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FRANKLIN TEMPLETON VARIABLE INSURANCE
PRODUCTS TRUST* SEMIANNUAL REPORT

JUNE 30, 1999

TABLE OF CONTENTS

LETTER TO CONTRACT OWNERS	2
A WORD ABOUT RISK	5
PORTFOLIO GOALS AND PRIMARY INVESTMENTS	6
PORTFOLIO SUMMARIES	
Portfolios Seeking Capital Growth	
Capital Growth Fund	9
Global Health Care Securities Fund	10
Mutual Discovery Securities Fund	12
Natural Resources Securities Fund	13
Small Cap Fund	14
Templeton Developing Markets Equity Fund	16
Templeton Global Growth Fund	18
Templeton International Equity Fund	22
Templeton International Smaller Companies Fund	24
Templeton Pacific Growth Fund	26
Portfolios Seeking Growth and Income	
Global Utilities Securities Fund	27
Growth and Income Fund	31
Income Securities Fund	33
Mutual Shares Securities Fund	35
Real Estate Securities Fund	37
Rising Dividends Fund	38
Templeton Global Asset Allocation Fund	41
Value Securities Fund	43
Portfolios Seeking Income	
High Income Fund	45
Templeton Global Income Securities Fund	46
U.S. Government Securities Fund	47
Zero Coupon Funds	48
Portfolio Seeking Capital Preservation and Income	
Money Market Fund	50
FINANCIAL HIGHLIGHTS & STATEMENT OF INVESTMENTS	51
FINANCIAL STATEMENTS	137
NOTES TO FINANCIAL STATEMENTS	156
PROSPECTUS SUPPLEMENTS	175

[SPECIAL UPDATE GRAPHIC]

*Important: Effective July 1, 1999, we changed the name of the trust from "Franklin Valuemark Funds" to "Franklin Templeton Variable Insurance Products Trust" ("Franklin Templeton VIP Trust"). Only the name has changed; your portfolios remain the same.

Reminder: Franklin Templeton VIP Trust now issues two classes of shares, Class 1 (the original share class) and Class 2. This report covers both share classes.

PLEASE RETAIN THIS DOCUMENT, INCLUDING THE ENCLOSED PROSPECTUS SUPPLEMENTS ON P. 175, WITH YOUR CURRENT PROSPECTUS, FOR REFERENCE.

LETTER TO CONTRACT OWNERS

Dear Contract Owners:

During the six-month period under review, financial markets worldwide returned to a more stable environment, following the turmoil of fall 1998. The U.S. economy's strength continued to push the domestic stock market higher, despite the steady rise in interest rates. The global economic situation improved significantly, as Asian and Latin American economies showed signs of recovery from the emerging markets crisis of the past two years. In Europe, optimism created by the launch of the 11-country currency, the euro, led to sustained, albeit slower than projected, growth. As investors became more comfortable with the global economy, they began to move back into investments they had dumped during the crisis. As a result, many stock markets soared to all-time highs, and yields narrowed between the 30-year Treasury bond and U.S. corporate and high yield bonds.

The U.S. economy remained the world's growth engine during the period under review. Gross domestic product (GDP) slowed somewhat from fourth quarter 1998's torrid 6.0% annualized rate, registering respectable gains of 4.3% and 2.3% in the first two quarters of 1999. Consumer spending again drove the economy -- low unemployment, a solid stock market and relatively low interest rates kept consumer confidence high. The housing market was also strong, as were automobile and other durable goods sales.

However, the exceptionally strong economy also created hints of inflation. April's Consumer Price Index (CPI) showed an increase of 0.7%, the highest since October 1990 and well above the pace in recent months. Much of this was caused by the 12% increase in the price of a barrel of oil during the month, as production cutbacks coupled with stronger emerging economies contributed to greater demand. Investors took note of this and, fearing a tightening from the Federal Reserve Board (the Fed), generally sold bonds, which pushed interest rates to their highest levels in more than a year. Indeed, investors were right. In its late-June meeting, the Fed raised the federal funds target rate 0.25% in an attempt to deter inflation. At the end of the reporting period, the 30-year Treasury bond yield stood at 5.98%.

Outside of the U.S., many of the emerging economies hit by the crisis of the past two years began to show signs of life during the six months under review. Korea was the standout, with first quarter GDP rising 4.6% compared with the same period a year earlier, but a turnaround was also evident in Hong Kong and Thailand and, to a lesser extent, in Malaysia and Indonesia. In Latin America, the Mexican and Chilean markets rebounded strongly as the crisis faded, due to their economies' underlying strength. Even the Brazilian economy, which endured a currency devaluation in January, turned around much faster than previously expected.

In Europe, the highly touted euro, the common currency of 11 European nations, quickly lost ground relative to the dollar. Slowing growth and the two-month NATO war in Yugoslavia dampened investor enthusiasm for the currency. Yet, toward the end of the period, the outlook began to brighten. Germany reported first quarter 1999 GDP of 0.4% and Italy's was fractionally positive. While these numbers were not stellar, they were better than the negative growth many economists projected.

Global stock markets in general reacted favorably to the healthier global economy during the six-month period under review. In the U.S., the Standard and Poor's 500(R) Index (S&P 500(R)) increased 12.4%, while Asian markets returned 22.9%, as measured by the Morgan Stanley Capital International(R) (MSCI) Far East Index. Latin American markets also performed strongly, evidenced by the 33.3% increase in the MSCI Latin America Index. Only in Europe were returns negligible, but even in this atmosphere some markets did well, including Finland's HEX, with +23.76%, and Norway's OBX which increased 20.0%.

Most importantly for U.S. markets, the period saw a return to a more value-oriented investment approach. Due in large part to the global economic health, many cyclical companies, such as paper, chemical and heavy machinery, will likely report strong earnings in the latter half of 1999. In anticipation, investors rewarded these companies by pushing up share prices. Conversely, many growth companies suffered during this period, as higher interest rates caused by the growth discounted these stocks' values.

In the fixed-income sector, investors increasingly became more interested in corporate and high yield bonds as the threat of a global economic meltdown diminished, which had been one of the reasons for the rise in Treasury bond prices during fall 1998. As a result, yield spreads, the interest-rate difference between Treasuries and lower-quality securities, almost fully returned to their historical norms since last fall. Furthermore, by April the emerging debt markets more than recovered their losses from the January Brazilian devaluation, as evidenced by the 10.6% increase in the J.P. Morgan Emerging Market Bond Index during the period.

It is important to remember, of course, that securities markets always have been, and always will be, subject to volatility. No one can predict exactly how they will perform in the future. For this reason, we urge you to exercise patience and focus not on day-to-day market movements, but on your long-term investment goals. As always, we appreciate your support, welcome your questions and comments, and look forward to serving your investment needs in the years ahead.

Sincerely,

/s/ Rupert H. Johnson, Jr.

Rupert H. Johnson, Jr.
Trustee and Vice President
Franklin Templeton Variable Insurance Products Trust
(formerly Franklin Valuemark Funds)

YEAR 2000 READINESS DISCLOSURE --

HOW FRANKLIN TEMPLETON IS TACKLING THE Y2K PROBLEM

Franklin Templeton formed a company-wide team in 1996 to identify and correct problems related to the date changeover after December 31, 1999. All but one of our mission-critical systems are certified as Year 2000 compliant and are operating in production, as of July 15, 1999. We intend to have our remaining mission-critical system, a replacement for an existing sales and marketing system, certified by the end of September 1999.

The Y2K team is also upgrading, testing, and certifying remaining non-critical systems, as well as integrating and testing links with many external parties. Our dedicated, business continuity team is building contingency plans worldwide in the event of Year 2000 failures.

Earlier this year, we successfully completed a series of Securities Industry Association nationwide tests of transactions with other business partners under simulated Year 2000 conditions. This summer we also successfully participated in industry-wide testing of our interfaces with major dealers and real-time market data services.

You can learn more about Franklin Templeton's Y2K project by visiting our Web site at www.franklintempleton.com.

A WORD ABOUT RISK

All of the portfolios are subject to certain risks, which will cause investment returns and the value of your principal to increase or decrease. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. For example, stocks and other equities, representing an ownership interest in an individual company, historically have outperformed other asset classes over the long term, but tend to rise and fall more dramatically over the shorter term. Securities of smaller companies, and companies involved in reorganization or bankruptcy, may have greater price swings and greater credit and other risks.

Bonds and other debt obligations are affected by the creditworthiness of their issuers, and changes in interest rates, with prices declining as interest rates increase. High yield, lower-rated ("junk") bonds generally have greater price swings and higher default risks than investment grade bonds. An investment in the Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The portfolio attempts to maintain a stable net asset value of \$1.00 per share, but there is no assurance that it will.

Foreign investing, especially in emerging market countries, has additional risks such as changes in currency values, market price swings, and economic, political or social instability. These, and other risks pertaining to specific portfolios, such as specialized industry or geographical sectors or use of complex securities, are discussed in the portfolios' prospectus. Your investment representative can help you determine which portfolios may be right for you.

PORTFOLIO GOALS AND PRIMARY INVESTMENTS

The portfolio descriptions are provided for your convenience. For more complete information, including investment policies and risks, please refer to your funds' prospectus or contact your investment representative.

PORTFOLIOS SEEKING CAPITAL
GROWTH

GLOBAL GROWTH

GLOBAL HEALTH CARE
SECURITIES FUND

Seeks capital appreciation. The portfolio concentrates its investments in U.S. and foreign equity securities issued by large and small capitalization health care companies, including pharmaceutical, biotechnology, medical and health services, and medical supply companies.

MUTUAL DISCOVERY SECURITIES
FUND

Seeks capital appreciation. Using a value-driven approach, the portfolio invests primarily in U.S. and foreign equity securities. Investments include securities of small capitalization companies, undervalued stocks, reorganizing companies and distressed companies.

NATURAL RESOURCES SECURITIES FUND Seeks capital appreciation, with current income as a secondary goal. The portfolio concentrates its investments in U.S. and foreign equity securities of companies, including those in emerging markets, that own, produce, refine, process or market natural resources, as well as those that provide support services for natural resources companies.

TEMPLETON DEVELOPING MARKETS EQUITY FUND Seeks long-term capital appreciation. The portfolio invests primarily in emerging markets equity securities.

TEMPLETON GLOBAL GROWTH FUND Seeks long-term capital growth. The portfolio invests primarily in equity securities of companies of any nation, including the U.S. and emerging markets.

TEMPLETON INTERNATIONAL EQUITY FUND Seeks long-term capital growth. The portfolio invests primarily in equity securities of companies with primary operations outside the U.S., including emerging markets.

TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND Seeks long-term capital appreciation. The portfolio invests primarily in equity securities of smaller companies located outside the U.S., including emerging markets.

TEMPLETON PACIFIC GROWTH FUND Seeks long-term capital growth. The portfolio invests primarily in equity securities of companies with primary operations in Pacific Rim countries, most of which have emerging markets.

PORTFOLIOS SEEKING CAPITAL GROWTH (CONT.)

DOMESTIC GROWTH

CAPITAL GROWTH FUND Seeks capital appreciation. The portfolio invests primarily in U.S. equity securities of large- or mid-cap companies, and to a lesser extent in small-cap companies. The portfolio may also invest a portion in foreign securities, including emerging markets.

SMALL CAP FUND Seeks long-term capital growth. The portfolio invests primarily in equity securities of U.S. small capitalization growth companies. The portfolio may also invest a small portion in foreign securities.

PORTFOLIOS SEEKING GROWTH AND INCOME

GLOBAL UTILITIES SECURITIES FUND Seeks both capital appreciation and current income. The portfolio concentrates its investments in equity securities of companies in the public utilities industry in any nation, including the U.S. and emerging markets. The portfolio invests substantially in telecommunications and significantly in other utilities such as gas, electricity and water companies.

GROWTH AND INCOME FUND Seeks capital appreciation, with current income as a secondary goal. The portfolio invests primarily in common stocks offering above-market current dividend yields, and may invest a smaller portion in foreign securities, including emerging markets.

INCOME SECURITIES FUND Seeks to maximize income while maintaining prospects for capital appreciation. The portfolio invests in debt and equity securities, including lower-rated "junk bonds." May also invest in foreign securities, including emerging markets.

MUTUAL SHARES SECURITIES FUND Seeks capital appreciation, with income as a secondary goal. Using a value-driven approach, the portfolio invests primarily in U.S. equity securities. Investments include securities of small capitalization companies, undervalued stocks, reorganizing companies and distressed companies. The portfolio may also invest in

foreign securities.

REAL ESTATE SECURITIES FUND Seeks capital appreciation, with current income as a secondary goal. The portfolio concentrates its investments in equity securities of companies, including small capitalization companies, in the real estate industry, primarily real estate investment trusts (REITs).

RISING DIVIDENDS FUND Seeks long-term capital appreciation. The portfolio invests primarily in equity securities of companies that have paid consistently rising dividends over the past ten years, including small capitalization companies.

PORTFOLIOS SEEKING GROWTH
AND INCOME (CONT.)

TEMPLETON GLOBAL ASSET
ALLOCATION FUND Seeks high total return. The portfolio will invest in equity securities of companies of any nation, debt securities of companies and governments of any nation, and in money market instruments. The portfolio may invest to a lesser extent in lower-rated "junk bonds."

VALUE SECURITIES FUND Seeks long-term total return. The portfolio invests primarily in equity securities of companies, including small capitalization companies, which in the portfolio manager's opinion, are selling substantially below the underlying value of their assets or private market value. Such companies may include takeover candidates, turnarounds and companies emerging from bankruptcy. The portfolio may also invest a small portion in foreign securities.

PORTFOLIOS SEEKING INCOME

HIGH INCOME FUND Seeks a high level of current income, with capital appreciation as a secondary goal. The portfolio invests in debt securities, including lower-rated "junk bonds," and dividend-paying common and preferred stocks. The portfolio may also invest in foreign securities, including emerging markets.

TEMPLETON GLOBAL INCOME
SECURITIES FUND Seeks high current income, with capital appreciation as a secondary goal. The portfolio invests in debt securities of governments and their political subdivisions and agencies, supranational organizations and companies of any nation, including emerging markets. The portfolio may also invest in lower-rated "junk bonds."

U.S. GOVERNMENT SECURITIES
FUND Seeks to earn income. The portfolio invests exclusively in U.S. government securities, primarily fixed and variable-rate mortgage-backed securities.

THREE ZERO COUPON FUNDS The three zero coupon bond portfolios seek a high investment return consistent with capital preservation. The portfolios invest in dollar-denominated zero coupon securities issued by the U.S. government, its agencies and authorities. Each zero coupon portfolio seeks to return a reasonably assured target dollar amount, predictable at the time of the investment, on a specific date in the future. The portfolios may not be appropriate for those who intend to redeem units before the maturity dates.

PORTFOLIO SEEKING CAPITAL
PRESERVATION AND INCOME

MONEY MARKET FUND Seeks high current income consistent with capital preservation and liquidity. The portfolio also tries to maintain a stable share price of \$1.00. The portfolio invests in high-quality U.S. dollar-denominated money market debt instruments.

PORTFOLIO SUMMARIES

As you read the following portfolio summaries, please remember the discussions accurately reflect our views, opinions and portfolio holdings as of June 30, 1999, the end of the reporting period. However, they are not necessarily complete analyses of every aspect of any industry, security or investment. Keep in mind that market and economic conditions are changing constantly, which can be expected to affect our strategies and the portfolios' composition. Although historical performance is no guarantee of future results, these insights may help you understand our investment and management philosophy.

PORTFOLIOS SEEKING CAPITAL GROWTH

CAPITAL GROWTH FUND

During the six-month reporting period, U.S. gross domestic product and corporate profits continued to rise, the unmanaged Standard & Poor's 500 (S&P 500) Index posted a return of 12.4% and several foreign economies rebounded after a difficult 1998. These events, along with rising commodity prices, prompted a shift in market psychology, and shares of companies in mature, slower-growth industries sprang to life after years of underperformance relative to higher-growth stocks. The period's strong domestic and foreign economic growth also marked a turning point in U.S. interest rate trends. After steadily declining for the past two years, U.S. interest rates began to inch up in February, and on June 30, the Federal Reserve Board raised the federal funds target rate 0.25%, to 5.00%.

The portfolio's exposure to several technology sectors contributed to its strong performance during the period. On June 30, 1999, the portfolio's largest investment was Microsoft Corp., the world's leader in software development and an array of related information technology fields. Our second-largest position was Cisco Systems Inc., the world's leading provider of Internet networking products such as routers, switches, dial-up access servers and software. Shares of these companies appreciated significantly during the period under review. Other top technology-related holdings included JDS Uniphase Corp. (formerly Uniphase Corp.), Intel Corp., Vodafone Air-Touch PLC and Hewlett-Packard Co. Throughout the period, we sought out future technology leaders with reasonable valuations, superior management teams and sound, sustainable business growth models, as well as solid growth companies whose valuations had reached attractive levels due to unfavorable short-term circumstances.

You will find a complete listing of the portfolios' securities including the number of shares and dollar value beginning on page 57 of this report.

TOP 10 INDUSTRY BREAKDOWN

Capital Growth Fund
6/30/99

SECTOR	% OF TOTAL NET ASSETS
Electronic Technology	18.2%
Health Technology	13.4%
Finance	9.6%
Technology Services	7.6%
Retail Trade	5.6%
Utilities	5.4%
Consumer Non-Durables	4.9%
Process Industries	3.4%
Commercial Services	3.2%
Transportation	2.6%

TOP 10 HOLDINGS

Global Health Care Securities Fund
6/30/99

COMPANY INDUSTRY	% OF TOTAL NET ASSETS
Schering Plough Inc. Pharmaceuticals	5.69%
American Home Products Corp. Pharmaceuticals	5.18%
Eli Lilly & Co. Pharmaceuticals	5.08%
Pharmacia & Upjohn Inc. Pharmaceuticals	4.85%
Bristol-Myers Squibb Co. Pharmaceuticals	4.80%
Medtronic Inc. Medical Technology and Supplies	4.78%
Baxter International Inc. Medical Technology and Supplies	4.77%
Warner-Lambert Co. Pharmaceuticals	3.99%
Cardinal Health Inc. Medical Distributors	3.66%
Bausch & Lomb Inc. Medical Technology and Supplies	3.30%

For example, we initiated positions in Lucent Technologies Inc. and Tellabs Inc. during the six-month period.

Stocks in the health technology and health services sectors suffered during the second half of the period under review, and the portfolio's positions in such industry leaders as Schering-Plough Corp. and Abbott Laboratories impacted our returns. However, given these companies' superior long-term growth prospects, we remain committed to our holdings in these areas and will likely seize opportunities to buy stocks in this sector if valuations become attractive again.

Although we cannot predict the future of the U.S. economy, interest rates or relative performance between various sectors of equity markets, we will adhere to our core strategy of buying the best growth companies we can, at the best possible prices. We aim to reduce the portfolio's overall risk by abstaining from investing in companies whose valuations defy any reasonable basis or justification. While we recognize the Internet's revolutionary impact upon our overall economy, and evaluate leading Internet and Internet-related companies as prospective investments, we initiate positions in such companies only when we believe we can do so at reasonable prices.

GLOBAL HEALTH CARE SECURITIES FUND

During the six months under review, the portfolio had a total return well below that of the unmanaged Standard and Poor's 500 (S&P 500) Index, but in line with the portfolio's benchmark, the unmanaged S&P(R) Health Care Composite Index's return for the same period. Of course, one cannot invest directly in an index. There appear to be several reasons for the health care sector's significant underperformance. First, beginning in April, there was a rapid shift in market leadership, from the technology and health care sectors, to cyclicals and energy stocks, spurred by fears of inflation and rising interest rates. Second, rising interest rates have a greater impact on the perceived value of high price-to-earnings (P/E) stocks, such as health care stocks. As a result, there was a significant decline in the average P/E multiple of such stocks. Third, investors increasingly were concerned about a new, federally funded drug benefit for Medicare beneficiaries and its potential negative impact for pharmaceutical companies. In addition, several company-specific issues caused significant declines in selected securities, impacting the portfolio's performance.

Our largest sector holding throughout the period was in the large-cap pharmaceutical group, which fell under significant selling pressure due to the factors cited above. Although proposed government price controls on drugs certainly threatened the sector's profitability, we believe that increased access to drugs will generate substantially greater volume for such companies and result in improved health care for the senior population. Therefore, we took advantage of this opportunity to increase our weighting in this sector, and at the end of the period, it represented more than 36.0% of the portfolio's total net assets. The portfolio's largest position was Schering Plough Corp., and Bristol-Myers Squibb Co., Warner-Lambert Co., Pharmacia & Upjohn Inc., Eli Lilly & Co. and American Home Products Corp. were among the portfolio's top 10 positions.

The medical technology sector, making up 24.7% of total net assets, was our second-largest sector at the end of the period. Such companies manufacture medical devices for a broad range of conditions. The portfolio's seventh-largest position, Baxter International Inc., comprising 4.77% of total net assets on June 30, 1999, is the leading manufacturer of blood products and dialysis supplies. We believe that Baxter is significantly undervalued and poised for earnings growth acceleration. We also maintained our core positions in Guidant Corp. and Medtronic Inc., two large, cardiovascular companies that market pacemakers, implantable defibrillators and cardiac stents. Due to recent consolidation, they enjoy stable pricing and dominant market shares.

Over the past six months, the small- and mid-cap health care services area was particularly challenging for us. As a result, we reduced our weighting in this area to 30.3% of total net assets at the end of the period, from 36.1% on December 31, 1998. As a result, the portfolio's average market cap size increased. Perhaps our largest disappointment was McKesson HBO Inc., the result of a merger between the leading drug distributor McKesson and the leading health care information systems vendor HBO & Co. During their year-end audit process, the company learned of certain accounting improprieties that had occurred in HBO's operations. This caused the stock to decline more than 50%. The portfolio's performance was also negatively impacted by earnings disappointments at Serologicals Corp., a specialty blood products manufacturer, and Pediatrix Medical Group Inc., the leading operator of neonatal intensive care units.

During the period, we established several new positions. Our largest new position was MedQuist Inc., a national medical transcription company. We believe MedQuist is poised to benefit from its acquisition of its two largest competitors, which should improve the competitive environment. Given increased consolidation in the hospital sector and movement toward a paperless health care system, we find the transcription area very attractive. We also initiated a position in VISX Inc., the number one manufacturer of laser eye correction devices. We are very excited about the laser eye correction market and believe that VISX has the most leverage to succeed, based on its leading market position.

Going forward, we will continue to maintain a sizable portion of the portfolio in large-cap pharmaceutical and medical technology stocks. Given the recent decline, we feel that such stocks will be very attractive investments over the long term owing to their stability and lack of sensitivity to economic cycles.

TOP 10 HOLDINGS

Mutual Discovery Securities Fund
6/30/99

COMPANY INDUSTRY, COUNTRY	% OF TOTAL NET ASSETS
Investor AB, A and B Multi-Industry, Sweden	3.06%
Compagnie Financiere Richemont AG, Br. A Multi-Industry, Switzerland	2.82%
Rhone-Poulenc SA Health and Personal Care, France	2.06%
Invensys PLC Machinery and Engineering, U.K	1.91%
Suez Lyonnaise des Eaux SA Business and Public Services, France	1.79%
Compagnie Generale D'Industrie et de Participation Multi-Industry, France	1.76%
FKI PLC Machinery and Engineering, U.K	1.49%
Societe Elf Aquitaine SA, Br Energy Sources, France	1.43%
Corporacion Financiera Alba SA Multi-Industry, Spain	1.42%
Lagardere SCA Multi-Industry, France	1.36%

We appreciate your participation in Global Health Care Securities Fund and look forward to serving your investment needs in the years to come. Our goal, as always, is to seize upon the investment opportunities that present themselves in

the health care sector in a timely and disciplined fashion, as we seek to provide our shareholders unique opportunities to invest in today's newest and fastest-growing health care companies.

MUTUAL DISCOVERY SECURITIES FUND

During the six months under review, the domestic economy experienced generally rising interest rates, low inflation and strong economic growth. In Europe, many central banks cut interest rates in an attempt to restart their economies, which were in danger of falling into recessions. The introduction of the euro on January 1, 1999, was heralded as one of the most significant events in Europe since the end of World War II. As of June 30, 1999, however, its performance was somewhat less than impressive, declining by 11.1% compared with the U.S. dollar for the six-month period under review. At the same time, emerging countries in Asia and Latin America appeared to be nearly past the crisis of the last two years, with many posting solid growth.

During the reporting period, we actively hedged our foreign currency exposure, seeking to lower the portfolio's risk caused by fluctuating currencies. As the U.S. dollar strengthened considerably against most European currencies, our hedging activities also helped boost the portfolio's return.

As always, we stayed with our disciplined approach of looking for inexpensive stocks that we felt were selling at a discount to their intrinsic value. We were able to identify a number of securities that fit this profile and produced substantial returns including U.K. engineering company Invensys PLC, French media conglomerate Pathe SA and Italian telecom operator Telecom Italia SpA, di Risp.

Invensys is the product of the merger of BTR PLC and Siebe PLC, two U.K. engineering companies that combined have become a global leader in automation and controls. After the merger was announced in late 1998, we were surprised to see both stocks decline. We saw the combination of the two creating an industry leader that offered restructuring, cost cutting, share buyback potential, significant potential for asset sales and a clean balance sheet -- at a bargain price. The market's misunderstanding was our opportunity. During the six-month period, the stock rose 21.0%. Despite the strong rise, we believe Invensys continues to offer a compelling valuation.

Pathe's assets include movie production facilities, an extensive film library and 16.7% of British Sky Broadcasting (BskyB), a large U.K. broadcasting group. The stock was trading at a discount of more than 50% to what we believed was its net asset value. Having carefully followed this company for the past few years, we purchased the company's stock when the price was at its recent lows. Our patience was rewarded when Vivendi, a large French utility/media conglomerate, bid for Pathe less than a month later, giving our shareholders a return of more than 40%.

We owned Telecom Italia coming into 1999 because we felt it was one of the world's cheapest telecommunication companies, with huge potential for restructuring. During the reporting period, other investors figured this out and the company was subject to one of the largest hostile bids ever undertaken. The stock price rose more than 20.0% over the period.

In addition, we owned several other companies that became the targets of merger and acquisition proposals during the reporting period, including U.K. food company Hillsdown Holdings PLC, Swedish trucking company ASG AB, French bank Societe Generale Paris and French investment bank Paribas. These stocks all made significant contributions to our performance during the six-month period under review.

During the reporting period, we began investing in smaller to mid-size companies in Asia. We believe that many of these securities remain inexpensive when compared to larger-cap securities. We selectively bought only those companies where we trust management to look out for their shareholders' interests.

Going forward, we will continue to look for the least expensive stocks offering the greatest value and having the best potential for substantial future returns. We will especially watch events unfold in Europe, where we are still in the infancy of a new, unified Europe. As events rapidly change, we will be there seeking to take advantage of the volatility and opportunities that will inevitably arise.

NATURAL RESOURCES SECURITIES FUND

During the reporting period, Natural Resources Securities Fund benefited from signs of an economic recovery in Asia. Coupled with interest rate cuts by central banks in many countries, this seemed to bolster investors' enthusiasm about the global economy and led to a partial recovery in commodity prices.

Many of the portfolio's energy holdings rose in value, including Enron Corp., Texaco Inc., Avery Dennison Corp. and Atlantic Richfield Co., which helped the portfolio's performance. The March OPEC agreement to cut oil production, and the expectation of higher profits resulting from merger and acquisition synergies

boosted many energy stocks. Announced mergers in this sector included Exxon Corp.'s acquisition of Mobil Corp., and British Petroleum Co. PLC's acquisitions of Amoco Corp. and Atlantic Richfield Co., creating two of the world's largest integrated oil and gas companies.

TOP 10 HOLDINGS

Natural Resources Securities Fund
6/30/99

COMPANY INDUSTRY, COUNTRY	% OF TOTAL NET ASSETS
Barrett Resources Corp. Energy Minerals, U.S.	4.1%
Atlantic Richfield Co. Energy Minerals, U.S.	3.4%
Newfield Exploration Co. Energy Minerals, U.S.	3.1%
Weatherford International Inc. Industrial Services, U.S.	3.1%
DeBeers Consolidated Mines AG, ADR Non-Energy Minerals, South Africa	3.1%
Texaco Inc. Energy Minerals, U.S.	2.9%
Mobil Corp. Energy Minerals, U.S.	2.8%
Apache Corp. Energy Minerals, U.S.	2.4%
Pohang Iron & Steel Co. Ltd., ADR Non-Energy Minerals, South Korea	2.4%
Cal Dive International Inc. Industrial Services, U.S.	2.4%

The portfolio increased its exposure to energy minerals during the past six months due to improving industry fundamentals. We added several oil exploration and production companies, such as Apache Corp. and Santa Fe Snyder Corp., that we believe will benefit from higher natural gas prices. In addition, we continued to hold highly leveraged companies, such as Barrett Resources Corp. and Newfield Exploration Co., which should also benefit from improving oil and natural gas prices. In the industrial services industry, we held several oilfield service companies such as Weatherford International Inc., Cal Dive International Inc. and Transocean Offshore Inc. Weatherford International is an oil field services company supplying a wide range of drilling and completion products to the drilling industry. Cal Dive is a contractor that provides sub-sea construction, services, maintenance and decommissioning in the Gulf of Mexico. Transocean Offshore is a leader in the worldwide market for deepwater offshore drilling.

Hindering the portfolio's performance was its relative underweighting in the chemical and the paper and forest products sectors, which were better performers compared to the energy sector in the first quarter. We remained underweighted in chemicals because of excess manufacturing capacity, which suppressed prices. However, at the end of the period, we were looking for a re-entry into the paper and forest products sector due to supply constraints by several producers, which we believe should help improve their prospects, particularly if an economic recovery in Asia spurs demand.

Looking forward, we are optimistic about future prospects for Natural Resources Securities Fund. In our opinion, the downward trend in commodity prices probably has bottomed out, and prices should rise in the future. However, we do not purchase securities based solely on the assumption that commodity prices will rise. The portfolio's holdings tend to have strong market positions, superior managements, healthy balance sheets and visible earnings growth. We believe long-term prospects are improving for companies in the natural resources sector and that the portfolio is well-positioned with investments in companies having superior management, relatively low costs, and the capability to add value throughout commodity-price cycles.

SMALL CAP FUND

In keeping with our philosophy, Small Cap Fund seeks growth at a reasonable price. We look for companies with some competitive advantage, such as intellectual property, barriers to market entry for competitors or a faster-than-average growth trend. At the same time, we expect to pay a reasonable price based on such measurements as price to earnings or price to sales for that growth. We attempt to do this with portfolio construction and stock selection based on company-specific research from our equity analysts who identify target buy and sell prices for the securities they follow.

The first half of 1999 was characterized by gradually resurgent investor interest in small-cap stocks. In January, small-cap stocks appeared to keep pace with large caps, only to underperform in February and March as investors sought refuge in large-cap growth stocks amid fears of corporate earnings and a post-holiday consumer spending hangover.

As the second quarter progressed, however, investors reemerged from the large-cap growth refuge to seek investments in long-overlooked cyclical sectors in the small- and mid-capitalization ranges. In our view, investors rotated into cyclicals with the belief that improving Asian economies would stimulate increasing commodity demand and, in turn, give better pricing power for commodity producers. Concurrent with the sudden, powerful shift into cyclicals was a more gradual and sustained move into smaller-capitalization stocks.

During April and May, we saw a broadening interest in most small-cap industry sectors. The portfolio experienced price appreciation in its commercial services, industrial services, energy, utilities and transportation holdings that had languished in 1998. In many cases, the rising tide in small-cap stocks lifted all boats, which made this second quarter less of a stock-picking than a sector-picking environment. Technology, which is overweight in the portfolio, was the most notable out-of-favor sector as Internet stocks fell back toward earth. Since January 1, we have been selling our largest Internet positions. However, we will likely retain our Internet overweighting relative to the June 30 Russell 2000(R) Index, which is composed of 2,000 small-cap companies with an average market cap of approximately \$525 million, because growth potential in the Internet industry remains strong. We believe that, as they have in the second quarter, the portfolio's commercial services, industrial services, energy, utilities and transportation holdings will somewhat offset summer volatility in the portfolio's Internet and technology holdings. In the non-Internet technology sectors, we continue to seek companies that supply products and consulting services that enable communications service providers to expand their voice and data infrastructure.

The second quarter broadening of investor interest has returned some liquidity to small caps and partly closed the valuation disparity between small- and large-cap stocks. Entering the summer, we cannot predict with any certainty that small-cap liquidity and investor interest will continue. Moreover, we are cautious about potential further interest rate increases even though the Federal Reserve Board (the Fed) adopted a neutral bias in its June meeting. We are cautious because the potential Asian economic resurgence may raise producers' materials costs and because we are seeing some anecdotal evidence of rising consumer prices. If we do indeed enter an inflationary environment of rising interest rates, we would expect that growth stocks, particularly the technology stocks that this fund favors, would be more volatile and vulnerable to near-term price declines. The sharp rally in technology shares during the last week of the quarter indicates that investors believe that rate increases are unlikely for the remainder of the year, which we believe is a potentially dangerous assumption. Nonetheless, despite the high valuations in technology shares we continue to overweight our investments in this sector. We firmly believe that technology is steadily increasing global economic productivity and that these productivity increases will counterbalance inflation over the longer term. Therefore, despite the risk higher interest rates pose to technology growth stock valuations, we will continue to seek and invest in the growing Internet, semiconductor and communications industries whose technologies offer their customers clear potential for productivity improvement.

TOP 10 INDUSTRY BREAKDOWN
Small Cap Fund
6/30/99

INDUSTRY	% OF TOTAL NET ASSETS
Electronic Technology	23.0%
Technology Services	20.4%
Finance	8.0%
Telecommunications	6.1%
Energy Minerals	4.6%

Industrial Services	4.5%
Consumer Services	4.4%
Real Estate	3.7%
Producer Manufacturing	3.6%
Commercial Services	3.2%

TOP 10 HOLDINGS

Templeton Developing Markets Equity Fund
6/30/99

COMPANY INDUSTRY, COUNTRY	% OF TOTAL NET ASSETS

Telefonos de Mexico SA (Telmex), ADR Telecommunications, Mexico	6.2%
Cemex SA Building Materials and Components, Mexico	4.0%
Thai Farmers Bank Public Co. Ltd. Banking, Thailand	3.0%
Akbank Banking, Turkey	2.6%
Centrais Eletricas Brasileiras SA (Eletrobras) Utilities Electrical and Gas, Brazil	2.4%
Korea Electric Power Corp. Utilities Electrical and Gas, South Korea	1.8%
Grupo Financiero Banamex Accival SA de CV Banking, Mexico	1.7%
Anglo American PLC Multi-Industry, South Africa	1.7%
CEZ AS Utilities Electrical and Gas, Czech Republic	1.5%
Sasol Ltd. Energy Sources, South Africa	1.4%

Going forward, we cannot predict when small-cap stocks will begin to outperform their larger counterparts. However, it is worth noting that over the long term small-cap stocks have outperformed large caps. Historically, when there have been signs that the global economy is beginning a new cyclical upturn, small caps tended to outperform the market. Although we see signs that the global economy is improving, the Fed may intervene again to restrain the domestic economy, which may delay or reverse small-cap growth company share price appreciation.

TEMPLETON DEVELOPING MARKETS EQUITY FUND

At the beginning of 1999, investor attention was focused on events in Brazil. Prior to the new year, the Brazilian government had failed in its third attempt to pass economic reform and as a result, foreign investment dollars fled the country at a rapid rate. This outflow of funds put the nation's current account and pegged currency on very shaky ground. It appeared that concern over a near-collapse of the Brazilian economy, the eighth largest in the world, severely dampened sentiment toward Latin American investments as well as the rest of the emerging markets. By mid-January, the Brazilian government announced that it would no longer support its currency, the real. The currency plummeted in response, falling 41% against the U.S. dollar by month end. However, while the currency fell, the stock markets throughout Latin America began a rally, which continued until May. With the breaking of the real's peg to the U.S. dollar, investors were finally able to take advantage of the bargains that existed in the region. The Brazilian government took the market rally as a positive sign and used the momentum to drive key reform bills through its congress. Within months, the Brazilian economic situation had dramatically improved. Interest rates were falling, the currency stabilized and key reforms stood ready for enactment.

The strength from Latin America spread across the seas to affect other emerging markets. The advance recorded in Asian markets since September 1998 had been restricted by the turmoil in Brazil. However, as the Brazilian picture improved,

so did sentiment toward investing in Asia. The Asian rally had resumed by March, with strong growth recorded throughout the region. Adding to the strength in Asia was the gradual emergence of positive economic figures, such as slowed or reversed unemployment growth and shrinking trade surpluses, indicating increasing domestic spending. As in most emerging markets, Asian economies continued to face difficulties, but the positive indicators encouraged equity investors, sending stock markets ever higher.

The laggard in regard to the renewed recovery trend was Eastern Europe. With the onset of NATO's war against Yugoslavia, concerns about the war's impact on trade and regional relations kept investors on the sidelines. Another question was the state of political power in Russia. During the early portion of the year, Russia continued to renegotiate a rescue package with the International Monetary Fund (IMF) while almost constantly reshuffling its government. President Yeltsin faced and ultimately defeated an impeachment attempt and in apparent retaliation, fired his prime minister. While the political wrangling continued at home, Russian diplomats were busy trying to broker a peace agreement between NATO and Yugoslavia. The nation's diminished status on the world political map, however, meant that its brokerage attempts were difficult, and on more than one occasion the diplomats "threatened" to stop their search for peace as they felt no one was listening.

Toward the end of the six-month period, inflation became the overwhelming concern for emerging markets investors. In April, the U.S. reported a slight increase in inflation, raising concerns that the Federal Reserve Board would raise interest rates. The announcement once again stopped the advance of emerging markets in May as investors took profits ahead of a likely reduction in liquidity. The threat of inflation was eased in June, however, as May's U.S. Consumer Price Index (CPI) announcement showed virtually no change from the previous month. In response, the emerging markets renewed their advance.

For the six months under review, your portfolio outperformed its benchmark, the unmanaged Morgan Stanley Capital International (MSCI) Emerging Markets Free Index. This outperformance was due mostly to the portfolio's selection of stocks in South Africa and Singapore, two markets in which the portfolio was overweight compared with its benchmark. Of course, one cannot invest directly in an index.

Varying stock performance resulted in some slight changes to the portfolio's composition, although we made no major restructuring effort during 1999. We sold the portfolio's holdings in Sri Lanka, Croatia and Jordan as we felt we could find better bargains elsewhere, while we added Austria to give some exposure to the future development of the European Union and the euro currency. Strong growth by our Mexican and South African holdings resulted in an increase in the portfolio's exposure to these countries. However, the portfolio's regional exposure remained largely unchanged. As of the end of the six-month period under review, Mexico comprised the portfolio's greatest country weighting at 13.6% of total net assets, followed by holdings in South Africa, 10.4%; Brazil, 10.0%; and Singapore, with 9.6%. Varying individual performances led to the replacement of four companies in the portfolio's top 10 holdings. South Africa's Anglo American PLC and Sasol Ltd. replaced Hong Kong's Cheung Kong Holdings Ltd. and New World Development Co. Ltd. In addition, Grupo Financiero Banamex Accival SA de CV (Mexico) and Korea Electric Power Corp. (South Korea) replaced Compania de Telecomunicaciones de Chile SA, ADR (Chile) and Molinos Rio de la Plata SA, B (Argentina). The outperformance of telecommunications shares saw the portfolio's exposure to this sector increase by around 30%.

GEOGRAPHIC DISTRIBUTION

Templeton Global Growth Fund

Based on Total Net Assets

6/30/99

[PIE CHART]

Europe	36.3%
North America	24.7%
Asia	19.9%
Latin America	7.3%
Australia/New Zealand	5.6%
Mid-East/Africa	1.6%
Short-Term Investments & Other Net Assets	4.6%

We believe another interest-rate increase in the U.S. has already been discounted by emerging markets, as reflected by the continued advance despite Federal Reserve Board Chairman Alan Greenspan's reference to a possible interest rate increase in his address to Congress. When a second rate increase comes, we expect the emerging markets to react negatively, but as long as the rate increase is not unreasonable, most emerging markets should resume their growth trend after only a short break. As a result, we are treating the rate increase as a cause of short-term volatility, and are not expecting a wholesale reversal of the recovery trend. Such volatility could be enhanced by developments in countries such as Pakistan, India and Korea, where political struggles are currently playing out. Also, the formation of a new government in countries such as Indonesia, Mexico and South Africa could add to the uncertainty. While all

these issues remain in the markets, we expect their impact to be short-lived and the overall long-term recovery and growth trend to be preserved.

TEMPLETON GLOBAL GROWTH FUND

Cautious optimism crept back into the global financial system during the six months under review, building on the confidence that emerged after the muted impact of the Brazilian devaluation at the start of 1999. Tentative recoveries in many of the Asian and Latin American economies appeared more robust, with Japan surprising most economists when it reported exceptionally strong, first quarter economic growth. Even in recently volatile Indonesia, the economic outlook was improving when elections proved far more peaceful than political pundits predicted. In the U.S., equity investors optimistically looked beyond rising bond yields toward strong, second quarter earnings resulting from the continued economic expansion.

However, underneath the headlines, difficulties remained. In Europe, the major economies were surprisingly weak. This weighed on the value of the euro, the common currency of the 11-country European Monetary Union (EMU), and caused most European stock markets to post lackluster gains. In addition, many emerging countries must maintain the momentum of reform to continue their recent economic growth.

In the U.S., strong economic data and rising commodity prices led to fears that inflation might lurk on the horizon and pushed the 30-year Treasury bond yield above 6% in June, its highest level since 1997. Taking note of this, the Federal Reserve Board (the Fed) raised the federal funds target rate 0.25%, to 5.00%, in its late-June meeting. During the reporting period, the stock market shrugged off the Fed and these bearish indications as investors seemed to focus instead on the resilience of the longest economic expansion in post-war history.

Against this backdrop, the portfolio's performance benefited from a combination of factors including a rebound in cyclical companies' and energy companies' share prices and strong gains in Asian and South American stock markets. For the portfolio, these positives outweighed the negative effects from its European positions and a U.S. allocation relatively less than that of the portfolio's benchmark, Morgan Stanley Capital International (MSCI) AC World Free Index. During the period, many European markets had marginal or negative returns in U.S.-dollar terms. The U.S. market's strong performance was less influential than it might have been, as 20.9% of the portfolio's total net assets represented U.S. investments on June 30, 1999, compared with 49.4% for the benchmark.

Our U.S. underweighting was principally because of the high stock valuations in the U.S. The market is the world's third most expensive, after Israel and Finland (which is dominated by one stock, Nokia). Much of this performance came from investors willing to pay more for stocks on a price-to-earnings basis, which we believe will be difficult to repeat over the next five years.

Despite our underweight position in the U.S., we have more invested in American companies than those from any other country. During the period, we found some attractive bargains in a wide range of industries including automobile stocks, aerospace and defense manufacturers, and insurance companies.

The portfolio's basic industry exposure helped its performance as cyclical companies rebounded as a result of the improved commodity prices. Before their recent moves, many of these companies were selling at valuations that were near 20-year lows relative to their respective markets. Our company-specific approach led us to take advantage of these depressed multiples by establishing significant positions in chemicals, forest products, metals and mining companies. Signs of continued expansion in the U.S. coupled with a recovery in Asia raised the prices of commodities from aluminum to zinc, during the period. Similarly, an oil price rebound and consolidation within the sector helped our energy sector holdings.

European markets generally performed poorly in the first half of the year. While most of the European stock markets were up a respectable amount in local terms, the weak euro meant that when translated into U.S. dollars, the majority of the markets reported losses year-to-date. Notable exceptions were those that had not yet taken part in the monetary union such as Norway, Sweden and the U.K., all of which finished in positive territory. The portfolio benefited from its exposure in these countries, particularly the latter where we uncovered bargains in a number of smaller engineering firms during the period. Many of these stocks posted sizable gains during the six-month period under review.

TOP 10 HOLDINGS
Templeton Global Growth Fund
6/30/99

COMPANY	% OF TOTAL
INDUSTRY, COUNTRY	NET ASSETS

Raytheon Co., A Aerospace and Military Technology, U.S.	2.1%
Pohang Iron & Steel Co. Ltd. Metals and Mining, South Korea	1.7%
Pharmacia & Upjohn Inc. Health and Personal Care, U.S.	1.7%
Nortel Networks Corp. Data Processing and Reproduction, Canada	1.6%
General Electric Co. PLC Electrical and Electronics, U.K	1.6%
Iberdrola SA, Br Utilities Electrical and Gas, Spain	1.5%
AXA SA Financial Services, France	1.5%
Zurich Allied AG Insurance, Switzerland	1.5%
Invensys PLC Industrial Components, U.K	1.4%
Morgan Stanley Dean Witter & Co. Financial Services, U.S.	1.4%

WHAT IS ROE?

Return on Equity (ROE) is a measure of a corporation's profitability calculated by dividing a company's net income by the value of its common stock equity. ROE tells shareholders how effectively their money is being utilized. When a company's earnings double, its ROE also doubles but its price-to-earnings ratio (P/E) is reduced by half.

It is difficult to overstate the profound impact that the past two years had on Asian countries. Reforms that were unthinkable a few years ago were forced by necessity and, in some countries, gained acceptance as they underpinned the beginning of a recovery. In Thailand, for example, foreigners were able to purchase property for the first time in 1999. Bankruptcy and foreclosure laws were being hurried into place to deal with delinquent borrowers. Foreign companies can now own controlling stakes in financial institutions. The same is true in Korea, where ownership was limited to 4% of a company prior to the crisis. Just in the second quarter of 1999, Singapore did away with the artificial distinction between foreign and local bank shares. Even in Indonesia, which to this point has been Southeast Asia's worst case during the crisis, the recent political election represented a step towards stability. Although these improvements may have blemishes, the direction remains positive.

The rally in Asia continued during the period with many markets posting sizable gains. For the six months under review, the MSCI Emerging Markets Far East Index, which excludes Hong Kong and Japan, was up 57.5% in U.S.-dollar terms, with most of that increase coming in the second quarter of 1999. Outside of the countries in the index, Hong Kong rose 36.7% while Japan was up 20.9%. The continued recovery in sentiment toward these markets was all the more impressive coming in the face of rising U.S. interest rates.

Hong Kong's economy faces formidable challenges. Unemployment continues to rise, while gross domestic product (GDP) falls. Costs in many sectors are still too high and further deflation may be needed to restore competitiveness. However, Hong Kong's pegged exchange rate, while restricting currency flexibility, mandates a discipline for many companies that may ultimately enhance returns to shareholders. Rather than relying on a weak currency to make them competitive, companies are forced to make difficult decisions about where they allocate capital and how they bring down costs.

Our largest exposure to the region was still in Hong Kong, with 7.4% of the portfolio's total net assets on June 30, 1999. With the market having almost doubled from its six-month low in February 1999, we took advantage of the improved stock prices to trim some of our larger positions. However, we still maintained an overweight exposure at the end of the reporting period. Selling at 26 times earnings, Hong Kong appeared as expensive as markets in Europe and North America. However, the comparison was not entirely fair since earnings for Hong Kong companies remained depressed. Based on MSCI World Index data, the return on equity (ROE) in Hong Kong for May 1999 was approximately 6% compared with a five-year average of 12%. That means if Hong Kong were to return to its historical ROE, earnings would be double their current level, and the price-to-earnings ratio would be closer to 13. With many of the developed

markets around the world well above their historical norms in valuation terms, we believe Hong Kong is still an attractive place to invest.

The Japanese market performed strongly throughout the period under review, rising 26.7% in local currency terms, from 13842 on December 31, 1999, to 17530 at the end of the period. GDP numbers for the first quarter suggested that the economy was growing at an annualized rate of 8%, a dramatic turnaround from the previous five consecutive quarterly declines. Some of the strength clearly came from the rebound in Asian demand. While the growth figure may turn out to have been an anomaly, the restructuring taking place in corporate Japan gained considerable momentum over the past six months. From a longer-term standpoint, this is an even more encouraging sign for the underlying economy.

Why are we still underweight the Japanese market when these positive signs have started to emerge? First, we do not allocate assets to a market because we see favorable trends, but instead try to factor what those trends will mean for specific companies' long-term earnings. We then buy those companies that appear undervalued compared to all other corporations we study worldwide. Second, should the recovery in Japan prove sustainable, it would clearly have a very beneficial impact on our holdings elsewhere in Asia, some of which sell at far more attractive valuation levels than the majority of Japanese stocks.

Latin American stock markets continued to recover in the second quarter due to relative currency stability and improved commodity prices. Brazil benefited from a steady currency, the real, which together with benign inflation and a pickup in exports allowed interest rates to decline more than 50% from their peak this year. This was a similar recipe to the one that helped start Asia's recovery, although Brazil still faces challenges including a high budget deficit. Mexico is also benefiting from a stable peso, a strong U.S. economy and higher oil prices. In spite of the rallies in these countries, they remain among the most attractive globally. At the end of the period under review, Latin America comprised 7.3% of total net assets.

As noted at the beginning, the rebound in cyclical and energy related companies coupled with improvement in Asian and Latin American investments accounted for much of the improved performance in the portfolio so far this year. Although many of these positions contributed to the portfolio's lackluster performance experienced in 1998, so far, 1999 has proved a kinder year to value-oriented investors. We remain steadfast in our conviction that Templeton's value-based stock picking approach will produce superior returns for investors over the long term.

