . . . .	239,635,680	—	—	239,635,680
Beverages . . . . .	17,612,080	—	—	17,612,080
Biotechnology . . . . .	9,345,808	—	—	9,345,808
Building Products . . . . .	49,028,940	—	—	49,028,940
Capital Markets . . . . .	—	35,383,025	—	35,383,025
Communications Equipment . . . . .	28,898,476	—	—	28,898,476
Consumer Finance . . . . .	55,455,048	—	—	55,455,048
Containers & Packaging . . . . .	42,957,284	—	—	42,957,284

**Franklin Mutual Shares VIP Fund** (continued)

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

	Level 1	Level 2	Level 3	Total
<b>Franklin Mutual Shares VIP Fund</b> (continued)				
<b>Assets: (continued)</b>				
Investments in Securities:				
Common Stocks:				
Diversified Financial Services . . . . .	\$59,498,180	\$—	\$—	\$59,498,180
Diversified Telecommunication Services . . . . .	—	—	8,068,734	8,068,734
Electric Utilities . . . . .	29,341,730	—	—	29,341,730
Electrical Equipment . . . . .	64,030,896	—	—	64,030,896
Electronic Equipment, Instruments & Components . . . . .	17,904,348	—	—	17,904,348
Energy Equipment & Services . . . . .	22,580,952	—	—	22,580,952
Entertainment . . . . .	68,879,019	—	—	68,879,019
Equity Real Estate Investment Trusts (REITs) . . . . .	36,274,109	—	—	36,274,109
Food & Staples Retailing . . . . .	50,949,805	—	—	50,949,805
Food Products . . . . .	122,569,833	—	—	122,569,833
Health Care Equipment & Supplies . . . . .	97,090,200	—	—	97,090,200
Health Care Providers & Services . . . . .	114,085,055	—	—	114,085,055
Household Durables . . . . .	78,244,736	—	—	78,244,736
Household Products . . . . .	20,837,806	—	—	20,837,806
Industrial Conglomerates . . . . .	40,857,869	—	—	40,857,869
Insurance . . . . .	201,841,215	—	—	201,841,215
IT Services . . . . .	61,352,523	—	—	61,352,523
Media . . . . .	172,926,997	—	154,309	173,081,306
Oil, Gas & Consumable Fuels . . . . .	88,318,230	47,496,552	—	135,814,782
Pharmaceuticals . . . . .	239,344,004	58,700,848	—	298,044,852
Semiconductors & Semiconductor Equipment . . . . .	28,331,182	—	—	28,331,182
Software . . . . .	93,362,771	—	—	93,362,771
Specialty Retail . . . . .	27,656,160	—	4,656,309 <sup>a</sup>	32,312,469
Technology Hardware, Storage & Peripherals . . . . .	44,098,416	80,306,987	—	124,405,403
Textiles, Apparel & Luxury Goods . . . . .	39,190,719	—	—	39,190,719
Tobacco . . . . .	39,208,203	48,020,738	—	87,228,941
Wireless Telecommunication Services . . . . .	29,653,515	8,095,927	—	37,749,442
Warrants:				
Diversified Telecommunication Services . . . . .	—	—	454,998	454,998
Software . . . . .	—	297,541	—	297,541
Corporate Bonds . . . . .	—	101,978,956	—	101,978,956
Senior Floating Rate Interests . . . . .	—	10,463,333	—	10,463,333
Companies in Liquidation . . . . .	—	—	135,928 <sup>a</sup>	135,928
Short Term Investments . . . . .	43,493,710	10,000,000	—	53,493,710
Total Investments in Securities . . . . .	<u>\$2,435,363,542</u>	<u>\$433,791,618</u>	<u>\$13,507,079</u>	<u>\$2,882,662,239</u>
Other Financial Instruments:				
Forward exchange contracts . . . . .	\$—	\$542,159	\$—	\$542,159
Total Other Financial Instruments . . . . .	<u>\$—</u>	<u>\$542,159</u>	<u>\$—</u>	<u>\$542,159</u>
<b>Liabilities:</b>				
Other Financial Instruments:				
Securities Sold Short . . . . .	55,249,855	—	—	55,249,855
Forward exchange contracts . . . . .	\$—	\$3,592,321	\$—	\$3,592,321
Futures contracts . . . . .	600,652	—	—	600,652
Total Other Financial Instruments . . . . .	<u>\$55,850,507</u>	<u>\$3,592,321</u>	<u>\$—</u>	<u>\$59,442,828</u>

<sup>a</sup>Includes securities determined to have no value at December 31, 2020.

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

**Franklin Mutual Shares VIP Fund** (continued)

**13. New Accounting Pronouncements**

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of LIBOR and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

**14. Subsequent Events**

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in financial statements.

**Abbreviations**

**Counterparty**

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<b>BNY</b>	Bank of New York
<b>BOFA</b>	Bank of America Corp.
<b>HSBK</b>	HSBC Bank plc
<b>SSBT</b>	State Street Bank and Trust Co.
<b>UBSW</b>	UBS AG

**Currency**

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<b>EUR</b>	Euro
<b>GBP</b>	British Pound
<b>USD</b>	United States Dollar

**Selected Portfolio**

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<b>ADR</b>	American Depositary Receipt
<b>FHLB</b>	Federal Home Loan Banks
<b>LIBOR</b>	London Inter-Bank Offered Rate

## Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Mutual Shares VIP Fund

### ***Opinion on the Financial Statements***

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Mutual Shares VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

## Tax Information (unaudited)

### **Franklin Mutual Shares VIP Fund**

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$79,790,071 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 78.65% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

## Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid.

