

Release Date: 09-30-2018

Franklin Income VIP Fund — Class 1

Investment Strategy from investment's prospectus

The investment seeks to maximize income while maintaining prospects for capital appreciation. The fund invests in a diversified portfolio of debt and equity securities. It may shift its investments from one asset class to another based on the investment manager's analysis of the best opportunities for the fund's portfolio in a given market. The fund may invest up to 100% of its total assets in debt securities that are rated below investment grade (also known as "junk bonds"), including a portion in defaulted securities. It may also invest up to 25% of its assets in foreign securities, either directly or through depositary receipts.

Past name: Franklin Income Securities C1.

Category Description: Allocation—30% to 50% Equity

Funds in allocation categories seek to provide both income and capital appreciation by investing in multiple asset classes, including stocks, bonds, and cash. These portfolios are dominated by domestic holdings and have equity exposures between 30% and 50%.

Operations

Fund Inception Date	01-24-89
Initial Share Class Inception Date	01-24-89
Advisor	Franklin Advisers, Inc.
Subadvisor	—

Fees and Expenses as of 05-01-18

Gross Prospectus Expense Ratio	0.49%
Net Prospectus Expense Ratio	0.47%

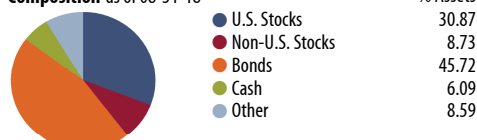
Waiver Data	Type	Exp.Date	%
Expense Ratio	Contractual	04-30-19	0.02

Portfolio Manager(s)

Edward D. Perks, CFA. B.A., Yale University. Since 2002.
 Matthew D. Quinlan, CFA. M.B.A., University of California Los Angeles (Anderson). B.A., University of California Los Angeles. Since 2012.

Portfolio Analysis as of 08-31-18

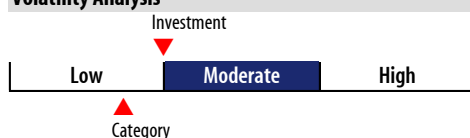
Composition as of 08-31-18



Top 20 Holdings as of 08-31-18

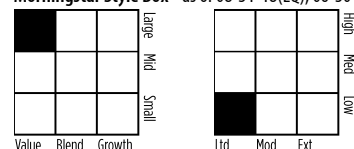
Company	% Assets
Wells Fargo & Co	2.17
Southern Co	1.88
Dominion Energy Inc	1.85
Community Health Systems Incorporated 11% 06-30-23	1.61
Pfizer Inc	1.54
General Electric Co	1.46
Sempra Energy	1.43
Verizon Communications Inc	1.31
United States Treasury Notes 2.5% 05-31-20	1.28
Rio Tinto PLC ADR	1.19
AstraZeneca PLC	1.19
JPMorgan Chase & Co	1.18
DowDuPont Inc	1.18
Royal Dutch Shell PLC ADR Class A	1.17
Deutsche Bank AG London Branch 0% 02-01-19	1.16
Basf SE	1.16
Microsoft Corp	1.15
Citigroup Global Mkts Hldgs Pfd 0% 06-20-19	1.02
Tenet Healthcare Corporation 6.75% 06-15-23	1.02
Royal Bk Cda Pfd 0% 06-25-19	1.01
Total Number of Stock Holdings	55
Total Number of Bond Holdings	160
Annual Turnover Ratio %	20.96
Total Fund Assets (\$mil)	5,746.93

Volatility Analysis



In the past, this investment has shown a relatively moderate range of price fluctuations relative to other investments. This investment may experience larger or smaller price declines or price increases depending on market conditions. Some of this risk may be offset by owning other investments with different portfolio makeups or investment strategies.

Morningstar Style Box™ as of 08-31-18(EQ); 06-30-18(F-I)



Statistics as of 08-31-18

Statistic	Stk Port Avg	S&P 500	Category
P/E Ratio	14.30	17.98	16.35
P/B Ratio	2.16	3.17	2.40
P/C Ratio	9.72	13.67	9.31
GeoAvgCap(\$mil)	107,302.16	109,557.79	66,439.16

Risk Measures as of 09-30-18

Metric	Port Avg	S&P 500	Category
3 Yr Std Dev	6.46	9.18	4.56
3 Yr Sharpe Ratio	1.28	1.69	1.17
3 Yr Alpha	-0.38	—	-0.85
3 Yr Beta	1.08	—	0.76
3 Yr R-squared	84.20	—	86.35

Morningstar Sectors as of 08-31-18

Sector	%Fund	S&P 500 %
Cyclical	25.62	32.42
Basic Materials	7.14	2.27
Consumer Cyclical	1.36	12.18
Financial Services	15.64	15.79
Real Estate	1.48	2.18
Sensitive	29.89	42.67
Communication Services	5.82	3.24
Energy	13.98	6.00
Industrials	6.48	10.35
Technology	3.61	23.08
Defensive	44.50	24.92
Consumer Defensive	12.85	7.13
Healthcare	13.04	14.96
Utilities	18.61	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.

NOT A DEPOSIT — NOT FDIC INSURED — NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY — NOT GUARANTEED BY THE INSTITUTION — MAY GO DOWN IN VALUE