GEOGRAPHIC DISTRIBUTION

Templeton International Equity Fund
Based on Total Net Assets
6/30/99

[BAR CHART]

Europe	64.4%
Latin America	11.0%
Asia	9.5%
Australia/New Zealand	6.0%
North America	3.5%
Middle East/Africa	1.2%
Short-Term Investments & Other Net Assets	4.4%

TEMPLETON INTERNATIONAL EQUITY FUND

Templeton International Equity Fund ended the six-month period under review with a strong performance that was largely due to its exposure to emerging market stocks, primarily in Latin America, where 11.0% of the portfolio's total net assets were invested on June 30, 1999. The portfolio's European holdings, 64.4% of total net assets at the end of the period, benefited from renewed investor enthusiasm for low-priced cyclical shares, aiding portfolio performance. Hurting the portfolio's relative performance was its low weighting in Asian stocks, which performed very well in the first half of 1999. Additionally, the weakness in the euro's value negatively impacted the value of many of our European stocks.

The environment for overseas investors improved significantly in the first half of 1999. The sharp economic setback seen in Asia during 1997-98 appeared to be over, and the long recovery process has begun. Strong U.S. economic growth continued to support growth elsewhere, and even the devaluation of the Brazilian currency, the real, could not undermine growing investor confidence that the worst economic jolts had already been felt. In Europe, growth was slower than hoped for, but a more serious recession has been avoided thus far. Overall, corporate earnings continued moving upward while interest rates rose. Many investors responded favorably by bidding up share prices of equities that earlier were considered at risk from the fallout of the Asian economic meltdown. Meanwhile, the stock prices of companies earlier viewed as safe havens from a potential worldwide economic downturn mostly suffered as investors reallocated funds toward economically sensitive equities. Moreover, there remained more than ample liquidity to support high share valuations in most of the world's stock

markets.

Despite Europe's overall lackluster stock markets, many of our European cyclical stocks performed strongly, as they appeared to benefit greatly from growing investor confidence that Asia's earlier problems would not spread throughout the world. Instead, investor attention refocused on the potential for such companies' earnings to improve, as commodity price increases became possible again with rebounding world economic growth. The market value of holdings in such firms as British Steel PLC, paper maker Stora Enso OYJ, R, and chemical manufacturer Imperial Chemical Industries PLC all moved up during the reporting period in response to these trends. The weak euro also improved the export competitiveness of many European manufacturers, leading to improved customer demand and greater corporate profits. Although many European shares were less expensive than those found in the U.S., valuations still remained high by historical standards for Europe as a whole. Accordingly, we continued to tilt the portfolio's holdings toward those European shares that met our stringent valuation criteria. This led us to maintain large weightings in the U.K., with 21.9% of total net assets at the end of the period, and the Nordic stock markets, 11.6%, which were the only European markets to achieve positive U.S. dollar returns in the six months under review.

We also achieved strong returns in Latin America in the first half of 1999. Mexico was the region's standout performer, with the Mexican Bolsa rising 56.5%, while most of the other Latin markets rose between 15% and 25% as well. The receding fears of an impending worldwide economic debacle caused by Asia's earlier economic difficulties restored investor confidence in the region and led to attractive share price advances. The Brazilian currency devaluation temporarily upset the market, but it quickly overcame this, because of better than expected economic reports and sharply falling interest rates. Due to our large exposure to Brazilian stocks such as Petroleo Brasileiro SA, pfd., Telecomunicacoes Brasileiras SA (Telebras) and Unibanco Uniao de Bancos Brasileiros SA, the rapid rebound in Brazilian equity prices greatly contributed to the portfolio's performance. Even after this advance, our Brazilian holdings' valuations remained among the lowest in the world, and we are content to hold on to these positions. Additionally, YPF SA, an Argentine oil company and a large portfolio holding, rose strongly in the reporting period due to a takeover offer from the Spanish oil company Repsol SA.

We found it more difficult to find attractive long-term values in most of the Asian markets. Many Asian economies began to see meaningful improvement, but the damage to the banking and corporate sectors will take much time and money to repair. In particular, we were concerned that while many companies will begin to see improving sales and operating earnings in the 1999-2000 time period, earnings per share for such companies often may not recover as much as many analysts hope. Many of these companies may need to issue new shares as they raise money to repair weakened balance sheets, which would lower their earnings per share. Moreover, continued economic problems in Japan and China could pose additional challenges for the region going forward. Accordingly, we maintained a low weighting in Asia and purchased only strongly capitalized companies such as Korea Telecom Corp., ADR and Smartone Telecommunications Holdings Ltd. We suspect that better bargains will emerge in Asia as the recovery and recapitalization process moves forward. However, our course may be difficult, as other investors have rushed to re-establish positions in Asian markets, thereby ramping up share prices. We will continue to seek out Asian stocks that are selling at bargain levels based on our long-term earnings per share estimates while attempting to avoid those stocks where the market may have temporarily forgotten about the need these companies may have to issue new shares. For example, Korea was one of the best-performing markets in Asia, but new equity issuance in the remainder of 1999 might surpass 20% of the current stock market capitalization.

Looking forward, as the markets move higher we will be looking for opportunities to exit higher-priced stocks in favor of those that meet our criteria for attractive long-term value. We suspect that this will mean reducing some of the portfolio's holdings in Europe while building our positions in well-capitalized Asian companies. With the global economy's health improving daily, the environment for investing overseas remains favorable. Moreover, valuations for foreign shares generally remain below those of U.S. shares. Nevertheless, valuations overseas are not low by historical standards, and it is more difficult than ever to identify outstanding bargains. These high valuation levels represent a potential risk should the economic trends turn unfavorable and limit corporate earnings growth or lead to higher interest rates. As always, our research team will be scouring the world for those shares whose prices are selling at the lowest value in relation to their long-term earnings potential, since such shares help reduce risk while offering the potential for attractive long-term returns.

GEOGRAPHIC DISTRIBUTION

Templeton International Smaller Companies Fund

Based on Total Net Assets

6/30/99

[PIE CHART]

Europe	49.9%
Asia	27.1%
North America	5.8%
Latin America	5.7%
Australia/New Zealand	4.1%
Mid-East/Africa	0.8%
Short-Term Investments & Other Net Assets	6.6%

TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND

During the six months ended June 30, 1999, Templeton International Smaller Companies Fund performed strongly as foreign small-cap stocks rebounded from a generally disappointing 1998. The portfolio's performance benefited from a general resurgence in small companies and a market rotation to out-of-favor cyclical stocks. As value investors, we had substantial positions in cyclical stocks, or shares in companies that are particularly sensitive to movements in the economy. Until April, many cyclical companies were selling at significant discounts to their underlying value and had been identified as bargain stocks by our analysts.

The portfolio employs a "bottom-up" value approach to stock-picking, as we look carefully at companies based on their long-term operating fundamentals. We often take advantage of short-term volatility, because such disruptions can evoke a wave of investor selling, which can push the stock price down to a level well below its intrinsic value. However, we also recognize that value often takes time to show itself in the form of higher prices. For this reason, we are long-term investors, typically holding stocks we buy for about five years.

On June 30, 1999, the portfolio's largest country allocations were in the U.K. (16.3%), Hong Kong (12.9%), the Netherlands (6.0%) and Spain (6.8%). Nearly fifty percent of the portfolio was invested in European stocks, 27.1% in Asian stocks, 5.7% in Latin American stocks, 10.7% in other stocks and the balance in cash instruments.

In local currencies, European exchanges generally rewarded investors during the first half of 1999. Stock markets in France, Germany, the Netherlands and the U.K. each returned in excess of 6% in local currency terms. However, because the U.S. dollar strengthened during the period, dollar-based returns were significantly lower. Increased merger and acquisition (M&A) activity in the first half of 1999 helped unlock value in some of our European small-cap shares. In April, the portfolio benefited as Unigate PLC made an offer to buy fund holding Terranova Foods PLC, a U.K. convenience foods manufacturer, and eventually purchased the company at nearly twice the prebid speculation price. Likewise, Dahl Intressenter AB announced its acquisition of portfolio holding Dahl International AB, a Swedish plumbing wholesaler, at a healthy premium to its pre-offer closing price. We believe that corporate activity will continue to shape the European investment landscape and help focus investor attention on unjustifiably undervalued small-cap shares.

In Asia, most stock markets recovered sharply during the period. Many banks resumed lending as interest rates declined. Partially as a result of this, investor confidence seemed to rebound in banks and property stocks, two sectors hit hard by tightening credit, as banks were able to make financing available to corporations and homebuyers. This is especially true in Hong Kong, our largest weighting in the region. Consequently, our holdings in companies like Dah Sing Financial Holdings Ltd., a well-managed Hong Kong bank with strong capital ratios and a quality loan book, performed particularly well for the portfolio.

The period under review saw strong performance from Japan, with the Nikkei posting a 20.9% return, as foreign investors attempted to rebalance their historically underweight positions. Although there are signs of economic reform in Japan, the strong returns were largely driven by technical rather than fundamental factors in our opinion. Nevertheless, Japan appears to be moving in the right direction as competitive pressure and greater disclosure requirements force Japanese companies to take an honest account of their business mix, to reduce excess capacity or merge. While Japan is the portfolio's second-largest Asian weighting, Japanese equities still accounted for only 2.9% of the portfolio's total net assets on June 30, 1999. An example of our Japanese holdings is Yamato Kogyo Co. Ltd., a leading producer of H-beam steel used to construct buildings and bridges, which we were able to purchase below what we felt was the fair value of the company's assets.

Despite the economic problems in Latin America, stock prices in this region performed very well as investors began looking forward to potentially improved economic performance. Moreover, the very low valuations of Latin American stocks relative to those elsewhere attracted investor interest. Brazil remained the portfolio's largest area of concentration in Latin America, with 4.1% of total net assets on June 30, 1999. One of the portfolio's Brazilian holdings is Weg SA, pfd., an integrated motor manufacturer. The company should see significant opportunities to export its products, particularly to the U.S.

Despite the portfolio's solid performance during the first half of 1999, small companies or enterprises with less than U.S. \$1 billion in market capitalization

generally remain undervalued relative to large companies in most major markets. This disparity is evident when comparing almost any valuation measure such as price-to-earnings, price-to-cash flow or price-to-book value. We see this continued divergence as an unusually good opportunity to uncover bargain small-cap stocks for the portfolio.

TOP 10 HOLDINGS

Templeton International Smaller Companies Fund
6/30/99

COMPANY INDUSTRY, COUNTRY	% OF TOTAL NET ASSETS
GTC Transcontinental Group Ltd., B Broadcasting and Publishing, Canada	3.0%
Giordano International Ltd. Merchandising, Hong Kong*	2.7%
Li & Fung Ltd. Merchandising, Hong Kong*	2.3%
Sa des Galeries Lafayette Merchandising, France	2.3%
Dah Sing Financial Holdings Ltd. Financial Services, Hong Kong*	2.1%
Weir Group PLC Industrial Components, U.K	2.0%
Grupo Dragados SA Construction and Housing, Spain	2.0%
Lex Service PLC Business and Public Services, U.K	2.0%
Siam City Cement Public Co. Ltd., fgn Building Materials and Components, Thailand	1.9%
Gas y Electricidad SA, Br Utilities Electrical and Gas, Spain	1.8%

*Hong Kong reverted to the sovereignty of China on July 1, 1997.

TOP 10 HOLDINGS

Templeton Pacific Growth Fund
6/30/99

COMPANY INDUSTRY, COUNTRY	% OF TOTAL NET ASSETS
Development Bank of Singapore Ltd., fgn Banking, Singapore	4.3%
Fuji Heavy Industries Ltd. Industrial Components, Japan	3.9%
Wheelock and Co. Ltd. Multi-Industry, Hong Kong*	3.8%
Singapore Airlines Ltd., fgn Transportation, Singapore	3.6%
City Developments Ltd. Real Estate, Singapore	3.6%
Commerce Asset-Holding Bhd. Financial Services, Malaysia	3.6%
Mitsubishi Heavy Industries Ltd. Industrial Components, Japan	3.0%
Nisshinbo Industries Inc. Textiles and Apparel, Japan	2.8%

AXA China Region Ltd.
Insurance, Hong Kong

2.7%

Daito Trust Construction Co. Ltd.
Construction and Housing, Japan

2.6%

*Hong Kong reverted to the sovereignty of China on July 1, 1997.

TEMPLETON PACIFIC GROWTH FUND

Throughout Asia, the announcements of monetary easing and corporate restructuring in Japan dominated investor attention during the six months under review. Japan's policymakers finally appeared to be taking strong measures to shore up the floundering economy. The news, coupled with positive developments in the Latin American emerging markets, buoyed market sentiment throughout Asia, with particularly strong performances in Hong Kong, Taiwan, Korea and of course, Japan. Templeton Pacific Growth Fund benefited from these developments in this period, as 50.4% of the portfolio's total net assets were in Hong Kong and Japan on June 30, 1999. Our gains were particularly notable in March, the month in which Japanese stocks began fully to reflect a fundamental change in foreign investor attitudes toward Japanese equities.

In our opinion, the fruits of the "big bang," Japan's financial reforms, are forcing a fundamental shift that promises to benefit portfolio performance over the long term. Competitive pressure, combined with greater disclosure requirements, are finally forcing Japanese companies to take honest account of their business mix, to shut down capacity and/or merge. While this news is positive and has fueled a surge in Japanese share prices, we remain cautious in our investment choices as the necessary restructuring is extensive and not all companies will survive. At the beginning of the reporting period, we held back from rushing into Japan. However, since then, we have added to several positions, including Nomura Securities Co. Ltd., Fuji Photo Film Co. Ltd. and Kurita Water Industries Ltd.

Hong Kong, where we held 23.8% of the portfolio's total net assets on June 30, 1999, experienced improving economic fundamentals, indicated by declining interest rates, firming real estate prices and low inventories. Recent share price moves now appear to reflect these improvements. Nevertheless, China's development exerts considerable influence on Hong Kong's economy. In China, signs are mounting that they may be forced to devalue their currency before the end of the year. As the surrounding region stabilizes, the central government's incentives to maintain the current level of the Chinese currency, the renminbi, recede. Although we do not believe a devaluation would destroy regional economic recovery, we would expect both Chinese and Hong Kong shares to retreat. Hence, we selectively took advantage of the reporting period's rally, by taking profits on Hong Kong names including Cathay Pacific Airways Ltd., Hon Kwok Land Investment Co. Ltd., and Cheung Kong Holdings Ltd.

The rest of Asia, particularly countries such as Korea and Thailand that have already taken great strides in restructuring, will be a big beneficiary of Japan's economic recovery. Our combined exposure to Korea and Thailand was 2.1% of the portfolio's total net assets at the end of the reporting period. Our lack of exposure in Korea reflects our belief that the market has run ahead of itself in discounting the news of restructuring. Compared to Japan, for example, we feel that Korea engenders a far greater risk of labor unrest as a consequence of corporate layoffs and restructuring.

In Thailand, the market response to regional stabilization has been less enthusiastic than in Korea. We similarly remain on the sidelines, as we would first like to see whether the government will be able to implement the recently enacted bankruptcy law. Finally, in Malaysia our weighting increased, from 7.4% of total net assets on December 31, 1998, to 10.9% on June 30, 1999. This increased exposure results from a 39% rebound in the Malaysian market rather than from any portfolio management activity. We continue to maintain our holdings as a result of capital controls the Malaysian government introduced last September. However, based on recently announced policy changes, we fully expect further relaxation of capital controls.

Looking forward, we are optimistic about future prospects for investing in the Pacific Rim markets. While we are still cautious about Japan, recent economic reforms designed to make its financial institutions more efficient have the potential to benefit the country's economic performance over the long term. In our opinion, the Japanese government now understands what levels of liquidity are necessary to revive the country's economy, and it appears willing to take action to achieve this goal. It is also encouraging that other Asian countries, particularly those that have already taken positive strides in restructuring, may benefit from Japan's potential economic recovery.

PORTFOLIOS SEEKING GROWTH AND INCOME

OVERVIEW

Global utility stocks were volatile over the six-month period ended June 30, 1999. While telephone service stocks rose sharply, electric utility stocks declined approximately 5%-10% and gas stocks were mixed during the period. The portfolio benefited from this, as our large weighting in telephone and cellular service stocks performed well, offsetting the electric and gas utilities' weak performance. For the six months under review, the portfolio outperformed its benchmark, the unmanaged FT/S&P Actuaries World Utilities Index. Of course, one cannot invest directly in an index.

Continued strong growth in demand for wireless communications and better-than-expected growth in data traffic stemming from Internet expansion drove the telecommunications industry's strong performance. Data traffic increased as a proportion of total telecommunications traffic as Internet usage wove its way deeper into our everyday lives. The strong demand for wireless phone service seen in Europe over the past several years spread elsewhere in the world. In the U.S., wireless telecommunications subscribers numbered more than 70 million, or approximately 25% of the population, at the end of the reporting period.

GEOGRAPHIC DISTRIBUTION

Global Utilities Securities Fund

Based on Total Net Assets

6/30/99

[PIE CHART]

North America	65.1%
Europe	23.1%
Asia	4.4%
Latin America	1.4%
Short-Term Investments & Other Net Assets	6.0%

Domestic electric utility companies, 22.3% of the portfolio's total net assets on June 30, 1999, continued to streamline their financial and operational structures to prepare for increased competition resulting from deregulation. We believe many of these companies should create substantial shareholder value over the coming years, as a result of their restructuring efforts. During the period, we more than doubled our exposure to the telecommunications industry, from 25.0% of total net assets on December 31, 1998, to 54.3% on June 30, 1999, as we felt this sector offered significant value. Our weightings among other portfolio industries remained relatively stable over the period with electric companies -- domestic and foreign -- at 37.0% and gas companies 3.0% of total net assets at the end of the reporting period.

Over the six-month period, the U.S. experienced the strongest performance, with Europe, Asia and Latin America producing mixed results. The largest geographic portfolio weightings were in North America at 65.1% and Europe at 23.1%, while we were underweight relative to our benchmark in Asia and Latin America, with only 4.4% and 1.4% of total net assets respectively, on June 30, 1999.

UNITED STATES

In the U.S., telecommunications stocks were strong performers during the six months under review, driven by increasing traffic volumes, continued deregulation and strong growth in wireless services. Portfolio holdings MCI WorldCom Inc., Airtouch Communications Inc. (recently acquired by Vodaphone), Lucent Technologies Inc., Nextel Communications Inc., Primus Telecommunications Group Inc., Bell Atlantic Corp. and others were up strongly over the period. We typically seek telecommunications companies that we believe are leaders in their industry and have the potential to deliver significant shareholder value over the long term. One of the larger portfolio holdings, Sprint Corp. (PCS Group), is a good example of the type of company we look for when making investments. The company is uniquely positioned to take advantage of the growth in wireless communications due to its strong balance sheet, well-known brand name and state-of-the-art digital network. Since we purchased this stock, it has delivered record levels of subscriber growth and is now considered one of the world's premier wireless telecommunications companies.

The past six months have been challenging for electric and gas utility investors. Strong domestic economic growth caused many investors to seek opportunities in other, more economically sensitive industries. The strong, long-term fundamentals remain in place for these companies given their high level of free cash flows, strong balance sheets and the noncyclical nature of their products and services.

Diversification can be a key performance driver for any company, but it is particularly relevant to an electric utility company because it is difficult for investors to value a company more highly than its peers based only on its core transmission and distribution businesses. One company that produced an outstanding diversification strategy is Montana Power Co., which we first began acquiring in 1998. Although many electric companies underutilized their systems'

embedded telecommunications networks, Montana Power chose to exploit its existing right-of-way assets and expertise in constructing and utilizing utility services by building a nationwide telecommunications network. Considering the tremendous growth in data and voice transmission network needs, this strategy resulted in significant returns for Montana Power's shareholders. Over the six months, with more than a 20% increase in its stock price, Montana Power is clearly unlocking hidden value. Other holdings that we feel have similar potential include Edison International, Northwestern Corp., CMS Energy Corp. and Duke Energy Corp.

EUROPE

The European electric companies had mixed performance over the six-month period. Strong returns in Italy offset mostly flat returns for the other countries where we had holdings. All of our investments during the period were in the developed countries of Western Europe. By avoiding the East European marketplace, we were not affected by this region's severe economic downturn.

We exited the Italian electric marketplace in February after watching our investment in AEM SpA rise 120% from our purchase price in the prior year. In March, we redirected our attention toward the U.K., a market that we had completely exited during the fall of 1998 over regulatory concerns, and what we felt were inflated stock prices. However, after watching U.K.-utility stocks decline significantly from October 1998 through March 1999, we felt this market was oversold. Five new U.K. investments we made during February and March were PowerGen PLC, Scottish Power PLC, COLT Telecom Group PLC, Severn Trent PLC and Scottish & Southern Energy PLC. In our opinion, these companies are high-quality utility/communications companies with excellent management teams.

European telecommunications companies were solid performers over the reporting period. Incumbent providers and new entrants moved quickly to improve their underdeveloped telecommunications infrastructure in Europe. Many regions still had a significant amount of pent-up demand for basic phone service. Telecom Italia SpA, a portfolio holding, is an example of a former monopoly provider that is streamlining its existing operations and achieving success in new areas such as wireless communications. We also have investments in emerging companies that are capitalizing on the growing need for bandwidth, such as Equant NV and COLT Telecom. European telecommunications is one of the fastest growing areas in the global utilities sector, and we remain very optimistic about this area's opportunities over the next several years.

TOP 10 HOLDINGS

Global Utilities Securities Fund
6/30/99

COMPANY	% OF TOTAL NET ASSETS
Frontier Corp.	3.72%
Korea Telecom Corp.	3.29%
Telecom Italia SpA	3.18%
GTE Corp.	3.16%
Equant NV	2.64%
Nextel Communications Inc., A	2.62%
Bell Atlantic Corp.	2.56%
Global TeleSystems Group Inc.	2.22%
MCI WorldCom Inc.	2.22%
Edison International	2.21%

LATIN AMERICA

The portfolio's weighting in Latin American companies was very small during the period, with approximately 1.4% of total net assets as of June 30, 1999. For most of the past year, Latin America's financial markets were prone to significant volatility, repeatedly whipsawed by the latest news of economic crises engulfing Asia and Eastern Europe. As widely anticipated, the region's largest economy, Brazil, under severe financial pressures, devalued its currency, the real, in January 1999. This initially sent stock markets throughout the region reeling, as speculative pressures on the currencies of Argentina, Peru and other neighboring countries peaked, and investors contemplated the long-term economic impact of the devaluation on the region's

intertwined economies.

In the days immediately following the devaluation, we took advantage of the severe negative market pressure on Telecomunicacoes Brasileiras SA (Telebras) ADR shares, adding to our existing position at extremely depressed prices. Since then, the shares, which dipped briefly into the low \$50s on the heels of the devaluation, were trading in the high \$80 range just five months later.

ASIA

The portfolio's Asia weighting remained relatively modest during the reporting period and stood at about 4.4% of total net assets on June 30, 1999. Asian economies and stock markets underwent significant volatility during the six months under review as the region attempted to recover from the financial crisis that began in late 1997. In this environment, we looked for opportunities to invest in financially sound companies with good growth prospects at attractive prices.

The widespread negative investor sentiment that enveloped Asian stocks enabled us to find a few companies whose equities we felt were undervalued. One example was Nippon Telegraph and Telephone Corp. (NTT) of Japan, the largest telephone company in the world, in terms of sales. NTT is poised to benefit from the Japanese telecommunications industry deregulation. We also invested in the privatization of Korea Telecom Corp. during the reporting period. In our opinion, the shares were trading at a significant discount to regional peers despite the company's solid and improving fundamentals. Korea Telecom's privatization marked the first time that non-Korean investors could purchase shares in the company.

We believe that the worst of the Asian crisis has passed and that the region will begin to deliver improved returns to equity investors. The portfolio will continue to follow its contrarian approach of investing in undervalued Asian companies that we believe have upside potential commensurate with their risks and have strong management teams that are capable of navigating these difficult times.

Looking forward, we are optimistic regarding the potential of global utility stocks to deliver strong shareholder returns over the long term. While it is impossible to predict future returns, we believe that utilities such as telephone, electricity and gas services will continue to play an integral part in the world's economic development.

GLOBAL UTILITIES SECURITIES FUND --
CHANGE OF NAME AND RESTATEMENT OF INVESTMENT STRATEGY

Effective November 15, 1999, Global Utilities Securities Fund's name will be changed to "Global Communications Securities Fund" and the portfolio's strategy will be restated to one of investing at least 65% of total assets in equity securities of companies that are primarily engaged in providing communications services and communications equipment. These changes will reflect better the portfolio's principal investment strategy of investing primarily in the communications industries, which have come to represent over 70% of the global public utilities sector. The portfolio's principal risks are those related to communications investments. The portfolio's investment goal and its other investment policies and restrictions will remain the same.

INVESTORS SHOULD CONSIDER CAREFULLY THE SUBSTANTIAL RISKS INVOLVED IN A PORTFOLIO THAT CONCENTRATES IN A SINGLE INDUSTRY SECTOR RATHER THAN DIVERSIFYING ACROSS MANY DIFFERENT SECTORS. See "Main Risks - Utilities Industries" in the portfolio's current prospectus and in the Supplement on page 181 of the semiannual report.

When reviewing their investments or considering new purchases or transfers, Contract Owners may wish to consult with their investment representatives.

GROWTH AND INCOME FUND

The financial markets shifted focus during the first half of 1999 from the impact of troubled foreign economies on the U.S., to improving global economic growth conditions. The year started off with a continuation of trends in place for much of the previous year. While a small number of large-cap growth stocks -- the "nifty fifty" -- performed well, many value and smaller capitalization issues experienced weak results reflecting concerns over corporate profitability.

However, in the second quarter of 1999 the scenario changed significantly. First quarter earnings reports were generally stronger than expected, and evidence of economic improvement abroad mounted, most notably in Asia and Latin America. Consequently, a greater number of U.S. stocks rose in price, including many

economically sensitive issues. Also, value stocks outperformed growth issues, reversing a general trend in place over the past five years. Growth and Income Fund, which utilizes a value discipline, reflected these favorable trends over the reporting period, with a healthy return for the six-month period.

TOP 10 HOLDINGS
Growth and Income Fund
6/30/99

COMPANY INDUSTRY	% OF TOTAL NET ASSETS
Bell Atlantic Corp. Telecommunications	3.1%
Pharmacia & Upjohn Inc. Health Technology	2.9%
GTE Corp. Telecommunications	2.5%
Texaco Inc. Energy Minerals	2.2%
Royal Dutch Petroleum Co. Energy Minerals	2.0%
Bank One Corp. Finance	1.9%
General Mills Inc. Consumer Non-Durables	1.8%
Lincoln National Corp. Insurance	1.8%
Chevron Corp. Energy Minerals	1.8%
Dana Corp. Producer Manufacturing	1.6%

The portfolio seeks to invest in stocks that offer current income and sell at attractive valuations. We look for stocks selling at bargain prices according to measurements such as relative dividend yields, book value, revenues and normalized earnings. This generally entails investing in stocks of quality companies at what we feel are temporarily depressed prices. At the same time, we collect current investment returns, in the form of dividends, which can provide a cushion against possible stock declines. Our investments typically fall into three categories: cyclical stocks, "special situation" stocks, and traditional, high dividend paying stocks such as utilities and real estate investment trusts (REITs).

Our cyclical stocks were strong performers over the six-month review period, especially during the second quarter of 1999. Basic material holdings in metals, chemicals, paper and forest products companies performed best. We took advantage of market strength to reduce some positions in the paper sector including Union Camp Corp., which was subject to an attractive acquisition bid. We also initiated an investment position in E.I. du Pont de Nemours and Co. (DuPont), the world's largest chemical company. During the period, DuPont announced an exciting restructuring, which we believe should enhance its growth prospects.

Our energy stocks, which represented 10.4% of the portfolio's total net assets on June 30, 1999, also did well during the period. One of our recent acquisitions, Royal Dutch Petroleum Co., typified the portfolio's investment strategy. Responding to sharply lower oil prices at the beginning of the year, Royal Dutch declined more than 30% from its 1998 highs, and its relative dividend yield reached very attractive levels. Oil prices have since rebounded, and the company's stock price rose more than 36.4% from our purchase price by the end of the reporting period. One of the portfolio's remaining energy investments, Atlantic Richfield Co., also responded favorably to an acquisition bid from another oil company.

Among our "special situation" investments, we determined that our dividend yield requirements, in the past, were too restrictive for sectors that offer above-average growth potential, such as technology and health care. Thus, we took advantage of some recent weakness and modified our criteria a bit to allow greater participation in these exciting areas. New technology positions include Motorola Inc., International Business Machines Corp. (IBM) and Automatic Data Processing Inc. In our opinion, each of these investments offered a combination of excellent value, current income and attractive earnings growth prospects.

New health care investments included Baxter International Inc. and American Home Products Corp. Uncertainty over Medicare reform resulted in weak performance for these and many other health care companies during the period. Unfortunately, we see this trend continuing over the near term. However, looking forward over several years, we continue to believe the industry's growth potential remains very favorable.

Lastly, a standout performer for the period was waste management company Browning-Ferris Industries Inc. Selling at historically low valuations due to disappointing short-term earnings, we initiated an investment position late last year. The company recently received a takeover bid, which resulted in a greater than 50% appreciation during the first half of this year.

The portfolio's holdings in REITs and high dividend yielding utilities provided mixed results for the six-month period. Both sectors had disappointing results during the first quarter; however, they registered superior returns during the April-through-June period. Our gas utility holdings performed well as they responded to rising fuel prices and merger activity. One of our holdings, Consolidated Natural Gas Co., received a buyout proposal during the second quarter. Although we reduced our overall investments in these sectors, we remained overweighted relative to applicable indices due to their continued attractive yields and valuations. As of June 30, 1999, utilities comprised 11.2% and REITs 4.6% of the portfolio's total net assets. We believe consolidation activity will accelerate among utility positions. Our REIT holdings, likewise, should continue to experience solid operating earnings and dividend growth. We believe that these factors should lead to rising prices for our investments in both sectors during the coming year.

Looking forward, we anticipate continued high levels of financial market volatility. The current economic environment, which offers an extraordinary combination of moderate growth and subdued inflation, is perhaps the best in decades for stocks. However, valuations are also at historically high levels and could be affected by rising interest rates. As our investment discipline attempts to take advantage of such volatility, we believe that the portfolio is especially well-suited for today's market environment.

INCOME SECURITIES FUND

The U.S. stock market continued to strengthen during the six months under review, as signs of solid U.S. economic growth and stabilizing international markets boosted investor confidence. The same stronger economic reports, however, weighed on the bond market and drove the 30-year Treasury bond yield up to 5.98% on June 30, 1999, from 5.15% at the beginning of the period.

Performance of the portfolio's bond and stock sectors was mixed over the period as signs of strong economic growth, benign inflation and rising interest rates affected the sectors in different ways. Although the portfolio's general sector weightings were essentially unchanged from year-end 1998, this environment presented us with several investment opportunities in both the bond and equity markets.

TOP FIVE STOCK HOLDINGS Income Securities Fund 6/30/99

COMPANY	% OF TOTAL NET ASSETS
Philip Morris Cos. Inc.	1.86%
Entergy Corp.	1.38%
Texas Utilities Co.	1.38%
Florida Progress Corp.	1.34%
Dominion Resources Inc.	1.29%

TOP FIVE BOND HOLDINGS Income Securities Fund 6/30/99

ISSUER	% OF TOTAL NET ASSETS
U.S. Treasury Bonds	13.46%
Republic of Argentina	5.28%

Republic of Brazil	4.24%
Republic of Korea	2.40%
Consoltex Group Inc.	1.04%

The portfolio's bond holdings consist of corporate, foreign and U.S. Treasury bonds. Corporate bonds, representing our largest fixed-income weighting, increased slightly to 25.1% of total net assets on June 30, 1999, compared with 23.5% on December 31, 1998. We received calls or tenders for several of the portfolio's bond positions during the period and were able to reinvest the proceeds in corporate bonds with attractive valuations and income yields. New corporate bond positions included issues from food and beverage company AmeriServe Food Distribution Inc., chemical manufacturer Lyondell Chemical Co., telecommunications and information services company Level 3 Communications Inc., cable TV companies Cablevision SA and Charter Communications Holdings LLC, and communication companies Microcell Telecommunications and NEXTLINK Communications Inc.

The portfolio's foreign bonds performed well during the reporting period, as developing countries made progress on economic and political reforms and investor concerns related to international economic turmoil subsided. The South Korean government, for example, took steps to reform the country's banking system and corporate governance structure. We established the portfolio's position in Korean government bonds in early 1998 and added to the position on weakness last October. Subsequently, the bonds were upgraded to investment grade and appreciated above par value. Brazil, Russia and South Africa are also making progress on reforms and recent performance reflected the encouraging developments. As a result of recent strong performance, we trimmed the portfolio's positions in Korea, South Africa and Russia and initiated a position in Turkey dollar-denominated Eurobonds, which we believe offered an attractive yield and significant total return potential as the country makes progress toward joining the European Monetary Union.

After strong performance during most of 1998, Treasury bonds reversed course and rates generally moved higher during the six months under review. Treasury bonds reacted negatively to reports of continued strong economic growth and the Federal Reserve Board's 0.25% increase in the federal funds target rate, to 5.00%, in June. However, we believe the absence of pricing power and continued weakness abroad will likely keep interest rates from rising significantly. We therefore maintained the portfolio's U.S. government bond position at approximately 13.5% of total net assets on June 30, 1999.

The portfolio's equity sectors delivered mixed results during the period under review, with utility stocks performing poorly due to rising interest rates. After a solid performance over the past two years, utility stocks retreated as reports of economic strength drove U.S. Treasury rates higher. We continue to believe utility stocks offer attractive yields and value relative to the broader stock market, as well as improving opportunities for growth from companies that are successfully adapting to a deregulated environment.

The portfolio's energy and real estate sectors rebounded during the period, while the gold sector experienced weakness related to supply and demand concerns. We added to the portfolio's energy sector throughout the period including a new position in Key Energy Services Inc., an oil-field services company. Energy stocks began to show strength in March on news that OPEC planned to reduce oil production in an effort to increase the price of oil. This news, combined with firming global demand, resulted in the price of oil climbing more than 50% for the six-month period under review. Although energy stocks appreciated substantially due to the higher oil prices, we believe the sector has more upside potential at these higher energy prices. In the real estate sector, we sought to take advantage of attractive valuations and industry conditions by adding to the portfolio's existing real estate positions including Meristar Hospitality Corp. and Glenborough Realty Trust Inc., and initiating a position in Apartment Investment & Management Co. convertible preferred stock. In our opinion, these companies represent a diverse mix of property types with attractive dividend yields and valuations.

The portfolio's cable and telecommunications stocks turned in a strong performance during the period, prompting us to take profits in the sector by selling the portfolio's CSC Holdings Inc. (Cablevision Systems Corp.) and MediaOne Group Inc. convertible preferred stocks. In addition, we sold or trimmed several stock positions with gains that had appreciated during the year and no longer fit our valuation criteria.

With the stock market near all-time highs and continued economic uncertainty, we remain selective with respect to new investments. As always, we are committed to our value-oriented approach and we will continue to utilize fundamental research in our search for investment opportunities across markets.

MUTUAL SHARES SECURITIES FUND

During the six months under review, the domestic economy experienced generally rising interest rates, low inflation and strong economic growth. In Europe, many central banks cut interest rates in an attempt to restart their economies, which were in danger of falling into recessions. Emerging countries in Asia and Latin America appeared to be nearly past the crisis of the last two years, with many posting solid growth during the period.

In this environment, Mutual Shares Securities Fund had an excellent performance that compared favorably to most of the broader market indices including the S&P Mid-Cap 400 and the portfolio's benchmark, the unmanaged Standard & Poor's 500 (S&P 500) Index. Of course, one cannot invest directly in an index. Our disciplined value and special situations approach resulted in gains in a number of the portfolio's securities. Several of our largest positions, including LucasVaryity PLC, Morton International Inc., Telecom Italia SpA, di Risp, and MediaOne Group Inc., received take-over bids at large premiums during the six-month reporting period. As always, we identified these investments by conducting detailed fundamental analyses of companies with attractive assets trading at significant discounts to what we believed were their true value.

TOP 10 HOLDINGS

Mutual Shares Securities Fund
6/30/99

COMPANY INDUSTRY, COUNTRY	% OF TOTAL NET ASSETS
Investor AB, A and B Multi-Industry, Sweden	2.92%
Bank One Corp. Banking, U.S.	2.59%
Telephone & Data Systems Inc. Telecommunications, U.S.	2.10%
First Union Corp. Banking, U.S.	2.00%
Lockheed Martin Corp. Aerospace and Military Technology, U.S.	1.67%
United Asset Management Corp. Financial Services, U.S.	1.66%
MediaOne Group Inc. Broadcasting and Publishing, U.S.	1.63%
Owens-Illinois Inc. Industrial Components, U.S.	1.36%
Philip Morris Companies Beverages and Tobacco, U.S.	1.33%
Chase Manhattan Corp. Banking, U.S.	1.32%

One of our best performers during the period was Telephone & Data Systems Inc. (TDS). TDS is a U.S.-based diversified telecommunications services company, which traded at a 50% discount to what we believed was its intrinsic value. The company's announcement to sell or spin off Aerial Communications, one of its most valuable assets, helped narrow this discount. As a result, TDS's stock price increased 63.3% during the six-month period.

We found several opportunities to invest in companies with undervalued assets in the U.S. including Bank One Corp., Lockheed Martin Corp. and Washington Post Co. Bank One owns an outstanding credit card and consumer banking business, First USA, which we feel is not fully reflected in its share price. Lockheed Martin, the nation's largest defense company, generates enormous free cash flow, and Washington Post, a first-class media company, owns attractive and underappreciated cable assets.

In Europe, we believed Lagardere SCA and Rhone-Poulenc SA were undervalued. Lagardere, the French media and aerospace conglomerate, took significant steps to improve shareholder value. Rhone-Poulenc is restructuring to create one of the world's largest and lowest-cost pharmaceutical companies.

Looking forward, we believe that the U.S. as well as foreign markets should continue to present us with many profitable investments. By recognizing opportunity where others may see only bad news, we are able to buy securities at temporarily depressed prices, which often leads to significant long-term

results. We also expect to find value in many of the companies undergoing corporate change, such as the purchase or sale of assets, spinoffs and share buybacks. We will continue to invest in bankruptcy and distressed companies, a practice that has long been profitable for us.

The favorable merger and acquisition environment should provide attractive takeover offers for some of our holdings, while at the same time presenting opportunities to profit by taking advantage of price disparities. As always, we are mindful of the risks of all of our investments. We focus as much on the downside risk of our holdings as their upside return.

REAL ESTATE SECURITIES FUND

During the six months under review, the real estate industry continued to benefit from strong operating fundamentals and low interest rates. In January 1999, real estate investment trusts (REITs) traded at the most attractive valuations seen in the past several years, as a result of their weak performance in 1998. However, the combination of strong fundamentals and inexpensive stock prices helped fuel a rally in REITs toward the end of the period under review.

As we have discussed in prior shareholder reports, the portfolio's strategy is to focus on property types and geographic regions with strong supply and demand fundamentals, while attempting to identify those management teams with the ability to add value through intensive property management and capital markets experience. Accordingly, we maintained the majority of the portfolio's investments in the office, diversified, hotel and apartment property sectors where we anticipate the strongest cash-flow growth and attractive stock valuations.

Given the reduced domestic economic risk, we believed that office stocks represented an attractive combination of favorable supply/demand fundamentals and attractive valuations. As of June 30, 1999, the sector comprised 21.7% of total net assets, the portfolio's largest property-type weighting. Two of the portfolio's larger positions in this sector, Equity Office Properties Trust and Brandywine Realty Trust, performed well during the period, benefiting from strong rent growth and stable occupancies.

At the end of the reporting period, the diversified property sector represented the portfolio's second-largest property-type weighting, making up 21.4% of total net assets. The companies in this segment have real estate portfolios diversified by property type and location, making them relatively stable investments. The portfolio's top two positions in the group, Security Capital Group Inc. and Glenborough Realty Trust Inc., offered excellent value in our opinion as both stocks traded at significant discounts to their net asset values.

The hotel sector was the portfolio's third-largest property sector, at 17.5% of total net assets on June 30, 1999. This sector was the hardest hit as a result of changing legislation, concerns about excess supply and a potential recession. Despite this, hotel stocks should do well going forward, as the economy continues to power ahead and new construction in the industry begins to slow. The portfolio's largest positions at the end of the reporting period were industry leaders Host Marriott Corp., MeriStar Hospitality Corp. Inc. and Starwood Hotels & Resorts Worldwide Inc.

During the six months under review, we made some changes to our apartment REIT holdings. We reduced our exposure to apartment REITs in the southern and south-eastern U.S. where we were concerned about excess building potentially leading to oversupply. As a result, we sold our positions in Gables Residential Trust and Post Properties Inc. However, we were able to find value in the segment and added a new apartment position, Apartment Investment and Management Co. (AIMCO). AIMCO is a national apartment REIT with headquarters in Denver and now owns or manages approximately 400,000 units, has properties in 49 states and is the nation's largest apartment owner and operator. We believe AIMCO offers significant growth prospects over the next several years.

TOP 10 HOLDINGS

Real Estate Securities Fund
6/30/99

SECURITY SECURITY TYPE	% OF TOTAL NET ASSETS
Security Capital Group Inc. Diversified Property Type	4.67%
Glenborough Realty Trust Inc. Equity REIT - Diversified	4.17%
Meristar Hospitality Corp. Equity REIT - Hotels	4.09%

Equity Residential Properties Trust Equity REIT - Apartments	3.96%
Public Storage Equity REIT - Storage Centers	3.94%
Equity Office Properties Trust Equity REIT - Office	3.88%
Starwood Hotels & Resorts Worldwide Inc. Developer - Hotels	3.74%
Brandywine Realty Trust Equity REIT - Office	3.44%
Trinet Corporate Realty Trust Inc. Equity REIT - Office	3.39%
Simon Property Group Inc. Equity REIT - Retail	2.94%

Looking ahead, we are still excited about the prospects for investing in REITs, given the unique combination of steady growth and favorable valuations in the current market environment. In the near term, the real estate industry fundamentals should continue to benefit from an environment of supply/demand balance and relatively low interest rates. In addition, earnings visibility, the ability of analysts to accurately predict company future earnings, appears to be excellent relative to the overall market in 1999, given continued stable rent growth and select development opportunities.

Long term, we remain committed to the area of real estate stocks and REITs, as this market sector continues to grow in capitalization and diversity. In addition to our direct experience in real estate and real estate securities management, we are well-positioned with our team of over 30 equity and credit analysts who can assist in evaluating the merits of new REITs being formed by a variety of U.S. corporations. As always, we will focus on top-quality real estate companies that are creating significant cash flow growth and shareholder value.

RISING DIVIDENDS FUND

Our investment strategy is based on our belief that companies with consistently rising dividends should, over time, also realize appreciation in their stock prices. We select portfolio securities based on several criteria. To be eligible for purchase, stocks must pass certain investment "screens," or screening procedures, requiring consistent and substantial dividend increases, strong balance sheets and relatively low price/earnings ratios. We seek fundamentally sound companies that meet our standards and attempt to acquire them at attractive prices, often when they are out of favor with other investors.

During the six months ended June 30, 1999, the domestic economy demonstrated solid real growth with only modest inflation. Deflationary fears, however, which became prevalent in the previous six-month period, all but disappeared. Policy makers at the Federal Reserve Board (the Fed) grew increasingly concerned that the economy could not continue its strong growth rate of recent years without inflation accelerating. As a result, the Fed increased the federal funds target rate 0.25%, to 5.00%, partially reversing last year's rate cuts. U.S. Treasury bond yields rose steadily during the period in anticipation of this policy shift.

Large-capitalization stocks, led once again by the technology sector, continued to deliver strong returns, especially in the first quarter. By the second quarter, market leadership appeared to have shifted to more economically sensitive companies, including many small- and mid-capitalization stocks. This resulted in a healthy performance for Rising Dividends Fund during the reporting period.

Despite limited exposure to technology stocks, three of the portfolio's best performing holdings during the period were in this sector. Cohu Inc., a manufacturer of semi-conductor test-handling equipment, and Millipore Corp., which makes filtration equipment used by the semiconductor industry, benefited from indications that semi-conductor capital equipment purchases will increase in the coming quarters. Investors were also pleased with developments at Hewlett-Packard Co., which recently began articulating its e-commerce strategy.

The Limited Inc. was another of the portfolio's strong performers during the period. This specialty retailer showed strong operating results from its Intimate Brands unit, which operates Victoria's Secret and Bath & Body Works stores. During the six-month period, The Limited's stock price increased 56.9%.

Several stocks in the portfolio reported surprisingly weak quarterly earnings during the period, and as a result, their share prices fell sharply. Drug store company Rite Aid Corp. was impacted by losses associated with its extremely fast pace of new store openings during the months of January and February. In

response, Rite Aid reduced its new store openings considerably to minimize the short-term drag on earnings that the expansion program created. Importantly, store-level performance remained on track. First Union Corp., a regional bank headquartered in North Carolina, also announced that earnings would be lower than expected, as the combination of expense savings and revenue enhancements that were anticipated from its acquisition of CoreStates Financial were not as large as the company planned. Pall Corp., a manufacturer of blood filtration products, was hurt by the rapid decline in blood filter sales to hospitals during its quarter ended in January. Pall immediately announced a restructuring plan intended to deal with this problem. By the next quarter, Pall reported better than expected earnings as the company was already feeling the benefits of the restructuring.

New additions to the portfolio during the period include Bank One Corp. and Lancaster Colony Corp. Bank One has emerged as a leader in the implementation of Internet banking. The bank broadened its use of technologies developed by Bank One's credit card unit, First USA, to deliver services to its retail customer base. Bank One has also increased its dividend each year for the past 28 years. Lancaster Colony appeared ready to return to its historical earnings growth rate after several flat quarters. Each of the company's three business segments -- specialty foods, glassware and candles, and automotive -- are showing positive developments. Lancaster has increased its dividend each year for the past 36 years.

TOP 10 HOLDINGS
 Rising Dividends Fund
 6/30/99

COMPANY INDUSTRY	% OF TOTAL NET ASSETS
Family Dollar Stores Inc. Retail Trade	6.16%
West Pharmaceutical Services Inc. Health Technology	4.79%
Leggett & Platt Inc. Consumer Durables	4.12%
Pall Corp. Process Industries	3.04%
National Commerce Bancorp Finance	2.94%
Wallace Computer Services Inc. Commercial Services	2.87%
Kaydon Corp. Producer Manufacturing	2.66%
Alberto-Culver Co. Consumer Non-Durables	2.60%
Teleflex Inc. Producer Manufacturing	2.59%
Bemis Co. Inc. Process Industries	2.53%

The only position that we increased significantly during the period was medical-supply company Becton, Dickinson & Co. The company pre-announced that earnings would likely fall short of expectations for the coming two quarters, causing the stock to fall to a level that in our opinion was attractive enough to purchase. However, we believe Becton, Dickinson's long-term growth prospects are still intact due to a number of reasons. Of particular interest is "safe needle" legislation that is proceeding at state and federal levels. Various legislative initiatives would generally require the use of needles with enhanced safety features, and Becton, Dickinson, with the leading market share in this area, would be a beneficiary of these initiatives.

We eliminated several positions from the portfolio including Avery Dennison Corp., Flowserve Corp. and St. Paul Cos. Inc. We exited our position in Avery Dennison, as it became less attractively valued than other alternative investments. Flowserve and St. Paul no longer met the portfolio's dividend requirements.

The portfolio's largest security sales occurred in the retail sector. We sold some shares of Family Dollar Stores Inc. because it became a disproportionately large position. However, Family Dollar remained the portfolio's largest holding on June 30, 1999. We sold shares of Wal-Mart Stores Inc., as we felt its

valuation became excessive, although in our opinion the company continues to excel strategically and operationally. In addition, we sold a portion of our position in The Limited when the company tendered for stock at an above-market price.

Notable year-over-year dividend increases during the six months included Washington Mutual Inc. (+20%), Mercury General Corp. (+20%), State Street Corp. (+15.4%), The Limited Inc. (+15.4%) and Teleflex Inc. (+13%).

As shown on the table on page 39, our ten largest positions on June 30, 1999, comprised 34.3% of the portfolio's total net assets. It is interesting to note how these ten companies would, in the aggregate, respond to the portfolio's screening criteria based on a simple average of statistical measures. On average, these ten companies have raised their dividends 19 years in a row and by 265% in the last ten years. Their most recent dividend increases averaged 8.6%, for a yield of 1.7% on June 30, 1999, and a dividend payout ratio of 30%. Long-term debt averaged 22% of capitalization, and the average price/earnings ratio was 18.5 versus 34.7 for that of the unmanaged Standard & Poor's 500 Stock Index on the same date. It is our opinion that these companies are representative of the portfolio's fundamentally high quality.

TEMPLETON GLOBAL ASSET ALLOCATION FUND

At the beginning of the reporting period, the U.S. economy looked to be on a path of noninflationary economic growth, which many believed would lead to corporate profit growth coupled with stable to declining interest rates. Against the backdrop of a seemingly sluggish global economy, the Dow Jones Industrial Average (the Dow) powered through the 10000 milestone for the first time ever in March. However, in April global inflationary fears prompted investors to rotate out of growth stocks in the U.S. and Europe and into cyclical and value stocks. This change in investor sentiment quickly sent the Dow through the 11000 mark in May, as the 30-company index is partially made up of cyclical companies.

These inflationary fears were sparked by a rebound in oil prices, surging private consumption in the U.S., as well as the first signs of economic growth in such countries as South Korea and Thailand. Higher-than-expected first quarter gross domestic product (GDP) figures reported by Germany and Japan, the respective growth engines for the European and Asian regions, fueled the belief that the global economy was heating up. In the U.S., the Federal Reserve Board (the Fed) took note of this and increased the federal funds target rate 0.25%, to 5.00%, in its late-June meeting in an effort to prevent inflation. The U.S. bond market also reacted, sending the 30-year Treasury bond yield to 5.98% on June 30, 1999.