For Russell Indexes: Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

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

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

**Bloomberg Barclays U.S. Aggregate Bond Index** measures the performance of the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/ BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

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

**Bloomberg Barclays U.S. Corporate High Yield Bond Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and Standard & Poor's is Ba1/BB+/BB+ or below.

**Bloomberg Barclays U.S. Corporate Investment Grade Index** is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

**Bloomberg Barclays U.S. Government Index - Intermediate Index** is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to

final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

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

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

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

**FTSE World Government Bond Index** measures the performance of investment-grade world government bond markets.

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

**Lipper Multi-Sector Income Funds Classification Average** is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds Classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocation of assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/20, there were 351 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

**Lipper VIP General U.S. Government Funds Classification Average** is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/20,



there were 24 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

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

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

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

**MSCI Europe, Australasia, Far East (EAFE) Index** is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

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

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

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

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

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

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

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

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

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

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

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

**Russell 3000® Index** is market capitalization weighted and represents the majority of the U.S. market's total capitalization.

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

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

**Russell Midcap® Index** is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which represents a modest amount of the Russell 1000® Index's total market capitalization.

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



## Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

### Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Harris J. Ashton (1932)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	125	Bar-S Foods (meat packing company) (1981-2010).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
<b>Terrence J. Checki (1945)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	106	Hess Corporation (exploration of oil and gas) (2014-present).
<b>Principal Occupation During at Least the Past 5 Years:</b> Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the board of trustees of the Economic Club of New York (2013-present); member of the board of trustees of the Foreign Policy Association (2005-present); member of the board of directors of Council of the Americas (2007-present) and the Tallberg Foundation (2018-present); and <b>formerly</b> , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).				
<b>Mary C. Choksi (1950)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	125	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and <b>formerly</b> , Avis Budget Group Inc. (car rental) (2007-May 2020).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				

## Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Edith E. Holiday (1952)</b> One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2005 and Lead Independent Trustee since 2019	125	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present); Santander Holdings USA (holding company) (2019-present); and <b>formerly</b> , RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).

**Principal Occupation During at Least the Past 5 Years:**

Director or Trustee of various companies and trusts; and **formerly**, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).

<b>J. Michael Luttig (1954)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	125	Boeing Capital Corporation (aircraft financing) (2006-2010).
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**Principal Occupation During at Least the Past 5 Years:**

Private investor; and **formerly**, Counselor and Senior Advisor to the Chairman, CEO, and Board of Directors, of The Boeing Company (aerospace company), and member of the Executive Council (May 2019-January 1, 2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).

<b>Larry D. Thompson (1945)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	125	Graham Holdings Company (education and media organization) (2011-present); and <b>formerly</b> , The Southern Company (energy company) (2014-May 2020; previously 2010-2012), Cbeyond, Inc. (business communications provider) (2010-2012).
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**Principal Occupation During at Least the Past 5 Years:**

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and **formerly**, Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-September 2020); Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

## Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>**Gregory E. Johnson (1961)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	136	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Executive Chairman, Chairman of the Board and Director, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 39 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and <b>formerly</b> , Chief Executive Officer (2013-2020) and President (1994-2015), Franklin Resources, Inc.				
<b>**Rupert H. Johnson, Jr. (1940)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since 2013 and Trustee since 1988	125	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Director (Vice Chairman), Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 37 of the investment companies in Franklin Templeton.				
<b>Alison E. Baur (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				
<b>Breda M. Beckerle (1958)</b> 280 Park Avenue New York, NY 10017	Chief Compliance Officer	Since October 2020	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since 2019	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Matthew T. Hinkle (1971)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				

## Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Robert G. Kubilis (1973)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since December 2020	Not Applicable	Not Applicable

**Principal Occupation During at Least the Past 5 Years:**

Treasurer, U.S. Fund Administration & Reporting and officer of 39 of the investment companies in Franklin Templeton.

<b>Robert Lim (1948)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 41 of the investment companies in Franklin Templeton.

<b>Edward D. Perks (1970)</b> One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2018	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

President and Director, Franklin Advisers, Inc.; and officer of eight of the investment companies in Franklin Templeton (since December 2018).

<b>Navid J. Tofigh (1972)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

Associate General Counsel and officer of 41 of the investment companies in Franklin Templeton.

<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.

<b>Lori A. Weber (1964)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since 2019	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 41 of the investment companies in Franklin Templeton.

\*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton fund complex. These portfolios have a common investment manager or affiliated investment managers.

\*\*Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated Mary C. Choksi as its audit committee financial expert. The Board believes that Ms. Choksi qualifies as such an expert in view of her extensive business background and experience. She served as a director of Avis Budget Group, Inc. (2007-May 2020) and formerly, Founder and Senior Advisor, Strategic Investment Group (1987 to 2017). Ms. Choksi has been a Member of the Fund's

## Interested Board Members and Officers (continued)

Audit Committee since 2014. As a result of such background and experience, the Board believes that Ms. Choksi has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Choksi is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

## Shareholder Information

### Proxy Voting Policies and Procedures

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

### Quarterly Statement of Investments

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





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

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

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



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

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

**Fund Administrator**  
Franklin Templeton Services, LLC

**Distributor**  
Franklin Templeton  
Distributors, Inc.