

Release Date: 09-30-2018

Franklin Strategic Income VIP Fund — Class 2

Investment Strategy from investment's prospectus

The investment seeks a high level of current income; long-term capital appreciation is the secondary objective. The fund invests its assets primarily to predominantly in U.S. and foreign debt securities, including those in emerging markets. It may invest up to 100% of its assets in high yield, lower-quality debt securities (also known as "junk bonds"). The fund may invest in many different securities issued or guaranteed by the U.S. government or by non-U.S. governments, or their respective agencies or instrumentalities, including mortgage-backed securities and inflation-indexed securities issued by the U.S. Treasury.

Past name: Franklin Strategic Income Securities Cl2.

Category Description: Multisector Bond

Multisector-bond portfolios seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. These portfolios typically hold 35% to 65% of bond assets in securities that are not rated or are rated by a major agency such as Standard & Poor's or Moody's at the level of BB (considered speculative for taxable bonds) and below.

Operations

Fund Inception Date	05-15-01
Initial Share Class Inception Date	07-01-99
Advisor	Franklin Advisers, Inc.
Subadvisor	—

Fees and Expenses as of 05-01-18

Gross Prospectus Expense Ratio	0.98%
Net Prospectus Expense Ratio	0.93%

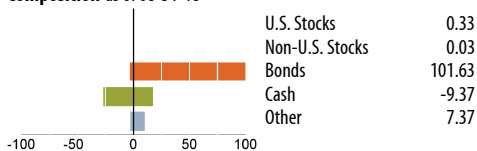
Waiver Data	Type	Exp.Date	%
Expense Ratio	Contractual	04-30-19	0.05

Portfolio Manager(s)

Christopher J. Molumphy, CFA. M.B.A., University of Chicago, 1988. B.A., Stanford University, 1984. Since 1999.
 Roger Bayston, CFA. M.B.A., University of California - Los Angeles. B.S., University of Virginia. Since 2015.

Portfolio Analysis as of 08-31-18

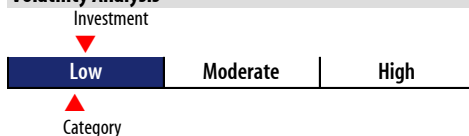
Composition as of 08-31-18



Top 20 Holdings as of 08-31-18

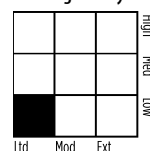
Top 20 Holdings as of 08-31-18	% Assets
Ffrmt-Franklin Lower Tier Floating Rate Fund Oemf Usd Npv Tis A/C# 20793	3.33
Ffrmt-Franklin Middle Tier Floating Rate Fund Oemf Usd Npv Tis A/C# 20794	3.13
Federal Home Loan Mortgage Corporation 4% 08-01-48	1.71
Federal Home Loan Mortgage Corporation 3.5% 08-01-48	1.71
United States Treasury Notes 0.12% 07-15-24	1.42
United States Treasury Notes 2.25% 11-15-25	1.33
United States Treasury Notes 3.75% 11-15-18	1.16
Federal Home Loan Mortgage Corporation 4% 05-01-48	1.13
Mexico (United Mexican States) 8.5% 12-13-18	1.11
Ft Holdings Corporation Iii Cc Usd Npv A/C# 15184	1.08
Federal National Mortgage Association 4% 08-01-48	0.85
United States Treasury Bonds 3% 11-15-45	0.81
Bank of America Corporation 3.5% 04-19-26	0.77
Federal National Mortgage Association 3.5% 08-01-48	0.74
Federal National Mortgage Association 3.5% 11-01-47	0.72
Serbia (Republic Of) 4.88% 02-25-20	0.68
Morgan Stanley 3.88% 01-27-26	0.68
Fieldwood Energy Llc 7.15076% 04/11/2022 Closing Date Loans 04-11-22	0.67
Capital One Multi Asset Execution Trust 2.7% 02-15-24	0.66
Brazil (Federative Republic) 9.76% 01-01-21	0.62
Total Number of Stock Holdings	14
Total Number of Bond Holdings	548
Annual Turnover Ratio %	108.73
Total Fund Assets (\$mil)	604.11

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 08-31-18



Average Effective Duration	3.71
Average Effective Maturity	6.22

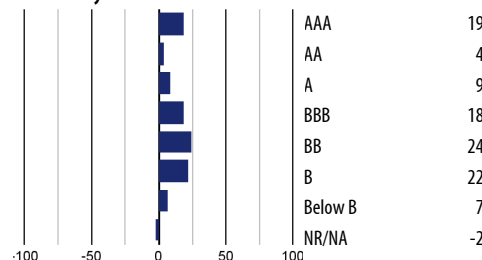
Risk Measures as of 09-30-18

Risk Measures as of 09-30-18	Port Avg	BC Aggr	Category
3 Yr Std Dev	3.16	2.66	3.18
3 Yr Sharpe Ratio	0.94	0.16	1.03
3 Yr Alpha	2.76	—	2.87
3 Yr Beta	0.54	—	0.56
3 Yr R-squared	20.87	—	29.28

Morningstar Sectors as of 08-31-18

Morningstar Sectors as of 08-31-18	%Fund	%Category
Government	10.16	30.74
Corporate	43.87	29.02
Securitized	19.98	27.27
Municipal	0.89	0.70
Cash and Equivalents	2.93	11.84
Other	22.18	0.42

Credit Analysis as of 06-30-18



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