

Release Date: 03-31-2019

# Franklin Income VIP Fund — Class 2

## 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 CI2.

## 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                | 01-06-99                |
| 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 | 0.74% |
| Net Prospectus Expense Ratio   | 0.72% |

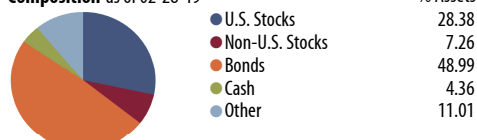
| Waiver Data   | Type        | Exp.Date | %    |
|---------------|-------------|----------|------|
| Expense Ratio | Contractual | 04-30-19 | 0.02 |

## 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 02-28-19

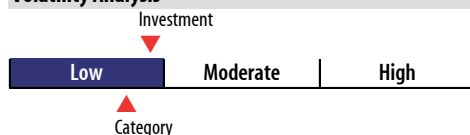
### Composition as of 02-28-19



### Top 20 Holdings as of 02-28-19

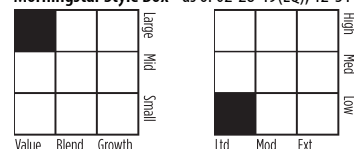
| Company  | % Assets |
|--|----------|
| Wells Fargo & Co                                     | 2.03     |
| Southern Co  | 1.86     |
| Community Health Systems Incorporated 11% 06-30-23   | 1.73     |
| Dominion Energy Inc                                  | 1.65     |
| Sempra Energy  | 1.60     |
| Target Corp  | 1.41     |
| Community Health Systems Incorporated 6.88% 02-01-22 | 1.40     |
| Verizon Communications Inc                           | 1.40     |
| United States Treasury Notes 2.5% 05-31-20           | 1.39     |
| United States Treasury Notes 2.38% 03-15-21          | 1.38     |
| AstraZeneca PLC                                      | 1.36     |
| Rio Tinto PLC ADR                                    | 1.35     |
| Merck & Co Inc                                       | 1.21     |
| Pfizer Inc   | 1.20     |
| JPMorgan Chase & Co                                  | 1.16     |
| Royal Dutch Shell PLC ADR Class A                    | 1.15     |
| Tenet Healthcare Corporation 6.75% 06-15-23          | 1.11     |
| Wells Fargo Bk Natl Assn Pfd 0% 06-26-19             | 1.09     |
| Tenet Healthcare Corporation 8.12% 04-01-22          | 1.04     |
| General Motors Co                                    | 1.04     |
| Total Number of Stock Holdings                       | 49       |
| Total Number of Bond Holdings                        | 154      |
| Annual Turnover Ratio %                              | 43.22    |
| Total Fund Assets (\$mil)                            | 5,404.39 |

## Volatility Analysis



In the past, this investment has shown a relatively small range of fluctuations relative to other investments. Based on this measure, currently more than two thirds of all investments have shown higher levels of risk. Consequently, this investment may appeal to investors looking for a conservative investment strategy.

## Morningstar Style Box™ as of 02-28-19(EQ); 12-31-18(F-I)



## Statistics as of 02-28-19

| Statistic        | Stk Port Avg | S&P 500    | Category  |
|------------------|--------------|------------|-----------|
| P/E Ratio        | 13.76        | 17.05      | 15.62     |
| P/B Ratio        | 1.94         | 2.97       | 2.20      |
| P/C Ratio        | 6.84         | 8.80       | 8.04      |
| GeoAvgCap(\$mil) | 97,460.24    | 105,009.98 | 67,054.26 |

## Risk Measures as of 03-31-19

| Metric            | Port Avg | S&P 500 | Category |
|-------------------|----------|---------|----------|
| 3 Yr Std Dev      | 6.32     | 10.73   | 5.23     |
| 3 Yr Sharpe Ratio | 1.19     | 1.12    | 0.83     |
| 3 Yr Alpha        | 1.37     | —       | -0.98    |
| 3 Yr Beta         | 0.93     | —       | 0.78     |
| 3 Yr R-squared    | 81.32    | —       | 87.58    |

## Morningstar Sectors as of 02-28-19

| Sector                 | %Fund | S&P 500 % |
|------------------------|-------|-----------|
| Cyclical               | 27.93 | 32.26     |
| Basic Materials        | 7.78  | 2.46      |
| Consumer Cyclical      | 4.35  | 11.90     |
| Financial Services     | 14.27 | 15.40     |
| Real Estate            | 1.53  | 2.50      |
| Sensitive              | 28.23 | 42.16     |
| Communication Services | 4.99  | 3.56      |
| Energy                 | 14.99 | 5.43      |
| Industrials            | 3.39  | 10.23     |
| Technology             | 4.86  | 22.94     |
| Defensive              | 43.84 | 25.59     |
| Consumer Defensive     | 12.65 | 7.77      |
| Healthcare             | 13.03 | 14.49     |
| Utilities              | 18.16 | 3.33      |

## 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