At the end of the reporting period, the U.S. remained the portfolio's largest country weighting with 15.1% of total net assets. The portfolio's major U.S. holdings were in the defense and life insurance sectors, two areas where we felt valuations remained attractive and earnings prospects looked solid.

U.K. equities represented the portfolio's second-largest country weighting, at 10.3% of total net assets on June 30, 1999, and we remain positive for the outlook of these holdings. The U.K. is further along the economic cycle than the rest of Europe and appears to be in the midst of an economic slowdown, with some forecasts predicting GDP growth of only 0.8% in 1999. However, in our opinion the market was discounting a full-blown recession and in turn pushed many U.K. engineering stocks lower. We took advantage of this volatility to pick up some bargain-priced stocks of such high-quality companies as Invensys PLC, Mckechnie Group PLC, Weir Group PLC and Rolls-Royce PLC. Going forward, we feel the catalyst for this sector's future outperformance will be lower interest rates. The U.K. Central Bank cut interest rates 0.25% in June, the seventh consecutive reduction since October 1998, and we think that rates will come down further as inflationary pressures subside. The delayed effect on the British currency and consumption should help improve earnings and performance for this temporarily out-of-favor sector.

ASSET ALLOCATION

Templeton Global Asset Allocation Fund
Based on Total Net Assets
6/30/99

[PIE CHART]

Equity Securities	65.7%
Fixed-Income Securities	27.7%
Short-Term Investments & Other Net Assets	6.6%

TOP FIVE COUNTRY HOLDINGS

Templeton Global Asset Allocation Fund
6/30/99

	% OF TOTAL NET ASSETS
U.S.	15.1%
U.K.	13.1%
Hong Kong*	7.2%
Italy	5.0%
France	4.7%

*Hong Kong reverted to the sovereignty of China on July 1, 1997.

TOP FIVE INDUSTRY BREAKDOWN
Templeton Global Asset Allocation Fund
6/30/99

	% OF TOTAL NET ASSETS
Insurance	11.6%
Multi-Industry	7.7%
Aerospace and Military Technology	6.2%
Metals and Mining	4.8%
Electrical and Electronic	3.5%

Emerging equity markets were some of the best performers in the period, shown by the 39.9% increase in the Morgan Stanley Capital International Emerging Markets Free Index. Brazil's currency devaluation in January 1999 could represent the last shoe to drop in an emerging market crisis initiated by Thailand's currency devaluation in July 1997. This perceived reduction in emerging market volatility might attract those risk-averse investors who have been standing on the sidelines. On June 30, 1999, the portfolio held 11.4% of its total net assets in emerging market equities. Strong emerging market performers during the period included Singapore Airlines Ltd., Bangkok Bank Public Co. Ltd., fgn. in Thailand, South Korean steel company Pohang Iron & Steel Co. Ltd., and Hong Kong property developer Cheung Kong Holdings Ltd. We remain cautiously optimistic for the prospects of our Latin America and Asia holdings, which are predominantly in the more liquid telecommunications and banking sectors.

The portfolio held more than 7.2% of total net assets in Hong Kong at the end of the reporting period, where the Hang Seng Index was up 36.7% during the six-month period. Compelling valuations, the prospect of peaking real interest rates, the first signs of economic turnaround in the ASEAN countries, and the fact that Hong Kong is the most liquid market in non-Japan Asia sparked investor enthusiasm for the market's equities.

Japan had an impressive start to the year, with the Nikkei rising 10.8% for the period. However, on June 30, 1999, the portfolio held only 2.8% of total net assets in Japanese equities, as we felt that the recent moves in equity prices were driven more by technical than fundamental factors. Before their March 31 financial year-end, Japanese banks and companies went through a process of buying strong stocks and selling weak performers to improve their portfolios' profiles. In addition, in 1999 there was a rash of foreign buying as investors attempted to rebalance their historically underweight Japan position. In our opinion, these actions caused the strong moves in the Japanese market. We also feel that Japanese companies must still go through a period of further restructuring. Although there have been some high-profile restructuring announcements to lay off employees and reduce unprofitable production, most companies have yet to do anything. In our opinion, the immediate effect on the economy will be unfavorable as more companies curtail investments and consumers cut back on spending.

Global bond markets generally did not perform well in the first six months of 1999, following improved business surveys in Europe and the release of data indicating a strengthening U.S. economy. During the period under review, the J.P. Morgan Global Government Bond Index posted a -1.1% total return in local currency terms, out-performing the -2.8% return of the J.P. Morgan U.S. Government Bond Index. This better performance was mainly attributable to

declining interest rates in Europe and Japan. However, weakness in the euro and the Japanese yen resulted in lower returns in U.S.-dollar terms, and the J.P. Morgan Global Government Bond Index declined 7.2% in U.S.-dollar terms during the six months ended June 30, 1999.

Although many emerging debt markets suffered temporary losses in January arising from Brazil's currency devaluation, they recovered during the period, causing the J.P. Morgan Emerging Market Bond Index to increase 10.6%. Russia, Brazil and Venezuela were among the top-performing bond markets while Poland and Ecuador were the only emerging market countries whose fixed-income markets declined. Ecuador was the worst performer, as bond prices there fell, due in large part to uncertainty regarding the International Monetary Fund approval of financial aid.

In our opinion, global economic growth may weaken during the rest of 1999. The extent of this weakness would depend primarily on U.S. economic developments, which in turn are largely dependent on Latin America's economic stability. Problems in that region could depress U.S. exports, which might have a negative effect on European economic performance. We believe, however, that global economic growth will not decline enough to prompt an economic recession and that inflation will likely remain benign. This should provide a beneficial environment for high-quality bonds and for the portfolio's intermediate-term performance.

VALUE SECURITIES FUND

During the six months under review, the domestic economy remained strong, with unemployment at a 29-year low. For much of the period, inflation was remarkably benign, but a hiccup in the Consumer Price Index in April led the Federal Reserve Board (the Fed) to raise the federal funds target rate 0.25%, to 5.00%, in its late-June meeting. The major U.S. stock market news during the reporting period was the continuous flow of capital into equity securities -- mostly Internet, Internet-related and larger-capitalization brand name stocks. In fact, the Dow Jones Industrial Average set a number of records, including closing above the 10000-point mark for the first time in March as the Standard & Poor's 500 and the NASDAQ indices also reached all-time highs.

Larger-cap stocks drove the S&P 500 Index's 5.0% rise in the first quarter of 1999. Small-cap stocks, especially those considered "value," remained out of favor as indicated by the Wilshire Small Company Value Index, the portfolio's benchmark, which declined 11.9% for the first three months of 1999. Last year's divergence between small and large cap and between growth and value continued during 1999's first quarter. However, we are pleased to report that this gap began to narrow in April, and in second quarter 1999, small-cap and value stocks handily outperformed their large-cap peers. Value Securities Fund benefited from this and posted strong second quarter results.

TOP 10 HOLDINGS Value Securities Fund 6/30/99

COMPANY INDUSTRY	% OF TOTAL NET ASSETS
JLG Industries Inc. Producer Manufacturing	4.03%
Tropical Sportswear International Corp. Consumer Non-Durables	4.03%
The Timberland Co. Consumer Non-Durables	2.87%
Presidential Life Corp. Finance	2.76%
Allstate Corp. Finance	2.72%
Tidewater Inc. Transportation	2.57%
Professional Group Inc. Finance	2.56%
ENSCO International Inc. Industrial Services	2.52%
Robert Half International Inc. Commercial Services	2.41%

Value Securities Fund seeks to take advantage of securities that we believe are undervalued. Our value investment strategy casts a wide net. Instead of focusing exclusively on low stock prices relative to book value, earnings or cash flow, we consider all types of measures, including understated assets such as land or intangibles, patents and distribution systems. Another focus of the portfolio is to seek "fallen angels" -- former growth companies that have suffered short-term, sharp price declines, but in our opinion, still have significant long-term potential.

Our quest for value normally leads us to relatively inexpensive securities that have a temporary cloud hanging over them, including out-of-favor companies or industries, and those with ineffectual management teams or a passive board of directors. Our strategy is to determine whether the cloud will dissipate or become a storm. When we find such a company, we then look for a strong balance sheet and cash flow that will sustain it while it is turning around.

During the reporting period, we began to reduce the number of positions we typically hold. In doing so, we liquidated many holdings that we felt were too small to have an impact on the portfolio and several where we felt the reasons for owning them had changed. We focused new purchases on companies with larger market capitalizations, such as insurer Allstate Corp., Canadian National Railway Co., life and disability insurance company StanCorp Financial Group Inc., aerospace systems and component manufacturer B.F. Goodrich Co. and global staffing services company Robert Half International Inc. Larger companies typically have greater name recognition, as more Wall Street analysts follow these companies and produce research that is read by more shareholders and potential shareholders. In addition, their greater liquidity enables us to establish positions more easily and sell faster when we decide it is prudent to do so.

Although small-company and value investing were clearly out of favor during a large part of the reporting period, there were several signs that investors were beginning to recognize some of our relatively inexpensive holdings. During the first quarter, two of our portfolio holdings -- Executive Risk Inc. and Unisource Worldwide Inc. -- benefited from announcements of corporate takeovers, all at significant premiums to prior day prices. In addition, our patience with the oil drilling and oil services holdings was rewarded as oil prices began to increase, causing a significant positive move in the stock prices of Atwood Oceanics Inc., ENSCO International, Rowan Companies Inc. and R&B Falcon Corp. As experienced value managers we realize that in order to harvest the pot of gold at the end of the rainbow we must also bear the rain. Although value investing may have seemed unfavorable during most of the period, we believe the rainbow has begun to appear on the horizon.

While we were not happy with the bear market for value stocks that existed during the first quarter of 1999, it is not entirely unfavorable because it provided patient value investors with many bargain-basement buying opportunities. We remain confident that our value-investing approach has the potential to serve our shareholders well over the long term.

PORTFOLIOS SEEKING INCOME

HIGH INCOME FUND

During the six months under review, the domestic economy experienced robust economic growth, which generally strengthened corporate profitability. However, the benign inflationary environment seen in the first few months of the year quickly gave way to concerns of inflation as the strong economic growth persisted. This caused the 30-year Treasury bond yield to rise, from 5.15% on January 1, 1999, to 5.98% at the end of the period. Thus, despite the supportive corporate fundamentals, rising interest rates over the past few months created a difficult environment for all fixed-income classes, including high yield bonds.

We increased the portfolio's weighting in the telecommunications industry to 25.2% of total net assets at the end of the period, compared with 20.6% on December 31, 1998. The telecommunications industry outperformed the overall high yield market during the period and we believe it will continue to do well as a result of global deregulation, technological convergence and consolidation. During the six-month period, we focused on companies either constructing or already having high-quality networks, with strong management teams and solid access to capital markets. Telecommunications companies that were solid performers during the period included IntelCom Group Inc. and Northeast Optic Network Inc. In addition, we maintained a significant weighting in the wireless communications industry, as revenues continued to grow strongly due to increased usage, despite pricing pressures. Notable performers in the wireless communications industry included Nextel Communications Inc., Rogers Cantel Mobile Inc. and Dobson/Sygnel Communications Co.

We did not significantly alter our weightings in the other industries in which the portfolio invests. In cable television, we increased our weighting somewhat to take advantage of the positive merger and acquisition environment, initiating

new positions in Charter Communications and Bresnan Communications Group. We slightly reduced our allocation to the industrial segment, taking profits in solid performers such as Simonds Industries Inc. In industries such as consumer products and media, which in our view offer solid growth potential while offering insulation from economic cycle fluctuations, we maintained comfortable weightings.

Several portfolio positions benefited from mergers and acquisition activity or other positive corporate events during the review period: Pharmerica Inc., RC/Arby's Corp., Outdoor Systems Inc., RJR Nabisco Inc., Ascent Entertainment Group Inc., Shoppers Food Warehouse Corp., Poland Telecom Finance and Diamond Cable Communications Co. We focused on securities that we believe will benefit from positive corporate events or improving credit profiles.

INDUSTRY BREAKDOWN

High Income Fund

6/30/99

INDUSTRY	% OF TOTAL NET ASSETS
Consumer Services	25.5%
Telecommunications	25.2%
Process Industries	8.2%
Transportation	5.0%
Health Services	4.8%
Consumer Non-Durables	4.5%
Energy Minerals	4.2%
Producer Manufacturing	4.2%
Industrial Services	3.6%
Commercial Services	3.1%
Consumer Durables	2.6%
Electronic Technology	2.3%
Finance	1.3%
Retail Trade	1.2%
Technology Services	1.1%
Utilities	0.9%
Non-Energy Minerals	0.5%
Cash & Equivalents	1.8%

Looking forward, we have a positive outlook for the high yield corporate bond market in general, as well as for the portfolio. Recent economic data suggests that economic activity should remain solid over the near to intermediate term, although it will likely slow. Even with April's spike in inflation, high yield asset valuations are attractive on a historical basis, as yield spreads relative to Treasury securities remain higher than historical norms. Thus, we believe that solid economic fundamentals and attractive valuations should create a relatively favorable environment for high yield bonds going forward.

TEMPLETON GLOBAL INCOME SECURITIES FUND

Global bond markets generally did not perform well during the six-month reporting period. In January, low inflation, generally weak economic growth for developed economies, and the possibility of interest rate cuts contributed to a positive attitude toward bond markets by many investors. However, in February, stronger-than-expected economic data and reduced expectations of interest rate cuts resulted in a temporary sell-off in global bond markets. In March, investors appeared to be more optimistic despite the potential negative effect higher oil prices might have on inflation. Factors contributing to this optimism included economic weakness in Europe, Japan and some sectors of the U.S., and expectations of monetary policy easing by several central banks. At the same time, the U.K. and U.S. bond markets also benefited from "flight-to-quality" inflows as a result of the crisis in Yugoslavia. However, during the second half

of the reporting period, investor expectations for global bond markets deteriorated following improved business surveys in Europe and signs of a strengthening U.S. economy. Concerned with the possibility of future inflation, the Federal Reserve Board raised the federal funds target rate 0.25% in late June to 5.00%. They did, however, indicate a neutral bias going forward.

During the period under review, the portfolio's benchmark J.P. Morgan Global Government Bond Index posted a -1.1% total return in local currency terms, outperforming the -2.8% return of the J.P. Morgan U.S. Government Bond Index. This better performance was mainly attributable to declining interest rates in Europe and Japan. However, weakness in the euro and the Japanese yen resulted in lower returns in U.S.-dollar terms, and the J.P. Morgan Global Government Bond Index declined 7.2% in U.S.-dollar terms during the six months ended June 30, 1999.

Although many emerging debt markets suffered temporary losses in January arising from Brazil's currency devaluation, they recovered during the period under review, causing the J.P. Morgan Emerging Market Bond Index to increase 10.6%. Russia,

[PIE CHART]

GEOGRAPHIC DISTRIBUTION
Templeton Global Income Securities Fund
Based on Total Net Assets
6/30/99

Europe	42.0%
North America	35.3%
Latin America	13.9%
Australia/New Zealand	7.6%
Asia	0.5%
Short-Term Investments & Other Net Assets	0.7%

Brazil and Venezuela were among the top-performing bond markets, while Poland and Ecuador were the only emerging market countries whose fixed-income markets declined. Ecuador was the worst performer, as bond prices there fell due to uncertainty regarding International Monetary Fund approval of financial aid.

During the reporting period we attempted to maximize the portfolio's return with an allocation that offered an opportunity for greater long-term returns at the cost of modestly higher short-term volatility. On June 30, 1999, we held 83.7% of total net assets in intermediate- and long-term bonds in developed markets and 16.3% of assets to what we believed were the highest quality and most liquid bonds available in emerging markets.

The portfolio's country allocations changed only moderately during the six months under review. Our North American weighting decreased from 42.9% of total net assets on December 31, 1998, to 35.3% on June 30, 1999, due mainly to a reduction in the portfolio's Canadian exposure. Our European holdings rose to 42.0% of total net assets at the end of the period, from 35.6% on December 31, 1998, as we increased our exposure to Germany and the U.K., and added a position in Bulgaria. During the reporting period, our exposure to emerging market bonds, especially those of Latin America, rose substantially. At the end of the period under review, Latin America comprised 13.9% of total net assets, compared with 8.7% on December 31, 1999. In an effort to reduce the volatility characteristic of emerging market securities, we invested in emerging market bonds that generally have shorter maturities than those of the J.P. Morgan Emerging Market Bond Index. Most Latin American bonds in the portfolio were U.S.-dollar denominated sovereign Eurobonds with fixed coupons issued by countries with strong repayment capacity. This helped eliminate currency risk and added security to the portfolio. Meanwhile, we will continue to follow a defensive strategy until we feel volatility and credit risk sensitivity stabilize.

In our opinion, global inflation will likely be quite tame in the period ahead and global economic growth is likely to pick up slightly in 1999. This is an ideal environment for high quality bonds, and this makes the management team positive for the intermediate-term outlook for the portfolio.

U.S. GOVERNMENT SECURITIES FUND

The economy grew at a steady pace during the reporting period, boosted by three Federal Reserve Board (the Fed) rate cuts in the fall of 1998. Investors in 1999 increasingly demanded securities that offered higher yields than Treasuries, allowing spreads, the difference in yields between two securities, to narrow and move back toward their historical levels.

Beginning January 1999, strong economic data weighed on the market and led to concerns that the Fed would raise interest rates in an effort to slow economic growth and prevent inflation from developing. This sentiment was magnified in

May with the release of higher-than-expected Consumer (CPI) and Producer (PPI) Price Indices for April, and again when several Fed officials made hawkish comments. Therefore, in expectation of the Fed's raising interest rates, bond yields steadily rose during the six months under review. For example, the 30-year Treasury bond yield rose, from 5.15% on December 31, 1998, to 5.98% on June 30, 1999. These higher rates worked their way through the economy over time. For instance, the Federal Home Loan Mortgage Association (FHLMC or Freddie Mac) conforming 30-year fixed mortgage rate climbed, from 6.83% to 7.63%, over the same period. The higher interest rates negatively impacted not only Treasury securities, but also U.S. government agency securities, with their yields rising as well. Government National Mortgage Association (GNMA or Ginnie Mae) securities generally outperformed Treasury and agency securities during the period.

As most economists predicted, on June 30, the Fed's interest-rate setting committee, the Federal Open Market Committee, or FOMC, met and raised the federal funds target rate 0.25%, to 5.00%. The bond market initially reacted positively to the Fed's decision, pushing the 30-year Treasury bond yield down to just under 6.00% on June 30, 1999.

Looking forward, over the near term the markets will most likely remain preoccupied with the Fed's actions. As evidence of an economic slowdown has failed to develop, the fixed-income markets are currently discounting some further tightening by the Fed over the next year. We will continue to manage U.S. Government Securities Fund primarily as a mortgage income portfolio, emphasizing GNMA and other agency mortgage pass-through securities for their attractive income advantages compared with U.S. Treasury securities. In addition, the portfolio will continue to invest in non-mortgage securities, such as Treasury and U.S. government agency securities, for diversification purposes.

ZERO COUPON 2000 FUND

ZERO COUPON 2005 FUND

ZERO COUPON 2010 FUND

The first six months of 1999 were difficult for fixed-income investors. Interest rates rose significantly, as the U.S. economy extended the longest peacetime expansion in its history. For example, the yield on the 10-year Treasury bond, a good proxy for the Zero Coupon 2010 Fund, increased from 4.64% on December 31, 1998, to 5.81% at the end of the reporting period. Interest rates and bond prices move in an inverse relationship, so as interest rates rise, bond prices fall. Indeed, the expansion appeared to be on firmer footing at the end of the reporting period than at the beginning of the year, as economies worldwide began to recover from recent difficulties. Taking note of this, the Federal Reserve Board (the Fed) raised the federal funds target rate by 0.25%, to 5.00% in its late-June meeting. However, in the same meeting, the Fed notified the markets that it had changed its bias to neutral, signaling that it is likely it will not raise rates again in the near future.

The bond market appeared to anticipate the Fed would take back most, if not all, of the 75 basis points (0.75%) from its easing last fall. Bond investors, in turn, demanded higher returns for bond investments. Still, inflation remained subdued and most of the forces driving this low inflationary period here in the U.S., namely the leveraging of new technologies to increase productivity, remained in place.

The Zero Coupon Funds invest primarily in securities issued by government sponsored agencies. In our opinion, there is only the slightest amount of additional risk in these securities relative to direct obligations of the U.S. government. Due to the inverse relationship zero coupon bonds have with interest rates, all three portfolios suffered from the rising interest rates during the year. Keep in mind that, with a little less than one and a half years to target maturity for the 2000 portfolio, it will begin to take on characteristics similar to a money market fund. As the target maturity date of December 2000 approaches, this portfolio will become increasingly less sensitive to changes in interest rates, which will serve to reduce the portfolio's risk but also diminish any chances for capital appreciation.

Normally, individual zero coupon bonds will return a fixed rate, if held to maturity. Zero coupon investments, therefore, can be attractive for relatively short-term investors and risk-averse, long-term investors. Of course, a managed portfolio of zero coupon bonds will fluctuate with cash flow in or out of the portfolio, or vary with market conditions. We do not try to time the market; instead, our portfolio activity mirrors shareholder activity.

Going forward, the prospects for continued low inflation are good and make fixed-income investments attractive. Zero coupon bonds and our zero coupon funds, while subject to price fluctuation as a result of interest changes, can offer investors relatively certain returns if held to maturity. For each portfolio, we strive to maintain the weighted average maturity as close to the target maturity as possible so that the portfolio will mirror the features of a zero coupon bond.

SECURITY NAME	% OF TOTAL NET ASSETS
U.S. Treasury Repo.	10.92%
Nestle Capital Corp.	4.29%
CIESCO LP	4.28%
Walt Disney Co.	4.27%
Schering Corp.	4.27%
Merrill Lynch & Co. Inc.	4.27%
International Lease Finance Corp.	4.27%
Archer Daniels Midland Co.	4.26%
Salomon Smith Barney Holdings Inc.	4.26%
General Electric Capital Corp.	4.25%

PORTFOLIOS SEEKING CAPITAL PRESERVATION AND INCOME

MONEY MARKET FUND

During the six-month review period, domestic economic growth continued at a robust pace, while most foreign economies struggled. U.S. real gross domestic product (GDP) growth for the first and second quarters were an annualized 4.3% and 2.3% respectively, averaging above the Federal Reserve Board's (the Fed's) targeted long-term growth rate of 2.5%.

Over the past year and a half, U.S. economic performance has reflected a balance between the effects of weakness abroad and a surge in credit-driven spending by U.S. households. Reduced inflation, associated with recession in much of the rest of the world, coupled with the Fed's easing in fall 1998 when credit growth threatened to falter, allowed for substantial declines in interest rates. This same combination also pushed up equity and real estate prices that, in turn, powered domestic spending. The result has been an enviable position of rapid economic growth coupled with low inflation and rising asset prices.

Foreign growth is now beginning to improve, however. The emerging markets crisis appears to have largely dissipated, and forecasts point to a return to more normal growth, with Korea and Thailand already posting impressive economic performances. Even Japan, mired in a deep recession for years, showed signs of life during the period, with first quarter annualized GDP of 1.9%, well above estimates. In Europe, Germany and Italy showed signs of improvement, as growth in the first quarter of 1999 was slightly higher than forecast.

In second quarter 1999, robust domestic demand coupled with stronger international economies brought fears of inflation to the forefront. In addition, an unexpected spike in April's inflation number coupled with strength in oil prices put the market on notice. In response, the Fed raised the federal funds target rate 0.25%, to 5.00%, in its June meeting.

We continue to invest the portfolio's assets in only high-quality money market securities. For example, during the period more than 75% of the securities purchased for the portfolio carried AA or higher long-term credit ratings by Standard & Poor's and Moody's, national credit rating agencies, with the balance rated A.* Consistent with the portfolio's objective of providing shareholders with a higher quality and conservative investment vehicle, we do not invest the portfolio's cash in derivatives or other potentially volatile securities that we believe involve undue risk.

*This does not indicate Standard and Poor's and Moody's ratings of the portfolio.

FRANKLIN VALUEMARK FUNDS
 Financial Highlights

<TABLE>
 <CAPTION>

PER SHARE OPERATING PERFORMANCE

PERIOD ENDED	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME	NET REALIZED & UNREALIZED GAINS (LOSSES)	TOTAL FROM INVESTMENT OPERATIONS	DISTRIBUTIONS FROM NET INVESTMENT INCOME	DISTRIBUTIONS FROM NET REALIZED GAINS	TOTAL DISTRIBUTIONS	NET ASSET VALUE, END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CAPITAL GROWTH FUND								
Class 1								
1996(4)	\$10.00	\$.03	\$ 1.33	\$ 1.36	\$ --	\$ --	\$ --	\$11.36
1997	11.36	.06	2.02	2.08	(.02)	--	(.02)	13.42
1998	13.42	.10	2.62	2.72	(.06)	--	(.06)	16.08
1999(8), (9)	16.08	.07	1.91	1.98	--	--	--	18.06
Class 2								
1999(7), (9)	16.47	.04	1.51	1.55	--	--	--	18.02
GLOBAL HEALTH CARE SECURITIES FUND								
Class 1								
1998(6)	10.00	.03	.68	.71	--	--	--	10.71
1999(8), (9)	10.71	.01	(1.56)	(1.55)	--	--	--	9.16
Class 2								
1999(7), (9)	10.77	--	(1.63)	(1.63)	--	--	--	9.14
GLOBAL UTILITIES SECURITIES FUND								
Class 1								
1994	17.14	.95	(2.94)	(1.99)	(.62)	(.11)	(.73)	14.42
1995	14.42	.84	3.54	4.38	(.90)	--	(.90)	17.90
1996	17.90	.91	.29	1.20	(.92)	--	(.92)	18.18
1997	18.18	.90	3.54	4.44	(.96)	(1.33)	(2.29)	20.33
1998	20.33	.76	1.41	2.17	(.83)	(1.22)	(2.05)	20.45
1999(8), (9)	20.45	.23	1.61	1.84	--	--	--	22.29
Class 2								
1999(7), (9)	21.02	.20	1.04	1.24	--	--	--	22.26
GROWTH AND INCOME FUND								
Class 1								
1994	13.99	.19	(.47)	(.28)	(.09)	(.20)	(.29)	13.42
1995	13.42	.41	3.92	4.33	(.20)	(.41)	(.61)	17.14
1996	17.14	.62	1.64	2.26	(.41)	(1.44)	(1.85)	17.55
1997	17.55	.67	4.05	4.72	(.64)	(.62)	(1.26)	21.01
1998	21.01	.69	.99	1.68	(.69)	(1.64)	(2.33)	20.36
1999(8), (9)	20.36	.30	1.31	1.61	--	--	--	21.97
Class 2								
1999(7), (9)	20.71	.24	.98	1.22	--	--	--	21.93
HIGH INCOME FUND								
Class 1								
1994	13.13	.88	(1.18)	(.30)	(.55)	(.07)	(.62)	12.21
1995	12.21	1.06	1.30	2.36	(.91)	--	(.91)	13.66
1996	13.66	1.20	.56	1.76	(1.20)	(.06)	(1.26)	14.16
1997	14.16	1.33	.22	1.55	(1.22)	(.04)	(1.26)	14.45
1998	14.45	1.43	(1.25)	.18	(1.27)	(.08)	(1.35)	13.28
1999(8), (9)	13.28	.71	(.54)	.17	--	--	--	13.45
Class 2								
1999(7), (9)	13.36	.66	(.59)	.07	--	--	--	13.43

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RATIOS/SUPPLEMENTAL DATA

	TOTAL RETURN(+)	NET ASSETS, END OF PERIOD (000'S)	RATIO EXPENSES TO AVERAGE NET ASSETS	RATIO OF NET INVESTMENT INCOME (LOSS) TO AVERAGE NET ASSETS	PORTFOLIO TURNOVER RATE
<S>	<C>	<C>	<C>	<C>	<C>
CAPITAL GROWTH FUND					
Class 1					
1996(4)	13.60%	\$ 44,667	.77%*	.96%*	3.91%
1997	18.31	109,355	.77	.72	19.90
1998	20.29	220,952	.77	1.00	12.17
1999(8), (9)	12.31	355,537	.77*	.82*	9.04
Class 2					
1999(7), (9)	9.47	307	1.07*	.52*	9.04
GLOBAL HEALTH CARE SECURITIES FUND					
Class 1					
1998(6)	7.10	8,990	.84*	.84*	40.80
1999(8), (9)	(14.85)	10,386	.81*	.26*	85.79
Class 2					
1999(7), (9)	(15.51)	42	1.11*	(.08)*	85.79
GLOBAL UTILITIES SECURITIES FUND					
Class 1					
1994	(11.56)	1,155,110	.52	5.58	11.74
1995	31.35	1,423,446	.50	5.14	13.27
1996	7.07	1,202,290	.50	4.20	29.69
1997	26.76	1,129,904	.50	3.91	17.00

1998	11.19	986,755	.50	3.15	33.85
1999(8),(9)	9.05	891,973	.51*	2.25*	44.03
Class 2					
1999(7),(9)	5.85	268	.81*	1.95*	44.03
GROWTH AND INCOME FUND					
Class 1					
1994	(3.41)	517,877	.54	1.81	99.21
1995	32.83	889,487	.52	3.30	116.54
1996	14.19	1,077,989	.50	4.06	23.01
1997	27.74	1,338,476	.49	3.53	36.71
1998	8.33	1,318,743	.49	3.27	27.32
1999(8),(9)	7.86	1,202,586	.49*	2.93*	19.48
Class 2					
1999(7),(9)	5.89	511	.79*	2.34*	19.48
HIGH INCOME FUND					
Class 1					
1994	(2.26)	255,036	.60	9.45	22.94
1995	19.76	360,904	.56	9.63	20.65
1996	13.90	446,096	.54	9.63	27.16
1997	11.47	496,036	.53	9.64	36.38
1998	.99	446,609	.53	9.96	41.71
1999(8),(9)	1.28	383,705	.55*	10.54*	13.95
Class 2					
1999(7),(9)	.52	107	.85*	10.16*	13.95

FRANKLIN VALUEMARK FUNDS
Financial Highlights (continued)

<TABLE>
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PER SHARE OPERATING PERFORMANCE

PERIOD ENDED	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME	NET REALIZED & UNREALIZED GAINS (LOSSES)	TOTAL FROM INVESTMENT OPERATIONS	DISTRIBUTIONS FROM NET INVESTMENT INCOME	DISTRIBUTIONS FROM NET REALIZED GAINS	TOTAL DISTRIBUTIONS	NET ASSET VALUE, END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INCOME SECURITIES FUND								
Class 1								
1994	\$ 15.80	\$.82	\$ (1.80)	\$ (.98)	\$ (.44)	\$ (.07)	\$ (.51)	\$ 14.31
1995	14.31	1.16	1.96	3.12	(.89)	(.07)	(.96)	16.47
1996	16.47	1.32	.44	1.76	(.87)	(.15)	(1.02)	17.21
1997	17.21	1.40	1.38	2.78	(1.33)	(.29)	(1.62)	18.37
1998	18.37	1.37	(1.07)	.30	(1.42)	(.33)	(1.75)	16.92
1999(8),(9)	16.92	.64	(.34)	.30	--	--	--	17.22
Class 2								
1999(7),(9)	17.07	.57	(.44)	.13	--	--	--	17.20
MONEY MARKET FUND								
Class 1								
1994	1.00	.04	--	.04	(.04)	--	(.04)	1.00
1995	1.00	.06	--	.06	(.06)	--	(.06)	1.00
1996	1.00	.05	--	.05	(.05)	--	(.05)	1.00
1997	1.00	.05	--	.05	(.05)	--	(.05)	1.00
1998	1.00	.05	--	.05	(.05)	--	(.05)	1.00
1999(8),(9)	1.00	.02	--	.02	(.02)	--	(.02)	1.00
Class 2								
1999(7),(9)	1.00	.02	--	.02	(.02)	--	(.02)	1.00
MUTUAL DISCOVERY SECURITIES FUND								
Class 1								
1996(5)	10.00	.02	.19	.21	--	--	--	10.21
1997	10.21	.13	1.84	1.97	(.01)	--	(.01)	12.17
1998	12.17	.20	(.76)	(.56)	(.17)	(.15)	(.32)	11.29
1999(8),(9)	11.29	.13	1.23	1.36	--	--	--	12.65
Class 2								
1999(7),(9)	11.65	.16	.83	.99	--	--	--	12.64
MUTUAL SHARES SECURITIES FUND								
Class 1								
1996(5)	10.00	.02	.33	.35	--	--	--	10.35
1997	10.35	.13	1.71	1.84	(.01)	--	(.01)	12.18
1998	12.18	.28	(.25)	.03	(.13)	(.12)	(.25)	11.96
1999(8),(9)	11.96	.11	1.63	1.74	--	--	--	13.70
Class 2								
1999(7),(9)	12.36	.09	1.23	1.32	--	--	--	13.68
NATURAL RESOURCES SECURITIES FUND								
Class 1								
1994	14.46	.16	(.45)	(.29)	(.08)	--	(.08)	14.09
1995	14.09	.22	.12	.34	(.20)	(.15)	(.35)	14.08
1996	14.08	.15	.44	.59	(.20)	(.18)	(.38)	14.29

1997	14.29	.15	(2.83)	(2.68)	(.20)	--	(.20)	11.41
1998	11.41	.15	(3.02)	(2.87)	(.15)	--	(.15)	8.39
1999(8), (9)	8.39	.04	2.41	2.45	--	--	--	10.84
Class 2								
1999(7), (9)	8.70	.02	2.11	2.13	--	--	--	10.83

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RATIOS/SUPPLEMENTAL DATA

PERIOD ENDED	TOTAL RETURN (+)	NET ASSETS, END OF PERIOD (000'S)	RATIO EXPENSES TO AVERAGE NET ASSETS	RATIO OF NET OF INVESTMENT INCOME TO AVERAGE NET ASSETS	PORTFOLIO TURNOVER RATE
<S>	<C>	<C>	<C>	<C>	<C>
INCOME SECURITIES FUND					
Class 1					
1994	(6.27)%	\$1,000,002	.54%	7.27%	13.33%
1995	22.40	1,266,538	.51	8.05	33.14
1996	11.28	1,350,659	.50	7.96	15.28
1997	17.09	1,406,787	.50	7.53	14.68
1998	1.64	1,185,840	.49	6.94	12.22
1999(8), (9)	1.77	971,091	.52*	7.62*	6.41
Class 2					
1999(7), (9)	.76	471	.80*	7.39*	6.41
MONEY MARKET FUND					
Class 1					
1994	3.82	518,618	.4610	4.05	--
1995	5.74	429,547	.4010	5.58	--
1996	5.16	408,930	.4310	5.04	--
1997	5.24	367,449	.4510	5.11	--
1998	5.22	414,341	.4510	5.08	--
1999(8), (9)	2.23	347,024	.52*	4.38*	--
Class 2					
1999(7), (9)	2.00	2,732	.82*	4.08*	--
MUTUAL DISCOVERY SECURITIES FUND					
Class 1					
1996(5)	2.10	15,418	1.37*	2.11*	.14
1997	19.25	198,653	1.06	1.19	55.93
1998	(5.00)	224,656	1.00	1.94	93.99
1999(8), (9)	12.05	204,736	.98*	2.24*	55.77
Class 2					
1999(7), (9)	8.50	187	1.28*	2.76*	55.77
MUTUAL SHARES SECURITIES FUND					
Class 1					
1996(5)	3.50	27,677	1.00*	2.56*	1.31
1997	17.73	387,787	.80	2.10	49.01
1998	.09	482,444	.77	2.60	70.19
1999(8), (9)	14.55	496,877	.78*	1.72*	41.81
Class 2					
1999(7), (9)	10.68	442	1.08*	1.42*	41.81
NATURAL RESOURCES SECURITIES FUND					
Class 1					
1994	(2.01)	125,078	.68	1.63	7.66
1995	2.35	105,109	.66	1.40	15.66
1996	4.00	109,579	.65	1.00	21.77
1997	(18.98)	74,924	.69	1.00	85.22
1998	(25.38)	45,927	.64	1.21	64.68
1999(8), (9)	29.20	50,308	.67*	.90*	27.86
Class 2					
1999(7), (9)	24.48	44	.97*	.42*	27.86

FRANKLIN VALUEMARK FUNDS
Financial Highlights (continued)

<TABLE>
<CAPTION>

PER SHARE OPERATING PERFORMANCE

PERIOD ENDED	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME	NET REALIZED & UNREALIZED GAINS (LOSSES)	TOTAL INVESTMENT FROM OPERATIONS	DISTRIBUTIONS FROM NET INVESTMENT INCOME	DISTRIBUTIONS FROM NET REALIZED GAINS	TOTAL DISTRIBUTIONS	NET ASSET VALUE, END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
REAL ESTATE SECURITIES FUND								
Class 1								
1994	\$15.04	\$.38	\$.06	\$.44	\$ (.17)	\$ --	\$ (.17)	\$15.31
1995	15.31	.78	1.83	2.61	(.52)	--	(.52)	17.40

1996	17.40	.79	4.74	5.53	(.78)	--	(.78)	22.15
1997	22.15	.72	3.72	4.44	(.67)	(.32)	(.99)	25.60
1998	25.60	1.45	(5.60)	(4.15)	(.94)	(.58)	(1.52)	19.93
1999(8), (9)	19.93	.68	.44	1.12	--	--	--	21.05
Class 2								
1999(7), (9)	20.21	.38	.43	.81	--	--	--	21.02
RISING DIVIDENDS FUND								
Class 1								
1994	10.57	.26	(.69)	(.43)	(.17)	--	(.17)	9.97
1995	9.97	.27	2.66	2.93	(.24)	--	(.24)	12.66
1996	12.66	.25	2.77	3.02	(.28)	--	(.28)	15.40
1997	15.40	.22	4.77	4.99	(.26)	(.45)	(.71)	19.68
1998	19.68	.23	1.07	1.30	(.22)	(2.65)	(2.87)	18.11
1999(8), (9)	18.11	.12	.39	.51	--	--	--	18.62
Class 2								
1999(7), (9)	18.28	.10	.21	.31	--	--	--	18.59
SMALL CAP FUND								
Class 1								
1995(3)	10.00	.03	.21	.24	--	--	--	10.24
1996	10.24	.02	2.95	2.97	(.01)	--	(.01)	13.20
1997	13.20	.01	2.24	2.25	(.03)	(.37)	(.40)	15.05
1998	15.05	.07	(.20)	(.13)	(.01)	(1.19)	(1.20)	13.72
1999(8), (9)	13.72	(.01)	2.27	2.26	--	--	--	15.98
Class 2								
1999(7), (9)	14.25	(.01)	1.71	1.70	--	--	--	15.95
TEMPLETON DEVELOPING MARKETS EQUITY FUND								
Class 1								
1994(1)	10.00	.07	(.51)	(.44)	--	--	--	9.56
1995	9.56	.09	.18	.27	(.04)	(.01)	(.05)	9.78
1996	9.78	.12	1.97	2.09	(.10)	(.18)	(.28)	11.59
1997	11.59	.18	(1.10)	(.92)	(.15)	(.23)	(.38)	10.29
1998	10.29	.20	(2.35)	(2.15)	(.29)	(.94)	(1.23)	6.91
1999(8), (9)	6.91	.06	2.42	2.48	--	--	--	9.39
Class 2								
1999(7), (9)	7.22	.05	2.11	2.16	--	--	--	9.38

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RATIOS/SUPPLEMENTAL DATA

PERIOD ENDED	TOTAL RETURN (1)	NET ASSETS, END OF PERIOD (000'S)	RATIO OF EXPENSES TO AVERAGE NET ASSETS	RATIO OF NET INVESTMENT INCOME (LOSS) TO AVERAGE NET ASSETS	PORTFOLIO TURNOVER RATE
<S>	<C>	<C>	<C>	<C>	<C>
REAL ESTATE SECURITIES FUND					
Class 1					
1994	2.89%	\$195,697	.62%	4.00%	11.73%
1995	17.53	213,473	.59	4.74	22.15
1996	32.82	322,721	.57	4.80	10.32
1997	20.70	440,554	.54	3.59	11.62
1998	(16.82)	282,290	.54	5.44	13.21
1999(8), (9)	5.52	224,451	.57*	4.09*	4.94
Class 2					
1999(7), (9)	3.91	44	.87*	3.79*	4.94
RISING DIVIDENDS FUND					
Class 1					
1994	(4.08)	309,929	.80	2.71	24.07
1995	29.74	463,253	.78	2.72	18.72
1996	24.18	597,424	.76	1.96	27.97
1997	33.03	780,298	.74	1.24	37.04
1998	6.92	751,869	.72	1.20	26.44
1999(8), (9)	2.82	621,230	.74*	1.35*	3.33
Class 2					
1999(7), (9)	1.70	331	1.05*	1.13*	3.33
SMALL CAP FUND					
Class 1					
1995(3)	2.30	13,301	.90*	2.70*	16.04
1996	28.95	170,969	.77	.63	63.72
1997	17.42	313,462	.77	.06	64.07
1998	(.98)	315,460	.77	.51	53.01
1999(8), (9)	16.47	299,177	.80*	(.08)*	23.08
Class 2					
1999(7), (9)	11.93	78	1.08*	(.09)*	23.08
TEMPLETON DEVELOPING MARKETS EQUITY FUND					
Class 1					
1994(1)	(4.40)	98,189	1.53*	1.85*	1.15
1995	2.77	158,084	1.41	2.01	19.96
1996	21.59	272,098	1.49	1.68	12.42
1997	(8.72)	279,680	1.42	1.57	20.59

1998	(21.61)	162,433	1.41	2.04	36.58
1999(8), (9)	35.89	188,803	1.40*	1.51*	14.04
Class 2					
1999(7), (9)	29.92	587	1.71*	1.38*	14.04

FRANKLIN VALUEMARK FUNDS
Financial Highlights (continued)

<TABLE>
<CAPTION>

PER SHARE OPERATING PERFORMANCE								
PERIOD ENDED	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME	NET REALIZED & UNREALIZED GAINS (LOSSES)	TOTAL FROM INVESTMENT OPERATIONS	DISTRIBUTIONS FROM NET INVESTMENT INCOME	DISTRI-BUTIONS FROM NET REALIZED GAINS	TOTAL DISTRI-BUTIONS	NET ASSET VALUE, END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
TEMPLETON GLOBAL ASSET ALLOCATION FUND								
Class 1								
1995(2)	\$10.00	\$.18	\$.52	\$.70	\$ (.18)	\$ --	\$ (.18)	\$10.52
1996	10.52	.34	1.75	2.09	(.01)	(.01)	(.02)	12.59
1997	12.59	.42	1.04	1.46	(.26)	(.07)	(.33)	13.72
1998	13.72	.61	(.59)	.02	(.49)	(.58)	(1.07)	12.67
1999(8), (9)	12.67	.23	.42	.65	--	--	--	13.32
Class 2								
1999(7), (9)	12.94	.23	.12	.35	--	--	--	13.29
TEMPLETON GLOBAL GROWTH FUND								
Class 1								
1994(1)	10.15	.07	.26	.33	--	--	--	10.48
1995	10.48	.16	1.17	1.33	(.06)	--	(.06)	11.75
1996	11.75	.25	2.22	2.47	(.21)	(.21)	(.42)	13.80
1997	13.80	.33	1.53	1.86	(.24)	(.08)	(.32)	15.34
1998	15.34	.35	.98	1.33	(.41)	(1.49)	(1.90)	14.77
1999(8), (9)	14.77	.25	1.52	1.77	--	--	--	16.54
Class 2								
1999(7), (9)	15.34	.26	.92	1.18	--	--	--	16.52
TEMPLETON GLOBAL INCOME SECURITIES FUND								
Class 1								
1994	13.31	.86	(1.52)	(.66)	(.33)	(.13)	(.46)	12.19
1995	12.19	.29	1.47	1.76	(.49)	--	(.49)	13.46
1996	13.46	1.02	.17	1.19	(1.04)	--	(1.04)	13.61
1997	13.61	1.05	(.73)	.32	(.96)	--	(.96)	12.97
1998	12.97	1.07	(.19)	.88	(.98)	--	(.98)	12.87
1999(8), (9)	12.87	.35	(1.02)	(.67)	--	--	--	12.20
Class 2								
1999(7), (9)	12.93	.32	(1.07)	(.75)	--	--	--	12.18
TEMPLETON INTERNATIONAL EQUITY FUND								
Class 1								
1994	12.50	.19	(.07)	.12	(.04)	(.07)	(.11)	12.51
1995	12.51	.37	.94	1.31	(.22)	(.28)	(.50)	13.32
1996	13.32	.40	2.58	2.98	(.38)	(.47)	(.85)	15.45
1997	15.45	.30	1.51	1.81	(.45)	(.69)	(1.14)	16.12
1998	16.12	.56	.42	.98	(.53)	(1.05)	(1.58)	15.52
1999(8), (9)	15.52	.23	1.55	1.78	--	--	--	17.30
Class 2								
1999(7), (9)	16.24	.26	.77	1.03	--	--	--	17.27

<TABLE>
<CAPTION>

RATIOS/SUPPLEMENTAL DATA						
PERIOD ENDED	TOTAL RETURN (+)	NET ASSETS, END OF PERIOD (000'S)	RATIO EXPENSES TO AVERAGE NET ASSETS	RATIO OF NET INVESTMENT INCOME TO AVERAGE NET ASSETS	PORTFOLIO TURNOVER RATE	
<S>	<C>	<C>	<C>	<C>	<C>	
TEMPLETON GLOBAL ASSET ALLOCATION FUND						
Class 1						
1995(2)	7.01%	\$14,729	.90%*	3.84%*	30.00%	
1996	19.84	56,274	.86	4.21	52.35	
1997	11.71	93,402	.94	4.22	61.93	
1998	(.04)	81,670	.84	4.32	59.03	

1999(8), (9)	5.13	70,553	.83*	3.73*	14.40
Class 2					
1999(7), (9)	2.70	43	1.11*	3.74*	14.40
TEMPLETON GLOBAL GROWTH FUND					
Class 1					
1994(1)	3.25	158,856	1.14*	2.49*	7.14
1995	12.72	338,755	.97	2.46	30.92
1996	21.28	579,877	.93	2.20	12.32
1997	13.50	758,445	.88	2.49	24.81
1998	8.98	747,080	.88	2.27	32.30
1999(8), (9)	11.98	732,164	.88*	2.65*	10.64
Class 2					
1999(7), (9)	7.69	1,481	1.18*	3.37*	10.64
TEMPLETON GLOBAL INCOME SECURITIES FUND					
Class 1					
1994	(4.99)	254,311	.71	7.99	79.38
1995	14.68	243,194	.64	7.59	152.89
1996	9.56	221,722	.61	7.30	140.96
1997	2.55	185,016	.62	7.03	181.61
1998	7.08	150,941	.63	6.86	84.17
1999(8), (9)	(5.21)	113,609	.66*	5.57*	39.79
Class 2					
1999(7), (9)	(5.80)	82	.97*	5.40*	39.79
TEMPLETON INTERNATIONAL EQUITY FUND					
Class 1					
1994	.87	785,124	.99	2.17	12.22
1995	10.59	850,117	.92	2.87	16.42
1996	22.98	1,108,099	.89	3.07	27.52
1997	11.69	1,161,430	.89	3.01	26.96
1998	5.56	955,900	.88	2.90	5.98
1999(8), (9)	11.47	824,806	.91*	2.82*	8.28
Class 2					
1999(7), (9)	6.34	4,293	1.20*	3.22*	8.28

FRANKLIN VALUEMARK FUNDS
Financial Highlights (continued)

<TABLE>
<CAPTION>

PERIOD ENDED	PER SHARE OPERATING PERFORMANCE							
	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME	NET REALIZED & UNREALIZED GAINS (LOSSES)	TOTAL FROM INVESTMENT OPERATIONS	DISTRIBUTIONS FROM NET INVESTMENT INCOME	DISTRIBUTIONS FROM NET REALIZED GAINS	TOTAL DISTRIBUTIONS	NET ASSET VALUE, END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND								
Class 1								
1996(4)	\$10.00	\$.10	\$ 1.15	\$ 1.25	\$ --	\$ --	\$ --	\$11.25
1997	11.25	.23	(.39)	(.16)	(.07)	--	(.07)	11.02
1998	11.02	.25	(1.52)	(1.27)	(.25)	(.30)	(.55)	9.20
1999(8), (9)	9.20	.16	1.41	1.57	--	--	--	10.77
Class 2								
1999(7), (9)	9.44	.07	1.25	1.32	--	--	--	10.76
TEMPLETON PACIFIC GROWTH FUND								
Class 1								
1994	14.61	.22	(1.50)	(1.28)	(.03)	(.06)	(.09)	13.24
1995	13.24	.33	.71	1.04	(.26)	(.11)	(.37)	13.91
1996	13.91	.21	1.34	1.55	(.44)	(.26)	(.70)	14.76
1997	14.76	.29	(5.49)	(5.20)	(.28)	--	(.28)	9.28
1998	9.28	.21	(1.52)	(1.31)	(.35)	(.11)	(.46)	7.51
1999(8), (9)	7.51	.05	2.11	2.16	--	--	--	9.67
Class 2								
1999(7), (9)	7.63	.07	1.95	2.02	--	--	--	9.65
U.S. GOVERNMENT SECURITIES FUND								
Class 1								
1994	13.92	.96	(1.59)	(.63)	(.67)	(.05)	(.72)	12.57
1995	12.57	.93	1.46	2.39	(.96)	--	(.96)	14.00
1996	14.00	.75	(.31)	.44	(.97)	--	(.97)	13.47
1997	13.47	1.00	.21	1.21	(.76)	--	(.76)	13.92
1998	13.92	.99	.01	1.00	(1.03)	--	(1.03)	13.89
1999(8), (9)	13.89	.44	(.62)	(.18)	--	--	--	13.71
Class 2								
1999(7), (9)	13.89	.39	(.59)	(.20)	--	--	--	13.69
VALUE SECURITIES FUND								
Class 1								
1998(6)	10.00	.02	(2.23)	(2.21)	--	--	--	7.79

1999(8), (9)	7.79	.02	.83	.85	--	--	--	8.64
Class 2								
1999(7), (9)	7.97	.01	.65	.66	--	--	--	8.63

<TABLE>
<CAPTION>

RATIOS/SUPPLEMENTAL DATA

PERIOD ENDED	TOTAL RETURN (+)	NET ASSETS, END OF PERIOD (000'S)	RATIO EXPENSES TO AVERAGE NET ASSETS	RATIO OF NET INCOME TO AVERAGE NET ASSETS	PORTFOLIO TURNOVER RATE
<S>	<C>	<C>	<C>	<C>	<C>
TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND					
Class 1					
1996(4)	12.50%	\$16,255	1.16%*	2.51%*	--%
1997	(1.50)	32,201	1.06	2.74	21.38
1998	(12.27)	24,999	1.10	2.26	18.45
1999(8), (9)	17.07	24,281	1.13*	3.39*	6.04
Class 2					
1999(7), (9)	13.98	515	1.42*	1.74*	6.04
TEMPLETON PACIFIC GROWTH FUND					
Class 1					
1994	(8.79)	375,832	1.07	2.04	4.29
1995	7.97	331,936	1.01	2.08	36.06
1996	11.10	356,759	.99	1.51	12.85
1997	(35.95)	165,404	1.03	1.97	11.87
1998	(13.13)	98,769	1.10	2.60	12.55
1999(8), (9)	28.76	112,950	1.09*	1.31*	6.04
Class 2					
1999(7), (9)	26.47	298	1.38*	1.50*	6.04
U.S. GOVERNMENT SECURITIES FUND					
Class 1					
1994	(4.55)	579,039	.53	6.87	18.25**
1995	19.46	643,165	.52	6.72	18.68**
1996	3.62	843,858	.51	6.66	12.93***
1997	9.31	765,084	.50	6.49	16.84
1998	7.44	710,832	.50	6.22	31.34
1999(8), (9)	(1.30)	598,705	.54*	6.28*	7.26
Class 2					
1999(7), (9)	(1.44)	1,601	.83*	5.86*	7.26
VALUE SECURITIES FUND					
Class 1					
1998(6)	(22.10)	9,013	.83*	.95*	22.79
1999(8), (9)	10.91	11,815	.87*	.61*	42.40
Class 2					
1999(7), (9)	8.28	60	1.12*	.33*	42.40

FRANKLIN VALUEMARK FUNDS
Financial Highlights (continued)

<TABLE>
<CAPTION>

PER SHARE OPERATING PERFORMANCE

PERIOD ENDED	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME	NET REALIZED & UNREALIZED GAINS (LOSSES)	TOTAL FROM INVESTMENT OPERATIONS	DISTRIBUTIONS FROM NET INVESTMENT INCOME	DISTRIBUTIONS FROM NET REALIZED GAINS	TOTAL DISTRIBUTIONS	NET ASSET VALUE, END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ZERO COUPON FUND - 2000								
1994	\$ 15.44	\$.68	\$ (1.71)	\$ (1.03)	\$ (.69)	\$ (.10)	\$ (.79)	\$ 13.62
1995	13.62	.75	2.03	2.78	(.67)	--	(.67)	15.73
1996	15.73	.98	(.65)	.33	(.86)	(.01)	(.87)	15.19
1997	15.19	1.15	(.12)	1.03	(1.06)	(.02)	(1.08)	15.14
1998	15.14	1.22	(.15)	1.07	(1.21)	(.19)	(1.40)	14.81
1999(8), (9)	14.81	.49	(.34)	.15	--	--	--	14.96
ZERO COUPON FUND - 2005								
1994	16.08	.71	(2.24)	(1.53)	(.60)	(.19)	(.79)	13.76
1995	13.76	.78	3.53	4.31	(.69)	--	(.69)	17.38
1996	17.38	.96	(1.13)	(.17)	(.86)	--	(.86)	16.35
1997	16.35	1.14	.63	1.77	(1.06)	(.01)	(1.07)	17.05
1998	17.05	1.01	1.03	2.04	(1.10)	(.25)	(1.35)	17.74
1999(8), (9)	17.74	.49	(1.38)	(.89)	--	--	--	16.85
ZERO COUPON FUND - 2010								
1994	15.68	.55	(2.27)	(1.72)	(.63)	(.31)	(.94)	13.02
1995	13.02	.76	4.75	5.51	(.49)	--	(.49)	18.04
1996	18.04	1.02	(1.65)	(.63)	(.88)	(.24)	(1.12)	16.29

1997	16.29	1.02	1.54	2.56	(1.01)	(.01)	(1.02)	17.83
1998	17.83	1.09	1.39	2.48	(1.11)	(.15)	(1.26)	19.05
1999(8), (9)	19.05	.50	(2.18)	(1.68)	--	--	--	17.37

</TABLE>

<TABLE>
<CAPTION>

RATIOS/SUPPLEMENTAL DATA

PERIOD ENDED	TOTAL RETURN(+)	NET ASSETS, END OF PERIOD (000'S)	RATIO EXPENSES TO AVERAGE NET ASSETS	RATIO OF NET OF INVESTMENT INCOME TO AVERAGE NET ASSETS	PORTFOLIO TURNOVER RATE

<S>	<C>	<C>	<C>	<C>	<C>
ZERO COUPON FUND - 2000					
1994	(6.76)%	\$ 94,230	.40%(10)	6.37%	--%
1995	20.67	137,357	.40(10)	6.14	1.63
1996	2.43	129,601	.40(10)	6.14	.58
1997	7.11	111,650	.40(10)	6.47	6.16
1998	7.50	93,543	.40(10)	6.67	17.70
1999(8), (9)	1.01	79,882	.66(*)	6.64(*)	9.70
ZERO COUPON FUND - 2005					
1994	(9.60)	51,499	.40(10)	6.53	2.00
1995	31.76	83,222	.40(10)	6.19	1.72
1996	(.50)	82,603	.40(10)	6.15	2.06
1997	11.37	77,296	.40(10)	6.16	4.52
1998	12.53	84,487	.40(10)	5.82	3.87
1999(8), (9)	(4.96)	73,966	.66(*)	5.69(*)	4.28
ZERO COUPON FUND - 2010					
1994	(10.97)	45,361	.40(10)	6.57	4.34
1995	42.79	85,633	.40(10)	6.41	31.45
1996	(2.69)	78,816	.40(10)	6.24	16.10
1997	16.57	85,515	.40(10)	6.21	12.20
1998	14.45	93,515	.40(10)	5.55	15.92
1999(8), (9)	(8.82)	79,282	.66(*)	5.48(*)	9.23

</TABLE>

*Annualized

**The portfolio turnover rate excludes mortgage dollar roll transactions.

***The portfolio turnover rate excludes transactions related to the liquidation of the Investment Grade Intermediate Bond Fund and the Adjustable U.S. Government Fund and mortgage dollar roll transactions.

