

Release Date: 09-30-2018

Franklin VIPT Small Cap Value VIP Fund — Class 2

Investment Strategy from investment's prospectus

The investment seeks long-term total return. The fund invests at least 80% of its net assets in investments of small-capitalization (small-cap) companies. It generally invests in equity securities that the fund's investment manager believes are undervalued at the time of purchase and have the potential for capital appreciation. The fund invests predominantly in common stocks. It may invest up to 25% of its total assets in foreign securities.

Past name: Franklin Small Cap Value Securities Cl2.

Category Description: Small Value

Small-value funds invest in small-caps with valuations and growth rates below other small-cap peers. They tend to invest in manufacturing, financial and energy sectors.

Operations

Fund Inception Date	01-06-99
Initial Share Class Inception Date	05-01-98
Advisor	Franklin Advisory Services, LLC
Subadvisor	—

Fees and Expenses as of 05-01-18

Gross Prospectus Expense Ratio	0.92%
Net Prospectus Expense Ratio	0.91%

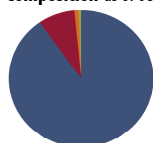
Waiver Data	Type	Exp.Date	%
Expense Ratio	Contractual	04-30-19	0.01

Portfolio Manager(s)

Steven B. Raineri. M.B.A., Fordham University. B.B.A., Bernard Baruch College. Since 2012.
 Christopher Meeker, CFA. B.A., Hobart College. Since 2015.

Portfolio Analysis as of 08-31-18

Composition as of 08-31-18

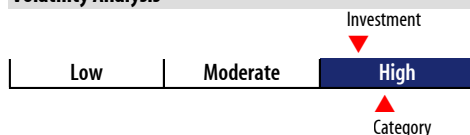


	% Assets
U.S. Stocks	90.28
Non-U.S. Stocks	8.16
Bonds	0.90
Cash	0.67
Other	0.00

Top 20 Holdings as of 08-31-18

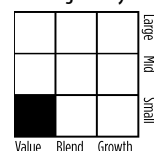
	% Assets
Chemical Financial Corp	2.95
Energen Corp	2.92
Old Republic International Corp	2.89
The Hanover Insurance Group Inc	2.89
First Horizon National Corp	2.77
Columbia Banking System Inc	2.72
Gibraltar Industries Inc	2.60
Brinker International Inc	2.44
Esterline Technologies Corp	2.44
Regal Beloit Corp	2.31
Zebra Technologies Corp	2.27
Maple Leaf Foods Inc	2.20
Hunting PLC	2.15
Caleres Inc	2.14
Oil States International Inc	2.13
Astec Industries Inc	2.06
AAR Corp	2.06
Lakeland Financial Corp	2.03
Mueller Water Products, Inc.	2.02
Horace Mann Educators Corp	1.95
Total Number of Stock Holdings	78
Total Number of Bond Holdings	2
Annual Turnover Ratio %	33.36
Total Fund Assets (\$mil)	1,331.97

Volatility Analysis



In the past, this investment has shown a wide range of price fluctuations relative to other investments. This investment may experience significant price increases in favorable markets or undergo large price declines in adverse markets. Some of this risk may be offset by owning other investments that follow different investment strategies.

Morningstar Style Box™ as of 08-31-18



	% Mkt Cap
Giant	0.00
Large	0.00
Medium	38.97
Small	56.36
Micro	4.67

Statistics as of 08-31-18

	Stk Port Avg	S&P 500	Category
P/E Ratio	17.27	17.98	15.47
P/B Ratio	1.92	3.17	1.68
P/C Ratio	11.91	13.67	7.79
GeoAvgCap(\$mil)	2,485.79	109,557.79	3,041.18

Risk Measures as of 09-30-18

	Port Avg	S&P 500	Category
3 Yr Std Dev	11.72	9.18	13.76
3 Yr Sharpe Ratio	1.21	1.69	0.95
3 Yr Alpha	-0.07	—	-2.37
3 Yr Beta	0.92	—	0.98
3 Yr R-squared	51.35	—	44.89

Morningstar Sectors as of 08-31-18

	%Fund	S&P 500 %
Cyclical	49.69	32.42
Basic Materials	10.11	2.27
Consumer Cyclical	8.32	12.18
Financial Services	25.21	15.79
Real Estate	6.05	2.18
Sensitive	40.46	42.67
Communication Services	0.00	3.24
Energy	8.00	6.00
Industrials	22.34	10.35
Technology	10.12	23.08
Defensive	9.85	24.92
Consumer Defensive	4.31	7.13
Healthcare	2.07	14.96
Utilities	3.47	2.83

Notes

This material is authorized for client use only when preceded or accompanied by a Disclosure Statement, a product prospectus, a fund prospectus and/or informational brochure containing more complete information. These can be obtained from your investment professional and should be read carefully before investing or sending money.

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