+Total return does not include any fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Valuemark Funds serve as an underlying investment vehicle. Total return is not annualized for periods less than one year.

(1)For the period March 15, 1994 (effective date) to December 31, 1994.

(2)For the period April 19, 1995 (seed date) to December 31, 1995.

(3)For the period November 1, 1995 (effective date) to December 31, 1995.

(4)For the period May 1, 1996 (effective date) to December 31, 1996.

(5)For the period November 8, 1996 (effective date) to December 31, 1996.

(6)For the period May 1, 1998 (effective date) to December 31, 1998.

(7)For the period January 6, 1999 (effective date) to June 30, 1999.

(8)For the six months ended June 30, 1999.

(9)Based on average shares outstanding.

(10)During the periods indicated below, Franklin Advisers, Inc., the investment manager, agreed to waive in advance a portion of its management fees incurred by the Funds in the Trust. Had such action not been taken, the ratio of expenses to average net assets would have been as follows:

<TABLE> <CAPTION>		MONEY MARKET FUND		ZERO COUPON FUND - 2000		ZERO COUPON FUND - 2005		ZERO COUPON FUND - 2010	
<S>	<C>	<S>	<C>	<S>	<C>	<S>	<C>	<S>	<C>
1994	.54%	1994	.66%	1994	.68%	1994	.68%	1994	.68%
1995	.53	1995	.63	1995	.66	1995	.66	1995	.66
1996	.53	1996	.62	1996	.65	1996	.65	1996	.65
1997	.53	1997	.63	1997	.65	1997	.65	1997	.65

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>

<CAPTION>

CAPITAL GROWTH FUND	SHARES	VALUE
<S>	<C>	<C>
COMMON STOCKS 88.2%		
COMMERCIAL SERVICES 3.2%		
(a)Concord EFS Inc.	140,000	\$ 5,923,750
Equifax Inc.	100,000	3,568,750
(a)Robert Half International Inc.	75,000	1,950,000

		11,442,500

CONSUMER DURABLES 2.0%		
(a)Electronic Arts Inc.	50,000	2,712,500
Mattel Inc.	160,000	4,230,000

		6,942,500

Consumer Non-Durables 4.9%		
Campbell Soup Co.	30,000	1,391,250
Coca-Cola Co.	17,000	1,062,500
Hershey Foods Corp.	75,000	4,453,125
Nike Inc., B	50,000	3,165,625
PepsiCo Inc.	30,000	1,160,625
Philip Morris Cos. Inc.	85,000	3,415,938
Procter & Gamble Co.	30,000	2,677,500

		17,326,563

CONSUMER SERVICES 3.0%		
McDonald's Corp.	100,000	4,131,250
(a)Mirage Resorts Inc.	110,000	1,842,500
Time Warner Inc.	64,000	4,704,000

		10,677,750

ELECTRONIC TECHNOLOGY 18.5%		
(a)3Com Corp.	85,000	2,268,438
(a)Applied Materials Inc.	55,000	4,063,125
(a)Cisco Systems Inc.	110,000	7,095,000
Compaq Computer Corp.	100,000	2,368,750
Hewlett-Packard Co.	65,000	6,532,500
Intel Corp.	50,000	2,975,000
International Business Machines Corp.	50,000	6,462,500
(a)KLA-Tencor Corp.	50,000	3,243,750
Linear Technology Corp.	65,000	4,371,250
Lucent Technologies Inc.	30,000	2,023,125
Molex Inc.	63,437	2,347,169
(a)Synopsys Inc.	70,000	3,863,125
(a)Tellabs Inc.	24,000	1,621,500
(a)Uniphase Corp.	40,000	6,640,000
United Technologies Corp.	60,000	4,301,250
(a)Xilinx Inc.	100,000	5,725,000

		65,901,482

ENERGY MINERALS 1.9%		
(a)Barrett Resources Corp.	58,200	2,233,425
Royal Dutch Petroleum Co., N.Y. shs., ADR (Netherlands)	75,000	4,518,750

		6,752,175

FINANCE 9.6%		
American International Group Inc.	33,550	3,927,447
Associates First Capital Corp., A	70,000	3,101,875
Bank One Corp.	85,000	5,062,813
Charles Schwab Corp.	32,500	3,570,938
Citigroup Inc.	127,500	6,056,250
Fannie Mae	75,000	5,128,125
(a)Goldman Sachs Group Inc.	22,600	1,632,850

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

CAPITAL GROWTH FUND	SHARES	VALUE
<S>	<C>	<C>
COMMON STOCKS (CONT.)		
FINANCE (CONT.)		
Providian Financial Corp.	38,000	\$ 3,553,000
(a)TD Waterhouse Group Inc.	89,900	2,253,119

		34,286,417

HEALTH SERVICES 1.0%		
McKesson HBOC Inc.	59,000	1,895,375
Omnicare Inc.	120,000	1,767,500

		3,662,875

HEALTH TECHNOLOGY 13.8%		
Abbott Laboratories	110,000	5,005,000
American Home Products Corp.	60,000	3,450,000
(a)Amgen Inc.	90,000	5,478,750
Baxter International Inc.	70,000	4,243,750
(a)Boston Scientific Corp.	85,000	3,734,688
Bristol-Myers Squibb Co.	80,000	5,635,000
(a)Centocor Inc.	21,000	979,125
Eli Lilly & Co.	40,000	2,865,000
(a)Guidant Corp.	5,000	257,188
Johnson & Johnson	55,000	5,390,000
Medtronic Inc.	50,000	3,893,750
Merck & Co. Inc.	15,000	1,110,000
Pfizer Inc.	22,000	2,414,500
Schering-Plough Corp.	90,000	4,770,000

		49,226,751

INDUSTRIAL SERVICES 3.6%		
(a)AES Corp.	65,000	3,778,125
(a)Republic Services Inc., A	164,500	4,071,375
Schlumberger Ltd.	75,000	4,776,563

		12,626,063

NON-ENERGY MINERALS 1.0%		
De Beers Consolidated Mines AG, ADR (South Africa)	150,000	3,581,250

PROCESS INDUSTRIES 3.4%		
Air Products & Chemicals Inc.	70,000	2,817,500
Millipore Corp.	60,000	2,433,750
(a)Owens-Illinois Inc.	60,000	1,961,250
Pall Corp.	110,000	2,440,625
Sigma-Aldrich Corp.	70,000	2,410,625

		12,063,750

PRODUCER MANUFACTURING 1.8%		
Avery Dennison Corp.	30,000	1,811,250
Emerson Electric Co.	40,000	2,515,000
Minnesota Mining & Manufacturing Co.	25,000	2,173,438

		6,499,688

RETAIL TRADE 4.5%		
Albertson's Inc.	85,000	4,382,813
Tiffany & Co.	60,000	5,790,000
Wal-Mart Stores Inc.	120,000	5,790,000

		15,962,813

TECHNOLOGY SERVICES 6.6%		
Automatic Data Processing Inc.	150,000	6,600,000
(a)Computer Sciences Corp.	50,000	3,459,375
(a)EMC Corp.	50,000	2,750,000

</TABLE>

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

CAPITAL GROWTH FUND	SHARES	VALUE
<S>	<C>	<C>
COMMON STOCKS (CONT.)		
TECHNOLOGY SERVICES (CONT.)		
(a)Microsoft Corp.	80,000	\$ 7,215,000
(a)Oracle Corp.	90,000	3,341,250

		23,365,625

TELECOMMUNICATIONS 2.4%		
GTE Corp.	50,000	3,787,500
Vodafone AirTouch PLC, ADR (United Kingdom) ...	25,000	4,925,000

		8,712,500

TRANSPORTATION 2.6%		
Air Express International Corp.	150,000	3,806,250
Expeditors International of Washington Inc. ...	120,000	3,270,000
Southwest Airlines Co.	70,000	2,178,750

		9,255,000

UTILITIES 4.4%		
CMS Energy Corp.	117,000	4,899,375
Dominion Resources Inc.	42,000	1,819,125
Enron Corp.	60,000	4,905,000
PECO Energy Co.	50,000	2,093,750
MCN Energy Group Inc.	90,100	1,869,570

		15,586,820

TOTAL LONG TERM INVESTMENTS (COST \$238,302,547)		313,872,522

</TABLE>

<TABLE>
<CAPTION>

	PRINCIPAL AMOUNT
(f) REPURCHASE AGREEMENT 11.8%	
<S>	<C>
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$42,082,284) (Cost \$42,076,712)	\$ 42,076,712
Barclays Capital Inc. (Maturity Value \$5,308,259)	42,076,712
Bear, Stearns & Co. Inc. (Maturity Value \$4,683,758)	
Chase Securities Inc. (Maturity Value \$866,895)	
CIBC Oppenheimer Corp. (Maturity Value \$5,308,259)	
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$3,747,007)	
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$3,747,007)	
Goldman, Sachs & Co. (Maturity Value \$1,873,503)	
NationsBanc Montgomery Securities LLC (Maturity Value \$3,747,007)	
Paine Webber Inc. (Maturity Value \$3,747,007)	
Paribas Corp. (Maturity Value \$3,745,323)	
Warburg Dillon Read LLC (Maturity Value \$5,308,259)	
Collateralized by U.S. Treasury Bills & Notes	

TOTAL INVESTMENTS (COST \$280,379,259) 100.0%	355,949,234
OTHER ASSETS, LESS LIABILITIES	(105,172)

NET ASSETS 100.0%	\$ 355,844,062
	=====

</TABLE>

- (a) Non-income producing.
- (f) See Note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

<TABLE>

<CAPTION>

GLOBAL HEALTH CARE SECURITIES FUND

	SHARES	VALUE

<S>	<C>	<C>
COMMON STOCKS 96.1%		
(a) CONSUMER SERVICES 1.3%		
drkoop.com Inc.	8,700	\$ 138,656
HEALTH SERVICES 31.4%		
Cardinal Health Inc.	5,950	381,544
(a) CareInsite Inc.	5,500	259,875
(a) CyBear Inc.	10,300	143,556
(a) Express Scripts Inc., A	3,400	204,638
(a) LCA-Vision Inc.	29,000	270,063
McKesson HBOC Inc.	9,280	298,120
(a) MedQuist Inc.	7,100	310,625
Omnicare Inc.	24,100	304,263
(a) Pharmaceutical Product Development Inc.	11,000	301,125
(a) Quintiles Transnational Corp.	7,600	319,200
(a) Renal Care Group Inc.	8,800	227,700
(a) Wellpoint Health Networks Inc.	3,000	254,625

		3,275,333

HEALTH TECHNOLOGY 63.4%		
American Home Products Corp.	9,400	540,500
(a) Amgen Inc.	5,000	304,375
Bausch & Lomb Inc.	4,500	344,250
Baxter International Inc.	8,200	497,125
Becton, Dickinson & Co.	500	15,000
(a) Boston Scientific Corp.	7,000	307,563
Bristol-Myers Squibb Co.	7,100	500,106
Eli Lilly & Co.	7,400	530,025
(a) Guidant Corp.	500	25,719
Medtronic Inc.	6,400	498,400
Merck & Co. Inc.	500	37,000
(a) Molecular Devices Corp.	6,600	247,500
(a) Ocular Sciences Inc.	14,000	243,250
(a) OrthoLogic Corp.	43,000	106,158
Pfizer Inc.	2,900	318,275
Pharmacia & Upjohn Inc.	8,900	505,631
Roche Holding AG (Switzerland)	16	164,467
Schering-Plough Corp.	11,200	593,600
SmithKline Beecham PLC, ADR (United Kingdom)	2,000	132,125
(a) VISX Inc.	3,500	277,156
Warner-Lambert Co.	6,000	416,250

		6,604,475

TOTAL LONG TERM INVESTMENTS (COST \$9,596,134)		10,018,464

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

GLOBAL HEALTH CARE SECURITIES FUND	PRINCIPAL AMOUNT	VALUE

<S>	<C>	<C>
(f) REPURCHASE AGREEMENT 3.3%		
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$346,464) (COST \$346,418)	\$346,418	\$ 346,418
Barclays Capital Inc. (Maturity Value \$43,701)		
Bear, Stearns & Co. Inc. (Maturity Value \$38,560)		
Chase Securities Inc. (Maturity Value \$7,137)		
CIBC Oppenheimer Corp. (Maturity Value \$43,701)		
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$30,848)		
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$30,848)		
Goldman, Sachs & Co. (Maturity Value \$15,424)		
NationsBanc Montgomery Securities LLC (Maturity Value \$30,848)		
Paine Webber Inc. (Maturity Value \$30,848)		
Paribas Corp. (Maturity Value \$30,848)		
Warburg Dillon Read LLC (Maturity Value \$43,701)		
Collateralized by U.S. Treasury Bills & Notes		
TOTAL INVESTMENTS (COST \$9,942,552) 99.4%		10,364,882

OTHER ASSETS, LESS LIABILITIES .6%		63,065

</TABLE>

- (a) Non-income producing.
(f) See Note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)<TABLE>
<CAPTION>

GLOBAL UTILITIES SECURITIES FUND	COUNTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS 92.4%			
UTILITIES AND TELECOMMUNICATIONS			
(a) 3Com Corp.	United States	420,000	\$11,208,750
(a) Advanced Fibre Communications Inc.	United States	600,000	9,375,000
(a) AES Corp.	United States	185,000	10,753,125
AT&T Corp.	United States	219,000	12,222,938
Avista Corp.	United States	448,000	7,280,000
Bell Atlantic Corp.	United States	350,000	22,881,250
BellSouth Corp.	United States	200,000	9,375,000
BSES Ltd., GDR, 144A	India	158,600	1,589,965
Central & South West Corp.	United States	300,000	7,012,500
Cincinnati Bell Inc.	United States	480,000	11,970,000
Cinergy Corp.	United States	100,000	3,200,000
(a) Cisco Systems Inc.	United States	47,000	3,031,500
(a) Citizens Utilities Co., B	United States	600,000	6,675,000
(a) Clarent Corp.	United States	8,900	133,500
(a) Clearnet Communications Inc., A	Canada	173,000	2,411,188
CMS Energy Corp.	United States	250,000	10,468,750
Coastal Corp.	United States	230,000	9,200,000
(a) COLT Telecom Group PLC	United Kingdom	270,000	5,677,312
Companhia Paranaense de Energia-Copel, ADR	Brazil	83,300	697,638
Corning Inc.	United States	62,800	4,403,850
Duke Energy Corp.	United States	310,000	16,856,250
Edison International	United States	738,600	19,757,550
Electricidade de Portugal SA	Portugal	324,000	5,833,804
Endesa SA	Spain	718,400	15,320,730
Enron Corp.	United States	140,000	11,445,000
(a) Equant NV, N.Y. shs	Netherlands	250,000	23,531,250
Estonia Telecom GDR, 144A	Estonia	71,500	1,419,275
Fortum Corp.	Finland	1,239,300	5,993,933
FPL Group Inc.	United States	200,000	10,925,000
Frontier Corp.	United States	562,000	33,158,000
(a) Global TeleSystems Group Inc.	United States	245,000	19,845,000
GPU Inc.	United States	250,000	10,546,875
GTE Corp.	United States	372,000	28,179,000
Hellenic Telecommunications Organization SA	Greece	532,110	11,405,254
(a) ICG Communications Inc.	United States	408,000	8,721,000
Illinova Corp.	United States	200,000	5,450,000
Korea Telecom Corp.	South Korea	442,100	29,333,287
Lucent Technologies Inc.	United States	145,035	9,780,798
(a) MCI WorldCom Inc.	United States	230,000	19,794,375
MDU Resources Group Inc.	United States	400,000	9,125,000
Montana Power Co.	United States	221,500	15,615,750
New Century Energies Inc.	United States	100,000	3,881,250
(a) Nextel Communications Inc., A	United States	465,000	23,337,188
(a) NEXTLINK Communications Inc., A	United States	70,000	5,206,250
Nippon Telegraph & Telephone Corp.	Japan	460	5,358,559
Northern States Power Co.	United States	250,000	6,046,875
Northwestern Corp.	United States	363,000	8,780,063
(a) Pacific Gateway Exchange Inc.	United States	390,000	11,358,750
PECO Energy Co.	United States	53,500	2,240,313
PG&E Corp.	United States	500,000	16,250,000
Pinnacle West Capital Corp.	United States	304,200	12,244,050
Portugal Telecom SA	Portugal	370,000	15,052,594
PowerGen PLC	United Kingdom	1,200,000	12,909,429
(a) Primus Telecommunications Group Inc.	United States	193,900	4,350,631
(a) Qwest Communications International Inc.	United States	350,000	11,571,875
SBC Communications Inc.	United States	300,000	17,400,000
Scottish & Southern Energy PLC	United Kingdom	972,600	9,980,180
Scottish Power PLC	United Kingdom	850,000	7,322,042
Sempra Energy	United States	200,000	4,525,000

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

GLOBAL UTILITIES SECURITIES FUND	COUNTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS (CONT.)			
UTILITIES AND TELECOMMUNICATIONS (CONT.)			
Severn Trent PLC	United Kingdom	455,250	\$ 6,716,592
Southern Co.	United States	600,000	15,900,000
(a) Sprint Corp. (PCS Group)	United States	300,000	17,137,500
Swisscom AG	Switzerland	47,700	17,949,633
TECO Energy Inc.	United States	450,000	10,237,500
Telebras SA, ADR	Brazil	42,000	3,787,875
Telecel-Comunicacoes Pessoais SA	Portugal	70,000	9,023,409
Telecom Italia SpA	Italy	5,222,000	28,406,775
(a) Telecomunicacoes Brasileiras SA, ADR	Brazil	42,000	2,625
Telefonica SA, ADR	Spain	90,118	13,258,614
(a) Tellabs Inc.	United States	80,000	5,405,000
Tokyo Electric Power Co.	Japan	135,000	2,849,678
Transportadora de Gas del Sur SA, ADR	Argentina	370,000	3,468,750
U.S. West Inc.	United States	243,000	14,276,250
Unicom Corp.	United States	179,000	6,902,688
VEBA AG	Germany	147,500	8,700,629
Vodafone AirTouch PLC, ADR	United Kingdom	37,500	7,387,500
Washington Gas Light Co.	United States	400,000	10,400,000
Williams Cos. Inc.	United States	81,800	3,481,613

TOTAL COMMON STOCKS (COST \$672,006,921)			824,712,077

CONVERTIBLE PREFERRED STOCKS 1.6%			
CMS Energy Trust I, 7.75%, cvt. pfd	United States	175,000	9,493,747
Nortel Inversora SA, 10.00%, cvt. pfd	Argentina	96,300	4,953,431

TOTAL CONVERTIBLE PREFERRED STOCKS (COST \$15,164,784)			14,447,178

TOTAL LONG TERM INVESTMENTS (COST \$687,171,705)			839,159,255

</TABLE>

<TABLE>
<CAPTION>

		PRINCIPAL AMOUNT	

<S>	<C>	<C>	<C>
(f) REPURCHASE AGREEMENT 3.5%			
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$30,932,474) (Cost \$30,928,379)	United States	\$30,928,379	30,928,379
Barclays Capital Inc. (Maturity Value \$3,901,669)			
Bear, Stearns & Co. Inc. (Maturity Value \$3,442,649)			
Chase Securities Inc. (Maturity Value \$637,158)			
CIBC Oppenheimer Corp. (Maturity Value \$3,901,669)			
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$2,754,120)			
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$2,754,120)			
Goldman, Sachs & Co. (Maturity Value \$1,377,060)			
NationsBanc Montgomery Securities LLC (Maturity Value \$2,754,120)			
Paine Webber Inc. (Maturity Value \$2,754,120)			
Paribas Corp. (Maturity Value \$2,754,120)			
Warburg Dillon Read LLC (Maturity Value \$3,901,669)			
Collateralized by U.S. Treasury Bills & Notes			

TOTAL INVESTMENTS (COST \$718,100,084) 97.5%			870,087,634
OTHER ASSETS, LESS LIABILITIES 2.5%			22,152,842

NET ASSETS 100.0%			\$892,240,476
			=====

</TABLE>

(a) Non-income producing.
(f) See Note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

GROWTH AND INCOME FUND	COUNTRY	SHARES	VALUE
------------------------	---------	--------	-------

<S>	<C>	<C>	<C>
COMMON STOCKS 94.8%			
COMMERCIAL SERVICES 1.0%			
Dun & Bradstreet Corp.	United States	345,200	\$ 12,233,025
CONSUMER DURABLES 3.4%			
Eastman Kodak Co.	United States	218,000	14,769,500
Ford Motor Co.	United States	312,500	17,636,719
General Motors Corp.	United States	135,500	8,943,000
			41,349,219
CONSUMER NON-DURABLES 8.3%			
Anheuser-Busch Cos. Inc.	United States	180,700	12,818,406
Fortune Brands Inc.	United States	185,200	7,662,650
General Mills Inc.	United States	273,500	21,982,563
H.J. Heinz Co.	United States	383,000	19,197,875
Kellogg Co.	United States	165,000	5,445,000
Philip Morris Cos. Inc.	United States	437,800	17,594,088
UST Inc.	United States	510,000	14,917,500
			99,618,082
ELECTRONIC TECHNOLOGY 2.2%			
EG&G Inc.	United States	159,400	5,678,625
International Business Machines Corp.	United States	70,000	9,047,500
Motorola Inc.	United States	122,000	11,559,500
			26,285,625
ENERGY MINERALS 10.4%			
Atlantic Richfield Co.	United States	215,000	17,965,938
Chevron Corp.	United States	224,000	21,322,000
Exxon Corp.	United States	152,000	11,723,000
Mobil Corp.	United States	134,000	13,266,000
Royal Dutch Petroleum Co., N.Y. shs	Netherlands	400,000	24,100,000
Texaco Inc.	United States	426,400	26,650,000
Ultramar Diamond Shamrock Corp.	United States	447,800	9,767,638
			124,794,576
FINANCE 10.0%			
Bank of America Corp.	United States	240,000	17,595,000
Bank One Corp.	United States	378,710	22,556,914
BankBoston Corp.	United States	367,000	18,762,875
First Union Corp.	United States	201,000	9,447,000
J.P. Morgan & Co. Inc.	United States	125,900	17,688,950
National City Corp.	United States	275,000	18,012,500
PNC Bank Corp.	United States	282,900	16,302,113
			120,365,352
HEALTH TECHNOLOGY 6.8%			
American Home Products Corp.	United States	272,500	15,668,750
Baxter International Inc.	United States	235,000	14,246,875
Glaxo Wellcome PLC, ADR	United Kingdom	300,800	17,032,800
Pharmacia & Upjohn Inc.	United States	615,000	34,939,688
			81,888,113
INDUSTRIAL SERVICES 1.3%			
Browning-Ferris Industries Inc.	United States	370,000	15,910,000
INSURANCE 6.0%			
Lincoln National Corp.	United States	416,800	21,803,850
SAFECO Corp.	United States	404,000	17,826,500
St. Paul Cos. Inc.	United States	592,000	18,833,000
XL Capital Ltd., A	Bermuda	249,348	14,088,162
			72,551,512

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>			
<CAPTION>			
GROWTH AND INCOME FUND	COUNTRY	SHARES	VALUE
COMMON STOCKS (CONT.)			
<S>	<C>	<C>	<C>
NON-ENERGY MINERALS 3.4%			

British Steel PLC, ADR	United Kingdom	380,000	\$ 9,903,750
De Beers Consolidated Mines AG, ADR	South Africa	503,000	12,009,125
Weyerhaeuser Co.	United States	265,500	18,253,125

			40,166,000

PROCESS INDUSTRIES 4.3%			
Dow Chemical Co.	United States	96,800	12,281,500
E. I. du Pont de Nemours and Co.	United States	170,000	11,613,125
Imperial Chemical Industries PLC, ADR	United Kingdom	354,400	14,087,400
Pall Corp.	United States	618,600	13,725,188

			51,707,213

PRODUCER MANUFACTURING 8.8%			
Avery Dennison Corp.	United States	270,000	16,301,250
Dana Corp.	United States	424,600	19,558,138
Deere & Co.	United States	200,800	7,956,700
Delphi Automotive Systems Corp.	United States	94,705	1,757,962
Diebold Inc.	United States	379,500	10,910,625
Federal Signal Corp.	United States	431,000	9,131,813
General Electric Co.	United States	92,200	10,418,600
Minnesota Mining & Manufacturing Co.	United States	170,500	14,822,844
Pitney Bowes Inc.	United States	235,000	15,098,750

			105,956,682

REAL ESTATE 4.6%			
Arden Realty Inc.	United States	479,200	11,800,300
Equity Residential Properties Trust	United States	325,300	14,658,831
FelCor Lodging Trust Inc.	United States	398,100	8,260,575
Glenborough Realty Trust Inc.	United States	350,000	6,125,000
Simon Property Group Inc.	United States	544,700	13,821,763

			54,666,469

RETAIL TRADE 2.2%			
J.C. Penney Co. Inc.	United States	366,900	17,817,581
May Department Stores Co.	United States	210,000	8,583,750

			26,401,331

TECHNOLOGY SERVICES .9%			
Automatic Data Processing Inc.	United States	239,000	10,516,000
Telecommunications 10.0%			
Ameritech Corp.	United States	242,000	17,787,000
AT&T Corp.	United States	345,000	19,255,313
Bell Atlantic Corp.	United States	564,632	36,912,817
GTE Corp.	United States	389,500	29,504,625
U.S. West Inc.	United States	293,100	17,219,625

			120,679,380

UTILITIES 11.2%			
Cinergy Corp.	United States	509,000	16,288,000
Consolidated Natural Gas Co.	United States	222,000	13,486,500
Constellation Energy Group Inc.	United States	522,000	15,464,250
Dominion Resources Inc.	United States	303,500	13,145,344
GPU Inc.	United States	383,300	16,170,469
MCN Energy Group Inc.	United States	710,000	14,732,500
National Fuel Gas Co.	United States	303,800	14,734,300
New Century Energies Inc.	United States	273,900	10,630,744
OGE Energy Corp.	United States	364,000	8,645,000
Sempra Energy	United States	516,585	11,687,730

			134,984,837

TOTAL LONG TERM INVESTMENTS (COST \$892,898,162)			1,140,073,416

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

PRINCIPAL GROWTH AND INCOME FUND	COUNTRY	AMOUNT	VALUE

	<C>	<C>	<C>
(f) REPURCHASE AGREEMENT 5.3%			
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$63,638,415) (COST \$63,629,989)	United States	\$63,629,989	\$63,629,989

Barclays Capital Inc. (Maturity Value \$8,027,034)	
Bear Stearns & Co. Inc. (Maturity Value \$7,082,678)	
Chase Securities Inc. (Maturity Value \$1,310,849)	
CIBC Oppenheimer Corp. (Maturity Value \$8,027,035)	
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$5,666,143)	
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$5,666,143)	
Goldman, Sachs & Co. (Maturity Value \$2,833,071)	
NationsBanc Montgomery Securities LLC (Maturity Value \$5,666,143)	
Paine Webber Inc. (Maturity Value \$5,666,143)	
Paribas Corp. (Maturity Value \$5,666,143)	
Warburg Dillon Read LLC (Maturity Value \$8,027,033)	
Collateralized by U.S. Treasury Bills & Notes	
TOTAL INVESTMENTS (COST \$956,528,151) 100.1%	1,203,703,405
OTHER ASSETS, LESS LIABILITIES (.1%)	(606,775)
NET ASSETS 100.0%	\$ 1,203,096,630

</TABLE>

(f) See Note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

HIGH INCOME FUND	COUNTRY	SHARES/ WARRANTS	VALUE
<S>	<C>	<C>	<C>
(a) COMMON STOCKS AND WARRANTS .2%			
CONSUMER SERVICES			
Foodmaker Inc.	United States	210	\$ 5,959
NON-ENERGY MINERALS			
Gulf States Steel Inc., wts., 4/15/03	United States	5,000	100
TELECOMMUNICATIONS .2%			
International Wireless Communications Holdings Inc., wts., 8/15/01	United States	7,800	47
Loral Space & Communications Ltd., wts., 1/15/07	United States	1,500	12,805
Nextel Communications Inc., A	United States	15,346	770,177
Nextel International Inc., wts., 4/15/07	United States	7,000	17,500
Poland Telecom Finance, wts., 144A, 12/01/07	Poland	8,000	48,000
			848,529
UTILITIES			
Empire Gas Corp., wts., 7/15/04	United States	6,900	1,725
Total Common Stocks and Warrants (Cost \$628,399)			856,313
PREFERRED STOCKS .4%			
INDUSTRIAL SERVICES .4%			
R&B Falcon Corp., 13.875%, pfd., 144A, PIK (Cost \$1,500,000)	United States	1,500	1,545,000
BONDS 97.6%			
COMMERCIAL SERVICES 3.1%			
Fleming Cos. Inc., senior sub. note, B, 10.50%, 12/01/04	United States	\$2,000,000	1,890,000
Fleming Cos. Inc., senior sub. note, B, 10.625%, 7/31/07	United States	2,000,000	1,870,000
Intertek Finance PLC, senior sub. note, B, 10.25%, 11/01/06	United Kingdom	3,700,000	3,607,500
Outdoor Systems Inc., senior sub. note, 8.875%, 6/15/07	United States	4,250,000	4,457,188
			11,824,688
CONSUMER DURABLES 2.6%			
E&S Holdings Corp., senior sub. note, B, 10.375%, 10/01/06	United States	3,000,000	1,515,000
Pillowtex Corp., senior sub. note, B, 9.00%, 12/15/07	United States	2,900,000	2,900,000
Sealy Mattress Co., senior disc. note, B, zero cpn. to 12/15/02, 10.875% thereafter, 12/15/07	United States	1,500,000	982,500
True Temper Sports Inc., senior sub. note, 144A, 10.875%, 12/01/08	United States	4,000,000	3,400,000
Windmere-Durable Holdings Inc., senior sub. note, 10.00%, 7/31/08	United States	1,200,000	1,152,000

PRINCIPAL
AMOUNT

CONSUMER NON-DURABLES 4.5%

Compania De Alimentos Fargo SA, 13.25%, 8/01/08	Argentina	1,250,000	990,625
Doane Pet Care Co., senior sub. note, 9.75%, 5/15/07	United States	2,197,000	2,262,910
Packaged Ice Inc., senior sub. note, B, 9.75%, 2/01/05	United States	2,600,000	2,561,000
Revlon Worldwide Corp., senior disc. note, B, zero cpn., 3/15/01	United States	8,500,000	5,822,500
Styling Technology Corp., senior sub. note, 10.875%, 7/01/08	United States	3,000,000	2,925,000
United Industries Corp., senior sub. note, 144A, 9.875%, 4/01/09	United States	3,000,000	2,722,500
			17,284,535

CONSUMER SERVICES 25.5%

Advanstar Communications, senior sub. note, 9.25%, 5/01/08	United States	5,000,000	4,925,000
Ascent Entertainment Group Inc., senior disc. note, zero cpn. to 12/15/02, 11.875% thereafter, 12/15/04	United States	3,000,000	2,175,000
Aztar Corp., senior sub. note, 144A, 8.875%, 5/15/07	United States	4,500,000	4,342,500
Chancellor Media Corp., senior note, 8.00%, 11/01/08	United States	3,500,000	3,438,750
Chancellor Media Corp., senior sub. note, 9.00%, 10/01/08	United States	4,500,000	4,601,250
Charter Communications Holdings LLC, senior disc. note, 144A, zero cpn. to 4/01/04, 9.92% thereafter, 4/01/11	United States	5,750,000	3,536,250
CSC Holdings Inc., B, 8.125%, 8/15/09	United States	1,500,000	1,513,125
CSC Holdings Inc., senior sub. deb., 10.50%, 5/15/16	United States	3,000,000	3,375,000
CSC Holdings Inc., senior sub. deb., 9.875%, 4/01/23	United States	4,500,000	4,860,000

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

HIGH INCOME FUND	COUNTRY	PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>	<C>
BONDS (CONT.)			
CONSUMER SERVICES (cont.)			
Diamond Cable Communication Co. PLC, senior disc. note, zero cpn. to 12/15/00, 11.75% thereafter, 12/15/05	United Kingdom	\$2,700,000	\$ 2,443,500
Diamond Cable Communication Co. PLC, senior disc. note, zero cpn. to 2/15/02, 10.75% thereafter, 2/15/07 United Kingdom		1,500,000	1,177,500
Diamond Holdings PLC, senior note, 9.125%, 2/01/08	United Kingdom	3,000,000	3,022,500
Exide Electronics Group Inc., senior sub. note, B, 11.50%, 3/15/06	United States	2,000,000	2,340,000
Friendly Ice Cream Corp., senior note, 10.50%, 12/01/07	United States	5,000,000	4,475,000
Granite Broadcasting Corp., senior sub. note, A, 10.375%, 5/15/05	United States	4,500,000	4,601,250
Hard Rock Hotel Inc., senior sub. note, B, 9.25%, 4/01/05	United States	400,000	379,000
Harrah's Operating Co. Inc., senior sub. note, 7.875%, 12/15/05	United States	4,500,000	4,342,500
Hollinger International Publishing Inc., senior sub. note, 9.25%, 3/15/07	United States	4,500,000	4,635,000
Horseshoe Gaming Holding Corp., senior sub. note, 144A, 8.625%, 5/15/09	United States	4,500,000	4,353,750
La Petite Academy Inc., senior note, B, 10.00%, 5/15/08	United States	5,000,000	4,787,500
LIN Holdings Corp., senior disc. note, zero cpn. to 3/01/03, 10.00% thereafter, 3/01/08	United States	2,600,000	1,748,500
LIN Television Corp., senior sub. note, 8.375%, 3/01/08	United States	2,800,000	2,702,000
Protection One Alarm Monitoring Inc., senior sub. note, 144A, 8.125%, 1/15/09	United States	5,000,000	4,625,000
Regal Cinemas Inc., senior sub. note, 9.50%, 6/01/08	United States	5,000,000	4,700,000
SFX Broadcasting Inc., senior sub. note, B, 10.75%, 5/15/06	United States	1,304,000	1,388,760
Sinclair Broadcast Group Inc., senior sub. note, 10.00%, 9/30/05	United States	2,500,000	2,562,500
Six Flags Entertainment Corp., senior note, 8.875%, 4/01/06	United States	2,700,000	2,676,375
Telewest Communications PLC, senior disc. deb., zero cpn. to 10/01/00, 11.00% thereafter, 10/01/07 United Kingdom		8,000,000	7,160,000
Telewest Communications PLC, senior disc. note, 144A, zero cpn. to 4/15/04, 9.25% thereafter, 4/15/09 United Kingdom		1,750,000	1,172,500
			98,060,010
ELECTRONIC TECHNOLOGY 2.3%			
Bresnan Communications Group LLC, senior disc. note, 144A, zero cpn. to 11/01/00, 9.25% thereafter, 8/15/07 United States		1,300,000	854,750
L-3 Communications Corp., B, 8.00%, 8/01/08	United States	750,000	716,250
L-3 Communications Corp., senior sub. note, 10.375%, 5/01/07	United States	3,500,000	3,718,750
Telecommunication Techniques Co., senior sub. note, 9.75%, 5/15/08	United States	3,500,000	3,552,500
			8,842,250
ENERGY MINERALS 4.2%			
Abraxas Petroleum Corp., senior note, D, 11.50%, 11/01/04	United States	4,300,000	2,709,000
Clark R&M Inc., senior sub. note, 8.875%, 11/15/07	United States	5,000,000	4,418,750
Mesa Operating Co., zero cpn. to 7/01/01, 11.625% thereafter, 7/01/06	United States	1,800,000	1,372,500
Nuevo Energy Co., senior sub. note, B, 8.875%, 6/01/08	United States	1,300,000	1,267,500
P&L Coal Holdings Corp., senior note, B, 8.875%, 5/15/08	United States	1,000,000	1,007,500
P&L Coal Holdings Corp., senior sub. note, B, 9.625%, 5/15/08	United States	4,500,000	4,500,000
Pogo Producing Co., senior sub. note, B, 8.75%, 5/15/07	United States	1,000,000	965,000

FINANCE 1.3%			
Willis Corron Corp., senior sub. note, 144A, 9.00%, 2/01/09	United States	5,000,000	4,931,250
Health Services 4.8%			
Abbey Healthcare Group Inc., senior sub. note, 9.50%, 11/01/02	United States	7,770,000	7,731,150
Magellan Health Services Inc., senior sub. note, 9.00%, 2/15/08	United States	2,750,000	2,365,000
Pharmerica Inc., senior sub. note, 8.375%, 4/01/08	United States	1,250,000	1,268,750
Tenet Healthcare Corp., senior note, 8.625%, 12/01/03	United States	2,400,000	2,424,000
Tenet Healthcare Corp., senior sub. note, 8.625%, 1/15/07	United States	3,250,000	3,217,500
(b) Vencor Operating Inc., 9.875%, 5/01/05	United States	4,200,000	1,281,000

			18,287,400

INDUSTRIAL SERVICES 3.2%			
Allied Waste North America Inc., senior note, B, 7.875%, 1/01/09	United States	5,500,000	5,115,000
(b) Dailey International Inc., senior note, B, 9.50%, 2/15/08	United States	1,550,000	992,000
R&B Falcon Corp., senior note, 144A, 12.25%, 3/15/06	United States	1,750,000	1,811,250
RBF Finance Co., senior secured note, 144A, 11.375%, 3/15/09	United States	1,500,000	1,552,500
Universal Compression Inc., senior disc. note, zero cpn. to 2/15/03, 9.875% thereafter, 2/15/08	United States	4,650,000	2,964,375

			12,435,125

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)
<TABLE>
<CAPTION>

HIGH INCOME FUND	COUNTRY	PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>	<C>
BONDS (CONT.)			
NON-ENERGY MINERALS .5%			
Bear Island Paper Co. LLC, senior note, B, 10.00%, 12/01/07	United States	\$1,800,000	\$ 1,764,000
Process Industries 8.2%			
Applied Extrusion Technology, senior note, B, 11.50%, 4/01/02	United States	3,750,000	3,825,000
Asia Pulp & Paper Co. Ltd., 12.00%, 12/29/49	Indonesia	4,500,000	2,925,000
Climachen Inc., senior sub. note, B, 10.75%, 12/01/07	United States	1,200,000	1,153,500
(h) Consolidated Container Co. LLC, senior sub. note, 144A, 10.125%, 7/15/09	United States	2,500,000	2,537,500
Four M Corp., senior note, B, 12.00%, 6/01/06	United States	7,700,000	6,025,250
Graham Packaging Co., senior disc. note, B, zero cpn., to 1/15/03, 10.75% thereafter, 1/15/09	United States	900,000	616,500
Lyondell Chemical Co., secured note, 144A, 9.875%, 5/01/07	United States	1,750,000	1,780,625
(b) Polysindo International Finance Co. BV, secured note, 9.375%, 7/30/07	Indonesia	4,250,000	1,062,500
Purina Mills Inc., senior sub. note, 9.00%, 3/15/10	United States	4,000,000	3,100,000
Radnor Holdings Inc., senior note, 10.00%, 12/01/03	United States	5,000,000	5,025,000
Repap New Brunswick, senior note, 9.00%, 6/01/04	Canada	2,000,000	1,895,000
Tjiwi Kimia Finance Mauritius, senior note, 10.00%, 8/01/04	Indonesia	2,000,000	1,450,000
			31,395,875
PRODUCER MANUFACTURING 4.2%			
Goss Graphic Systems Inc., senior sub. note, 12.00%, 10/15/06	United States	3,200,000	1,104,000
Nortek Inc., senior sub. note, 9.875%, 3/01/04	United States	5,500,000	5,541,250
Oshkosh Truck Corp., senior sub. note, 8.75%, 3/01/08	United States	2,000,000	2,000,000
Talon Automotive Group Inc., senior sub. note, B, 9.625%, 5/01/08	United States	2,900,000	2,508,500
Terex Corp., senior sub. note, 8.875%, 4/01/08	United States	3,550,000	3,301,500
Terex Corp., senior sub. note, 144A, 8.875%, 4/01/08	United States	1,000,000	930,000
Trench Electric & Trench Inc., senior sub. deb., 10.25%, 12/15/07	Canada	750,000	705,000
			16,090,250
RETAIL TRADE 1.2%			
Hollywood Entertainment Corp., senior sub. note, B, 10.625%, 8/15/04	United States	4,000,000	3,940,000
Shoppers Food Warehouse Corp., senior note, 9.75%, 6/15/04	United States	750,000	803,438
			4,743,438
TECHNOLOGY SERVICES 1.1%			
Anacomp Inc., senior sub. note, D, 10.875%, 4/01/04	United States	4,000,000	4,220,000
Decisionone Corp., senior sub. note, 9.75%, 8/01/07	United States	1,000,000	50,000
Decisionone Holding Corp., senior disc. deb., zero cpn. to 8/01/02, 11.50% thereafter, 8/01/08	United States	2,500,000	37,500
			4,307,500
TELECOMMUNICATIONS 25.0%			
Arch Communications Group, senior disc. note, zero cpn. to 3/15/01, 10.875% thereafter, 3/15/08	United States	6,000,000	2,670,000
Arch Escrow Corp., senior note, 144A, 13.75%, 4/15/08	United States	1,500,000	1,327,500
Call-Net Enterprises Inc., senior note, 9.375%, 5/15/09	Canada	4,250,000	4,069,373
Cleartel Communications Inc., senior disc. note, zero cpn. to 5/01/04, 10.125% thereafter, 5/01/09	Canada	6,500,000	3,737,500
Dobson/Sygnnet Communications Co., 144A, 12.25%, 12/15/08	United States	4,500,000	4,691,250
Global Crossing Holdings Ltd., senior note, 9.625%, 5/15/08	Bermuda	5,000,000	5,225,000
Hermes Europe Railtel BV, senior note, 11.50%, 8/15/07	Netherlands	2,000,000	2,115,000
ICO Global Communications, 15.00%, 8/01/05	Bermuda	5,000,000	2,050,000
IntelCom Group Inc., senior secured disc. note, zero cpn. to 5/01/01, 12.50% thereafter, 5/01/06	United States	3,250,000	2,535,000
Intermedia Communications Inc., senior disc. note, B, zero cpn. to 7/15/02,			

11.25% thereafter, 7/15/07	United States	5,000,000	3,600,000
Intermedia Communications Inc., senior note, B, 9.50%, 3/01/09	United States	2,000,000	1,955,000
(b), (c) International Wireless Communications, senior disc. note, zero cpn., 8/15/01	United States	7,800,000	624,000
Iridium LLC/CAP, senior note, D, 10.875%, 7/15/05	Bermuda	5,350,000	1,150,250
IXC Communications Inc., senior sub. note, 9.00%, 4/15/08	United States	2,250,000	2,162,813
Level 3 Communications Inc., senior note, 9.125%, 5/01/08	United States	5,000,000	4,937,500
Level 3 Communications Inc., zero cpn. to 12/01/03, 10.50% thereafter, 12/01/08 ...	United States	3,000,000	1,863,750
Loral Space and Communications Ltd., senior disc. note, zero cpn. to 1/15/02, 12.50% thereafter, 1/15/07	United States	1,500,000	832,500
McCaw International Ltd., senior disc. note, zero cpn. to 4/15/02, 13.00% thereafter, 4/15/07	United States	7,000,000	4,261,250
McLeod USA Inc., senior note, 144A, 8.125%, 2/15/09	United States	4,000,000	3,700,000
Metrocall Inc., senior sub. note, 144A, 11.00%, 9/15/08	United States	5,000,000	3,925,000
Millicom International Cellular SA, senior disc. note, zero cpn. to 6/01/01, 13.50% thereafter, 6/01/06	Luxembourg	9,300,000	6,835,500
Netia Holdings BV, senior disc. note, B, zero cpn. to 11/01/01, 11.25% thereafter, 11/01/07	Poland	2,000,000	1,250,000

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)
<TABLE>
<CAPTION>

HIGH INCOME FUND	COUNTRY	PRINCIPAL AMOUNT	VALUE
BONDS (CONT.)			
<S>			
TELECOMMUNICATIONS (CONT.)			
Netia Holdings BV, senior note, B, 10.25%, 11/01/07	Poland	\$1,300,000	\$ 1,098,500
Nextel Communications Inc., senior disc. note, zero cpn. to 9/15/02, 10.65% thereafter, 9/15/07	United States	7,000,000	5,127,500
Nextel Communications Inc., senior disc. note, zero cpn. to 10/31/02, 9.75% thereafter, 10/31/07	United States	3,000,000	2,122,500
NEXTLINK Communications Inc., senior note, 9.625%, 10/01/07	United States	1,400,000	1,368,500
NEXTLINK Communications Inc., senior note, 9.00%, 3/15/08	United States	3,600,000	3,420,000
Northeast Optic Network Inc., senior note, 12.75%, 8/15/08	United States	3,500,000	3,622,500
Poland Telecom Finance, B, senior note, 14.00%, 12/01/07	Poland	8,000,000	7,300,000
Rogers Cantel Mobile Inc., senior secured deb., 9.75%, 6/01/16	Poland	3,000,000	3,277,500
RSL Communications PLC, senior note, 12.00%, 11/01/08	United Kingdom	1,500,000	1,575,000
Spectrasite Holdings Inc., senior disc. note, 144A, zero cpn. to 4/15/04, 11.25% thereafter, 4/15/09	United States	2,500,000	1,437,500
			95,867,686
TRANSPORTATION 5.0%			
American Commercial Lines LLC, senior note, 10.25%, 6/30/08	United States	3,100,000	3,131,000
Eletson Holdings, first mortgage, 9.25%, 11/15/03	Greece	1,600,000	1,512,000
Gearbulk Holding Ltd., senior note, 11.25%, 12/01/04	Bermuda	4,500,000	4,657,500
GS Superhighway (Holdings) Ltd., senior note, 10.25%, 8/15/07	China	6,000,000	3,060,000
The Holt Group Inc., senior note, 144A, 9.75%, 1/15/06	United States	5,250,000	3,491,250
MRS Logistica SA, B, 144A, 10.625%, 8/15/05	Brazil	5,000,000	3,175,000
			19,026,750
UTILITIES .9%			
AES Corp., senior note, 9.50%, 6/01/09	United States	1,000,000	1,027,500
Empire Gas Corp., senior secured note, 7.00% to 7/15/99, 12.875% thereafter, 7/15/04	United States	5,000,000	2,675,000
			3,702,500
TOTAL BONDS (COST \$425,921,458)			374,753,007
TOTAL LONG TERM INVESTMENTS (COST \$428,049,857)			377,154,320
(F) REPURCHASE AGREEMENT .3%			
Joint Repurchase Agreement 4.767%, 7/01/99, (Maturity Value \$1,034,419) (Cost \$1,034,282)	United States	1,034,282	1,034,282
Barclays Capital Inc. (Maturity Value \$130,476)			
Bear, Stearns & Co. Inc. (Maturity Value \$115,127)			
Chase Securities Inc. (Maturity Value \$21,308)			
CIBC Oppenheimer Corp. (Maturity Value \$130,476)			
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$92,101)			
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$92,101)			
Goldman, Sachs & Co. (Maturity Value \$46,051)			
NationsBanc Montgomery Securities LLC (Maturity Value \$92,101)			
Paine Webber Inc. (Maturity Value \$92,101)			
Paribas Corp. (Maturity Value \$92,101)			
Warburg Dillon Read LLC (Maturity Value \$130,476) Collateralized by U.S. Treasury Bills & Notes			
TOTAL INVESTMENTS (COST \$429,084,139) 98.5%			378,188,602

OTHER ASSETS, LESS LIABILITIES 1.5%	5,623,024
NET ASSETS 100.0%	\$383,811,626

</TABLE>

- (a) Non-income producing.
- (b) See Note 7 regarding defaulted securities.
- (c) See Note 8 regarding restricted securities
- (f) See Note 1(c) regarding joint repurchase agreement.
- (h) Sufficient collateral has been segregated for securities traded on a when-issued or delayed delivery basis.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>			
<CAPTION>			
INCOME SECURITIES FUND	COUNTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS 34.7%			
CONSUMER DURABLES .2%			
General Motors Corp.	United States	30,000	\$ 1,980,000
CONSUMER NON-DURABLES 2.1%			
Nabisco Group Holdings Corp.	United States	60,000	1,173,750
Philip Morris Cos. Inc.	United States	450,000	18,084,375
R.J. Reynolds Tobacco Holdings Inc.	United States	20,000	630,000
			19,888,125
(a) ELECTRONIC TECHNOLOGY .1%			
Anacomp Inc.	United States	60,900	1,035,298
ENERGY MINERALS 3.2%			
Athabasca Oil Sands Trust	Canada	450,000	6,964,469
BP Prudhoe Bay Royalty Trust	United States	50,000	368,750
Canadian Oil Sands Trust Units	Canada	500,000	8,045,781
Enron Oil & Gas Co.	United States	340,000	6,885,000
Pioneer Natural Resources Co.	United States	302,226	3,324,486
(a) Santa Fe Snyder Corp.	United States	341,142	2,601,208
Ultramar Diamond Shamrock Corp.	United States	125,000	2,726,563
			30,916,257
NON-ENERGY MINERALS 2.3%			
Anglo American Platinum Corp. Ltd., ADR	South Africa	223,161	5,206,904
AngloGold Ltd., ADR	South Africa	395,000	8,492,500
De Beers Consolidated Mines AG, ADR	South Africa	40,000	955,000
Freeport-McMoRan Copper & Gold Inc., A	United States	110,000	1,842,500
Impala Platinum Holdings Ltd., ADR	South Africa	216,500	5,446,144
			21,943,048
PROCESS INDUSTRIES 1.1%			
(a) Dan River Inc., A	United States	173,256	1,277,763
Lyondell Chemical Co.	United States	100,000	2,062,500
McDermott International Inc.	United States	260,000	7,345,000
			10,685,263
PRODUCER MANUFACTURING .1%			
Delphi Automotive Systems Corp.	United States	20,967	389,200
(a) Harvard Industries Inc.	United States	137,330	978,474
			1,367,674
REAL ESTATE .7%			
FelCor Lodging Trust Inc.	United States	275,000	5,706,250
Meditrust Cos	United States	120,160	1,569,590
			7,275,840
TELECOMMUNICATIONS .4%			
U.S. West Inc.	United States	60,000	3,525,000
Utilities 24.5%			
American Electric Power Co. Inc.	United States	255,000	9,578,438
Central & South West Corp.	United States	449,500	10,507,063

Cinergy Corp.	United States	280,000	8,960,000
Conectiv Inc.	United States	270,000	6,598,125
Dominion Resources Inc.	United States	290,000	12,560,625
Edison International	United States	360,000	9,630,000
Energy East Corp.	United States	230,000	5,980,000
Entergy Corp.	United States	430,000	13,437,500
FirstEnergy Corp.	United States	245,000	7,595,000
Florida Progress Corp.	United States	315,000	13,013,438
FPL Group Inc.	United States	165,000	9,013,125
GPU Inc.	United States	200,000	8,437,500
Hawaiian Electric Industries Inc.	United States	70,000	2,485,000
KeySpan Corp.	United States	200,000	5,275,000

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

INCOME SECURITIES FUND

	COUNTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS (CONT.)			
UTILITIES (CONT.)			
Nevada Power Co.	United States	100,000	\$ 2,500,000
New Century Energies Inc.	United States	210,000	8,150,625
New England Electric System	United States	210,000	10,526,250
Northern States Power Co.	United States	210,000	5,079,375
PacifiCorp	United States	65,000	1,194,375
PECO Energy Co.	United States	259,500	10,866,563
PG&E Corp.	United States	375,000	12,187,500
Potomac Electric Power Co.	United States	245,000	7,212,188
Public Service Enterprise Group Inc.	United States	275,000	11,240,625
Reliant Energy Inc.	United States	225,000	6,215,625
SCANA Corp.	United States	100,000	2,337,500
Sempra Energy	United States	450,000	10,181,250
Southern Co.	United States	320,000	8,480,000
Texas Utilities Co.	United States	325,000	13,406,250
Western Resources Inc.	United States	215,000	5,724,375

TOTAL COMMON STOCKS (COST \$291,101,038)			238,373,315

PREFERRED STOCKS .2%			
Freeport-McMoRan Copper & Gold Inc., 0.00%, pfd., Gold (COST \$3,846,805)	United States	108,800	1,734,000

CONVERTIBLE PREFERRED STOCKS 9.7%			
CONSUMER SERVICES .4%			
Host Marriott Corp., 6.75%, cvt. pfd	United States	100,000	4,150,000

ENERGY MINERALS 1.5%			
Chesapeake Energy Corp., 7.00%, cvt. pfd., 144A	United States	85,000	2,231,250
Devon Financing Trust, \$3.25, cvt. pfd., 144A	United States	60,000	3,607,500
Lomak Financing Trust, 5.75%, cvt. pfd	United States	140,000	3,447,500
Nuevo Financing, 5.75%, cvt. pfd., A	United States	140,000	4,305,000
Patina Oil & Gas Corp., 7.125%, cvt. pfd	United States	39,525	918,956

			14,510,206

INDUSTRIAL SERVICES .5%			
Weatherford International Inc., 5.00%, cvt. pfd., 144A	United States	125,000	4,859,375

NON-ENERGY MINERALS 1.6%			
Armco Inc., \$3.625, cvt. pfd., B	United States	65,000	3,266,250
Battle Mountain Gold Co., \$3.25, cvt. pfd	United States	66,300	2,258,344
Coeur D'Alene Mines Corp., 7.00%, cvt. pfd	United States	135,000	810,000
Cyprus Amax Minerals Co., \$4.00, cvt. pfd., A	United States	55,000	2,530,000
Hecla Mining Co., 7.00%, cvt. pfd., B	United States	70,000	2,047,500
Kinam Gold Inc., \$3.75, cvt. pfd., B	United States	150,000	5,006,250

			15,918,344

REAL ESTATE 3.8%			
Apartment Investment & Management Co., 8.00%, cvt. pfd., K	United States	160,000	4,300,000
Archstone Communities Trust, \$1.75, cvt. pfd., A	United States	400,000	11,900,000
Glenborough Realty Trust Inc., 7.75%, cvt. pfd., A	United States	365,000	6,935,000
Innkeepers USA Trust, 8.625%, cvt. pfd., A	United States	175,000	3,007,813
ProLogis Trust, 7.00%, cvt. pfd., B	United States	135,000	3,501,563
Reckson Associates Realty Corp., 7.625%, cvt. pfd., A	United States	180,000	4,106,250
Vornado Realty Trust, 6.50%, cvt. pfd., A	United States	60,000	3,030,000

			36,780,626

TELECOMMUNICATIONS .8%			
Nortel Inversora SA, 10.00%, cvt. pfd	Argentina	150,000	7,715,625

TRANSPORTATION .2%			
Union Pacific Capital Trust, 6.25%, cvt. pfd	United States	40,000	2,060,000

UTILITIES .9%			
CMS Energy Trust I, 7.75%, cvt. pfd	United States	160,000	8,680,000

TOTAL CONVERTIBLE PREFERRED STOCKS (COST \$109,633,208)			94,674,176

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

INCOME SECURITIES FUND	COUNTRY	PRINCIPAL AMOUNT*	VALUE

<S>	<C>	<C>	<C>

BONDS 17.4%			
COMMERCIAL SERVICES .1%			
AmeriServe Food Distribution Inc., senior sub. note, 10.125%, 7/15/07	United States	\$ 1,000,000	\$ 855,000

CONSUMER DURABLES .2%			
E&S Holdings Corp., senior sub. note, B, 10.375%, 10/01/06	United States	3,750,000	1,893,750

CONSUMER NON-DURABLES 3.7%			
Compania De Alimentos Fargo SA, 13.25%, 8/01/08	Argentina	2,000,000	1,585,000
Del Monte Corp., senior sub. note, B, 12.25%, 4/15/07	United States	2,575,000	2,999,875
Doane Pet Care Co., senior sub. note, 9.75%, 5/15/07	United States	2,197,000	2,262,910
Evoflo Co. Inc., senior note, 144A, 11.75%, 8/15/06	United States	2,000,000	2,030,000
Hartmarx Corp., senior sub. note, 10.875%, 1/15/02	United States	8,300,000	8,528,250
International Home Foods Inc., senior sub. note, 10.375%, 11/01/06	United States	4,100,000	4,346,000
Playtex Family Products Corp., senior sub. note, 9.00%, 12/15/03	United States	8,000,000	8,160,000
Revlon Consumer Products Corp., senior sub. note, 8.625%, 2/01/08	United States	2,000,000	1,880,000
Specialty Foods Corp., senior note, 11.25%, 8/15/01	United States	4,000,000	3,954,360
The William Carter Co., senior sub. note, A, 10.375%, 12/01/06	United States	500,000	517,500

			36,263,895

CONSUMER SERVICES 2.2%			
AMF Bowling Worldwide Inc., senior sub. note, B, 10.875%, 3/15/06	United States	650,000	542,750
Cablevision SA, 144A, 13.75%, 5/01/09	United States	3,000,000	2,820,000
Coast Hotels & Casinos Inc., senior sub. note, 144A, 9.50%, 4/01/09	United States	1,000,000	962,500
CSC Holdings Inc., senior sub. deb., 9.875%, 4/01/23	United States	4,000,000	4,320,000
Eldorado Resorts LLC, senior sub. note, 10.50%, 8/15/06	United States	500,000	520,000
Hard Rock Hotel Inc., senior sub. note, B, 9.25%, 4/01/05	United States	1,000,000	947,500
Harvey's Casino Resorts, senior sub. note, 10.625%, 6/01/06	United States	2,200,000	2,288,000
Helicon Group, S.F., senior secured note, B, 11.00%, 11/01/03	United States	7,300,000	7,665,000
Venetian Casino/Las Vegas Sands, mortgage note, 12.25%, 11/15/04	United States	1,000,000	985,000

			21,050,750

ELECTRONIC TECHNOLOGY 1.1%			
Anacomp Inc., senior sub. note, B, 10.875%, 4/01/04	United States	6,000,000	6,330,000
Samsung Electronics America Inc., A, 9.75%, 5/01/03	United States	4,000,000	4,100,000

			10,430,000

ENERGY MINERALS 2.0%			
Bellwether Exploration Co., senior sub. note, 10.875%, 4/01/07	United States	3,000,000	2,880,000
Chesapeake Energy Corp., senior note, B, 7.875%, 3/15/04	United States	500,000	437,500
Conproca SA, S.F., senior secured note, 144A, 12.00%, 6/16/10	Mexico	9,000,000	8,640,000
Denbury Management Inc., senior sub. note, 9.00%, 3/01/08	United States	4,000,000	3,540,000
Mesa Operating Co., senior sub. note, 10.625%, 7/01/06	United States	1,000,000	1,102,500
Plains Resources Inc., senior sub. note, B, 10.25%, 3/15/06	United States	1,000,000	1,015,000
R&B Falcon Corp., senior note, B, 6.50%, 4/15/03	United States	2,000,000	1,725,000

			19,340,000

FINANCE .3%			
IBJ Preferred Capital Co. LLC, A, 8.79%, 12/29/99	United States	4,000,000	3,360,000

HEALTH TECHNOLOGY .6%			
Dade International Inc., senior sub. note, B, 11.125%, 5/01/06	United States	3,000,000	3,187,500
ICN Pharmaceuticals Inc., senior note, B, 9.25%, 8/15/05	United States	3,000,000	3,000,000

			6,187,500
INDUSTRIAL SERVICES .2%			
First Wave Marine Inc., senior note, 11.00%, 2/01/08	United States	1,000,000	915,000
Great Lakes Dredge & Dock Corp., senior sub. note, 11.25%, 8/15/08	United States	1,000,000	1,035,000
			1,950,000
PROCESS INDUSTRIES 4.5%			
Applied Extrusion Technology, senior note, B, 11.50%, 4/01/02	United States	6,000,000	6,120,000
Asia Pulp & Paper Co. Ltd., 12.00%, 12/29/49	Indonesia	6,000,000	3,900,000
Consoltex Group Inc., senior sub.note, B, 11.00%, 10/01/03	United States	10,000,000	10,150,000
Four M Corp., senior note, B, 12.00%, 6/01/06	United States	2,000,000	1,565,000

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

INCOME SECURITIES FUND		COUNTRY	PRINCIPAL AMOUNT*	VALUE
<S>		<C>	<C>	<C>
BONDS (CONT.)				
PROCESS INDUSTRIES (CONT.)				
Lyondell Chemical Co., secured, 144A, 9.625%, 5/01/07	United States	\$ 600,000	\$	613,500
Lyondell Chemical Co., 144A, 10.875%, 5/01/09	United States	600,000		619,500
Packaging Resources Inc., senior note, 11.625%, 5/01/03	United States	3,000,000		3,090,000
Printpack Inc., senior sub. note, B, 10.625%, 8/15/06	United States	4,000,000		3,740,000
RBX Corp., senior sub. note, B, 11.25%, 10/15/05	United States	10,000,000		3,800,000
Riverwood International, senior sub. note, 10.875%, 4/01/08	United States	4,500,000		4,410,000
Tjiwi Kimia Finance Mauritius, senior note, 10.00%, 8/01/04	Indonesia	6,670,000		4,835,750
UCC Investors, senior note, 10.50%, 5/01/02	United States	725,000		757,190
				43,600,940
PRODUCER MANUFACTURING 1.3%				
Collins & Aikman Products., senior sub. note, 11.50%, 4/15/06	United States	4,000,000		4,060,000
Nortek Inc., senior sub. note, 9.875%, 3/01/04	United States	2,000,000		2,015,000
Outsourcing Services Group Inc., senior sub. note, 144A, 10.875%, 3/01/06	United States	2,000,000		1,910,000
Thermadyne Industries Inc., sub. note, 10.75%, 11/01/03	United States	2,696,000		2,736,440
Trench Electric & Trench Inc., senior sub. deb., 10.25%, 12/15/07	Canada	2,350,000		2,209,000
				12,930,440
TELECOMMUNICATIONS .9%				
Metrocall Inc., senior sub. note, 144A, 11.00%, 9/15/08	United States	3,000,000		2,355,000
NEXTLINK Communications Inc., 144A, 10.75%, 6/01/09	United States	4,000,000		4,100,000
Paging Network Inc., senior sub. note, 10.125%, 8/01/07	United States	3,000,000		2,325,000
				8,780,000
UTILITIES .3%				
Midland Funding Corp. I, C-94, 10.33%, 7/23/02	United States	2,683,185		2,834,637
				169,476,912
CONVERTIBLE BONDS 5.3%				
ELECTRONIC TECHNOLOGY .8%				
Trans-Lux Corp., cvt. sub. note, 7.50%, 12/01/06	United States	8,000,000		7,800,000
ENERGY MINERALS 1.2%				
Kerr McGee Corp., cvt. sub. deb., 7.50%, 5/15/14	United States	3,815,000		3,791,156
Swift Energy Co., cvt. sub. note, 6.25%, 11/15/06	United States	5,500,000		4,310,625
Key Energy Services Inc., cvt., 5.00%, 9/15/04	United States	4,000,000		2,500,000
Parker Drilling Co., cvt. sub. note, 5.50%, 8/01/04	United States	1,000,000		660,000
				11,261,781
(b) HEALTH SERVICES .1%				
Continucare Corp., cvt. sub. note, 144A, 8.00%, 10/31/02	United States	9,500,000		475,000
INDUSTRIAL SERVICES .3%				
Air & Water Technology Corp., cvt. sub. deb., 8.00%, 5/15/15	United States	3,700,000		3,205,125
NON-ENERGY MINERALS .8%				
Ashanti Capital Ltd., cvt., 5.50%, 3/15/03	Ghana	5,000,000		4,275,000
Coeur D'Alene Mines Corp., cvt. senior sub. deb., 6.00%, 6/10/02	United Kingdom	100,000		61,000
Coeur D'Alene Mines Corp., cvt. sub. deb., 6.375%, 1/31/04	United States	6,000,000		3,735,000
				8,071,000

PROCESS INDUSTRIES .2%			
APP Finance VI Mauritius Ltd., cvt., 11/18/12	Singapore	11,500,000	2,371,875

PRODUCER MANUFACTURING .3%			
Exide Corp., cvt. senior sub. note, 144A, 2.90%, 12/15/05	United States	5,000,000	3,025,000

REAL ESTATE 1.6%			
Macerich Co., cvt. sub. deb., 144A, 7.25%, 12/15/02	United States	5,500,000	5,170,000
Meristar Hospitality Corp., cvt. sub. note, 4.75%, 10/15/04	United States	6,500,000	4,980,625
Trizec Hahn Corp., cvt. senior deb., 3.00%, 1/29/21	Canada	7,000,000	4,821,250

			14,971,875

TOTAL CONVERTIBLE BONDS (COST \$64,480,430)			51,181,656

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

INCOME SECURITIES FUND	COUNTRY	PRINCIPAL AMOUNT*	VALUE

<S>	<C>	<C>	<C>
ZERO COUPON/STEP-UP BONDS 2.4%			
AMF Bowling Worldwide Inc., senior disc. note, B, zero cpn. to 3/15/01, 12.25% thereafter, 3/15/06	United States	\$ 2,438,000	\$ 1,499,370
Charter Communications Holdings LLC, senior disc. note, 144A, zero cpn. to 4/01/04, 9.92% thereafter, 4/01/11	United States	4,000,000	2,460,000
Level 3 Communications Inc., zero cpn. to 12/01/03, 10.50% thereafter, 12/01/08	United States	4,000,000	2,485,000
Mesa Operating Co., zero cpn. to 7/01/01, 11.625% thereafter, 7/01/06	United States	1,300,000	991,250
Microcell Telecommunications, 144A, zero cpn. to 6/01/04, 12.00% thereafter, 6/01/09	United States	3,000,000	1,725,000
Nextel Communications Inc., senior disc. note, zero cpn. to 2/15/03, 9.95% thereafter, 2/15/08	United States	8,500,000	5,886,250
Nextel International Inc., senior disc. note, zero cpn. to 4/15/03, 12.125% thereafter, 4/15/08	United States	5,000,000	2,462,500
Nextlink Communications Inc., 144A, zero cpn. to 6/01/04, 12.25% thereafter, 6/01/09	United States	4,000,000	2,330,000
Revlon Worldwide Corp., senior disc. note, B, 3/15/01	United States	4,200,000	2,877,000
Specialty Foods Corp., zero cpn. to 6/15/05, 11.00% thereafter, 12/15/09	United States	100,600	7,163
Spectrasite Holdings Inc., senior disc. note, 144A, zero cpn. to 4/15/04, 11.25% thereafter, 4/15/09	United States	1,750,000	1,006,250

TOTAL ZERO COUPON/STEP-UP BONDS (COST \$25,616,741)			23,729,783

U.S. GOVERNMENT SECURITIES 13.5%			
U.S. Treasury Bond, 7.125%, 2/15/23	United States	20,000,000	22,100,000
U.S. Treasury Bond, 6.25%, 8/15/23	United States	86,000,000	86,107,500
U.S. Treasury Bond, 6.00%, 2/15/26	United States	13,000,000	12,646,569
U.S. Treasury Note, 6.125%, 11/15/27	United States	10,000,000	9,909,380

TOTAL U.S. GOVERNMENT SECURITIES (COST \$125,023,994)			130,763,449

FOREIGN GOVERNMENT AND AGENCY SECURITIES 14.6%			
ESCOM, E168, utility deb., 11.00%, 6/01/08	South Africa	60,000,000ZAR	7,805,121
Republic of Argentina, L-GP FRN, 6.00%, 3/31/23	Argentina	80,000,000	51,250,000
Republic of Brazil, 11.625%, 4/15/04	Brazil	2,000,000	1,882,500
Republic of Brazil, A FRN, 6.063%, 1/01/01	Brazil	4,920,000	4,707,825
Republic of Brazil, EI-L FRN, 5.875%, 4/15/06	Brazil	15,200,000	12,065,000
Republic of Brazil, FRN, 5.50%, 4/15/24	Brazil	39,000,000	22,522,500
Republic of Korea, 8.875%, 4/15/08	South Korea	22,000,000	23,347,500
Republic of South Africa, 12.00%, 2/28/05	South Africa	40,000,000ZAR	5,982,269
Republic of Turkey, 12.375%, 6/15/09	Turkey	5,000,000	4,962,500
Russia Ministry of Finance, 11.75%, 6/10/03	Russia	7,000,000	4,217,498
Russia Ministry of Finance, Reg S, 10.00%, 6/26/07	Russia	6,000,000	3,022,499

TOTAL FOREIGN GOVERNMENT AND AGENCY SECURITIES (COST \$136,568,835)			141,765,212

TOTAL INVESTMENTS (COST \$936,081,323) 97.8%			950,315,008
OTHER ASSETS, LESS LIABILITIES 2.2%			21,246,611

NET ASSETS 100.0%			\$971,561,619
=====			

</TABLE>

See glossary of current abbreviations on page 136.

* Securities traded in U.S. Dollars unless otherwise indicated.

(a) Non-income producing.

(b) See Note 7 regarding defaulted securities.

See notes to financial statements

Franklin Valuemark Funds
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

	PRINCIPAL AMOUNT	VALUE
	-----	-----
MONEY MARKET FUND		
<S>	<C>	<C>
BANK NOTES 2.8%		
Nations Bank N.A., Charlotte Branch, 4.94%, 10/18/99	\$ 5,000,000	\$ 5,000,000
Wachovia Bank N.A., North Carolina Branch, 4.92%, 8/26/99	5,000,000	5,000,077

TOTAL BANK NOTES (COST \$10,000,077)		10,000,077

CERTIFICATES OF DEPOSIT 17.2%		
ABN Amro Bank NV, Chicago Branch, 5.10%, 4/07/00	5,000,000	4,998,887
Bank of Montreal, Chicago Branch, 5.12%, 4/10/00	5,000,000	4,999,757
Bank of Nova Scotia, Portland Branch, 4.97%, 9/02/99	5,000,000	5,000,086
Banque Nationale de Paris, New York Branch, 4.92%, 8/04/99	5,000,000	5,000,000
Bayerische Vereinsbank, New York Branch, 4.83%, 7/16/99	5,000,000	5,000,000
Credit Agricole Indosuez, New York Branch, 4.90%, 10/12/99	5,000,000	5,000,000
Credit Communal de Belgique, New York Branch, 5.01%, 9/03/99	5,000,000	5,000,176
Deutsche Bank AG, New York Branch, 5.27% - 5.285%, 3/03/00 - 5/22/00	10,000,000	9,995,874
Rabobank Nederland NV, New York Branch, 5.41%, 6/01/00	5,000,000	4,998,231
Toronto Dominion Bank, New York Branch, 5.10%, 2/22/00	5,000,000	4,998,910
UBS AG, New York Branch, 4.86%, 7/15/99	5,000,000	5,000,000

TOTAL CERTIFICATES OF DEPOSIT (COST \$59,991,921)		59,991,921

(d) COMMERCIAL PAPER 65.7%		
Abbey National North America Corp., 4.81%, 7/22/99	5,000,000	4,985,971
American Express Credit Corp., 4.79%, 7/01/99	5,000,000	5,000,000
Archer Daniels Midland Co., 4.83%, 8/16/99 - 8/18/99	15,000,000	14,905,413
Associates Corp. of North America, 4.96%, 8/19/99 - 8/23/99	10,000,000	9,929,733
Bellsouth Telecommunications Inc., 4.76%, 7/08/99	6,000,000	5,994,447
BIL North America Inc., 4.805%, 7/23/99	5,000,000	4,985,318
Chevron U.K. Investment PLC, 4.82% - 4.85%, 9/01/99 - 9/10/99	10,000,000	9,910,706
CIESCO LP, 4.80%, 7/12/99 - 7/14/99	15,000,000	14,976,000
CocaCola Co., 4.93%, 8/24/99	5,000,000	4,963,025
Dupont de Nemours & Co., 4.85%, 8/12/99 - 8/13/99	10,000,000	9,942,743
General Electric Capital Corp., 4.74% - 4.84%, 7/19/99 - 11/22/99	15,000,000	14,878,815
International Lease Finance Corp., 4.80% - 4.86%, 8/05/99 - 8/11/99	15,000,000	14,924,742
Merrill Lynch & Co. Inc., 4.80%, 7/29/99 - 8/03/99	15,000,000	14,938,000
Morgan Stanley Dean Witter & Co., 4.93%, 8/25/99	5,000,000	4,962,340
National Rural Utilities Cooperative Finance Corp., 4.85% - 4.92%, 8/20/99 - 9/13/99	15,000,000	14,867,919
Nestle Capital Corp., 4.71%, 7/02/99 - 7/07/99	15,000,000	14,992,150
Province of British Columbia, 4.77% - 4.78%, 8/09/99 - 10/18/99	10,000,000	9,901,799
Salomon Smith Barney Holdings Inc., 4.80% - 5.09%, 7/30/99 - 8/31/99	15,000,000	14,895,126
Schering Corp., 4.83% - 4.88%, 7/21/99 - 8/10/99	15,000,000	14,946,056
Societe Generale N.A. Inc., 4.88%, 8/17/99	5,000,000	4,968,144
Walt Disney Co., 4.74%, 7/26/99 - 7/28/99	15,000,000	14,948,650
Westpac Capital Corp., 4.80%, 11/09/99	5,000,000	4,912,667

TOTAL COMMERCIAL PAPER (COST \$229,729,764)		229,729,764

U.S. GOVERNMENT AGENCY SECURITIES 4.5%		
FHLMC, 4.76%, 8/27/99	10,920,000	10,837,699
FNMA, 4.60%, 7/09/99	5,000,000	4,994,889

TOTAL U.S. GOVERNMENT AGENCY SECURITIES (COST \$15,832,588)		15,832,588

TOTAL INVESTMENTS BEFORE REPURCHASE AGREEMENTS (COST \$315,554,350)		315,554,350

(g) REPURCHASE AGREEMENTS 10.9%		
Chase Securities Inc., 4.50%, 7/01/99, (Maturity Value \$19,107,388) Collateralized by U.S. Treasury Notes	19,105,000	19,105,000
Goldman Sachs & Co., 4.65%, 7/01/99, (Maturity Value \$19,107,468) Collateralized by U.S. Treasury Notes	19,105,000	19,105,000
TOTAL REPURCHASE AGREEMENTS (COST \$38,210,000)		38,210,000

TOTAL INVESTMENTS (COST \$353,764,350) 101.1%		353,764,350
OTHER ASSETS, LESS LIABILITIES (1.1%)		(4,009,146)

NET ASSETS 100.0%		\$ 349,755,204
		=====

</TABLE>

(d) Securities are traded on a discount basis; the rates shown are the discount rates at the time of purchase by the Fund.

(g) See Note 1(c) regarding repurchase agreements.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

MUTUAL DISCOVERY SECURITIES FUND	COUNTRY	SHARES/ WARRANTS	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS AND WARRANTS 82.2%			
AEROSPACE & MILITARY TECHNOLOGY .4%			
Lockheed Martin Corp.	United States	23,600	\$ 879,100

			879,100

AUTOMOBILES 2.4%			
Consorcio G Grupo Dina SA de CV, L, ADR .	Mexico	262,400	229,600
(a) Daimlerchrysler AG	Germany	4,700	410,529
Delphi Automotive Systems Corporation ...	United States	84,458	1,567,752
General Motors Corp.	United States	11,100	732,600
(a) SPX Corp.	United States	600	50,100
TRW Inc.	United States	35,200	1,931,600

			4,922,181

BANKING 6.4%			
(a) Banca Nazionale del Lavoro SpA	Italy	546,500	1,723,417
Bank One Corp.	United States	18,500	1,101,906
(a) BHF-Bank AG	Germany	21,700	738,476
Chittenden Corp.	United States	81,641	2,551,281
Christiania Bank OG Kreditkasse	Norway	226,400	813,860
(a) Credit Commercial de France CCF	France	4,700	507,951
First American Corp. Tennessee	United States	11,900	494,594
First Union Corp.	United States	22,200	1,043,400
Hibernia Corp., A	United States	28,000	439,250
Merita AS	Finland	264,200	1,501,229
Paribas	France	5,300	594,112
Societe Generale Paris	France	3,800	669,712
UST Corp., Inc.	United States	32,859	993,985

			13,173,173

BEVERAGES & TOBACCO 4.2%			
Allied Domecq PLC	United Kingdom	75,700	732,038
Austria Tabak AG	Austria	4,200	244,715
(a) Buenos Aires Embotelladora SA, B	Argentina	8,947,351	447,412
(a) Buenos Aires Embotelladora SA, B, ADR ...	Argentina	137,409	8,657
Farmer Brothers Co.	United States	7,000	1,417,500
Gallaher Group PLC	United Kingdom	122,900	755,509
Gallaher Group PLC, ADR	United Kingdom	4,600	112,413
Greenalls Group PLC	United Kingdom	84,690	475,232
Kita Kyushu Coca-Cola Bottling Co. Ltd...	Japan	35,400	2,012,161
Mikuni Coca-Cola Bottling Co.	Japan	35,000	711,335
Philip Morris Companies Inc.	United States	34,800	1,398,525
Swedish Match AB	Sweden	101,900	363,158

			8,678,655

BROADCASTING & PUBLISHING 6.1%			
(a) Capstar Broadcasting Corp., A	United States	19,800	542,025
(a) Chancellor Media Corp., A	United States	23,500	1,295,438
Dow Jones & Co. Inc.	United States	31,500	1,671,469
(a) MediaOne Group Inc.	United States	15,700	1,167,688
(a) Modern Times Group AB	Sweden	115,300	2,502,100
NV Holdingsmij de Telegraaf	Netherlands	108,378	2,134,701
(a) Publicis SA	France	3,400	718,779
Scripps Co., A	United States	10,100	480,381
Seat Pagine Gialle SpA, di Risip	Italy	1,422,100	1,212,092
Washington Post Co., B	United States	1,300	699,075

			12,423,748

BUSINESS & PUBLIC SERVICES 3.9%			
Corporate Services Group PLC, A	United Kingdom	699,419	937,086
Hillenbrand Industries Inc.	United States	27,600	1,193,700

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

MUTUAL DISCOVERY SECURITIES FUND	COUNTRY	SHARES/ WARRANTS	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS AND WARRANTS (CONT.)			
BUSINESS & PUBLIC SERVICES (CONT.)			
(a) Republic Services Inc.	United States	9,900	\$ 245,025
Sophus Berendsen AS, B	Denmark	72,918	1,966,920
(a) Suez Lyonnaise des Eaux SA	France	20,379	3,675,746
			8,018,477
CHEMICALS 2.5%			
Arch Chemicals Inc.	United States	12,100	294,181
Bayer AG, Br.	Germany	21,700	902,955
(a) Bush Boake Allen Inc.	United States	62,000	1,813,500
Chemfirst Inc.	United States	43,000	1,045,438
Crompton & Knowles Corp.	United States	34,800	680,775
Olin Corp.	United States	29,900	394,306
Witco Corp.	United States	4,900	98,000
			5,229,155
CONSTRUCTION & HOUSING 1.5%			
Groupe GTM	France	4,300	461,174
(a) Grupo Ferrovial SA	Spain	105,300	2,551,872
			3,013,046
(a) DATA PROCESSING & REPRODUCTION .2%			
Cadence Design Systems Inc.	United States	18,200	232,050
Tecnost Mael SpA	Italy	99,300	245,255
			477,305
ELECTRICAL & ELECTRONICS 1.0%			
Honeywell Inc.	United States	800	92,700
(a) Level One Communications Inc.	United States	400	19,575
Racal Electronics PLC	United Kingdom	314,504	1,916,015
			2,028,290
(a) ELECTRONIC COMPONENTS & INSTRUMENTS .4%			
Amphenol Corp., A	United States	9,632	382,872
NBS Technologies Inc.	Canada	42,200	36,044
Quantum Corp.	United States	16,200	390,825
			809,741
ENERGY EQUIPMENT & SERVICES 1.4%			
Baker Hughes Inc.	United States	10,700	358,450
(a) BJ Services Co.	United States	20,000	588,750
(a) Cooper Cameron Corp.	United States	29,200	1,082,225
ISIS SA	France	5,078	358,712
(a) Weatherford International Inc.	United States	13,900	509,088
			2,897,225
ENERGY SOURCES 1.8%			
Atlantic Richfield Co.	United States	5,700	476,306
(a) Santa Fe Snyder Corp.	United States	38,300	292,038
Societe Elf Aquitaine SA	France	15,920	2,336,203
Societe Elf Aquitaine SA, ADR	France	8,200	603,213
			3,707,760
FINANCIAL SERVICES 7.6%			
Bear Stearns Co. Inc.	United States	18,840	880,770
(a) CEI Citicorp Holdings SA, B	Argentina	171,700	497,980
Cir Cie Industriali Riunite SpA Torino	Italy	955,600	1,271,243
Cir Cie Industriali Riunite SpA Torino, di Risp.	Italy	132,400	144,456
CIT Group Inc., A	United States	33,900	978,863
Greenpoint Financial Corp.	United States	62,564	2,052,882

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

MUTUAL DISCOVERY SECURITIES FUND	COUNTRY	SHARES/ WARRANTS	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS AND WARRANTS (CONT.)			
FINANCIAL SERVICES (CONT.)			
Household International Inc.	United States	45,900	\$ 2,174,513
(c)Laser Mortgage Management Inc.	United States	81,700	280,844
Lehman Brothers Holdings Inc.	United States	22,500	1,400,625
(a)Mercury European Privatization Trust PLC, wts., 7/31/04	United Kingdom	540,000	751,159
Metris Cos. Inc.	United States	25,800	1,051,350
(a)MFN Financial Corp.	United States	20,269	201,423
Morgan Stanley, Dean Witter & Co.	United States	5,900	604,750
Newcourt Credit Group Inc.	Canada	2,200	28,787
Newcourt Credit Group Inc., fgn.	Canada	56,900	736,144
Pargesa Holdings SA, Br.	Switzerland	972	1,475,569
Pioneer Group Inc.	United States	60,300	1,040,175
Power Financial Corp.	Canada	4,500	86,095

			15,657,628

FOOD & HOUSEHOLD PRODUCTS 2.2%			
Earthgrains Company	United States	30,800	795,025
(a)Fine Host Corp.	United States	49,920	549,120
Hillsdown Holdings PLC	United Kingdom	518,900	1,185,973
Interstate Bakeries Corp.	United States	600	13,463
Kikkoman Corp.	Japan	71,500	605,482
U.S. Industries Inc.	United States	81,100	1,378,700

			4,527,763

HEALTH & PERSONAL CARE 2.5%			
McKesson HBOC Inc.	United States	10,100	324,463
Rhone-Poulenc SA	France	92,200	4,213,037
Sankyo Co. Ltd.	Japan	15,800	398,133
Ventas Inc.	United States	12,300	66,113

			5,001,746

INDUSTRIAL COMPONENTS 2.2%			
DT Industries Inc.	United States	68,500	629,344
(a)Owens-Illinois Inc.	United States	62,800	2,052,775
(a)Thermo Electron Corp.	United States	86,900	1,743,431

			4,425,550

INSURANCE 3.4%			
Allmerica Financial Corp.	United States	18,900	1,149,356
American Bankers Insurance Group Inc.	United States	5,300	288,519
Assurances Generales de France AGF	France	30,866	1,486,483
(a)Companhia de Seguros Mundial Confianca SA	Portugal	5,600	220,951
Corporacion Mapfre PLC	Spain	38,200	778,024
Horace Mann Educators Corp.	United States	35,500	965,156
(a)Old Republic International Corp.	United States	3,400	58,863
Provident Companies Inc.	United States	6,100	244,000
Radian Group Inc.	United States	11,233	548,311
Sampo Insurance Co. PLC, A	Finland	13,100	379,612
Berkeley W R Corp.	United States	35,600	890,000

			7,009,275

LEISURE & TOURISM 1.7%			
Pathe SA	France	18,600	2,232,691
(a)Promus Hotel Corp.	United States	42,500	1,317,500

			3,550,191

MACHINERY & ENGINEERING 6.2%			
Case Corp.	United States	3,700	178,063
FKI PLC	United Kingdom	987,084	3,049,533
IMI PLC	United Kingdom	484,454	1,962,496

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

MUTUAL DISCOVERY SECURITIES FUND	COUNTRY	SHARES/ WARRANTS	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS AND WARRANTS (CONT.)			

MACHINERY & ENGINEERING (CONT.)			
Invensys PLC	United Kingdom	828,108	\$ 3,922,424
Toyoda Automatic Loom Works Ltd.	Japan	25,000	424,446
TT Group PLC	United Kingdom	708,948	1,503,003
United Dominion Industries Ltd.	Canada	65,600	1,590,800

			12,630,765

MERCHANDISING 1.0%			
(a)Boyd's Collection Ltd.	United States	30,800	533,225
(a)Federated Department Stores Inc.	United States	11,100	587,606
Rite Aid Corp.	United States	35,545	875,282

			1,996,113

MULTI-INDUSTRY 16.4%			
(a)Alleghany Corp.	United States	2,360	436,600
Berkshire-Hathaway Inc., A	United States	24	1,653,600
(a)Brierley Investments Ltd.	New Zealand	4,767,154	1,338,840
Compagnie Financiere Richemont AG, Br., A	Switzerland	3,000	5,769,973
Compagnie Generale D'Industrie et de Participation ...	France	74,548	3,605,549
Corporacion Financiera Alba SA	Spain	17,956	2,907,180
Imasco Ltd.	Canada	42,900	1,163,738
Investor AB, A	Sweden	145,700	1,602,323
Investor AB, B	Sweden	417,776	4,668,163
Invik & Co. AB, B	Sweden	24,256	1,425,061
Kansas City Southern Industries Inc.	United States	25,900	1,652,744
Kinnevik AB, B	Sweden	79,587	1,497,756
Lagardere SCA	France	74,959	2,790,574
Power Corp. of Canada	Canada	12,100	233,153
Saab AB, B	Sweden	155,600	1,207,904
Trelleborg AB, B	Sweden	193,641	1,708,195

			33,661,353

REAL ESTATE .8%			
Castellum AB	Sweden	65,600	617,267
(a,c)Security Capital European Realty	United States	11,745	203,508
(a)Security Capital US Realty	United States	39,200	744,800

			1,565,575

TELECOMMUNICATIONS 2.3%			
BCE Inc.	Canada	22,100	1,083,481
(a)Superior Telecom Inc.	United States	9,400	235,000
(a)Telecom Italia SpA, di Risp	Italy	178,800	972,641
Telephone & Data Systems Inc.	United States	24,800	1,811,950
Telesp Participacoes SA	Brazil	5,412,000	70,379
Vodafone Group PLC, ADR	United Kingdom	2,320	457,040

			4,630,491

TRANSPORTATION 2.2%			
ASG AB, B	Sweden	27,200	847,801
Florida East Coast Industries Inc.	United States	25,900	1,146,075
(a,c)Golden Ocean Group Ltd., wts., 8/31/01	United States	615	--
Railtrack Group PLC	United Kingdom	121,532	2,484,584

			4,478,460

UTILITIES ELECTRICAL & GAS 1.5%			
(a)Citizens Utilities Co., B	United States	176,812	1,967,034
Veba AG	Germany	19,300	1,138,455

			3,105,489

TOTAL COMMON STOCKS AND WARRANTS (COST \$155,960,063)			168,498,255

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

MUTUAL DISCOVERY SECURITIES FUND	COUNTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
PREFERRED STOCKS .4%			
Tele Centro Sul Participacoes SA, ADR, pfd	Brazil	7,180	\$ 398,490
Tele Norte Leste Participacoes SA, ADR, pfd	Brazil	25,500	473,344

TOTAL PREFERRED STOCKS (COST \$669,506)			871,834

		PRINCIPAL AMOUNT*	
BONDS 1.9%			
Abraxas Petroleum Corp., Series D, 11.50%, 11/01/04	United States	\$ 170,000	107,100
Aiken Cnty. S C Indl. Rev. Ref. Belott, 6.00%, 12/01/11	United States	20,000	12,200
(a) Consorcio G Grupo Dina SA de CV, cvt., 8.00%, 8/08/04	Mexico	2,150,000	1,075,000
Eurotunnel Finance Ltd., Equity Note, 12/31/03	United Kingdom	188,008 GBP	145,210
Eurotunnel PLC:			
12/31/12, Tier 1	United Kingdom	198,414 GBP	256,454
12/31/18, Tier 2	United Kingdom	456,578 GBP	532,562
12/31/25, Tier 3	United Kingdom	158,000 GBP	161,880
12/31/50, Resettable Advance R5	United Kingdom	202,650 GBP	135,756
Stabilization Advance S8 Tier 1	United Kingdom	34,346 GBP	12,993
Stabilization Advance S8 Tier 2	United Kingdom	26,670 GBP	8,408
(a,c) Golden Ocean Group Ltd., 10.00%, 8/31/01	United States	570,000	62,700
Eurotunnel SA:			
5.28%, 7/07/02, Tier 2 (Pibor)	France	18,558 EUR	14,162
12/31/18, Tier 2 (Libor)	France	103,401 EUR	78,374
Stabilization Advance S8 Tier 1	France	4,573 EUR	1,132
Stabilization Advance S8 Tier 2	France	3,519 EUR	726
Hvide Marine Inc., 8.375%, 2/15/08	United States	70,000	33,950
MFN Financial Corp.:			
Series A, 10.00%, 4/23/01	United States	83,342	78,758
Series B, 10.00%, 4/23/01	United States	143,342	135,458
Port Seattle Wash. Rev. Ref-Beloit Proj., 6.00%, 12/01/17	United States	10,000	6,100
Security Capital US Realty, cvt., 144A, 2.00%, 5/22/03	United States	380,000	292,363
Southwest Royalties Inc., B, 10.50%, 10/15/04	United States	675,000	327,375
TFM SA de CV:			
10.25%, 6/15/07	Mexico	250,000	221,875
0/11.75%, 6/15/09	Mexico	450,000	272,250
TOTAL BONDS (COST \$4,439,859)			3,972,786

(a) BONDS & NOTES IN REORGANIZATION 1.7%

Altos Hornos de Mexico SA:			
5.50%, 12/15/01	Mexico	10,000	4,000
Series A, 11.375%, 4/30/02	Mexico	40,000	18,000
Series B, 11.875%, 4/15/04	Mexico	25,000	11,250
Brunos Inc., Bank Claim:			
Revolver Commitment	United States	107,300	61,698
Tranche A	United States	180,100	97,254
Tranche B	United States	85,000	45,900
Buenos Aires Embotelladore SA:			
Series A, 8/03/05	Argentina	116,000	66,120
Series B, 12.00%, 8/03/05	Argentina	17,000	14,450
144A, 12.00%, 9/01/05	Argentina	273,000	221,130
Crown Leasing, Bank Claim	Japan	41,502,615 JPY	54,433
Dow Corning Corp., 9.375%, 2/20/99	United States	300,000	384,750
Harnischfeger Industries Inc.:			
8.90%, 3/01/22	United States	120,000	73,200
8.70%, 6/15/22	United States	57,000	34,770
6.875%, 2/15/27	United States	144,000	87,840
Koninklijke Nederlandse Vliegtuigenfabriek Fokker, Trade Claim	Netherlands	431,091 EUR	355,649

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

MUTUAL DISCOVERY SECURITIES FUND	COUNTRY	PRINCIPAL AMOUNT*	VALUE
<S>	<C>	<C>	<C>
(a) BONDS & NOTES IN REORGANIZATION (CONT.)			
Loewen Group Inc.:			
Bank Claim, Revolver Commitment	United States	\$ 73,749	\$ 46,093
144A, 6.70%, 10/01/99	Canada	160,000	96,800
Series 3, 7.50%, 4/15/01	Canada	15,000	9,450
Series 5, 6.10%, 10/02/02	Canada	140,000 CAD	57,875
Series 2, 8.25%, 4/15/03	Canada	55,000	34,375
Series 6, 7.20%, 6/01/03	Canada	623,000	398,720
Series 4, 8.25%, 10/15/03	Canada	360,000	225,000
Series 7, 7.60%, 6/01/08	Canada	445,000	282,575
Nippon Credit Bank Ltd., Bank Claim	Japan	21,126,309 JPY	27,889
Nippon Total Finance, Bank Claim	Japan	21,418,136 JPY	10,526
Tribasa Toll Road Trust I, 10.50%, 12/01/11	Mexico	183,987	95,673
Vencor Inc., 9.875%, 5/01/05	United States	675,000	205,875
Vencor Inc., Bank Claim:			
Commitment Revolver	United States	31,650	26,903
Term Loan A	United States	23,480	19,782
Term Loan B	United States	177,735	146,632

Ventas Inc., Bank Claim:			
Commitment Revolver, Tranche B	United States	10,817	8,870
Tranche A	United States	32,000	29,760
Tranche C	United States	31,300	29,422
Tranche D	United States	78,077	72,612
TOTAL BONDS & NOTES IN REORGANIZATION (COST \$3,437,004)			3,355,276
TOTAL LONG TERM INVESTMENTS (COST \$164,506,432)			176,698,151
(d) SHORT TERM INVESTMENTS 5.7%			
Fannie Mae, 5.14%, 12/08/99	United States	2,000,000	1,956,534
Federal Home Loan Bank, 5.10%, 11/05/99	United States	2,000,000	1,965,640
Federal Home Loan Mortgage Corp., 4.68% to 4.77% with maturities to 10/18/99	United States	7,835,000	7,758,728
TOTAL SHORT TERM INVESTMENTS (COST \$11,677,438)			11,680,902
TOTAL INVESTMENTS (COST \$176,183,870) 91.9%			188,379,053
SECURITIES SOLD SHORT (.8%)			(1,675,073)
NET EQUITY IN FORWARD CONTRACTS 2.4%			4,914,282
OTHER ASSETS, LESS LIABILITIES 6.5%			13,305,094
TOTAL NET ASSETS 100.0%			\$ 204,923,356

(a,i) SECURITIES SOLD SHORT
</TABLE>

ISSUER	COUNTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
Allied Signal Inc.	United States	1,400	\$ 88,200
BP Amoco PLC, ADR	United Kingdom	1,900	206,150
DST Systems Inc.	United States	5,700	358,387
Intel Corp.	United States	400	23,800
Nortel Networks Corp.	Canada	8,800	757,636
Unum Corp.	United States	4,400	240,900
TOTAL SECURITIES SOLD SHORT (PROCEEDS \$1,429,493)			\$ 1,675,073

</TABLE>

SECURITY	COUNTRY	SHARES	VALUE AT 6/30/99	UNREALIZED GAIN/LOSS
<S>	<C>	<C>	<C>	<C>
BP Amoco PLC, cfd. 10.3574	United Kingdom	6,400	\$114,801	\$(10,316)
BP Amoco PLC, cfd. 10.9450	United Kingdom	2,500	44,844	(1,714)
BP Amoco PLC, cfd. 11.2992	United Kingdom	4,800	86,101	(611)
Vodafone Group PLC, cfd. 11.2893	United Kingdom	14,000	275,401	(26,276)
Vodafone Group PLC, cfd. 12.2720	United Kingdom	9,200	180,978	(3,016)
TOTAL CONTRACT FOR DIFFERENCES			\$702,125	\$(41,933)

</TABLE>

See glossary of currency abbreviations on page 136.

*Securities traded in U.S. dollars unless otherwise indicated.

- (a) Non-income producing.
- (c) See Note 8 regarding restricted securities.
- (d) Securities are traded on a discount basis; the rates shown are the discount rates at the time of purchase by the Fund.
- (i) See Note 1(g) regarding securities sold short.
- (j) See Note 1(e) regarding contracts for differences.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

MUTUAL SHARES SECURITIES FUND	COUNTRY	SHARES/ WARRANTS	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS AND WARRANTS 78.2%			
AEROSPACE & MILITARY TECHNOLOGY 3.1%			

(a)Coltec Industries Inc.	United States	168,800	\$ 3,660,850
(a)Hexcel Corp.	United States	42,000	425,250
Lockheed Martin Corp.	United States	223,300	8,317,925
Northrop Grumman Corp.	United States	48,000	3,183,000

			15,587,025

APPLIANCES & HOUSEHOLD DURABLES .6%			
Premark International Inc.	United States	79,500	2,981,250

AUTOMOBILES 4.5%			
Borg-Warner Automotive Inc.	United States	50,000	2,750,000
(a)Consortio G Grupo Dina SA de CV, L, ADR ..	Mexico	635,600	556,150
Delphi Automotive Systems Corp.	United States	254,557	4,725,214
(a)General Motors Corp.	United States	86,900	5,735,400
Lear Corp.	United States	95,500	4,751,125
TRW Inc.	United States	70,400	3,863,200

			22,381,089

BANKING 6.9%			
Bank One Corp.	United States	216,600	12,901,238
Banknorth Group Inc.	United States	8,900	293,700
Chase Manhattan Corp.	United States	75,600	6,548,850
First American Corp. Tennessee	United States	30,900	1,284,281
First Union Corp.	United States	211,882	9,958,454
Peoples Heritage Financial Group Inc.	United States	40,800	767,550
U.S. Bancorp	United States	74,600	2,536,400
Western Bancorp	United States	4,200	182,700

			34,473,173

BEVERAGES & TOBACCO 3.2%			
Allied Domecq PLC	United Kingdom	118,400	1,144,958
Gallaher Group PLC	United Kingdom	293,500	1,804,246
Gallaher Group PLC, ADR	United Kingdom	14,300	349,456
Nabisco Group Holdings Corp.	United States	74,600	1,459,363
Philip Morris Companies Inc.	United States	164,500	6,610,844
UST Inc.	United States	149,500	4,372,875

			15,741,742

BROADCASTING & PUBLISHING 6.9%			
(a)AT&T Corp. - Liberty Media Group, A	United States	78,648	2,890,314
Central Newspapers Inc., A	United States	115,900	4,360,738
Dow Jones & Co. Inc.	United States	67,800	3,597,638
Media General Inc., A	United States	53,900	2,748,900
(a)MediaOne Group Inc.	United States	108,900	8,099,438
Meredith Corp.	United States	41,100	1,423,088
Scripps Co., A	United States	121,400	5,774,088
Washington Post Co., B	United States	10,100	5,431,275

			34,325,479

BUILDING MATERIALS & COMPONENTS .9%			
(a)American Standard Companies Inc.	United States	78,800	3,782,400
Armstrong World Industries Inc.	United States	15,100	872,969

			4,655,369

BUSINESS & PUBLIC SERVICES 1.5%			
Hillenbrand Industries Inc.	United States	12,400	536,300
(a)Republic Services Inc.	United States	24,700	611,325
Suez Lyonnaise des Eaux SA	France	34,849	6,285,542

			7,433,167

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
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MUTUAL SHARES SECURITIES FUND	COUNTRY	SHARES/ WARRANTS	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS AND WARRANTS (CONT.)			
CHEMICALS 1.3%			
Arch Chemicals Inc.	United States	54,500	\$ 1,325,031
Crompton & Knowles Corp.	United States	84,200	1,647,163
(a)Cytotec Industries Inc.	United States	48,700	1,552,313
Olin Corp.	United States	104,900	1,383,369
(a)W.R. Grace & Co.	United States	19,700	361,988

Witco Corp.	United States	12,300	246,000
			6,515,864

(a) DATA PROCESSING & REPRODUCTION .1%			
Cadence Design Systems Inc.	United States	43,600	577,575

ELECTRICAL & ELECTRONICS .1%			
Honeywell Inc.	United States	1,700	196,988
(a) Level One Communications Inc.	United States	4,000	195,750

			392,738

(a) ELECTRONIC COMPONENTS & INSTRUMENTS .2%			
Quantum Corp.	United States	44,300	1,068,738

ENERGY EQUIPMENT & SERVICES 1.1%			
Baker Hughes Inc.	United States	30,000	1,005,000
(a) Cooper Cameron Corp.	United States	68,900	2,553,606
(a) Weatherford International Inc.	United States	48,750	1,785,469

			5,344,075

ENERGY SOURCES 1.9%			
Atlantic Richfield Co.	United States	11,800	986,038
Shell Transport & Trading Co. PLC	United Kingdom	521,300	3,905,107
Societe Elf Aquitaine SA	France	29,650	4,351,031

			9,242,176

FINANCIAL SERVICES 9.1%			
Bear Stearns Co. Inc.	United States	124,775	5,833,231
CIT Group Inc., A	United States	119,300	3,444,788
Finova Group Inc.	United States	26,500	1,394,563
Greenpoint Financial Corp.	United States	150,230	4,929,422
Household International Inc.	United States	133,730	6,335,459
(c) Laser Mortgage Management Inc.	United States	186,700	641,781
Lehman Brothers Holdings Inc.	United States	94,000	5,851,500
(a) MFN Financial Corp.	United States	39,765	395,167
Morgan Stanley, Dean Witter & Co.	United States	28,400	2,911,000
Newcourt Credit Group Inc.	Canada	1,900	24,862
Newcourt Credit Group Inc., fgn	Canada	104,000	1,345,500
Power Financial Corp.	Canada	10,700	204,715
The PMI Group Inc.	United States	56,900	3,574,031
United Asset Management Corp.	United States	362,000	8,235,500

			45,121,519

FOOD & HOUSEHOLD PRODUCTS 1.8%			
(a) Fine Host Corp.	United States	139,062	1,529,682
U.S. Industries Inc.	United States	248,300	4,221,100
Van Melle NV	Netherlands	45,490	2,920,236

			8,671,018

FOREST PRODUCTS & PAPER 1.4%			
Rayonier Inc.	United States	107,400	5,349,863
St. Joe Co.	United States	55,400	1,495,800

			6,845,663

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

MUTUAL DISCOVERY SECURITIES FUND	COUNTRY	SHARES/ WARRANTS	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS AND WARRANTS (CONT.)			
HEALTH & PERSONAL CARE 4.1%			
(a) Beverly Enterprises Inc.	United States	166,400	\$ 1,341,600
(a) Foundation Health Systems, A	United States	142,170	2,132,550
(a) Healthsouth Corp.	United States	181,800	2,715,638
McKesson HBOC Inc.	United States	47,800	1,535,575
(a) Pacificare Health Systems Inc.	United States	48,700	3,503,356
Rhone-Poulenc SA	France	112,800	5,154,345
Sankyo Co. Ltd.	Japan	11,600	292,300
(a) Tenet Healthcare Corp.	United States	198,100	3,677,231
Ventas Inc.	United States	31,800	170,925

			20,523,520

(a) INDUSTRIAL COMPONENTS 1.9%			
Owens-Illinois Inc.	United States	206,600	6,753,238
Thermo Electron Corp.	United States	132,600	2,660,288
			9,413,526
INSURANCE 1.6%			
Allmerica Financial Corp.	United States	49,900	3,034,544
American Bankers Insurance Group Inc.	United States	10,300	560,706
(a)Old Republic International Corp.	United States	11,700	202,556
Provident Companies Inc.	United States	11,800	472,000
Sampo Insurance Co. PLC., A	Finland	6,800	197,051
Torchmark Corp.	United States	36,400	1,242,150
White Mountain Insurance Group Inc.	United States	15,600	2,199,600
			7,908,607
LEISURE & TOURISM 3.3%			
(a)Park Place Entertainment Corp.	United States	301,000	2,915,938
Pathe SA	France	28,500	3,421,058
(a)Promus Hotel Corp.	United States	171,200	5,307,200
Starwood Hotels & Resorts Worldwide Inc.	United States	157,000	4,798,313
			16,442,509
MACHINERY & ENGINEERING 1.2%			
Case Corp.	United States	8,200	394,625
Invensys PLC	United Kingdom	1,206,152	5,713,071
			6,107,696
MERCHANDISING 3.9%			
(a)Barney's Inc.	United States	45,635	410,715
(a)Barney's Inc., wts., 5/15/00	United States	11,018	26,994
(a)Federated Department Stores Inc.	United States	88,700	4,695,556
JC Penney Co. Inc.	United States	100,900	4,899,956
(a)Payless Shoesource Inc.	United States	51,100	2,733,850
Rite Aid Corp.	United States	170,600	4,201,025
(a)Toys R Us Inc.	United States	122,070	2,525,323
			19,493,419
METALS & MINING .4%			
Allegheny Teledyne Inc.	United States	95,680	2,164,760
Multi-Industry 8.3%			
(a)Alleghany Corp.	United States	15,558	2,878,230
(a)Berkshire Hathaway Inc.	United States	22	49,280
(a)Berkshire-Hathaway Inc., A	United States	57	3,927,300
Compagnie Financiere Richemont AG, Br., A	Switzerland	2,390	4,596,745
Compagnie Generale D'Industrie et de Participation	France	57,210	2,766,989
Corporacion Financiera Alba SA	Spain	19,000	3,076,209
Investor AB, A	Sweden	658,360	7,240,256

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

MUTUAL SHARES SECURITIES FUND	COUNTRY	SHARES/ WARRANTS	VALUE
COMMON STOCKS AND WARRANTS (CONT.)			
<S>	<C>	<C>	<C>
MULTI-INDUSTRY (CONT.)			
Investor AB, B	Sweden	652,800	\$ 7,294,284
Kansas City Southern Industries Inc.	United States	38,900	2,482,306
Kinnevik AB, B	Sweden	10,200	191,955
Lagardere SCA	France	95,862	3,568,751
Ogden Corp.	United States	88,500	2,383,969
Power Corp. of Canada	Canada	29,400	566,505
			41,022,779
(a) REAL ESTATE .4%			
Alexander's Inc.	United States	8,000	591,000
Cadillac Fairview Corp.	Canada	62,000	1,175,606
(c) Security Capital European Realty	United States	23,055	399,479

			2,166,085
TELECOMMUNICATIONS 4.5%			
BCE Inc.	Canada	45,750	2,242,954
General Motors Corp., H	United States	25,500	1,434,375
(a) Telecom Italia SpA, di Risparmio	Italy	486,200	2,644,844
Telephone & Data Systems Inc.	United States	142,900	10,440,631
(a) United States Cellular Corp.	United States	85,100	4,552,850
Vodafone Airtouch PLC, ADR	United Kingdom	5,050	994,850
			22,310,504
TEXTILES & APPAREL .6%			
Liz Claiborne Inc.	United States	77,300	2,821,450
Transportation 2.3%			
Burlington Northern Santa Fe Corp.	United States	53,200	1,649,200
Florida East Coast Industries Inc.	United States	114,500	5,066,625
(a,c) Golden Ocean Group Ltd., wts., 8/31/01	United States	1,120	--
Railtrack Group PLC	United Kingdom	239,552	4,897,370
			11,613,195
UTILITIES ELECTRICAL & GAS 1.1%			
(a) MidAmerican Energy Holding Co.	United States	91,700	3,175,113
Veba AG	Germany	38,100	2,247,417
			5,422,530
TOTAL COMMON STOCKS AND WARRANTS (COST \$335,816,480) ...			388,768,240
PREFERRED STOCKS .6%			
Embratel Participacoes SA, ADR, pfd	Brazil	36,350	504,345
Tele Centro Sul Participacoes SA, ADR, pfd	Brazil	17,570	975,135
Tele Norte Leste Participacoes SA, ADR, pfd	Brazil	81,650	1,515,628
			2,995,108

PRINCIPAL
AMOUNT*

BONDS 2.7%			
Abraxas Petroleum Corp., 11.50%, 11/01/04	United States	\$ 415,000	261,450
Aiken Cnty S C Indl. Rev. Ref. Belott, 6.00%, 12/01/11 ...	United States	45,000	27,450
Consortio G Grupo Dina SA de CV, cvt., 8.00%, 8/08/04	Mexico	4,250,000	2,125,000
Eurotunnel Finance Ltd., Equity Note, 12/31/03	United Kingdom	481,406	371,818
Eurotunnel PLC:			
12/31/12, Tier 1	United Kingdom	406,877 GBP	525,896
12/31/18, Tier 2	United Kingdom	1,051,800 GBP	1,226,840
12/31/25, Tier 3	United Kingdom	281,758 GBP	288,677
12/31/50, Resettable Advance R5	United Kingdom	408,583 GBP	273,711
4/30/40, ptc loan note	United Kingdom	220,000 GBP	149,113
Stabilization Advance S8 Tier 1	United Kingdom	70,043 GBP	26,497
Stabilization Advance S8 Tier 2	United Kingdom	54,215 GBP	17,091

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

MUTUAL SHARES SECURITIES FUND	COUNTRY	PRINCIPAL AMOUNT*	VALUE
<S>	<C>	<C>	<C>
BONDS (CONT.)			
Eurotunnel SA:			
5.28%, 7/07/02, Tier 1	France	\$ 46,223 EUR	\$ 38,610
5.28%, 7/07/02, Tier 2	France	133,474 EUR	101,857
5.28%, 7/07/02, Tier 3	France	166,595 EUR	109,952
12/31/12, Tier 1 (Libor)	France	155,834 EUR	130,170
12/31/18, Tier 2 (Libor)	France	471,681 EUR	357,519
12/31/25, Tier 3 (Libor)	France	367,578 EUR	242,601
12/31/50, Resettable Advance R4	France	392,330 EUR	167,904
Eurotunnel Stabilization Facility			
Stabilization Advance Tier 1	France	24,850 EUR	6,150
Stabilization Advance Tier 1	France	11,279 EUR	2,792
Stabilization Advance Tier 2	France	29,666 EUR	6,119
Golden Books Publishing, 7.65%, 9/15/02	United States	190,000	75,050
(a,c) Golden Ocean Group Ltd., 10.00%, 8/31/01	United States	1,050,000	115,500
Hechinger Co., 6.95%, 10/15/03	United States	1,702,000	178,710

HIH Capital Ltd., cvt., 7.50%, 9/25/06	United Kingdom	1,235,000	845,975
Hvide Marine Inc., 8.375%, 2/15/08	United States	170,000	82,450
Kelley Oil & Gas Corp.			
144A, 14.00%, 4/15/03	United States	190,000	195,700
10.375%, 10/15/06	United States	95,000	54,625
Series D, 10.375%, 10/15/06	United States	120,000	69,000
MFN Financial Corp.;			
Series A, 10.00%, 4/23/01	United States	158,828	150,092
Series B, 10.00%, 4/23/01	United States	278,828	263,492
Port Seattle Wash. Rev. Ref-Beloit Proj., 6.00%, 12/01/17	United States	20,000	12,200
(c) Roil Limited, 12.779%, 12/05/02	Cayman Islands	2,328,000	814,800
Security Capital US Realty, cvt., 144A, 2.00%, 5/22/03	United States	2,208,000	1,698,780
Southwest Royalties Inc., B, 10.50%, 10/15/04	United States	1,475,000	715,375
Specialty Foods Corp.:			
11.00%, 8/15/09	United States	111,297	11
13.25%, 8/15/09	United States	1,180,000	920,400
TFM SA de CV:			
10.25%, 6/15/07	Mexico	250,000	221,875
0/11.75%, 6/15/09	Mexico	885,000	535,425
TOTAL BONDS (COST \$16,965,502)			13,406,677
(a) BONDS & NOTES IN REORGANIZATION 2.9%			
Altos Hornos de Mexico SA:			
5.50%, 12/15/01	Mexico	20,000	8,000
Series A, 11.375%, 4/30/02	Mexico	95,000	42,750
Series B, 11.875%, 4/15/04	Mexico	60,000	27,000
APS Inc., bank claim	United States	242,324	104,199
Brunos Inc., Bank Claim:			
Revolver Commitment	United States	201,200	115,690
Tranche A	United States	360,300	194,562
Tranche B	United States	292,000	157,680
Crown Leasing, Bank Claim	Japan	87,565,976JPY	114,847
Decision One, Bank Claim:			
Revolver Commitment	United States	266,219	116,471
Tranche A	United States	477,294	208,816
Tranche B	United States	139,690	61,114
Dictaphone Corporation, Bank Claim			
Revolver Commitment	United States	305,800	266,046
Tranche C Term Loan	United States	116,000	102,080
Dow Corning Corp.:			
Bank Debt #1	United States	100,000	128,250
9.375%, 2/20/99	United States	550,000	705,375
Harnischfeger Industries Inc.			
8.90%, 3/01/22	United States	290,000	176,900
8.70%, 6/15/22	United States	145,000	88,450
6.875%, 2/15/27	United States	353,000	215,330

</TABLE>

FRANKLIN VALUEMARK FUNDS
Statement of Investments, June 30, 1999 (unaudited) (cont.)

<TABLE>
<CAPTION>

MUTUAL SHARES SECURITIES FUND	COUNTRY	PRINCIPAL AMOUNT*	VALUE
(a) BONDS & NOTES IN REORGANIZATION (CONT.)			
<S>	<C>	<C>	<C>
Integrated Health Services Inc., Tranche B, Term Loan ..	United States	\$ 239,392	\$ 221,438
Koninklijke Nederlandse Vliegtuigenfabriek Fokker, Trade Claim	Netherlands	550,118 EUR	453,846
Loewen Group Inc.:			
Bank Claim, Revolver Commitment	United States	129,798	81,124
144A, 6.70%, 10/01/99	Canada	355,000	214,775
Series 3, 7.50%, 4/15/01	Canada	90,000	56,700
Series 7, 7.75%, 10/15/01	Canada	170,000	107,100
Series 5, 6.10%, 10/02/02	Canada	250,000CAD	103,348
Series 4, 8.25%, 4/15/03	Canada	190,000	118,750
Series 6, 7.20%, 6/01/03	Canada	1,550,000	992,000
Series 2, 8.25%, 10/15/03	Canada	555,000	346,875
Series 7, 7.60%, 6/01/08	Canada	1,235,000	784,225
Nippon Credit Bank Ltd., Bank Claim	Japan	44,574,201 JPY	58,842
Nippon Total Finance, Bank Claim	Japan	45,189,925 JPY	22,209
Paging Network Inc., Revolver Commitment, A	United States	1,650,000	1,485,000
Peregrine Investments Holdings Ltd., zero cpn., 2/28/99	Hong Kong	5,000,000 JPY	4,596
Philip Services Corp.			
Bank Claim, Canadian Operating	Canada	448,166 CAD	131,678
Bank Claim, Canadian Operating, fgn	Canada	9,144	3,932
Tranche 1	United States	319,116	137,220
Tranche 2	United States	296,498	127,494
Tranche 3	United States	148,249	63,747
PIV Investment Finance (Cayman) Ltd., 12/01/00	Hong Kong	12,060,000	3,316,500

Pratama Datakom Asia BV			
Reg S, 12.75%, 7/15/05	Indonesia	140,000	32,900
144A, 12.75%, 7/15/05	Indonesia	665,000	156,275
Ritvik Holdings, Bank Claim:			
Term Loan B	United States	55,000	46,750
Term Loan C	United States	137,000	116,450
Tribasa Toll Road Trust I, 10.50%, 12/01/11	Mexico	165,589	86,106
Vencor Operating Inc., 9.875%, 5/01/05	United States	1,635,000	498,675
Vencor Inc., Bank Claim:			
Commitment Revolver	United States	78,150	66,428
Term Loan A	United States	432,469	356,787
Term Loan B	United States	57,755	48,658
Ventas Inc., Bank Claim:			
Commitment Revolver, Tranche B	United States	194,782	181,147
Tranche A	United States	79,500	73,935
Tranche C	United States	75,300	70,782
Tranche D	United States	26,626	21,833
United Companies Financial Corp, revolver	United States	1,883,700	1,054,872
TOTAL BONDS & NOTES IN REORGANIZATION (COST \$12,023,218)			14,476,557
TOTAL LONG TERM INVESTMENTS (COST \$367,412,808)			419,646,582

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

MUTUAL SHARES SECURITIES FUND	COUNTRY	PRINCIPAL AMOUNT*	VALUE
(d) SHORT TERM INVESTMENTS 11.3%			
<S>	<C>	<C>	<C>
Fannie Mae, 4.69% to 5.140% with maturities to 12/08/99	United States	\$ 22,578,000	\$ 12,133,547
Federal Home Loan Bank, 4.72% to 5.10% with maturities to 11/05/99	United States	7,000,000	6,887,678
Federal Home Loan Mortgage Corp., 4.67% to 5.10% with maturities to 3/08/00	United States	37,550,000	37,110,346
TOTAL SHORT TERM INVESTMENTS (COST \$56,121,702)			56,131,571
TOTAL INVESTMENTS (COST \$423,534,510) 95.7%			475,778,153
(i) SECURITIES SOLD SHORT (.7%)			(3,295,800)
NET EQUITY IN FORWARD CONTRACTS .6%			3,203,691
OTHER ASSETS, LESS LIABILITIES 4.4%			21,643,295
TOTAL NET ASSETS 100.0%			\$ 497,329,339

</TABLE>

<TABLE>
<CAPTION>
(a) (i) SECURITIES SOLD SHORT

ISSUER	COUNTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
Allied Signal Inc.	United States	3,100	\$ 195,300
BP Amoco PLC, ADR	United Kingdom	4,200	455,700
DST Systems Inc.	United States	6,300	396,112
Intel Corp.	United States	3,400	202,300
Nortel Networks Corp.	Canada	18,300	1,575,538
Unum Corp.	United States	8,600	470,850
TOTAL SECURITIES SOLD SHORT (PROCEEDS \$3,132,279)			\$ 3,295,800

</TABLE>

<TABLE>
<CAPTION>
(a) (j) CONTRACTS FOR DIFFERENCES

SECURITY	COUNTRY	SHARES	VALUE AT 6/30/99	UNREALIZED GAIN/LOSS
<S>	<C>	<C>	<C>	<C>
BP Amoco PLC, cfd. 10.3574	United Kingdom	13,600	\$ 234,952	\$ (21,921)
BP Amoco PLC, cfd. 10.9450	United Kingdom	5,500	98,657	(3,771)
BP Amoco PLC, cfd. 11.2992	United Kingdom	10,200	182,964	(1,299)
Vodafone Group PLC, cfd. 11.2893	United Kingdom	30,000	590,145	(56,305)
Vodafone Group PLC, cfd 12.272	United Kingdom	20,000	393,430	(6,557)

TOTAL CONTRACT FOR DIFFERENCES

 \$1,500,148 \$ (89,853)
 =====

</TABLE>

See glossary of currency abbreviations on page 136.

- * Securities traded in U.S. dollars unless otherwise indicated.
- (a) Non-income producing.
- (c) See Note 8 regarding restricted securities.
- (d) Securities are traded on a discount basis; the rates shown are the discount rates at the time of purchase by the Fund.
- (i) See Note 1(g) regarding securities sold short.
- (j) See Note 1(e) regarding contracts for differences.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
 STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
 <CAPTION>

NATURAL RESOURCES SECURITIES FUND	COUNTRY	SHARES/ WARRANTS	VALUE

COMMON STOCKS AND WARRANTS 98.1%			
<S>	<C>	<C>	<C>
ENERGY MINERALS 38.7%			
Apache Corp.	United States	30,800	\$ 1,201,200
Atlantic Richfield Co.	United States	20,700	1,729,744
(a) Barrett Resources Corp.	United States	54,100	2,076,088
(a) Basin Exploration Inc.	United States	53,600	1,075,350
Chesapeake Energy Corp.	United States	210,000	616,875
Conoco Inc., A	United States	27,000	752,625
Devon Energy Corp.	United States	8,000	286,000
Enron Oil & Gas Co.	United States	50,500	1,022,625
(a) Gulf Canada Resources Ltd.	Canada	190,200	796,463
Houston Exploration Co.	United States	27,000	511,313
Mobil Corp.	United States	14,200	1,405,800
(a) Newfield Exploration Co.	United States	55,700	1,583,969
(a) Nuevo Energy Co.	United States	54,500	722,125
Royal Dutch Petroleum Co., N.Y. shs	Netherlands	9,400	566,350
(a) Santa Fe Snyder Corp.	United States	61,900	471,988
Texaco Inc.	United States	23,400	1,462,500
Tosco Corp.	United States	38,250	992,109
Ultramar Diamond Shamrock Corp.	United States	33,500	730,719
Unocal Corp.	United States	18,000	713,250
Valero Energy Corp.	United States	36,000	771,750

			19,488,843

INDUSTRIAL SERVICES 24.4%			
(a) AES Corp.	United States	14,000	813,750
(a) Atwood Oceanics Inc.	United States	15,600	487,500
Baker Hughes Inc.	United States	12,600	422,100
(a) BJ Services Co.	United States	13,950	410,653
(a) Cal Dive International Inc.	United States	39,800	1,189,025
(a) Casella Waste Systems Inc., A	United States	35,800	930,800
Diamond Offshore Drilling Inc.	United States	27,000	766,125
ENSCO International Inc.	United States	18,500	368,844
Halliburton Co.	United States	17,000	769,250
(a) Marine Drilling Cos. Inc.	United States	20,000	273,750
(a) Safety-Kleen Corp.	United States	30,000	543,750
Schlumberger Ltd.	United States	15,600	993,525
Transocean Offshore Inc.	United States	33,000	866,250
(a) Tuboscope Inc.	United States	54,000	739,125
(a) Varco International Inc.	United States	102,000	1,115,625
(a) Weatherford International Inc.	United States	42,900	1,571,213

			12,261,285

NON-ENERGY MINERALS 16.1%			
Aluminum Co. of America	United States	14,200	878,625
Barrick Gold Corp.	Canada	40,195	778,778
De Beers Consolidated Mines AG, ADR	South Africa	64,800	1,547,100

(a) Franco-Nevada Mining Corp. Ltd.	Canada	42,400	663,451
Freeport-McMoRan Copper & Gold Inc., A	United States	13,718	229,777
Ispat International NV, A, N.Y. shs	Netherlands	30,000	331,870
Newmont Mining Corp.	United States	15,455	307,168
Pohang Iron & Steel Co. Ltd., ADR	South Korea	35,600	1,197,050
Potash Corp. of Saskatchewan Inc.	Canada	11,100	574,425
Rio Tinto PLC	United Kingdom	60,129	1,017,915
(a) Stillwater Mining Co.	United States	18,450	603,084

			8,129,243

PROCESS INDUSTRIES 13.3%

(a) Abitibi-Consolidated Inc.	Canada	35,000	398,125
(a) Asia Pulp & Paper Co. Ltd., ADR	Indonesia	82,000	789,250
(a) Asia Pulp & Paper Co. Ltd., wts., 7/27/00	Indonesia	15,000	39,375
Bemis Co. Inc.	United States	3,500	139,125

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

NATURAL RESOURCES SECURITIES FUND	COUNTRY	SHARES/ WARRANTS	VALUE

COMMON STOCKS AND WARRANTS (CONT.)			
PROCESS INDUSTRIES (CONT.)			
<S>	<C>	<C>	<C>
Bowater Inc.	United States	13,500	\$ 637,875
E. I. du Pont de Nemours and Co.	United States	5,000	341,563
Ecolab Inc.	United States	3,300	143,963
Hercules Inc.	United States	9,800	385,263
Monsanto Co.	United States	5,900	232,681
(a) Owens-Illinois Inc.	United States	27,100	885,831
Praxair Inc.	United States	14,100	690,019
Sigma-Aldrich Corp.	United States	33,000	1,136,438
(a) Smurfit-Stone Container Corp.	United States	43,100	886,244

			6,705,752

PRODUCER MANUFACTURING 3.3%			
Avery Dennison Corp.	United States	17,000	1,026,375
Masco Corp.	United States	10,600	306,075
Reliance Steel & Aluminum Co.	United States	8,400	327,600

			1,660,050

UTILITIES 2.3%			
Enron Corp.	United States	14,000	1,144,500

			49,389,673

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<TABLE>

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		PRINCIPAL AMOUNT	

<S>	<C>	<C>	<C>
(f) REPURCHASE AGREEMENT 2.5%			
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$1,259,270) (Cost \$1,259,103)	United States	\$ 1,259,103	1,259,103
Barclays Capital Inc. (Maturity Value \$158,828)			
Bear, Stearns & Co. Inc. (Maturity Value \$140,158)			
Chase Securities Inc. (Maturity Value \$25,940)			
CIBC Oppenheimer Corp. (Maturity Value \$158,828)			
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$112,125)			
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$112,125)			
Goldman, Sachs & Co. (Maturity Value \$56,063)			
Nationsbank Montgomery Securities LLC (Maturity Value \$112,125)			
Paine Webber Inc. (Maturity Value \$112,125)			
Paribas Corp. (Maturity Value \$112,125)			
Warburg Dillon Read LLC (Maturity Value \$158,828)			

Collateralized by U.S. Treasury Bills & Notes

TOTAL INVESTMENTS (COST \$48,973,242) 100.6%	50,648,776
OTHER ASSETS, LESS LIABILITIES (.6%)	(296,789)
NET ASSETS 100.0%	\$ 50,351,987

</TABLE>

- (a) Non-income producing.
- (f) See note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE> <CAPTION> REAL ESTATE SECURITIES FUND	SHARES	VALUE

COMMON STOCKS 97.1%		
<S>		
EQUITY REIT - APARTMENTS 13.4%		
Apartment Investment & Management Co., A	135,000	\$ 5,771,250
Archstone Communities Trust	290,035	6,362,643
Avalonbay Communities Inc.	100,000	3,700,000
Camden Property Trust	96,733	2,685,451
Charles E. Smith Residential Realty Inc.	79,000	2,681,063
Equity Residential Properties Trust	197,500	8,899,844

		30,100,251

EQUITY REIT - DIVERSIFIED PROPERTY TYPE 14.7%		
Crescent Real Estate Equities Co.	137,650	3,269,188
Duke Realty Investments Inc.	185,000	4,174,063
Glenborough Realty Trust Inc.	536,000	9,380,000
Liberty Property Trust	250,000	6,218,750
Spieker Properties Inc.	160,000	6,220,000
Vornado Realty Trust	103,300	3,647,781

		32,909,782

EQUITY REIT - HEALTH CARE 1.6%		
OMEGA Healthcare Investors Inc.	142,000	3,665,375

EQUITY REIT - HOTELS 10.5%		
FelCor Lodging Trust Inc.	215,300	4,467,475
Host Marriott Corp.	441,590	5,243,881
Innkeepers USA Trust	224,400	2,244,000
MeriStar Hospitality Corp.	410,000	9,199,375
Winston Hotels Inc.	233,900	2,455,950

		23,610,681

EQUITY REIT - INDUSTRIAL 3.6%		
Cabot Industrial Trust	165,000	3,506,250
ProLogis Trust	225,400	4,564,350

		8,070,600

EQUITY REIT - OFFICE 21.7%		
Alexandria Real Estate Equities Inc.	203,000	6,343,750
Arden Realty Inc.	235,600	5,801,650
Brandywine Realty Trust	390,700	7,740,744
Equity Office Properties Trust	340,008	8,712,705
Highwoods Properties Inc.	180,000	4,938,750
Mack-Cali Realty Corp.	160,000	4,950,000
SL Green Realty Corp.	128,400	2,624,175
Trinet Corporate Realty Trust Inc.	275,000	7,614,063

		48,725,837

EQUITY REIT - RESIDENTIAL COMMUNITIES 3.4%		
Manufactured Home Communities Inc.	120,000	3,120,000
Sun Communities Inc.	130,000	4,615,000

		7,735,000

EQUITY REIT - RETAIL - COMMUNITY CENTERS 5.4%		
Developers Diversified Realty Corp.	23,000	382,375
Kimco Realty Corp.	148,000	5,790,500
Regency Realty Corp.	270,712	5,938,745

		12,111,620

EQUITY REIT - RETAIL - REGIONAL MALLS 5.1%		
The Macerich Co.	138,000	3,622,500
Mills Corp.	54,400	1,179,800
Simon Property Group Inc.	260,000	6,597,500

		11,399,800

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>		
<CAPTION>		
REAL ESTATE SECURITIES FUND	SHARES	VALUE

<S>	<C>	<C>
COMMON STOCKS (CONT.)		
EQUITY REIT - STORAGE 4.0%		
Public Storage Inc.	316,600	\$ 8,864,800
(a) Diversified Property Type 6.7%		-----
Crescent Operating Inc.	27,500	187,344
Security Capital Group Inc., B	720,200	10,487,913
Security Capital US Realty (Luxembourg)	232,300	4,413,700

		15,088,957

HOTELS 7.0%		
(a) Candlewood Hotel Co. Inc.	350,000	1,312,500
(a) MeriStar Hotels & Resorts Inc.	350,000	1,203,125
(a) Prime Hospitality Corp.	199,500	2,394,000
Starwood Hotels & Resorts Worldwide Inc.	275,000	8,404,688
(a) Wyndham International Inc.	542,038	2,439,171

		15,753,484

TOTAL LONG TERM INVESTMENTS (COST \$205,902,433)		218,036,187

</TABLE>

<TABLE>		
<CAPTION>		
	PRINCIPAL AMOUNT -----	
<S>	<C>	<C>
(f) REPURCHASE AGREEMENT 1.7%		
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$3,713,995) (COST \$3,713,503)	\$ 3,713,503	3,713,503
Barclays Capital Inc. (Maturity Value \$468,446)		
Bear, Stearns & Co. Inc. (Maturity Value \$413,330)		
Chase Securities Inc. (Maturity Value \$76,509)		
CIBC Oppenheimer Corp. (Maturity Value \$468,446)		
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$330,694)		
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$330,694)		
Goldman, Sachs & Co. (Maturity Value \$165,348)		
NationsBanc Montgomery Securities LLC (Maturity Value \$330,694)		
Paine Webber Inc. (Maturity Value \$330,694)		

Paribas Corp. (Maturity Value \$330,694)
 Warburg Dillon Read LLC (Maturity Value \$468,446)
 Collateralized by U.S. Treasury Bills & Notes

TOTAL INVESTMENTS (COST \$209,615,936) 98.8%	221,749,690
OTHER ASSETS, LESS LIABILITIES 1.2%	2,745,619
NET ASSETS 100.0%	\$224,495,309

</TABLE>

- (a) Non-income producing.
- (f) See Note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
 STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
 <CAPTION>

RISING DIVIDENDS FUND	SHARES	VALUE
<S>	<C>	<C>
COMMON STOCKS 97.1%		
COMMERCIAL SERVICES 6.8%		
Ennis Business Forms Inc.	205,200	\$ 1,757,025
Reynolds & Reynolds Co., A	501,000	11,679,563
Standard Register Co.	360,500	11,085,375
Wallace Computer Services Inc.	713,800	17,845,000

		42,366,963

CONSUMER DURABLES 6.4%		
Leggett & Platt Inc.	921,500	25,629,219
Newell Rubbermaid Inc.	309,300	14,382,450

		40,011,669

CONSUMER NON-DURABLES 6.7%		
Alberto-Culver Co., A	708,000	16,151,250
Block Drug Co. Inc., A	211,539	8,818,532
DIMON Inc.	573,900	2,977,106
Philip Morris Cos. Inc.	120,000	4,822,500
Universal Corp.	314,300	8,937,906

		41,707,294

ELECTRONIC TECHNOLOGY 3.5%		
Cohu Inc.	359,500	12,717,313
Hewlett-Packard Co.	89,900	9,034,950

		21,752,263

ENERGY MINERALS 1.1%		
Royal Dutch Petroleum Co., N.Y. shs. (Netherlands)	114,300	6,886,575

FINANCE 14.7%		
Bank One Corp.	25,000	1,489,063
Fannie Mae	63,200	4,321,300
First Union Corp.	189,226	8,893,622
Mercantile Bankshares Corp.	190,525	6,739,822
National Commerce Bancorp	836,200	18,291,875
State Street Corp.	108,600	9,271,725
TrustCo Bank Corp., N.Y. shs	336,880	9,053,650
U.S. Bancorp	361,800	12,301,200
Washington Mutual Inc.	389,400	13,775,025
Wilmington Trust Corp.	120,000	6,885,000

		91,022,282

HEALTH TECHNOLOGY 6.0%		

Becton, Dickinson & Co.	135,800	4,074,000
Superior Uniform Group Inc.	265,800	3,322,500
(e) West Pharmaceutical Services Inc.	759,300	29,802,525

		37,199,025

INSURANCE 11.1%		
American Heritage Life Investment Corp.	200,500	4,912,250
American International Group Inc.	87,150	10,201,997
Chubb Corp.	143,000	9,938,500
Harleysville Group Inc.	167,600	3,435,800
Mercury General Corp.	272,700	9,271,800
MMI Cos. Inc.	442,100	7,460,438
ReliaStar Financial Corp.	320,100	14,004,375
RLI Corp.	251,856	9,759,420

		68,984,580

NON-ENERGY MINERALS .6%		
Nucor Corp.	82,000	3,889,875

PROCESS INDUSTRIES 10.4%		
Bemis Co. Inc.	395,900	15,737,025
Brady Corp., A	109,500	3,558,750
Donaldson Co. Inc.	108,200	2,650,900

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>		
<CAPTION>		
RISING DIVIDENDS FUND	SHARES	VALUE

<S>	<C>	<C>
COMMON STOCKS (CONT.)		
PROCESS INDUSTRIES (CONT.)		
Hanna (M.A.) Co.	345,200	\$ 5,674,225
Lancaster Colony Corp.	33,900	1,169,550
Millipore Corp.	135,400	5,492,163
Pall Corp.	851,100	18,883,781
Sherwin-Williams Co.	407,000	11,294,250

		64,460,644

PRODUCER MANUFACTURING 19.0%		
Baldor Electric Co.	468,333	9,308,118
Diebold Inc.	242,900	6,983,375
Dover Corp.	244,100	8,543,500
General Electric Co.	41,600	4,700,800
Graco Inc.	187,100	5,496,063
Hubbell Inc., B	278,500	12,636,938
Kaydon Corp.	492,500	16,560,313
Kimball International Inc., B	589,300	9,944,438
Myers Industries Inc.	483,260	9,665,200
Superior Industries International Inc.	238,100	6,503,106
Teleflex Inc.	370,300	16,084,906
Watts Industries Inc., A	605,300	11,614,194

		118,040,951

RETAIL TRADE 9.3%		
Family Dollar Stores Inc.	1,596,300	38,311,200
The Limited Inc.	121,523	5,514,106
Rite Aid Corp.	307,300	7,567,263
Schultz Sav-O Stores Inc.	227,700	3,643,200
Wal-Mart Stores Inc.	60,600	2,923,946

		57,959,715

TRANSPORTATION 1.5%		
Circle International Group Inc.	413,900	9,054,063

TOTAL COMMON STOCKS (COST \$475,537,695)		603,335,899

CONVERTIBLE PREFERRED STOCKS .2%		

American Heritage Corp., 8.50%, cvt. pfd. (COST \$1,210,000)	24,200	1,600,225
TOTAL LONG TERM INVESTMENTS (COST \$476,747,695)		604,936,124

</TABLE>

<TABLE>
<CAPTION>

	PRINCIPAL AMOUNT	

<S>	<C>	<C>
(f) Repurchase Agreement 1.7%		
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$10,571,070)		
(COST \$10,569,670)	\$10,569,670	10,569,670
Barclays Capital Inc. (Maturity Value \$1,333,383)		
Bear, Stearns & Co. Inc. (Maturity Value \$1,176,513)		
Chase Securities Inc. (Maturity Value \$217,747)		
CIBC Oppenheimer Corp. (Maturity Value \$1,333,383)		
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$941,211)		
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$941,211)		
Goldman, Sachs & Co. (Maturity Value \$470,606)		
NationsBanc Montgomery Securities LLC (Maturity Value \$941,211)		
Paine Webber Inc. (Maturity Value \$941,211)		
Paribas Corp. (Maturity Value \$941,211)		
Warburg Dillon Read LLC (Maturity Value \$1,333,383)		
Collateralized by U.S. Treasury Bills & Notes		
TOTAL INVESTMENTS (COST \$487,317,365) 99.0%		615,505,794
OTHER ASSETS, LESS LIABILITIES 1.0%		6,055,353
NET ASSETS 100.0%		\$621,561,147

</TABLE>

- (e) See Note 9 regarding holding of 5% voting securities.
(f) See Note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

SMALL CAP FUND	SHARES/ RIGHTS	VALUE
-----	-----	-----
COMMON STOCKS AND RIGHTS 96.9%		
COMMERCIAL SERVICES 3.2%		
<S>	<C>	<C>
(a) 24/7 Media Inc.	28,800	\$ 1,108,800
(a) Applied Graphics Technologies Inc.	88,700	1,119,838
(a) Corporate Executive Board Co.	5,700	202,706
(a) Exchange Applications Inc.	13,500	550,125
(a) Inet Technologies Inc.	24,300	583,200
Norrell Corp.	82,100	1,544,506
(a) NOVA Corp.	55,900	1,397,500
(a) RemedyTemp Inc., A	29,500	398,250
(a) Smith-Gardner & Associates Inc.	4,100	33,056
(a) SOS Staffing Services Inc.	75,500	396,375
(a) Sylvan Learning Systems Inc.	64,100	1,742,719
(a) WESCO International Inc.	29,100	596,550
		9,673,625
(a) CONSUMER DURABLES .4%		
Activision Inc.	75,700	1,102,381
CONSUMER NON-DURABLES 2.5%		
Alberto-Culver Co., A	7,100	157,407
(a) Sola International Inc.	24,400	474,275
(a) Tommy Hilfiger Corp.	66,800	4,909,800
(a) Tropical Sportswear International Corp.	33,700	1,074,188
Wolverine World Wide Inc.	55,000	770,000
		7,385,670

(a) CONSUMER SERVICES 4.4%

DeVry Inc.	77,800	1,740,775
Entercom Communications Corp.	1,300	55,575
Foodmaker Inc.	37,400	1,061,225
Harrah's Entertainment Inc.	59,900	1,317,800
Intelligent Life Corp.	61,600	404,250
Jones Intercable Inc.	2,100	100,800
Jones Intercable Inc., A	29,100	1,425,900
MeriStar Hotels & Resorts Inc.	120,000	412,500
Prime Hospitality Corp.	238,000	2,856,000
Radio One Inc.	5,700	265,050
SFX Entertainment Inc.	39,300	2,515,200
Vail Resorts Inc.	51,700	904,750

		13,059,825

(a) ELECTRONIC TECHNOLOGY 23.0%

Advanced Energy Industries Inc.	48,800	1,979,450
Alpha Industries Inc.	17,000	809,625
ANTEC Corp.	5,000	160,313
Aspect Telecommunications Corp.	61,200	596,700
AVT Corp.	51,200	1,939,200
Brocade Communications Systems Inc.	1,400	135,013
Carrier Access Corp.	23,300	1,020,831
Catapult Communications Corp.	37,000	698,375
Coherent Inc.	178,400	3,322,700
Com21 Inc.	75,000	1,279,688
Copper Mountain Networks Inc.	1,100	84,975
Cymer Inc.	6,500	162,500
EMCORE Corp.	28,400	571,550
Etec Systems Inc.	38,100	1,266,825
E-Tek Dynamics Inc.	6,500	309,156
Excel Switching Corp.	23,800	712,513
Flextronics International Ltd.	52,000	2,886,000
FLIR Systems Inc.	90,000	1,361,250

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

SMALL CAP FUND	SHARES/ RIGHTS	VALUE
-----	-----	-----
<S>	<C>	<C>
COMMON STOCKS AND RIGHTS (CONT.)		
(a)ELECTRONIC TECHNOLOGY (CONT.)		
FVC.COM Inc.	24,000	\$ 156,000
Gemstar International Group Ltd.	70,400	4,593,600
Harmonic Inc.	30,500	1,751,844
hi/fn Inc.	3,000	228,375
H.T.E. Inc.	47,500	160,313
Itron Inc.	62,800	537,725
Jabil Circuit Inc.	55,000	2,481,875
Javelin Systems Inc.	29,200	357,700
Komag Inc.	317,800	1,052,713
Ladish Co. Inc.	58,800	455,700
Latitude Communications Inc.	5,800	75,400
Lattice Semiconductor Corp.	10,300	641,175
Maker Communications Inc.	1,000	31,000
Mettler-Toledo International Inc.	122,000	3,027,125
Micrel Inc.	7,500	555,000
Natural MicroSystems Corp.	80,900	773,606
Novellus Systems Inc.	18,400	1,255,800
Perceptron Inc.	85,000	387,813
Photonics Inc.	8,400	205,800
PLX Technology Inc.	5,200	246,350
PMC-Sierra Inc.	106,000	6,247,375
Sanmina Corp.	26,800	2,033,450
Security Dynamics Technologies Inc.	155,700	3,308,625
SIPEX Corp.	27,000	553,500
Synopsys Inc.	100,000	5,518,750
Tekelec	115,900	1,412,532
TriStar Aerospace Co.	31,400	259,050
Uniphase Corp.	40,900	6,789,400
Veeco Instruments Inc.	6,800	231,200
Waters Corp.	70,000	3,718,750

Wavecom SA, ADR (Frances)	8,200	107,625
Western Digital Corp.	60,000	390,000

		68,841,835

ENERGY MINERALS 4.6%		
(a)Barrett Resources Corp.	113,900	4,370,913
(a)Denbury Resources Inc.	85,800	375,375
(a)Forest Oil Corp.	56,700	712,294
(a)Newfield Exploration Co.	125,800	3,577,438
Range Resources Corp.	125,000	765,625
(a)Santa Fe Snyder Corp.	262,810	2,003,926
(a)Titan Exploration Inc.	128,300	641,500
(a)Tom Brown Inc.	95,000	1,478,438

		13,925,509

FINANCE 8.0%		
(a)Affiliated Managers Group Inc.	44,700	1,349,381
Allied Capital Corp.	40,000	960,000
Bank United Corp., A	50,000	2,009,375
(a)DLJdirect	32,300	952,850
Espirito Santo Financial Group SA, ADR (Luxembourg) ...	25,900	424,113
EVEREN Capital Corp.	42,000	1,252,125
E.W. Blanch Holdings Inc.	5,000	340,938
Federated Investors Inc., B	122,900	2,204,519
(a)First Sierra Financial Inc.	25,800	645,000
Freedom Securities Corp.	26,300	450,388
(a)Golden State Bancorp Inc.	118,000	2,596,000
(a)Hambrecht & Quist Group	20,000	742,500

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

SMALL CAP FUND	SHARES/ RIGHTS	VALUE
<S>	<C>	<C>
COMMON STOCKS AND RIGHTS (CONT.)		
FINANCE (CONT.)		
(a)HealthCare Financial Partners Inc.	39,100	\$ 1,339,175
Heller Financial Inc.	18,800	522,875
(a)Knight/Trimark Group Inc., A	25,100	1,513,844
Mutual Risk Management Ltd.	42,600	1,421,775
(a)Radian Group Inc	31,038	1,515,045
(a)Silicon Valley Bancshares	97,400	2,410,650
Westamerica Bancorp	27,900	1,018,350
(a)WIT Capital Group Inc.	3,800	129,200

		23,798,103

(a)HEALTH SERVICES 2.6%		
American Dental Partners Inc.	20,300	225,838
Beverly Enterprises Inc.	136,900	1,103,756
Eclipsys Corp.	1,422	34,039
Integrated Health Services Inc.	54,000	432,000
New American Healthcare Corp.	8,100	18,731
PAREXEL International Corp.	65,000	865,313
Pharmaceutical Product Development Inc.	85,000	2,326,875
Renal Care Group Inc.	94,650	2,449,069
Total Renal Care Holdings Inc.	15,933	247,957

		7,703,578

(a)HEALTH TECHNOLOGY 1.1%		
Heska Corp.	39,300	90,881
Inhale Therapeutic Systems Inc.	59,300	1,412,081
OrthoLogic Corp.	226,700	559,677
Serologicals Corp.	138,750	1,127,344
SkyePharma PLC, ADR (United Kingdom)	24,391	187,506
SkyePharma PLC, rts., 3/31/00 (United Kingdom)	83,600	--

		3,377,489

(a)INDUSTRIAL SERVICES 4.5%		
Atwood Oceanics Inc.	3,400	106,250

Casella Waste Systems Inc., A	12,700	330,200
Catalytica Inc.	193,733	2,712,262
Core Laboratories NV (Netherlands)	110,400	1,538,700
Dycom Industries Inc.	15,700	879,200
KTI Inc.	3,000	42,750
Marine Drilling Cos. Inc.	71,100	973,181
Safety-Kleen Corp.	25,000	453,125
Tuboscope Inc.	121,300	1,660,294
US Liquids Inc.	74,800	1,561,450
Varco International Inc.	300,800	3,290,000

13,547,412

INSURANCE 2.5%

Financial Security Assurance Holdings Ltd.	63,000	3,276,000
HCC Insurance Holdings Inc.	32,300	732,806
Life USA Holding Inc.	21,200	429,300
Reinsurance Group of America Inc.	37,300	1,314,825
(a)Risk Capital Holdings Inc.	125,000	1,687,500

7,440,431

NON-ENERGY MINERALS .5%

Carpenter Technology Corp.	50,000	1,428,125
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</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

SMALL CAP FUND	SHARES/ RIGHTS	VALUE

<S>	<C>	<C>
COMMON STOCKS AND RIGHTS (CONT.)		
PROCESS INDUSTRIES 1.6%		
ChemFirst Inc.	85,100	\$ 2,068,994
(a)CUNO Inc.	29,000	554,625
Optical Coating Laboratory Inc.	24,600	2,057,175

		4,680,794

PRODUCER MANUFACTURING 3.6%		
(a)Gentex Corp.	127,800	3,578,400
Gibraltar Steel Corp.	100,000	2,475,000
JLG Industries Inc.	111,400	2,269,775
(a)Polycom Inc.	10,800	421,200
Reliance Steel & Aluminum Co.	9,000	351,000
Roper Industries Inc.	57,400	1,836,800

		10,932,175

REAL ESTATE 3.7%		
Arden Realty Inc.	86,000	2,117,750
Camden Property Trust	75,000	2,081,250
Colonial Properties Trust	15,400	435,050
FelCor Lodging Trust Inc.	50,000	1,037,500
Glenborough Realty Trust Inc.	54,100	946,750
Innkeepers USA Trust	98,900	989,000
MeriStar Hospitality Corp.	130,000	2,916,875
SL Green Realty Corp.	30,900	631,519

		11,155,694

RETAIL TRADE 1.0%		
(a)Beyond.com Corp.	54,500	1,563,469
Claire's Stores Inc.	34,000	871,250
(a)Guitar Center Inc.	55,000	574,063

		3,008,782

(a)TECHNOLOGY SERVICES 20.4%		
Affiliated Computer Services Inc., A	135,300	6,849,563
BackWeb Technologies Ltd.	1,100	30,113
Brightpoint Inc.	12,900	78,206
Brio Technology Inc.	13,000	260,000
BroadVision Inc.	26,600	1,961,750
Check Point Software Technologies Ltd.	11,700	627,413
Citrix Systems Inc.	37,800	2,135,700

Complete Business Solutions Inc.	69,600	1,248,450
Concord Communications Inc.	30,000	1,350,000
Deltek Systems Inc.	13,800	136,275
Documentum Inc.	40,000	522,500
DoubleClick Inc.	19,100	1,752,425
Entrust Technologies Inc.	55,200	1,835,400
Exodus Communications Inc.	9,600	1,151,400
High Speed Access Corp.	9,600	246,000
HNC Software Inc.	90,000	2,773,125
i2 Technologies Inc.	117,600	5,056,800
Integrated Systems Inc.	98,100	1,152,675
International Network Services	88,200	3,561,075
Intuit Inc.	21,800	1,964,725
ISS Group Inc.	8,000	302,000
Keane Inc.	30,000	678,750
Legato Systems Inc.	39,200	2,263,800
Marimba Inc.	900	47,419
Media Metrix Inc.	13,900	740,175
Micromuse Inc.	57,000	2,842,875

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

SMALL CAP FUND	SHARES/ RIGHTS	VALUE
<S>	<C>	<C>
COMMON STOCKS AND RIGHTS (CONT.)		
(a) TECHNOLOGY SERVICES (cont.)		
MicroStrategy Inc.	19,500	\$ 738,563
Mpath Interactive Inc.	2,000	44,000
Proxicom Inc.	8,400	215,775
Sapient Corp.	41,300	2,338,613
Serena Software Inc.	22,200	298,313
SS&C Technologies Inc.	2,800	21,350
StarMedia Network Inc.	23,500	1,506,938
Sykes Enterprises Inc.	5,300	176,888
TenFold Corp.	3,400	107,950
Transaction Systems Architects Inc., A	42,000	1,638,000
Vantive Corp.	50,400	576,450
Verio Inc.	56,000	3,892,000
VERITAS Software Corp.	35,000	3,322,813
Vignette Corp.	13,800	1,035,000
Whittman-Hart Inc.	55,500	1,762,125
Wind River Systems Inc.	121,050	1,944,366
		61,187,758
(a) TELECOMMUNICATIONS 6.1%		
AT&T Canada Inc., B	7,300	467,656
Cleartnet Communications Inc., A	19,300	268,994
ICG Communications Inc.	126,000	2,693,250
ITC DeltaCom Inc.	18,500	518,000
Millicom International Cellular SA (Luxembourg)	58,100	1,830,150
Pacific Gateway Exchange Inc.	54,300	1,581,488
Pinnacle Holdings Inc.	65,600	1,607,200
Primus Telecommunications Group Inc.	87,800	1,970,013
Rhythms NetConnections Inc.	2,900	169,288
Rural Cellular Corp., A	109,300	2,186,000
Time Warner Telecom Inc.	11,000	319,000
VoiceStream Wireless Corp.	83,100	2,363,156
Western Wireless Corp., A	83,100	2,243,685
		18,217,880
TRANSPORTATION 3.2%		
Air Express International Corp.	60,000	1,522,500
(a) Atlantic Coast Airlines Holdings Inc.	121,000	2,299,000
C.H. Robinson Worldwide Inc.	72,600	2,668,050
Expeditors International of Washington Inc.	109,600	2,986,600
(a) Mesaba Holdings Inc.	12,900	164,475
		9,640,625
TOTAL LONG TERM INVESTMENTS (COST \$246,346,501)		290,107,691

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

SMALL CAP FUND	PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>
(f) REPURCHASE AGREEMENT 6.1%		
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$18,108,725) (COST \$18,106,327) ...	\$ 18,106,327	\$ 18,106,327
Barclays Capital Inc. (Maturity Value \$2,284,235)		
Bear, Stearns & Co. Inc. (Maturity Value \$2,015,138)		
Chase Securities Inc. (Maturity Value \$373,040)		
CIBC Oppenheimer Corp. (Maturity Value \$2,284,235)		
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$1,612,401)		
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$1,612,401)		
Goldman, Sachs & Co. (Maturity Value \$805,837)		
NationsBanc Montgomery Securities LLC (Maturity Value \$1,612,401)		
Paine Webber Inc. (Maturity Value \$1,612,401)		
Paribas Corp. (Maturity Value \$1,612,401)		
Warburg Dillon Read LLC (Maturity Value \$2,284,235)		
Collateralized by U.S. Treasury Bills & Notes		
TOTAL INVESTMENTS (COST \$264,452,828) 103.0%		308,214,018
OTHER ASSETS, LESS LIABILITIES (3.0%)		(8,958,782)
NET ASSETS 100.0%		\$ 299,255,236

</TABLE>

(a) Non-income producing.

(f) See Note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

TEMPLETON DEVELOPING MARKETS EQUITY FUND	INDUSTRY	SHARES/ WARRANTS & RIGHTS	VALUE
<S>	<C>	<C>	<C>
LONG TERM INVESTMENTS 98.6%			
ARGENTINA 4.3%			
(a) Atanor Cia Nacional Para la Industria Quimica SA, D	Chemicals	152,050	\$ 74,512
Banco de Galicia y Buenos Aires SA de CV, B	Banking	59,765	306,625
(a) Buenos Aires Embotelladora SA, B, ADR	Beverages & Tobacco	56,200	3,541
(a) Capex SA, A	Utilities Electrical & Gas	48,735	284,153
(a) Molinos Rio de la Plata SA, B	Food & Household Products	923,413	1,551,489
Perez Companc SA, B	Energy Sources	295,695	1,700,416
Quilmes Industrial SA, ADR	Beverages & Tobacco	144,600	1,789,427
(a) Sociedad Comercial del Plata Cadelplata Come	Multi-Industry	1,140,960	438,172
Telecom Argentina Stet-France SA, ADR	Telecommunications	34,200	914,850
Telefonica De Argentina SA, ADR	Telecommunications	34,610	1,085,889
			8,149,074
AUSTRIA 1.0%			
Austria Tabak AG	Beverages & Tobacco	7,000	407,858
Bank Austria AG	Banking	19,810	1,041,879
OMV AG	Energy Sources	5,300	472,720
			1,922,457
BRAZIL 10.0%			

Aracruz Celulose SA, ADR	Forest Products & Paper	119,000	2,618,000
Banco Bradesco SA	Banking	59,329,083	236,978
Banco Bradesco SA, pfd	Banking	40,276,150	206,839
Banco do Brasil SA	Banking	75,902,976	303,178
Brasmotor SA, pfd	Multi-Industry	3,246,000	259,124
Centrais Eletricas Brasileiras SA (Electrobras)	Utilities Electrical & Gas	45,251,000	862,416
Centrais Eletricas Brasileiras SA (Electrobras), B, pfd	Utilities Electrical & Gas	183,925,000	3,746,718
Centrais Geradoras Do Sul Do Brasil SA, B, pfd	Utilities Electrical & Gas	209,667,000	169,887
Cia Cervejaria Brahma, pfd	Beverages & Tobacco	473,000	269,630
Cia Energetica de Minas Gerais Cemig, Br., pfd	Utilities Electrical & Gas	40,185,000	848,643
(a) Cia Mesbla SA, pfd	Merchandising	7,400,000	31,838
Cia Vale do Rio Doce, A, pfd	Metals & Mining	50,900	1,010,739
Copene-Petroquimica do Nordeste SA, A, pfd	Chemicals	2,864,700	449,525
Duralex SA, pfd.	Forest Products & Paper	52,566,800	1,409,780
Embratel Participacoes SA, pfd	Telecommunications	15,877,000	222,867
Investimentos Itau SA	Multi-Industry	89,527	47,876
(a) Investimentos Itau SA, pfd	Multi-Industry	2,200,200	1,180,136
(a) Mannesmann SA	Machinery & Engineering	2,048,500	151,607
(a) Mannesmann SA, pfd	Machinery & Engineering	307,200	23,226
Tele Celular Sul Participacoes SA, pfd.	Telecommunications	15,877,000	33,974
Tele Centro Oeste Celular Participacoes SA, pfd.	Telecommunications	2,629,000	3,345
Tele Centro Sul Participacoes SA, pfd.	Telecommunications	71,999,000	800,720
Tele Leste Celular Participacoes SA, pfd.	Telecommunications	15,877,000	9,513
Tele Nordeste Celular Participacoes SA, pfd.	Telecommunications	15,877,000	21,924
Tele Norte Celular Participacoes SA, pfd.	Telecommunications	15,877,000	9,060
Tele Norte Leste Participacoes SA, pfd.	Telecommunications	55,911,000	1,027,295
Tele Sudeste Celular Participacoes SA, pfd.	Telecommunications	109,402,000	627,383
Telemig Celular Participacoes SA, pfd.	Telecommunications	15,877,000	20,203
Telesp Celular Participacoes SA, pfd.	Telecommunications	15,877,000	168,509
Telesp Participacoes SA, ADR	Telecommunications	47,500	1,086,563
Telesp Participacoes SA, pfd.	Telecommunications	15,877,000	375,975
Unibanco Uniao de Bancos Brasileiros SA	Banking	15,439,000	704,776

			18,938,247

CHILE 2.8%			
Cia Cervecerias Unidas SA, ADR	Beverages & Tobacco	15,000	429,375
Compania de Telecomunicaciones de Chile SA, ADR	Telecommunications	105,300	2,606,175
Empresa Nacional de Electricidad SA, ADR	Electrical & Electronics	103,142	1,250,597
Enersis SA, ADR	Utilities Electrical & Gas	26,642	609,436
Quinenco SA, ADR	Multi-Industry	47,900	449,063

			5,344,646

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

TEMPLETON DEVELOPING MARKETS EQUITY FUND	INDUSTRY	SHARES/ WARRANTS & RIGHTS	VALUE
<S>	<C>	<C>	<C>
LONG TERM INVESTMENTS (CONT.)			
CHINA 1.6%			
China Vanke Co. Ltd., B	Real Estate	2,857,867	\$ 1,919,033
Shandong Huaneng Power Development Co. Ltd., ADR	Utilities Electrical & Gas	96,500	500,594
(a) Shanghai Dazhong Taxi Shareholding Co. Ltd., B	Transportation	455,300	309,604
Shanghai Petrochemical Co. Ltd., H	Chemicals	1,060,500	250,129

			2,979,360

COLOMBIA .7%			
Bavaria SA	Beverages & Tobacco	202,807	753,258
Cementos Argos SA	Building Materials & Components	255,000	662,105

			1,415,363

(a) CZECH REPUBLIC 2.1%			
CEZ AS	Utilities Electrical & Gas	1,408,880	2,899,671
SPT Telecom AS	Telecommunications	66,310	1,076,554

			3,976,225

GHANA .1%			
Ashanti Goldfields Co. Ltd., GDR	Metals & Mining	21,164	146,825

HONG KONG 6.4%			
Cheung Kong Holdings Ltd.	Multi-Industry	276,000	2,454,487
Citic Pacific Ltd.	Multi-Industry	458,000	1,460,977

Dairy Farm International Holdings Ltd.	Merchandising	237,772	285,326
Hang Lung Development Co. Ltd.	Real Estate	980,000	1,212,551
Hong Kong & Shanghai Hotels Ltd.	Leisure & Tourism	568,000	483,164
Hong Kong Electric Holdings Ltd.	Utilities Electrical & Gas	168,682	543,515
Hong Kong Land Holdings Ltd.	Real Estate	5,000	8,100
HSBC Holdings PLC	Banking	41,078	1,498,299
Jardine Matheson Holdings Ltd.	Multi-Industry	240,815	1,204,075
New World Development Co. Ltd.	Real Estate	827,632	2,480,064
Sun Hung Kai Properties Ltd.	Real Estate	54,739	499,144

			12,129,702

HUNGARY 1.2%

Borsodchem RT	Chemicals	29,330	711,600
Gedeon Richter Ltd.	Health & Personal Care	10,180	442,966
Matav RT	Telecommunications	13,800	74,625
Mol Magyar Olay-Es Gazipari RT	Energy Sources	21,800	525,442
Tiszai Vegyi Kombinát RT	Chemicals	44,001	460,239

			2,214,872

INDIA .8%

Bajaj Auto Ltd.	Automobiles	25	312
(a)Bank of Baroda	Banking	100	151
Hindustan Petroleum Corporation Ltd.	Energy Sources	35,600	204,021
Indian Aluminium Co Ltd	Metals & Mining	45,000	63,565
Indian Petrochemicals Corp. Ltd.	Chemicals	100	237
Larsen and Toubro Ltd.	Multi-Industry	120,924	798,978
*National Aluminum Co Ltd., 14.50%, 3/08/05	Metals & Mining	3,085,500	75,167
Reliance Industries Ltd.	Chemicals	87,500	356,568
Tata Iron & Steel Co., Ltd.	Metals & Mining	100	323

			1,499,322

INDONESIA 4.9%

(a)Asia Pulp & Paper Co. Ltd., ADR	Forest Products & Paper	82,900	797,913
(a)Asia Pulp & Paper Co. Ltd., wts., 7/27/00	Forest Products & Paper	18,340	48,143
PT Gudang Garamm	Beverages & Tobacco	226,000	613,827
(a)PT Indah Kiat Pulp & Paper Corp.	Forest Products & Paper	3,938,000	1,830,298
(a)PT Indocement Tunggak Prakarsa	Building Materials & Components	1,408,500	721,127
(a)PT Indofoods Sukses Makmurr	Food & Household Products	594,020	811,008
PT Indosat	Telecommunications	197,000	377,691
PT Semen Gresik (Persero)	Building Materials & Components	338,617	737,728
PT Tambang Timah	Metals & Mining	1,002,000	873,203

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

TEMPLETON DEVELOPING MARKETS EQUITY FUND	INDUSTRY	SHARES/ WARRANTS & RIGHTS	VALUE
<S>	<C>	<C>	<C>
LONG TERM INVESTMENTS (CONT.)			
INDONESIA (CONT.)			
PT Telekomunikasi Indonesia (Persero), B	Telecommunications	3,348,260	\$ 1,945,249
(a)PT Tjiwi Kimia	Forest Products & Paper	1,520,926	585,396

			9,341,583

ISRAEL .3%			
(a)Formula Systems (1985) Ltd.	Data Processing & Reproduction	9,780	296,868
Koor Industries Ltd.	Multi-Industry	2,686	309,692

			606,560

MALAYSIA 4.1%			
Boustead Holdings Bhd	Food & Household Products	384,000	349,642
Federal Flour Mills Bhd	Food & Household Products	99,000	93,789
Genting Bhd	Leisure & Tourism	326,400	1,245,474
Golden Hope Plantations Bhd	Misc Materials & Commodities	37,000	31,742
Hong Leong Industries Bhd	Multi-Industry	336,200	396,362
Island & Peninsula Bhd	Real Estate	454,000	444,442
Kian Joo Can Factory Bhd	Industrial Components	59,000	107,132
(a)Leader Universal Holdings Bhd	Industrial Components	982,000	410,889
Malaysian Airlines System Bhd	Transportation	197,000	269,579
Malaysian International Shipping Corp., fgn	Transportation	207,666	379,810
Oriental Holdings Bhd	Automobiles	45,000	123,158

Perlis Plantations Bhd	Multi-Industry	374,500	437,574
Perusahaan Otomobil Nasional Bhd	Automobiles	214,000	495,579
Public Bank Bhd	Banking	149,000	113,318
Public Bank Bhd., fgn	Banking	20,000	20,947
Resorts World Bhd	Leisure & Tourism	789,000	1,858,303
Shangri La Hotels (Malaysia) Bhd	Leisure & Tourism	886,000	324,089
Tanjong PLC	Recreation & Other Consumer Goods	214,000	532,184
Technology Resources Industries Bhd	Multi-Industry	104,000	84,842

			7,718,855

MEXICO 13.6%			
Cemex SA	Building Materials & Components	54,810	271,855
Cemex SA, B	Building Materials & Components	1,454,500	7,253,086
(a)Cifra SA de CV, V	Merchandising	209,000	419,562
(a)Coca Cola Femsa SA de CV, L, ADR	Beverages & Tobacco	45,000	871,875
DESC SA de CV DESC, B	Multi-Industry	460,170	506,113
Fomento Economico Mexicano SA de CV Fems	Beverages & Tobacco	5,000	199,375
(a)Grupo Financiero Banamex Accival SA de CV	Banking	1,250,885	3,205,685
Panamerican Beverages Inc., A	Food & Household Products	2,900	69,056
Telefonos de Mexico SA (Telmex), ADR	Telecommunications	144,800	11,701,650
Vitro SA de CV, A	Food & Household Products	718,349	1,239,564

			25,737,821

PAKISTAN .5%			
Pakistan Telecommunications Corp., A	Telecommunications	2,222,000	854,781

PERU .9%			
Telefonica del Peru SA, ADR	Telecommunications	109,500	1,656,188

PHILIPPINES 1.5%			
Petron Corp.	Energy Sources	3,695,000	393,292
Philippine Long Distance Telephone Co., ADR	Telecommunications	71,700	2,159,963
San Miguel Corp., B	Food & Household Products	132,700	289,464
(a)Southeast Asia Cement Holdings Inc.	Building Materials & Components	1,772,577	25,622

			2,868,341

POLAND .5%			
Bank Slaski SA W Katowicach	Banking	700	34,255
Telekomunikacja Polska SA	Telecommunications	40,416	283,278
Warta SA	Insurance	28,395	557,261

			874,794

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

TEMPLETON DEVELOPING MARKETS EQUITY FUND	INDUSTRY	SHARES/ WARRANTS & RIGHTS	VALUE
<S>	<C>	<C>	<C>
LONG TERM INVESTMENTS (CONT.)			
RUSSIA .5%			
GAZ Auto Works	Automobiles	1,310	\$ 46,164
Irkutskenergo	Utilities Electrical & Gas	439,500	44,741
Irkutskenergo, ADR	Utilities Electrical & Gas	7,000	35,630
Lukoil Holdings, ADR	Energy Sources	3,360	133,056
Mosenergo	Utilities Electrical & Gas	2,052,000	91,930
Mosenergo, ADR	Utilities Electrical & Gas	3,000	13,500
(a)Rostelecom	Telecommunications	2,000	3,160
(a)Rostelecom, ADR	Telecommunications	11,900	116,769
Unified Energy Systems	Utilities Electrical & Gas	610,600	53,428
Unified Energy Systems, ADR	Utilities Electrical & Gas	12,000	105,900
(a)Vimpel Communications, ADR	Telecommunications	10,950	253,903

			898,181

SINGAPORE 9.6%			
City Developments Ltd.	Real Estate	367,500	2,352,863
Cycle & Carriage Ltd.	Automobiles	45,000	259,031
First Capital Corp. Ltd.	Real Estate	262,000	407,812
Fraser and Neave Ltd.	Beverages & Tobacco	445,000	1,973,421
Hai Sun Hup Group Ltd.	Transportation	1,315,000	780,117
Inchcape Motors Ltd.	Wholesale & International Trade	163,000	262,332

Jurong Shipyard Ltd.	Machinery & Engineering	224,000	1,098,620
Keppel Corp., Ltd.	Transportation	725,000	2,469,897
Natsteel Ltd.	Metals & Mining	1,008,000	1,764,370
Overseas Chinese Banking Corp. Ltd., fgn	Banking	198,000	1,651,454
Overseas Union Enterprise Ltd.	Leisure & Tourism	173,400	549,991
Sembcorp Industries Ltd.	Multi-Industry	1,119,769	1,775,845
United Industrial Corporation Ltd.	Real Estate	1,371,000	926,079
United Overseas Bank Ltd., fgn	Banking	284,000	1,985,081

			18,256,913

SLOVAK REPUBLIC .2%			
Nafta Gbely AS	Utilities Electrical & Gas	4,800	63,378
(a) Slovnaft AS	Chemicals	28,010	369,836
(a) Vychodoslovenske Zelezniarne AS	Metals & Mining	8,400	34,421

			467,635

SOUTH AFRICA 10.4%			
Anglo American PLC	Metals & Mining	68,395	3,196,187
Barlow Ltd.	Multi-Industry	205,300	1,183,932
CG Smith Ltd.	Multi-Industry	618,600	1,778,558
De Beers/Centenary Linked Units	Misc Materials & Commodities	66,740	1,599,238
Firststrand Ltd.	Insurance	79,000	90,331
Isacor Ltd.	Metals & Mining	3,395,912	1,063,597
Kersaf Investments Ltd.	Leisure & Tourism	2,000	8,949
(a) Liberty International PLC	Insurance	27,075	179,241
Liberty Life Association of Africa Ltd.	Insurance	62,070	795,097
Palabora Mining Co. Ltd.	Metals & Mining	114,000	812,329
Rembrandt Group Ltd.	Multi-Industry	156,170	1,301,740
Sappi Ltd.	Forest Products & Paper	311,651	2,282,703
Sasol Ltd.	Energy Sources	378,900	2,703,065
South African Breweries PLC	Beverages & Tobacco	251,244	2,181,653
Tongaat-Hulett Group Ltd.	Multi-Industry	96,043	587,288

			19,763,908

SOUTH KOREA 5.7%			
Hana Bank	Banking	27,132	398,483
Hana Bank, GDR, Reg S	Banking	94,732	1,364,141
Korea Electric Power Corp.	Utilities Electrical & Gas	83,100	3,453,227
LG Electronics Inc.	Electrical & Electronics	13,900	384,276
Pohang Iron & Steel Co. Ltd., ADR	Metals & Mining	15,500	521,188
Samsung Display Devices Ltd.	Electrical & Electronics	27,586	1,501,441
Samsung Electronics Co. Ltd.	Electrical & Electronics	19,481	2,137,440
(a) Samsung Heavy Industries Co. Ltd.	Machinery & Engineering	190,082	1,034,572

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

TEMPLETON DEVELOPING MARKETS EQUITY FUND	INDUSTRY	SHARES/ WARRANTS & RIGHTS	VALUE
<S>	<C>	<C>	<C>
LONG TERM INVESTMENTS (CONT.)			
SOUTH KOREA (CONT.)			
SK Corp.	Energy Sources	1,410	\$ 40,564
Tong Yang Merchant Bank	Financial Services	118	731

			10,836,063

THAILAND 8.5%			
Advanced Info Service Public Co. Ltd., fgn	Telecommunications	100,300	1,360,000
American Standard Sanitaryware Public Co. Ltd., fgn	Building Materials & Components	30,800	154,522
(a) Bangkok Bank Public Co. Ltd.	Banking	922,400	2,013,646
(a) Bangkok Bank Public Co. Ltd., fgn	Banking	23,000	86,075
(a) Chareon Pokphand Feedmill Public Co. Ltd., fgn	Food & Household Products	511,500	832,271
(a) Hana Microelectronics Co. Ltd., fgn	Electrical & Electronics	160,400	482,831
Hua Thai Manufacturing Public Co. Ltd., fgn	Textiles & Apparel	8,000	11,260
Industrial Finance Corp. of Thailand, fgn	Financial Services	1,078,700	687,443
(a) Land and House Public Co. Ltd., fgn	Real Estate	5,800	10,538
(a) Siam Cement Public Co. Ltd.	Building Materials & Components	68,100	1,277,972
(a) Siam Commercial Bank, cvt., 144A, 5.25%, fgn., pfd	Banking	40,000	56,949
Siam Makro Public Company Ltd., fgn	Merchandising	376,000	715,802
(a) Telecomasia Corp. Public Co. Ltd., fgn	Telecommunications	54,000	54,549
(a) Thai Airways International Public Co. Ltd., fgn	Transportation	408,700	802,437
(a) Thai Farmers Bank Public Co. Ltd.	Banking	1,984,200	3,981,852

(a)Thai Farmers Bank Public Co. Ltd., fgn	Banking	569,800	1,761,551
(a)Total Access Communication Public Co. Ltd.	Telecommunications	419,800	1,343,360
(a)United Communications Industries, fgn	Telecommunications	471,700	535,979

			16,169,037

TURKEY 4.1%			
Akbank	Banking	332,362,112	4,882,815
Anadolu Anonim Turk Sigorta Sirketi, Br	Insurance	28,898,000	126,680
(a)Arcelik AS, Br	Appliances & Household Durables	14,110,456	501,533
(a)Erciyas Biracilik	Food & Household Products	8,638,000	198,542
(a)Eregli Demir ve Celik Fabrikalari AS	Metals & Mining	57,961,000	810,317
Haci Omer Sabanci Holding AS, ADR, 144A	Multi-Industry	150,100	818,045
(a)Tofas Turk Otomobil Fabrikasi AS	Automobiles	17,732,561	70,380
(a)Tofas Turk Otomobil Fabrikasi AS, rts	Automobiles	14,186,035	39,329
(a)Turkiye Garanti Bankasi AS	Banking	40,231,380	300,291

			7,747,932

VENEZUELA 2.3%			
Compania Anonima Nacional Telefonos de Venezuela, ADR	Telecommunications	54,700	1,490,575
Electricidad De Caracas Saica Saca, ADR	Utilities Electrical & Gas	95,528	1,869,626
Mavesa SA, ADR	Food & Household Products	306,300	995,475

			4,355,676

TOTAL LONG TERM INVESTMENTS (COST \$175,744,154)			186,870,361

</TABLE>

<TABLE>
<CAPTION>

	PRINCIPAL AMOUNT	

<S>	<C>	<C>
(d)SHORT TERM INVESTMENTS (COST \$711,331) .4%		
U.S. Treasury Bills, 4.59% to 4.81%, with maturities to 12/02/99 ...	\$ 729,000	717,422

TOTAL INVESTMENTS (COST \$176,455,485) 99.0%		187,587,783
OTHER ASSETS, LESS LIABILITIES 1.0%		1,802,110

TOTAL NET ASSETS 100.0%		\$189,389,893
		=====

</TABLE>

See glossary of currency abbreviations on page 136.

*Securities traded in U.S. dollars unless otherwise indicated.

(a)Non-income producing.

(d)Securities are traded on a discount basis; the rates shown are the discount rates at the time of purchase by the fund.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

TEMPLETON GLOBAL ASSET ALLOCATION FUND	COUNTRY	SHARES	VALUE
-----	-----	-----	-----
<S>	<C>	<C>	<C>
COMMON STOCKS 63.7%			
AEROSPACE & MILITARY TECHNOLOGY 6.2%			
Alvis PLC	United Kingdom	140,990	\$ 382,243
Boeing Co.	United States	21,217	937,526
Hong Kong Aircraft Engineering Co. Ltd.	Hong Kong	363,200	702,166
Kaman Corp., A	United States	40,300	632,206
Raytheon Co., A	United States	17,615	1,213,233
Rolls-Royce PLC	United Kingdom	121,085	512,935

			4,380,309

APPLIANCES & HOUSEHOLD DURABLES .9%			
Laos Co. Ltd.	Japan	70,000	607,237

AUTOMOBILES .3%			
Delphi Automotive Systems Corp.	United States	1,887	35,030
General Motors Corp.	United States	2,700	178,200

			213,230

(a) BANKING 2.0%			
Banca Nazionale Del Lavoro SpA	Italy	225,160	710,054
Bangkok Bank Public Co. Ltd., fgn	Thailand	193,400	723,775

			1,433,829

BUILDING MATERIALS & COMPONENTS 1.5%			
Caradon PLC	United Kingdom	295,300	695,869
Gujarat Ambuja Cements Ltd.	India	200	1,476
Gujarat Ambuja Cements Ltd., GDR, 144A	India	14,600	119,720
Plettac AG	Germany	5,192	263,428

			1,080,493

BUSINESS & PUBLIC SERVICES .8%			
Columbia HCA Healthcare Corp.	United States	13,600	310,250
(a) Humana Inc.	United States	18,200	235,463
(a) Lifepoint Hospitals Inc.	United States	716	9,618
(a) Triad Hospitals Inc.	United States	715	9,653

			564,984

CHEMICALS 1.0%			
Akzo Nobel NV	Netherlands	12,105	509,316
Shanghai Petrochemical Co. Ltd., H	China	834,000	196,707

			706,023

(a) DATA PROCESSING & REPRODUCTION 1.0%			
3Com Corp.	United States	25,400	677,863

ELECTRICAL & ELECTRONICS 3.5%			
General Electric Co. PLC	United Kingdom	101,500	1,031,927
Koninklijke Philips Electronics NV	Netherlands	10,396	1,025,448
Motorola Inc.	United States	4,310	408,373

			2,465,748

ENERGY EQUIPMENT & SERVICES .8%			
Sunoco Inc.	United States	17,500	528,281

ENERGY SOURCES 1.0%			
MOL Magyar Olay-Es Gazipari RT, GDS, 144A ...	Hungary	12,107	289,963
(a) Rao Gazprom, Reg S, ADR	Russia	14,201	160,116
Societe Elf Aquitaine SA, Br	France	1,805	264,877

			714,956

FINANCIAL SERVICES 3.0%			
AXA SA	France	11,271	1,375,022
ING Groep NV	Netherlands	13,432	727,215

			2,102,237

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>			
<CAPTION>			
TEMPLETON GLOBAL ASSET ALLOCATION FUND	COUNTRY	SHARES	VALUE

<S>	<C>	<C>	<C>
COMMON STOCKS (CONT.)			
FOOD & HOUSEHOLD PRODUCTS .7%			
Archer-Daniels Midland Co.	United States	29,547	\$ 456,132

FOREST PRODUCTS & PAPER 1.0%			

Cartiere Burgo SpA	Italy	34,500	221,615
Georgia Pacific Corp.	United States	5,000	236,875
Mo Och Domsjoe AB, B	Sweden	9,575	222,989

			681,479

HEALTH & PERSONAL CARE .6%			
Rhone-Poulenc SA, A	France	9,870	451,005
INDUSTRIAL COMPONENTS 1.3%			
Goodyear Tire & Rubber Co.	United States	3,600	211,725
Madeco Manufacturera de Cobre SA, ADR	Chile	18,685	189,186
Weir Group PLC	United Kingdom	123,370	517,266

			918,177

INSURANCE 10.1%			
Ace Ltd.	Bermuda	25,200	711,900
Aetna Inc.	United States	7,190	643,056
AXA China Region Ltd.	Hong Kong	489,000	390,754
Partnerre Ltd.	Bermuda	17,500	654,063
Reinsurance Australia Corp. Ltd.	Australia	375,684	313,319
Reliastar Financial Corp.	United States	18,310	801,063
SCOR SA	France	18,000	892,853
Torchmark Corp.	United States	22,400	764,400
UNUM Corp.	United States	18,530	1,014,518
Waddell & Reed Financial Inc., B	United States	5,485	148,095
Zurich Allied AG	Switzerland	1,390	790,403

			7,124,424

LEISURE & TOURISM .6%			
Mandarin Oriental International Ltd.	Singapore	524,000	461,120

MACHINERY & ENGINEERING 3.3%			
Invensys PLC	United Kingdom	186,454	883,160
Makita Corp.	Japan	59,000	667,308
Mckechnie Group PLC	United Kingdom	101,800	779,041

			2,329,509

MERCHANDISING 1.4%			
Best Denki Co. Ltd.	Japan	24,000	190,549
David Jones Ltd.	Australia	345,909	338,857
Matsuzakaya Co. Ltd.	Japan	115,000	494,052

			1,023,458

METALS & MINING 4.0%			
Anglo American Platinum Corp. Ltd.	South Africa	402	9,380
Companhia Siderurgica Nacional Sid Nacional CSN	Brazil	16,300,000	430,171
Companhia Siderurgica Nacional Sid Nacional CSN, ADR ...	Brazil	7,700	202,125
Elkem ASA, A	Norway	49,700	883,836
Industrias Penoles SA	Mexico	168,200	490,321
Pohang Iron & Steel Co. Ltd.	South Korea	6,690	834,046

			2,849,879

MULTI-INDUSTRY 7.7%			
Alfa SA de CV, A	Mexico	127,251	531,968
Broken Hill Proprietary Co. Ltd.	Australia	75,894	879,100
Cheung Kong Holdings Ltd.	Hong Kong	89,500	795,930
Elementis PLC	United Kingdom	82,194	136,683
Hunting PLC	United Kingdom	261,410	607,767

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

TEMPLETON GLOBAL ASSET ALLOCATION FUND	COUNTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS (CONT.)			
MULTI-INDUSTRY (CONT.)			
Hutchison Whampoa Ltd.	Hong Kong	79,000	\$ 715,280
Pilkington PLC	United Kingdom	454,300	643,977
Saab AB, B	Sweden	54,400	422,301
Swire Pacific Ltd., B	Hong Kong	945,000	706,419

			5,439,425
REAL ESTATE 2.2%			
Highwoods Properties Inc.	United States	16,600	455,463
Hon Kwok Land Investment Co. Ltd.	Hong Kong	1,226,456	126,458
Rouse Co.	United States	13,500	342,563
Summit Properties Inc.	United States	15,000	296,250
Union du Credit Bail Immobilier Unibail	France	2,500	319,944
			1,540,678
RECREATION & OTHER CONSUMER GOODS .6%			
Yue Yuen Industrial (Holdings) Ltd.	Hong Kong	190,140	438,661
TELECOMMUNICATIONS 2.9%			
Hong Kong Telecommunications Ltd.	Hong Kong	291,700	757,555
(a) Rostelecom, ADR	Russia	25,300	248,256
Telecom Argentina Stet-France SA, ADR	Argentina	4,000	107,000
Telefonica de Argentina SA, B, ADR	Argentina	13,120	411,640
Telefonos de Mexico SA (Telmex), L, ADR	Mexico	6,709	542,171
			2,066,622
TEXTILES & APPAREL .7%			
(a) Fruit of the Loom Inc., A	United States	12,450	121,388
Yizheng Chemical Fibre Co. Ltd., H	China	1,332,000	347,642
			469,030
TRANSPORTATION 2.1%			
British Airways PLC	United Kingdom	71,020	490,878
Singapore Airlines Ltd., fgn	Singapore	102,000	970,573
			1,461,451
UTILITIES ELECTRICAL & GAS 2.5%			
Hong Kong Electric Holdings Ltd.	Hong Kong	130,000	418,877
Korea Electric Power Corp.	South Korea	19,280	801,182
National Grid Group PLC	United Kingdom	79,730	554,536
			1,774,595
TOTAL COMMON STOCKS (COST \$41,199,212)			44,960,835
PREFERRED STOCKS 2.0%			
Banco Bradesco SA, pfd	Brazil	121,758,350	625,293
Cia Energetica de Minas Gerais Cemig, ADR, pfd	Brazil	9,178	193,825
Cia Vale do Rio Doce, A, pfd	Brazil	13,400	266,088
Cia Vale do Rio Doce, A, ADR, pfd	Brazil	15,100	299,846
Coteminas Cia Tecidos Norte de Minas, pfd	Brazil	599,000	50,586
(a) Empresa Nacional de Comercio Redito Participacoes, pfd	Brazil	275,000	237
TOTAL PREFERRED STOCKS (COST \$2,103,925)			1,435,875

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			PRINCIPAL AMOUNT*	
<S>	<C>	<C>	-----	<C>
BONDS 27.7%				
Buoni Poliennali del Tesoro, 10.50%, 7/15/00	Italy	\$	581,013 EUR	643,626
Fannie Mae, 5.25%, 1/15/09	United States		495,000	452,862
Federal Republic of Germany, 5.25%, 2/21/01	Germany		613,550 EUR	653,513
Government of Australia, 10.00%, 10/15/07	Australia		988,000 AUD	811,189

</TABLE>

FRANKLIN VALUEMARK FUNDS

STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

TEMPLETON GLOBAL ASSET ALLOCATION FUND	COUNTRY	PRINCIPAL AMOUNT*	VALUE
--	---------	----------------------	-------

<S>	<C>	<C>	<C>
BONDS (CONT.)			
Government of Canada, 7.00%, 12/01/06	Canada	\$ 470,000 CAD	\$ 350,244
Government of Italy:			
cvt., 5.00%, 6/28/01	Italy	640,000	1,056,000
7.75%, 11/01/06	Italy	723,038 EUR	894,981
Government of New Zealand, 7.00%, 7/15/09	New Zealand	540,000 NZD	296,352
Hypothekenbank In Essen AG, 5.25%, 1/22/08	Germany	1,242,439 EUR	1,322,518
Kingdom of Belgium, 6.25%, 3/28/07	Belgium	677,989 EUR	775,524
Kingdom of Denmark, 7.00%, 11/15/07	Denmark	2,867,000 DKK	459,768
Protexa Construcciones SA de CV, 144A, 12.125%, 7/24/02	Mexico	100,000	80,500
PT Indah Kiat Finance Mauritius Ltd., 10.00%, 7/01/07	Indonesia	300,000	204,000
Republic of Argentina, Reg S, 11.75%, 2/12/07	Argentina	100,000 ARS	80,383
Republic of Ecuador:			
Reg S, 11.25%, 4/25/02	Ecuador	450,000	280,125
144A, 11.25%, 4/25/02	Ecuador	275,000	171,188
Republic of Turkey, 12.375%, 6/15/09	Turkey	35,000	34,738
Republic of Venezuela:			
144A, 9.125%, 6/18/07	Venezuela	100,000	76,000
Reg S, 9.125%, 6/18/07	Venezuela	600,000	456,000
SEI Holdings IX Inc., 144A, 11.00%, 11/30/00	Trinidad and Tobago	170,000	176,800
Kingdom of Sweden, 6.0%, 2/09/05	Sweden	5,500,000 SEK	688,212
U.S. Treasury Notes:			
8.50%, 2/15/00	United States	880,000	898,150
6.25%, 8/31/00	United States	1,010,000	1,019,469
4.50%, 1/31/01	United States	2,000,000	1,970,626
7.25%, 8/15/04	United States	576,000	612,000
5.25%, 11/15/28	United States	2,000,000	1,770,626
United Kingdom:			
6.50%, 12/07/03	United Kingdom	880,000 GBP	1,476,284
7.50%, 12/07/06	United Kingdom	280,000 GBP	497,620
United Mexican States:			
9.75%, 2/06/01	Mexico	620,000	646,195
11.375%, 9/15/16	Mexico	430,000	462,465
11.50%, 5/15/26	Mexico	220,000	245,843
TOTAL BONDS (COST \$20,689,242)			19,563,801
TOTAL LONG TERM INVESTMENTS (63,992,379)			65,960,511
(g) REPURCHASE AGREEMENTS 6.0%			
CIBC Oppenheimer Corp., 4.80%, 7/01/99 (Maturity Value \$2,100,280)			
Collateralized by U.S. Treasury Notes & Bonds	United States	2,100,000	2,100,000
Deutsche Bank AG, 4.75%, 7/01/99 (Maturity Value \$2,120,280)			
Collateralized by U.S. Treasury Notes & Bonds	United States	2,120,000	2,120,000
TOTAL REPURCHASE AGREEMENTS (COST \$4,220,000)			4,220,000
TOTAL INVESTMENTS (COST \$68,212,379) 99.4%			70,180,511
NET EQUITY IN FORWARD CONTRACTS			5,130
OTHER ASSETS, LESS LIABILITIES .6%			410,604
TOTAL NET ASSETS 100.0%			\$70,596,245

</TABLE>

See glossary of currency abbreviations on page 136.

*Securities traded in U.S. dollars unless otherwise indicated.

(a) Non-income producing.

(g) See Note 1(c) regarding repurchase agreements.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>	<CAPTION>	<S>	<C>	<C>	<C>
TEMPLETON GLOBAL GROWTH FUND					
<S>	<C>	<C>	<C>	<C>	<C>
COMMON STOCKS 90.8%					
AEROSPACE & MILITARY TECHNOLOGY 3.7%					
Boeing Co.	United States	210,769	\$	9,313,355	
(a) Fairchild Corp., A	United States	204,957		2,613,202	
Raytheon Co., A	United States	222,644		15,334,606	

			27,261,163
APPLIANCES & HOUSEHOLD DURABLES .9%			
Laox Co. Ltd.	Japan	725,000	6,289,243
AUTOMOBILES 4.4%			
Autoliv Inc., SDR	Sweden	246,100	7,497,048
Delphi Automotive Systems Corp.	United States	41,935	778,418
Fiat SpA	Italy	1,919,720	6,101,451
Ford Motor Co.	United States	90,000	5,079,375
General Motors Corp.	United States	60,000	3,960,000
Volkswagen AG	Germany	63,000	4,065,082
Volvo AB, B	Sweden	171,900	4,983,927
			32,465,301
BANKING 2.9%			
HSBC Holdings PLC	Hong Kong	223,724	8,160,216
Kookmin Bank GDR, 144A	South Korea	293,927	5,981,414
Merita AS	Finland	320,600	1,821,704
Shinhan Bank Co. Ltd.	South Korea	169,682	1,905,711
Unibanco Uniao de Bancos Brasileiros SA, GDR	Brazil	149,000	3,585,313
			21,454,358
BUILDING MATERIALS & COMPONENTS 2.8%			
Caradon PLC	United Kingdom	2,752,600	6,486,455
Nichiha Corp.	Japan	193,500	2,047,864
Okumura Corp.	Japan	2,093,000	7,781,312
(a) Siam City Cement Public Co. Ltd., fgn	Thailand	1,057,641	4,359,632
			20,675,263
(a) BUSINESS & PUBLIC SERVICES .5%			
Complete Business Solutions Inc.	United States	23,600	423,325
Humana Inc.	United States	250,000	3,234,375
			3,657,700
CHEMICALS 1.1%			
BASF AG	Germany	70,900	3,114,716
Kemira OY	Finland	847,900	5,123,950
			8,238,666
(a) DATA PROCESSING & REPRODUCTION 1.1%			
3Com Corp.	United States	220,600	5,887,263
Newbridge Networks Corp.	Canada	74,000	2,127,500
			8,014,763
ELECTRICAL & ELECTRONICS 4.7%			
(a) ABB Ltd.	Sweden	55,976	5,234,150
Catic Shenzhen Holdings Ltd., H	China	9,945,000	1,358,668
Dongfang Electrical Machinery Co. Ltd., H	China	5,506,000	702,545
General Electric Co. PLC	United Kingdom	1,160,300	11,796,499
Hitachi Ltd.	Japan	603,500	5,659,059
Motorola Inc.	United States	100,000	9,475,000
			34,225,921
ELECTRONIC COMPONENTS & INSTRUMENTS .5%			
BICC PLC	United Kingdom	1,397,152	1,993,037
(a) Nanjing Panda Electronics Co. Ltd., H	China	17,794,000	1,720,036
			3,713,073

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
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TEMPLETON GLOBAL GROWTH FUND	COUNTRY	SHARES	VALUE
COMMON STOCKS (CONT.)			
<S>	<C>	<C>	<C>
ENERGY SOURCES 4.0%			
MOL Magyar Olay-Es Gazipari RT, GDS, 144A	Hungary	256,358	\$ 6,139,774
Norsk Hydro ASA	Norway	117,000	4,413,973
(a) Ranger Oil Ltd.	Canada	273,050	1,333,999
(a) Renaissance Energy Ltd.	Canada	254,800	3,447,243
Shell Transport & Trading Co. PLC	United Kingdom	608,900	4,561,327
Societe Elf Aquitaine SA, Br	France	67,072	9,842,576

			29,738,892

FINANCIAL SERVICES 4.3%			
AXA SA	France	92,702	11,309,319
ICICI Ltd., GDR, 144A	India	396,700	4,086,010
ING Groep NV	Netherlands	105,188	5,694,926
Morgan Stanley, Dean Witter & Co.	United States	103,100	10,567,750

			31,658,005

FOOD & HOUSEHOLD PRODUCTS 3.1%			
Archer-Daniels Midland Co.	United States	625,065	9,649,441
IBP Inc.	United States	272,543	6,472,896
Northern Foods PLC	United Kingdom	2,208,797	4,543,489
Showa Sangyo Co.	Japan	958,000	1,994,514

			22,660,340

FOREST PRODUCTS & PAPER 2.3%			
Assidoman AB	Sweden	249,730	3,759,756
Carter Holt Harvey Ltd.	New Zealand	940,712	1,126,571
Georgia Pacific Corp.	United States	68,000	3,221,500
Georgia Pacific Timber Group	United States	34,000	858,500
Metsa Serla OY, B	Finland	270,000	2,294,318
Stora Enso OYJ, R	Finland	559,700	6,002,764

			17,263,409

HEALTH & PERSONAL CARE 2.1%			
Medeva PLC	United Kingdom	1,614,200	2,646,146
Pharmacia & Upjohn Inc.	United States	218,900	12,436,256

			15,082,402

INSURANCE 5.0%			
Ace Ltd.	Bermuda	121,500	3,432,375
HIH Insurance Ltd.	Australia	2,244,429	2,778,053
Partnerre Ltd.	Bermuda	127,900	4,780,263
Reliastar Financial Corp.	United States	48,000	2,100,000
Torchmark Corp.	United States	240,000	8,190,000
UNUM Corp.	United States	81,100	4,440,225
Zurich Allied AG	Switzerland	19,500	11,088,383

			36,809,299

MACHINERY & ENGINEERING 5.7%			
First Tractor Company Ltd., H	China	6,860,000	2,033,549
Invensys PLC	United Kingdom	2,244,442	10,631,046
KCI Konecranes International PLC	Finland	211,700	7,272,071
Laird Group PLC	United Kingdom	1,783,700	7,422,477
Makita Corp.	Japan	653,000	7,385,633
VA Technologie AG, Br	Austria	25,900	2,346,411
Valmet OY	Finland	392,800	4,455,811

			41,546,998

MERCHANDISING 4.1%			
Coles Myer Ltd.	Australia	1,070,971	6,231,027
Hudson's Bay Co.	Canada	67,100	756,508
Marks & Spencer PLC	United Kingdom	1,516,900	8,751,070
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TEMPLETON GLOBAL GROWTH FUND	COUNTRY	SHARES	VALUE
COMMON STOCKS (CONT.)			
<S>	<C>	<C>	<C>
MERCHANDISING (CONT.)			
Matsuzakaya Co. Ltd.	Japan	51,000	\$ 219,101
Safeway PLC	United Kingdom	1,738,498	6,953,499
Sears Roebuck & Co.	United States	155,900	6,947,294

			29,858,499

METALS & MINING 7.7%			
Anglo American Platinum Corp. Ltd.	South Africa	377,265	8,802,537
Boehler-Uddeholm AG	Austria	93,200	4,612,424
Companhia Siderurgica Nacional Sid Nacional CSN	Brazil	129,100,000	3,407,061
Iluka Resources Ltd.	Australia	704,562	1,523,100
Industrias Penoles SA	Mexico	1,104,000	3,218,281
Iscor Ltd.	South Africa	9,558,700	2,993,776
Outokumpu OY, A	Finland	342,200	3,846,530
Pechiney SA, A	France	84,279	3,622,511
Pechiney SA, ADR	France	112,708	2,409,134
Pohang Iron & Steel Co. Ltd.	South Korea	100,000	12,467,059
WMC Ltd.	Australia	2,150,656	9,238,653

			56,141,066

MULTI-INDUSTRY 5.8%			
Beijing Datang Power Generation Co. Ltd., H	China	6,860,000	2,210,379
Broken Hill Proprietary Co. Ltd.	Australia	867,854	10,052,585
Cheung Kong Holdings Ltd.	Hong Kong	1,180,000	10,493,823
Hutchison Whampoa Ltd.	Hong Kong	642,600	5,818,214
La Cemento Nacional CA, GDR, 144A	Ecuador	3,600	259,200
La Cemento Nacional SA, GDR, Reg S	Ecuador	400	28,800
Pacific Dunlop Ltd.	Australia	2,149,000	3,100,887
Saab AB, B	Sweden	296,997	2,305,552
Saha Union Public Co. Ltd., fgn	Thailand	574,400	257,020
Swire Pacific Ltd., A	Hong Kong	1,421,800	7,036,754
Swire Pacific Ltd., B	Hong Kong	1,304,000	974,784

			42,537,998

REAL ESTATE 3.0%			
China Resources Beijing Land Ltd.	China	4,652,000	1,067,241
General Growth Properties	United States	164,500	5,839,750
Hang Lung Development Co. Ltd.	Hong Kong	3,624,000	4,483,963
Highwoods Properties Inc.	United States	164,900	4,524,444
Inversiones y Representacion SA	Argentina	1,156,326	3,561,840
Inversiones y Representacion SA, GDR	Argentina	2,374	73,283
National Health Investors Inc.	United States	123,400	2,815,063

			22,365,584

(a) RECREATION & OTHER CONSUMER GOODS .1%			
Fila Holding SpA, ADR	Italy	60,600	715,838

TELECOMMUNICATIONS 6.3%			
AT&T Corp.	United States	90,450	5,048,241
Embratel Participacoes SA	Brazil	27,300,000	205,626
(a) General Motors Corp., H	United States	66,000	3,712,500
Hong Kong Telecommunications Ltd.	Hong Kong	2,905,746	7,546,322
Nortel Networks Corp.	Canada	138,000	11,980,125
Telecom Argentina Stet-France SA, ADR	Argentina	100,000	2,675,000
Telefonica De Argentina SA, ADR	Argentina	217,000	6,808,375
Telefonos de Mexico SA (Telmex), ADR	Mexico	92,900	7,507,481
Telesp Participacoes SA	Brazil	44,600,000	579,991

			46,063,661

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FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

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TEMPLETON GLOBAL GROWTH FUND	COUNTRY	SHARES	VALUE
COMMON STOCKS (CONT.)			
<S>	<C>	<C>	<C>
TEXTILES & APPAREL .9%			
Courtaulds Textiles PLC	United Kingdom	734,300	\$ 1,909,768
(a) Fruit of the Loom Inc., A	United States	136,500	1,330,875
Yizheng Chemical Fibre Co. Ltd., H	China	13,356,000	3,485,813
			6,726,456
TRANSPORTATION 3.9%			
British Airways PLC	United Kingdom	1,205,032	8,328,970
Koninklijke Frans Maas Groep NV	Netherlands	160,970	4,813,994
Koninklijke Nedlloyd Groep NV	Netherlands	260,670	6,451,562
Singapore Airlines Ltd., fgn	Singapore	944,600	8,988,264
			28,582,790
UTILITIES ELECTRICAL & GAS 9.9%			
Bses Ltd., GDR, 144A	India	202,200	2,027,055
Electrabel SA	Belgium	23,500	7,585,336
Entergy Corp.	United States	283,900	8,871,875
Evn AG	Austria	35,400	5,176,570
Hong Kong Electric Holdings Ltd.	Hong Kong	2,944,000	9,485,942
Iberdrola SA, Br	Spain	744,700	11,342,909
Korea Electric Power Corp.	South Korea	186,600	7,754,177
National Grid Group PLC	United Kingdom	1,075,100	7,477,505
National Power PLC	United Kingdom	747,800	5,430,927
Transportadora de Gas del Sur SA, ADR	Argentina	386,900	3,627,188
Veba AG	Germany	67,000	3,952,150
			72,731,634
TOTAL COMMON STOCKS (COST \$564,389,255)			666,478,322
PREFERRED STOCKS 2.7%			
Banco Bradesco SA, pfd	Brazil	451,500,022	2,318,688
Centrais Eletricas Brasileiras SA (Electrobras), ADR, pfd.	Brazil	176,400	1,796,713
Centrais Geradoras Do Sul Do Brasil SA, ADR, pfd	Brazil	17,640	71,466
Coteminas Cia Tecidos Norte de Minas, pfd	Brazil	1,952,000	164,848
Embratel Participacoes SA, ADR, pfd	Brazil	98,400	1,365,300
(a) Empresa Nacional de Comercio Redito Participacoes, pfd.	Brazil	1,952,000	1,682
News Corp. Ltd., pfd	Australia	903,781	6,885,438
Tele Celular Sul Participacoes SA, ADR, pfd	Brazil	9,840	213,405
Tele Centro Oeste Celular Participacoes SA, ADR, pfd .	Brazil	32,799	129,146
Tele Centro Sul Participacoes SA, ADR, pfd	Brazil	19,680	1,092,240
Tele Leste Celular Participacoes SA, ADR, pfd	Brazil	1,968	58,548
Tele Nordeste Celular Participacoes SA, ADR, pfd	Brazil	4,920	132,840
Tele Norte Celular Participacoes SA, ADR, pfd	Brazil	1,968	53,259
Tele Norte Leste Participacoes SA, ADR, pfd	Brazil	98,400	1,826,550
Tele Sudeste Celular Participacoes SA, ADR, pfd	Brazil	19,680	570,720
(a) Telecomunicacoes Brasileiras SA (Telebras), ADR, pfd .	Brazil	98,400	6,150
Telemig Celular Participacoes SA, ADR, pfd	Brazil	4,920	121,155
Telesp Celular Participacoes SA, ADR, pfd	Brazil	39,360	1,052,880
Telesp Participacoes SA, ADR, pfd	Brazil	98,400	2,250,900
			20,111,928

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

TEMPLETON GLOBAL GROWTH FUND	COUNTRY	PRINCIPAL AMOUNT*	VALUE
BONDS 1.8%			
<S>	<C>	<C>	<C>
Alfa SA de CV:			
cvt., 8.00%, 9/15/00	Mexico	\$ 1,650,000	\$ 1,683,000
cvt., 144A, 8.00%, 9/15/00	Mexico	2,710,000	2,764,200
Government of Italy, cvt., 5.00%, 6/28/01	Italy	4,950,000	8,167,500
RGC Ltd, zero cpn., 12/31/00	Australia	1,074,643 AUD	284,523
			12,899,223
TOTAL BONDS (COST \$12,833,850)			

(d) SHORT TERM INVESTMENT (COST \$1,397,176) .2%			
U.S. Treasury Bill, 4.41%, 8/26/99	United States	1,407,000	1,397,716

TOTAL LONG TERM INVESTMENTS (COST \$600,987,541)			700,887,189

(g) REPURCHASE AGREEMENTS 5.6%			
Barclays Bank PLC, 4.75%, 7/01/99 (Maturity Value \$21,330,814)			
Collateralized by U.S. Treasury Notes & Bonds	United States	21,328,000	21,328,000
Deutsche Bank,AG, 4.75%, 7/01/99 (Maturity Value \$20,002,639)			
Collateralized by U.S. Treasury Notes & Bonds	United States	20,000,000	20,000,000

TOTAL REPURCHASE AGREEMENTS (COST \$41,328,000)			41,328,000

TOTAL INVESTMENTS (COST \$642,315,541) 101.1%			742,215,189
OTHER ASSETS, LESS LIABILITIES (1.1%)			(8,570,369)

TOTAL NET ASSETS 100.0%			\$733,644,820
			=====

</TABLE>

See glossary of currency abbreviations on page 136.

(*) Securities traded in U.S. dollars unless otherwise indicated.

(a) Non-income producing.

(g) See Note 1(c) regarding repurchase agreements.

(d) Securities are traded on a discount basis; the rates shown are the discount rates at the time of purchase by the Fund.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

TEMPLETON GLOBAL INCOME SECURITIES FUND	PRINCIPAL AMOUNT*	VALUE
-----	-----	-----
LONG TERM INVESTMENTS 99.3%		
<S>	<C>	<C>
ARGENTINA 1.5%		
Republic of Argentina, 10.95%, 11/01/99	\$ 1,645,000	\$ 1,661,450

AUSTRALIA 5.2%		
Government of Australia, 10.00%, 10/15/07	7,220,000 AUD	5,927,922

BELGIUM 5.3%		
Kingdom of Belgium, 6.25%, 3/28/07	5,291,039 EUR	6,052,203

BRAZIL .9%		
Republic of Brazil, FRN, 5.938%, 4/15/09	1,510,000	1,041,900

BULGARIA 1.8%		
Republic of Bulgaria, Series A, FRN, 5.875%, 7/28/24	2,970,000	2,030,738

CANADA 1.5%		
Government of Canada, 7.00%, 12/01/06	2,345,000 CAD	1,747,494

DENMARK 2.1%		
Kingdom of Denmark, 7.00%, 11/15/07	14,838,000 DKK	2,379,506

ECUADOR 1.4%		
Republic of Ecuador, FRN, 6.00%, 2/28/25	3,500,000	1,638,455

GERMANY 13.5%		
Federal Republic of Germany, 5.25%, 2/21/01	9,129,117 EUR	9,723,728
Hypothekebank In Essen AG, 5.25%, 1/22/08	5,279,089 EUR	5,619,341

		15,343,069

ITALY 5.8%		
Buoni Poliennali del Tesoro, 10.50%, 7/15/00	2,272,406 EUR	2,517,293
Government of Italy, 7.75%, 11/01/06	3,305,318 EUR	4,091,341

		6,608,634

MEXICO 8.1%		
United Mexican States:		
9.75%, 4/06/05	6,000,000	6,097,500
9.875%, 1/15/07	1,700,000	1,721,250
11.50%, 5/15/26	1,230,000	1,374,525

		9,193,275

NEW ZEALAND 2.4%		
Government of New Zealand, 7.00%, 7/15/09	5,050,000 NZD	2,771,439

PERU .7%		
Republic of Peru, FRN, 4.50%, 3/07/17	1,300,000	801,944

SWEDEN 3.2%		
Kingdom of Sweden, 6.00%, 2/09/05	28,700,000 SEK	3,591,213

TURKEY .5%		
Republic of Turkey, 12.375%, 6/15/09	535,000	530,988

UNITED KINGDOM 10.3%		
United Kingdom:		
6.50%, 12/07/03	5,400,000 GBP	9,059,015
7.50%, 12/07/06	1,500,000 GBP	2,665,821

		11,724,836

UNITED STATES 33.8%		
U.S. Treasury Notes:		
4.50%, 1/31/01	11,000,000	10,838,443
7.25%, 8/15/04	5,519,000	5,863,938
5.25%, 11/15/28	24,500,000	21,690,167

		38,392,548

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>		
<CAPTION>		
TEMPLETON GLOBAL INCOME SECURITIES FUND	PRINCIPAL	VALUE
	AMOUNT*	
-----	-----	-----
LONG TERM INVESTMENTS (CONT.)		
<S>	<C>	<C>
VENEZUELA 1.3%		
Republic of Venezuela, 144A, 9.125%, 6/18/07	\$ 1,940,000	\$ 1,474,400

TOTAL LONG TERM INVESTMENTS (COST \$120,116,180)		112,912,014
NET EQUITY IN FORWARD CONTRACTS		31,411
OTHER ASSETS, LESS LIABILITIES .7%		747,904

TOTAL NET ASSETS 100.0%		\$113,691,329
		=====

</TABLE>

See glossary of currency abbreviations on page 136.

(*) Securities traded in U.S. dollars unless otherwise indicated.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>			
<CAPTION>			
TEMPLETON INTERNATIONAL EQUITY FUND	COUNTRY	SHARES/ WARRANTS	VALUE
-----	-----	-----	-----
COMMON STOCKS AND WARRANTS 93.1%			
<S>	<C>	<C>	<C>
AEROSPACE & MILITARY TECHNOLOGY .1%			
Hong Kong Aircraft Engineering Co. Ltd.	Hong Kong	513,400	\$ 992,544

APPLIANCES & HOUSEHOLD DURABLES 3.4%			
Electrolux AB, B	Sweden	1,160,000	24,286,050
Fisher & Paykel Ltd.	New Zealand	1,321,125	4,200,382

			28,486,432

AUTOMOBILES 2.8%			
Autoliv Inc., SDR	Sweden	317,000	9,656,904
Fiat SpA	Italy	3,391,410	10,778,927
Volvo AB, B	Sweden	91,500	2,652,876

			23,088,707

BANKING 9.8%			
Banco Popular Espanol SA	Spain	62,400	4,488,398
BPI Sociada de Gestora de Participacoes Socias SA	Portugal	321,978	6,756,989
Credit Commercial de France CCF	France	128,800	13,920,017
Foreningssparbanken AB, A	Sweden	244,500	3,450,953
Kookmin Bank	South Korea	96,678	1,962,793
Merita AS	Finland	1,254,500	7,128,282
National Bank of Canada	Canada	447,000	5,894,841
National Westminster Bank PLC	United Kingdom	641,668	13,593,547
Svenska Handelsbanken, A	Sweden	466,200	5,593,084
Unibanco Uniao de Bancos Brasileiros SA, GDR	Brazil	548,700	13,203,094
Unibanco Uniao de Bancos Brasileiros SA, unit	Brazil	28,412,000	1,296,981
Union Bank of Norway	Norway	199,000	3,715,846

			81,004,825

BROADCASTING & PUBLISHING 2.4%			
Cordiant Communications Group PLC	United Kingdom	3,561,500	9,852,200
NV Holdingsmig de Telegraaf	Netherlands	504,000	9,927,194

			19,779,394

BUILDING MATERIALS & COMPONENTS 4.6%			
Anglian Group PLC	United Kingdom	2,028,800	10,473,062
Cie de Saint Gobain	France	13,292	2,117,783
Hepworth PLC	United Kingdom	1,330,100	4,130,224
Pioneer International Ltd.	Australia	7,462,117	19,015,853
Unione Cementi Marchino Emiliane (Unicem), di Risp	Italy	468,000	2,195,937

			37,932,859

BUSINESS & PUBLIC SERVICES 1.2%			
Esselte AB, B	Sweden	158,500	1,640,555
Lex Service PLC	United Kingdom	902,000	8,296,034

			9,936,589

CHEMICALS 1.9%			
Akzo Nobel NV	Netherlands	129,200	5,436,073
DSM NV, Br.	Netherlands	19,000	2,037,744
Imperial Chemical Industries PLC	United Kingdom	857,000	8,523,801

			15,997,618

CONSTRUCTION & HOUSING 2.0%			
Fairview Holdings PLC	United Kingdom	623,475	1,321,796
Fletcher Challenge Building Ltd.	New Zealand	4,627,000	6,742,575
Sirti SpA	Italy	1,833,800	8,850,350

			16,914,721

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

TEMPLETON INTERNATIONAL EQUITY FUND	COUNTRY	SHARES/ WARRANTS	VALUE

COMMON STOCKS AND WARRANTS (CONT.)			
<S>	<C>	<C>	<C>
ELECTRICAL & ELECTRONICS 4.8%			
General Electric Co. PLC	United Kingdom	1,920,000	\$ 19,520,192
Koninklijke Philips Electronics NV	Netherlands	201,762	19,901,596
(a) Meto AG	Sweden	158,500	784,857

			40,206,645

ENERGY SOURCES 3.6%			
Societe Elf Aquitaine SA, Br.	France	148,024	21,721,992
(a) Total Fina SA, B	France	62,039	8,003,588

			29,725,580
FINANCIAL SERVICES 1.9%			
ING Groep NV	Netherlands	288,685	15,629,537
FOOD & HOUSEHOLD PRODUCTS 1.4%			
McBride PLC	United Kingdom	1,000,000	1,749,630
Tate & Lyle PLC	United Kingdom	1,540,500	9,658,174
			11,407,804
FOREST PRODUCTS & PAPER 4.7%			
Carter Holt Harvey Ltd.	New Zealand	3,243,400	3,884,208
Cartiere Burgo SpA	Italy	696,200	4,472,136
Fletcher Challenge Ltd. Forestry Division	New Zealand	6,020,000	3,381,395
Kimberly Clark de Mexico SA de CV, A	Mexico	1,115,000	4,619,541
Mayr-Melnhof Karton AG	Austria	39,400	1,787,769
(a) PT Indah Kiat Pulp & Paper Corp. TBK	Indonesia	9,724,297	4,519,644
(a) PT Indah Kiat Pulp & Paper Corp. TBK, wts., 4/13/01	Indonesia	782,553	340,982
(a) PT Indah Kiat Pulp & Paper Corp. TBK, wts., 7/11/02	Indonesia	818,888	249,770
Stora Enso OYJ	Finland	1,167,304	12,631,377
Stora Enso OYJ, R	Finland	186,900	2,004,496
Unipapel SA, Br.	Spain	104,400	1,185,360
			39,076,678
HEALTH & PERSONAL CARE 2.0%			
Internatio-Muller NV	Netherlands	240,308	5,290,890
Nycomed Amersham PLC	United Kingdom	1,575,700	11,208,536
			16,499,426
INDUSTRIAL COMPONENTS .9%			
Granges AB	Sweden	191,000	3,235,004
Meggitt PLC	United Kingdom	1,487,610	4,584,152
			7,819,156
INSURANCE 4.5%			
Ace Ltd.	Bermuda	682,500	19,280,625
Baloise-Holding	Switzerland	7,380	6,019,452
Muenchener Rueckversicherungs-Gesellschaft	Germany	33,000	6,217,490
(a) Muenchener Rueckversicherungs-Gesellschaft, 144A	Germany	33,000	6,159,637
			37,677,204
LEISURE & TOURISM 1.7%			
Kuoni Reisen Holding AG, B	Switzerland	3,570	13,766,982
MACHINERY & ENGINEERING 4.1%			
Bucher Holding AG, Br.	Switzerland	12,800	10,662,550
IHC Caland NV	Netherlands	375,000	14,695,267
Invensys PLC	United Kingdom	1,820,854	8,624,675
			33,982,492
MERCHANDISING 3.3%			
David Jones Ltd.	Australia	2,463,527	2,413,304
Hudsons Bay Co.	Canada	357,000	4,024,940

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

TEMPLETON INTERNATIONAL EQUITY FUND	COUNTRY	SHARES/ WARRANTS	VALUE
COMMON STOCKS AND WARRANTS (CONT.)			
<S>	<C>	<C>	<C>
MERCHANDISING (CONT.)			
Safeway PLC	United Kingdom	1,695,778	\$ 6,782,631
Somerfield PLC	United Kingdom	1,552,716	7,281,186
Storehouse	United Kingdom	3,314,000	7,130,308
			27,632,369
METALS & MINING 4.9%			
Anglo American Platinum Corp. Ltd.	South Africa	417,465	9,740,504
Boehler-Uddeholm AG	Austria	33,000	1,633,155
Boehler-Uddeholm AG, 144A	Austria	27,055	1,338,939
British Steel PLC	United Kingdom	4,033,200	10,441,870

Companhia Siderurgica Nacional CSN, ADR	Brazil	276,365	7,254,581
Grupo Mexico SA de CV, B	Mexico	1,983,600	8,493,578
Pohang Iron & Steel Co. Ltd.	South Korea	10,450	1,302,808

			40,205,435

MISC MATERIALS & COMMODITIES .9%			
Korea Chemical Co. Ltd.	South Korea	57,900	5,202,246
Unitor ASA	Norway	295,000	2,548,111

			7,750,357

MULTI-INDUSTRY 2.4%			
Cheung Kong Holdings Ltd.	Hong Kong	188,600	1,677,233
Elementis PLC	United Kingdom	3,336,000	5,547,555
Jardine Strategic Holdings Ltd.	Hong Kong	2,574,940	6,694,844
Swire Pacific Ltd., B	Hong Kong	7,937,100	5,933,248

			19,852,880

REAL ESTATE .1%			
Hang Lung Development Co. Ltd.	Hong Kong	779,000	963,854

RECREATION & OTHER CONSUMER GOODS 1.4%			
Swatch Group AG, Br.	Switzerland	15,400	10,361,765
Yue Yuen Industrial (Holdings) Ltd.	Hong Kong	394,800	910,821

			11,272,586

TELECOMMUNICATIONS 11.3%			
Hong Kong Telecommunications Ltd.	Hong Kong	7,908,279	20,538,072
Korea Telecom Corp., ADR	South Korea	308,300	12,332,000
Nokia Corp., A	Finland	178,600	15,655,357
Smartone Telecommunications Holdings Ltd.	Hong Kong	1,602,000	5,698,680
(a) Telecomunicacoes Brasileiras SA (Telebras), ADR	Brazil	177,300	15,990,244
Telefonica del Peru SA, B	Peru	2,445,602	3,673,352
Telefonica del Peru SA, B, ADR	Peru	251,900	3,809,988
(a) Telefonica SA	Spain	323,100	15,563,577

			93,261,270

TEXTILES & APPAREL .6%			
Yizheng Chemical Fibre Co. Ltd., H	China	19,340,200	5,047,643

TRANSPORTATION 1.3%			
Air New Zealand Ltd., B	New Zealand	1,132,000	2,339,401
(a) Helikopter Services Group ASA	Norway	134,000	995,745
Mayne Nickless Ltd., A	Australia	2,125,500	7,273,521
Tranz Rail Holdings Ltd., ADR	New Zealand	47,765	253,752

			10,862,419

UTILITIES ELECTRICAL & GAS 9.1%			
BG PLC	United Kingdom	2,566,588	15,666,454
Centrais Eletricas Brasileiras SA (Electrobras)	Brazil	363,450,000	6,926,807
(a) Centrais Geradoras do Sul do Brasil SA	Brazil	363,450,000	290,345
Centrica PLC	United Kingdom	1,161,000	2,731,302

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

TEMPLETON INTERNATIONAL EQUITY FUND	COUNTRY	SHARES/ WARRANTS	VALUE
COMMON STOCKS AND WARRANTS (CONT.)			
<S>	<C>	<C>	<C>
UTILITIES ELECTRICAL & GAS (CONT.)			
Compania Sevillana de Electricidad SA	Spain	246,970	\$ 2,862,682
Iberdrola SA, Br.	Spain	1,517,800	23,118,393
(a) Korea Electric Power Corp.	South Korea	66,000	2,742,635
Shandong Huaneng Power Development Co. Ltd., ADR	China	338,300	1,754,931
Thames Water Group PLC	United Kingdom	896,939	14,236,903
Transportadora de Gas del Sur SA, B, Reg S, ADR	Argentina	516,300	4,840,310

TOTAL COMMON STOCKS AND WARRANTS (COST \$615,619,099)		75,170,762

		771,944,768

PREFERRED STOCKS 2.5%		
Banco Bradesco SA, pfd.	Brazil	525,200,000
Banco Itau SA, pfd.	Brazil	4,209,000
News Corp. Ltd., pfd.	Australia	3,486
Petroleo Brasileiro SA, pfd.	Brazil	60,000,000
Telecomunicacoes Brasileiras SA (Telebras), ADR, pfd.	Brazil	177,300
Usinas Siderurgicas de Minas, ADR, 144A, pfd.	Brazil	1,851,400

TOTAL PREFERRED STOCKS (COST \$24,671,639)		20,631,838

TOTAL LONG TERM INVESTMENTS (COST \$640,290,738)		792,576,606

</TABLE>

<TABLE>
<CAPTION>

		PRINCIPAL AMOUNT	

<S>	<C>	<C>	<C>
(g) REPURCHASE AGREEMENT (COST \$31,109,000) 3.7%			
Morgan Stanley Inc., 4.88%, 7/01/99 (Maturity Value \$31,113,217)			
Collateralized by U.S. Treasury Notes & Bonds	United States	\$31,109,000	31,109,000

TOTAL INVESTMENTS (COST \$671,399,738) 99.3%			823,685,606
OTHER ASSETS, LESS LIABILITIES .7%			5,413,340

TOTAL NET ASSETS 100.0%			\$829,098,946
			=====

</TABLE>

(a) Non-income producing.

(g) See Note 1(c) regarding repurchase agreements.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND	COUNTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS 90.9%			
APPLIANCES & HOUSEHOLD DURABLES 1.8%			
Fisher & Paykel Ltd.	New Zealand	70,222	\$ 223,264
Guangdong Kelon Electrical Holdings Ltd., H	China	92,000	107,310
Guangdong Kelon Electrical Holdings Ltd., H, 144A	China	40,000	46,656
(a) Konka Group Co. Ltd., B	China	56,900	63,509

			440,739

AUTOMOBILES 2.4%			
Bilia AB, A	Sweden	28,100	261,103
Volvo AB, B	Sweden	11,600	336,321

			597,424

BANKING 4.8%			
Banco de Valencia SA	Spain	9,816	77,844
Banco Pastor SA	Spain	8,000	407,961
Bank Austria AG, 144A	Austria	6,000	315,562
Unibanco Uniao de Bancos Brasileiros SA, GDR	Brazil	10,235	246,280
Union Bank of Norway	Norway	7,170	133,883

			1,181,530

BROADCASTING & PUBLISHING 3.0%			
GTC Transcontinental Group Ltd., B	Canada	63,300	737,455

BUILDING MATERIALS & COMPONENTS 6.8%			
Caradon PLC	United Kingdom	117,500	276,887
Cristaleria Espanola SA, Br.	Spain	1,291	63,372
Det Danske Traelastkompagni AS	Denmark	3,752	284,321
Gujarat Ambuja Cements Ltd.	India	47,500	350,543
Sarna Kunststoff Holding AG	Switzerland	52	58,870
Schuttersveld NV	Netherlands	11,146	178,736

(a) Siam City Cement Public Co. Ltd., fgn.	Thailand	112,701	464,557
			1,677,286

BUSINESS & PUBLIC SERVICES 4.4%			
Kardex AG, Br.	Switzerland	1,494	389,213
Lex Service PLC	United Kingdom	54,100	497,578
Scribona AB, B	Sweden	19,045	55,554
Sifo Group AB	Sweden	20,745	146,401
			1,088,746

CHEMICALS 2.1%			
Energia e Industrias Aragonesas Eia SA	Spain	34,500	185,006
Yule Catto & Company PLC	United Kingdom	61,600	338,867
			523,873

CONSTRUCTION & HOUSING 2.5%			
Grupo Dragados SA	Spain	42,465	497,914
Hollandsche Beton Groep NV	Netherlands	9,600	122,760
			620,674

ELECTRICAL & ELECTRONICS 3.1%			
Dongfang Electrical Machinery Co. Ltd., H	China	179,000	22,840
Techtronic Industries Co. Ltd.	Hong Kong	1,791,000	357,791
Varitronix International Ltd.	Hong Kong	187,500	390,280
			770,911

ELECTRONIC COMPONENTS & INSTRUMENTS 2.2%			
Swisslog Holding AG	Switzerland	1,000	121,092
VTech Holdings Ltd.	Hong Kong	136,000	432,074
			553,166

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE> <CAPTION>			
TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND	COUNTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS (CONT.)			
FINANCIAL SERVICES 3.0%			
Dah Sing Financial Holdings Ltd.	Hong Kong	134,800	\$ 513,393
Housing Development Finance Corp. Ltd.	India	4,331	221,937
Morgan Stanley Growth Fund	India	7,100	1,179
			736,509

FOOD & HOUSEHOLD PRODUCTS 6.8%			
(a) Charoen Pokphand Feedmill Public Co. Ltd., fgn.	Thailand	78,430	127,615
Geest PLC	United Kingdom	44,750	349,158
Hazlewood Foods PLC	United Kingdom	111,770	229,911
Illovo Sugar Ltd.	South Africa	187,000	206,073
McBride PLC	United Kingdom	64,100	112,151
National Foods Ltd.	Australia	182,091	322,649
Perkins Foods PLC	United Kingdom	189,240	343,031
			1,690,588

FOREST PRODUCTS & PAPER 2.7%			
Crown Van Gelder Papierfabrieken NV	Netherlands	6,115	89,546
(a) Empaques Ponderosa SA de CV, B	Mexico	151,800	110,223
Munksjo AB	Sweden	12,995	94,765
Primex Forest Products Ltd.	Canada	46,632	372,801
			667,335

HEALTH & PERSONAL CARE 3.4%			
Internatio-Muller NV	Netherlands	5,844	128,668
Moulin International Holdings Ltd.	Hong Kong	1,278,000	136,714
Ono Pharmaceutical Co. Ltd.	Japan	12,000	409,451
(a) SkyePharma PLC	United Kingdom	200,000	156,048
			830,881

INDUSTRIAL COMPONENTS 5.4%			

Granges AB	Sweden	14,679	248,621
Sylea SA	France	4,447	283,412
Weir Group PLC	United Kingdom	120,900	506,910
Yamato Kogyo Co. Ltd.	Japan	41,000	298,422

			1,337,365

INSURANCE 1.0%			
HIH Insurance Ltd.	Australia	193,879	239,975

MACHINERY & ENGINEERING 2.3%			
Arcadis NV	Netherlands	37,875	318,327
Laird Group PLC	United Kingdom	62,000	257,999

			576,326

MERCHANDISING 14.7%			
David Jones Ltd.	Australia	243,000	238,046
Giordano International Ltd.	Hong Kong	933,000	661,374
Li & Fung Ltd.	Hong Kong	241,000	577,740
Makro Atacadista SA, ADR, 144A	Brazil	37,500	393,723
Moebel Walther AG	Germany	7,506	119,204
Northwest Company Fund	Canada	31,365	332,188
Sa des Galeries Lafayette	France	4,300	568,929
(a) Samas-Groep NV	Netherlands	11,125	164,632
Somerfield PLC	United Kingdom	82,800	388,276
Storehouse	United Kingdom	90,613	194,960

			3,639,072

METALS & MINING 5.1%			
Arbed SA	Luxembourg	1,448	132,302
Boehler-Uddeholm AG	Austria	4,993	247,101

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>

<CAPTION>

TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND

	COUNTRY	SHARES	VALUE

COMMON STOCKS (CONT.)			
<S>	<C>	<C>	<C>
METALS & MINING (CONT.)			
Elkem ASA, A	Norway	23,850	\$ 424,135
Pohang Iron & Steel Co. Ltd.	South Korea	2,625	327,260
PT Tambang Timah	Indonesia	165,500	144,227

			1,275,025

MULTI-INDUSTRY 3.7%			
Amer Group Ltd., A	Finland	11,300	162,561
Elementis PLC	United Kingdom	142,000	236,137
Nagron Nationaal Grondbezit NV	Netherlands	7,400	183,149
Saha Union Public Co. Ltd., fgn.	Thailand	201,000	89,939
Zehnder Holding AG, Br.	Switzerland	465	242,281

			914,067

REAL ESTATE 1.2%			
Inversiones y Representacion SA	Argentina	96,000	295,710

(a) TELECOMMUNICATIONS .5%			
Digital Telecommunications Philippines Inc.	Philippines	2,198,000	135,173

TEXTILES & APPAREL 1.4%			
Gamma Holding NV	Netherlands	3,000	129,937
Inner Mongolia Erdos Cashmere Products Co. Ltd., B	China	497,000	141,148
Yizheng Chemical Fibre Co. Ltd., H	China	326,000	85,083

			356,168

TRANSPORTATION 3.3%			
(a) Anangel-American Shipholdings Ltd., ADR	Greece	35,000	189,219
Orient Overseas International Ltd.	Hong Kong	362,000	132,971
(a) Osprey Maritime Ltd.	Singapore	350,000	240,529
Stolt Nielsen SA, ADR	Norway	15,000	256,875

			819,594

UTILITIES ELECTRICAL & GAS 2.7%			

Gas y Electricidad SA, Br.	Spain	5,700	448,206
Guangdong Electric Power Development Co. Ltd., B,	China	338,520	232,985

			681,191

WHOLESALE & INTERNATIONAL TRADE .6%			
Eurodis Electron PLC	United Kingdom	120,300	158,334

TOTAL COMMON STOCKS (COST \$21,544,631)			22,545,117

PREFERRED STOCKS 2.5%			
Ballast Nedam NV, pfd.	Netherlands	6,700	177,570
Fertilizantes Fosfatados SA, pfd.	Brazil	41,995,000	155,759
Moebel Walther AG, pfd.	Germany	4,550	70,617
Tele Leste Celulare Participacoes SA, ADR, pfd.	Brazil	200	5,950
Weg SA, pfd.	Brazil	507,200	206,930

TOTAL PREFERRED STOCKS (COST \$1,022,449)			616,826

TOTAL LONG TERM INVESTMENTS (COST \$22,567,080)			23,161,943

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND	COUNTRY	PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>	<C>
(g) REPURCHASE AGREEMENTS 5.7%			
Barclays Bank PLC, 4.70%, 7/01/99, (Maturity Value \$700,091) Collateralized by U.S. Treasury Notes & Bonds	United States	\$700,000	\$ 700,000
Morgan Stanley Inc., 4.70%, 7/01/99, (Maturity Value \$717,094) Collateralized by U.S. Treasury Notes & Bonds	United States	717,000	717,000

TOTAL REPURCHASE AGREEMENTS (COST \$1,417,000)			1,417,000

TOTAL INVESTMENTS (COST \$23,984,080) 99.1%			24,578,943
OTHER ASSETS, LESS LIABILITIES .9%			217,355

TOTAL NET ASSETS 100.0%			\$24,796,298
			=====

</TABLE>

(a) Non-income producing.

(g) See Note 1(c) regarding repurchase agreements.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

TEMPLETON PACIFIC GROWTH FUND	COUNTRY	SHARES/ WARRANTS	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS AND WARRANTS 90.2%			
BANKING 13.5%			
Development Bank of Singapore Ltd., fgn.	Singapore	401,000	\$ 4,899,148
HSBC Holdings PLC	Hong Kong	31,000	1,130,709
Overseas Union Bank Ltd., fgn.	Singapore	519,816	2,503,666
(a) Philippine National Bank	Philippines	962,500	2,605,453
(a) PT Bank Pan Indonesia TBK	Indonesia	6,182,625	1,795,970
(a) Thai Farmers Bank Public Co. Ltd.	Thailand	36,570	73,388
(a) Thai Farmers Bank Public Co. Ltd., fgn.	Thailand	733,440	2,267,448

			15,275,782

BROADCASTING & PUBLISHING 2.4%			
South China Morning Post Ltd.	Hong Kong	4,888,000	2,740,458

BUILDING MATERIALS & COMPONENTS 3.0%			
Gujarat Ambuja Cements Ltd., GDR, Reg S	India	208,000	1,705,600
Okumura Corp.	Japan	467,000	1,736,203

			3,441,803

BUSINESS & PUBLIC SERVICES 1.5%			
Kurita Water Industries Ltd.	Japan	93,000	1,667,300
CHEMICALS			
Fauji Fertilizer Co. Ltd.	Pakistan	10,000	7,897
CONSTRUCTION & HOUSING 7.0%			
Daito Trust Construction Co. Ltd.	Japan	260,200	2,902,098
Road King Infrastructure Ltd.	Hong Kong	3,831,977	2,716,366
Toda Corp.	Japan	470,000	2,259,914
			7,878,378
ELECTRICAL & ELECTRONICS 1.0%			
Fuji Photo Film Co. Ltd.	Japan	28,000	1,059,484
Hitachi Ltd.	Japan	800	7,502
			1,066,986
FINANCIAL SERVICES 5.9%			
Commerce Asset-Holding Bhd.	Malaysia	1,572,000	3,888,632
(a) Commerce Asset-Holding Bhd., wts., 6/16/02	Malaysia	163,750	179,263
Nomura Securities Co. Ltd.	Japan	143,000	1,674,083
Public Finance Bhd., fgn.	Malaysia	928,000	976,842
			6,718,820
FOREST PRODUCTS & PAPER 3.1%			
Carter Holt Harvey Ltd.	New Zealand	2,411,800	2,888,307
(a) PT Inti Indorayon Utama	Indonesia	129,000	15,458
(a) PT Tjiwi Kimia TBK.	Indonesia	1,388,741	534,519
(a) PT Tjiwi Kimia TBK, wts.	Indonesia	192,880	49,726
			3,488,010
INDUSTRIAL COMPONENTS 6.9%			
Fuji Heavy Industries Ltd.	Japan	577,000	4,452,396
Mitsubishi Heavy Industries Ltd.	Japan	824,000	3,342,564
			7,794,960
INSURANCE 2.7%			
AXA China Region Ltd.	Hong Kong	3,860,000	3,084,478
LEISURE & TOURISM 1.4%			
Toei Co. Ltd.	Japan	397,000	1,623,554
MERCHANDISING .7%			
Takashimaya Co. Ltd.	Japan	81,418	778,260

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

TEMPLETON PACIFIC GROWTH FUND	COUNTRY	SHARES/ WARRANTS	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS AND WARRANTS (CONT.)			
METALS & MINING 1.5%			
Capral Aluminum Ltd.	Australia	1,074,400	\$ 1,656,971
MISC MATERIALS & COMMODITIES 2.0%			
Golden Hope Plantations Bhd.	Malaysia	2,607,000	2,236,532
MULTI-INDUSTRY 13.5%			
Broken Hill Proprietary Co. Ltd.	Australia	211,000	2,444,069
Cheung Kong Holdings Ltd.	Hong Kong	270,000	2,401,129
Hutchison Whampoa Ltd.	Hong Kong	188,000	1,702,185
SIME Darby Bhd.	Malaysia	1,798,800	2,357,375
Swire Pacific Ltd., A	Hong Kong	435,000	2,152,896
Wheelock and Company Ltd.	Hong Kong	3,100,000	4,255,141
			15,312,795
REAL ESTATE 5.4%			
City Developments Ltd.	Singapore	639,600	4,094,943
New World Development Co. Ltd.	Hong Kong	658,978	1,974,679

			6,069,622
TELECOMMUNICATIONS 2.1%			
Hong Kong Telecommunications Ltd.	Hong Kong	918,139	2,384,439
TEXTILES & APPAREL 5.3%			
Nisshinbo Industries Inc.	Japan	700,000	3,186,550
Wacoal Corp.	Japan	280,000	2,849,967
			6,036,517
TRANSPORTATION 9.8%			
East Japan Railway Co.	Japan	300	1,611,038
Guangshen Railway Co. Ltd., H, ADR	China	142,800	1,088,850
Hitachi Zosen Corp.	Japan	843,000	1,016,837
Hong Kong Ferry Holdings Co. Ltd.	Hong Kong	487,200	618,509
Malaysian International Shipping Corp., fgn.	Malaysia	1,467,267	2,683,554
Singapore Airlines Ltd., fgn.	Singapore	432,300	4,113,515
			11,132,303
UTILITIES ELECTRICAL & GAS 1.5%			
CLP Holdings Ltd.	Hong Kong	363,000	1,763,805
TOTAL LONG TERM INVESTMENTS (COST \$122,176,287)			102,159,670

</TABLE>

<TABLE>

<CAPTION>

		PRINCIPAL AMOUNT	
<S>	<C>	<C>	<C>
(g) REPURCHASE AGREEMENTS 6.3%			
Barclays Bank PLC, 4.7%, 7/01/99, (Maturity Value \$3,500,457) Collateralized by U.S. Treasury Notes & Bonds	United States	\$3,500,000	3,500,000
Morgan Stanley Inc., 4.7%, 7/01/99, (Maturity Value \$3,675,480) Collateralized by U.S. Treasury Notes & Bonds	United States	3,675,000	3,675,000
TOTAL REPURCHASE AGREEMENTS (COST \$7,175,000)			7,175,000
TOTAL INVESTMENTS (COST \$129,351,287) 96.5%			109,334,670
OTHER ASSETS, LESS LIABILITIES 3.5%			3,913,115
TOTAL NET ASSETS 100.0%			\$113,247,785

</TABLE>

(a) Non-income producing.

(g) See Note 1(c) regarding repurchase agreements.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>

<CAPTION>

U.S. GOVERNMENT SECURITIES FUND	PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>
MORTGAGE-BACKED SECURITIES 75.9%		
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) - FIXED RATE 54.1%		
GNMA I, SF, 5.50%, 11/15/28 - 1/15/29	\$ 6,902,316	\$ 6,287,388
GNMA II, 5.50%, 9/20/28 - 1/20/29	3,175,007	2,878,003
GNMA I, SF, 6.00%, 11/15/23 - 11/15/28	18,374,810	17,354,108
GNMA II, 6.00%, 1/20/24 - 1/20/29	61,161,744	57,170,345
(h) GNMA I, SF, 6.50%, 5/15/23 - 2/15/29	71,478,466	69,307,659
GNMA II, 6.50%, 3/20/28	23,941,494	22,991,505
GNMA I, SF, 7.00%, 3/15/22 - 5/15/28	65,173,498	64,591,880
GNMA I, SF, 7.25%, 11/15/25	1,224,606	1,231,350
GNMA, PL, 7.25%, 5/15/22 - 8/15/22	2,160,506	2,150,059
GNMA I, SF, 7.50%, 2/15/17 - 5/15/28	27,224,607	27,628,505
GNMA II, 7.50%, 3/20/17 - 11/20/26	18,290,820	18,459,470
GNMA I, SF, 8.00%, 4/15/05 - 6/15/24	15,378,690	15,894,379
GNMA II, 8.00%, 2/20/16 - 8/20/26	1,476,942	1,517,890
GNMA I, SF, 8.25%, 4/15/25	612,404	639,219
GNMA I, SF, 8.50%, 8/15/21 - 12/15/24	4,502,494	4,727,176
GNMA I, SF, 9.00%, 4/15/16 - 2/15/21	2,079,068	2,217,129
GNMA I, SF, 9.50%, 7/15/16 - 12/15/21	4,519,527	4,879,404
GNMA II, 9.50%, 4/20/25	471,579	504,148

GNMA I, SF, 10.00%, 8/15/17 - 8/15/21	3,961,499	4,334,390

		324,764,007

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) - FIXED RATE 8.4%		
FNMA, 6.00%, 10/01/23 - 10/01/28	25,107,740	23,712,790
FNMA, 6.50%, 1/01/24 - 5/01/24	11,869,452	11,571,970
FNMA, 7.00%, 5/01/24	1,272,428	1,263,545
FNMA, PL, 7.00%, 3/17/35	3,297,674	3,229,660
FNMA, 7.50%, 4/01/23 - 7/01/25	4,874,827	4,943,998
FNMA, 8.00%, 7/01/16 - 2/01/25	5,327,012	5,494,164
FNMA, 8.50%, 10/01/19 - 2/01/22	307,892	323,069

		50,539,196

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) - ADJUSTABLE RATE 4.4%		
FNMA, Cap 12.49%, Margin 2.00% + CMT, Resets Annually, 7.184%, 02/01/19	2,986,880	3,071,837
FNMA, Cap 12.819%, Margin 2.127% + CMT, Resets Annually, 7.074%, 09/01/18	3,931,958	4,057,211
FNMA, Cap 13.313%, Margin 2.126% + CMT, Resets Annually, 7.084%, 07/01/19	2,772,654	2,852,513
FNMA, Cap 13.644%, Margin 2.011% + CMT, Resets Annually, 6.978%, 01/01/18	9,234,834	9,504,633
FNMA, Cap 14.625%, Margin 1.25% + COFI, Resets Monthly, 5.769%, 06/01/02	4,617,449	4,533,550
FNMA, Cap 15.156%, Margin 2.284% + 3CMT, Resets Tri-Annually, 8.032%, 03/01/20	2,360,438	2,409,042

		26,428,786

FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) - FIXED RATE 7.9%		
FHLMC, 6.00%, 1/01/24 - 8/01/28	9,507,235	8,979,633
FHLMC, 6.50%, 6/01/08 - 5/01/29	20,925,102	20,427,638
FHLMC, 7.00%, 4/01/24	11,702,966	11,632,176
FHLMC, 7.50%, 11/01/22 - 5/01/24	3,322,243	3,373,600
FHLMC, 8.00%, 5/01/16 - 5/01/22	1,839,497	1,898,668
FHLMC, 8.50%, 4/01/18 - 3/01/22	630,136	661,215
FHLMC, 9.00%, 3/01/03	318,792	329,649

		47,302,579

FEDERAL HOME LOAN MORTGAGE CORP. (FHLMC) - ADJUSTABLE RATE 1.1%		
FHLMC, Cap 12.522%, Margin 2.105% + CMT, Resets Annually, 6.953%, 06/01/22	2,374,052	2,437,867
FHLMC, Cap 13.458%, Margin 2.195% + CMT, Resets Annually, 7.264%, 02/01/19	3,852,704	3,958,121

		6,395,988

TOTAL MORTGAGE-BACKED SECURITIES (COST \$456,027,151)		455,430,556

OTHER AGENCY SECURITIES 22.7%		
Federal Agriculture Mortgage Corp., 7.23%, 1/17/07	5,000,000	5,017,365
Federal Farm Credit Bank, 5.80%, 9/16/03	5,000,000	4,872,740
Federal Home Loan Bank, 0.00%, 8/15/22	17,500,000	2,874,200
</TABLE>		

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

	PRINCIPAL AMOUNT	VALUE
<TABLE>		
<CAPTION>		
U.S. GOVERNMENT SECURITIES FUND		
<S>	<C>	<C>
OTHER AGENCY SECURITIES (CONT.)		
Federal Home Loan Bank, 0.00%, 1/23/23	\$ 10,000,000	\$ 1,718,900
FICO, Strip, 0.00%, 12/06/14	13,569,000	4,797,401
FICO, Strip, 0.00%, 6/06/15	15,001,000	5,114,051
FICO, Strip, 0.00%, 5/11/13	10,000,000	3,963,100
FICO, Strip, 1, 0.00%, 5/11/09	1,758,000	924,165
FICO, Strip, 12, 0.00%, 6/06/14	9,454,000	3,461,941
FICO, Strip, 13, 0.00%, 6/27/09	11,024,000	5,741,112
FICO, Strip, 16, 0.00%, 4/05/09	3,202,000	1,694,975
FICO, Strip, 16, 0.00%, 10/05/10	4,745,000	2,259,987
FICO, Strip, A, 0.00%, 2/08/09	2,060,000	1,102,732
Housing Urban Development, 96-A, 7.63%, 8/01/14	5,000,000	5,160,900
Housing Urban Development, 96-A, 7.66%, 8/01/15	5,000,000	5,158,710
Small Business Administration, 6.00%, 9/01/18	9,830,318	9,319,893
Small Business Administration, 6.45%, 12/01/15	3,986,916	3,908,833
Small Business Administration, 6.70%, 12/01/16	4,440,519	4,399,359
Small Business Administration, 6.85%, 7/01/17	4,523,895	4,510,597
Small Business Administration, Cap 10.85%, Margin Prime - 0.40%, Resets Quarterly, 8.10%, 6/25/19 ..	3,732,353	3,844,324
Small Business Administration, Cap 10.875%, Margin Prime - 0.125%, Resets Quarterly, 8.375%, 3/25/18	4,782,588	4,941,012
Student Loan Marketing Association, 0.00%, 5/15/14	15,000,000	4,445,100
Tennessee Valley Authority, 0.00%, 4/15/42	6,000,000	2,439,360
Tennessee Valley Authority, 0.00%, 7/15/43	7,000,000	5,321,540
Tennessee Valley Authority, 5.88%, 4/01/36	10,000,000	9,804,780

Tennessee Valley Authority, 6.235%, 7/15/45	19,249,000	19,424,166
Tennessee Valley Authority, 7.25%, 7/15/43	10,000,000	9,874,460
TOTAL OTHER AGENCY SECURITIES (COST \$136,093,024)	681,402,631	136,095,703
TOTAL LONG TERM INVESTMENTS (COST \$592,120,175)		591,526,259
(f) REPURCHASE AGREEMENT .7%		
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$4,447,852) (COST \$4,447,263)	4,447,263	4,447,263
Barclays Capital Inc. (Maturity Value \$561,030)		
Bear, Stearns & Co. Inc. (Maturity Value \$495,027)		
Chase Securities Inc. (Maturity Value \$91,619)		
CIBC Oppenheimer Corp. (Maturity Value \$561,030)		
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$396,021)		
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$396,021)		
Goldman, Sachs & Co. (Maturity Value \$198,011)		
NationsBanc Montgomery Securities LLC (Maturity Value \$396,021)		
Paine Webber Inc. (Maturity Value \$396,021)		
Paribas Corp. (Maturity Value \$396,021)		
Warburg Dillon Read LLC (Maturity Value \$561,030)		
Collateralized by U.S. Treasury Bills & Notes		
TOTAL INVESTMENTS (COST \$596,567,438) 99.3%		595,973,522
OTHER ASSETS, LESS LIABILITIES .7%		4,332,554
NET ASSETS 100.0%		\$600,306,076

</TABLE>

(f) See Note 1(c) regarding joint repurchase agreement.

(h) Sufficient collateral has been segregated for securities traded on a when-issued or delayed delivery basis.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

VALUE SECURITIES FUND	SHARES/ RIGHTS	VALUE
<S>	<C>	<C>
COMMON STOCKS AND RIGHTS 96.3%		
COMMERCIAL SERVICES 3.8%		
Reynolds & Reynolds Co., A	7,000	\$ 163,188
(a) Robert Half International Inc.	11,000	286,000
		449,188
CONSUMER DURABLES 1.4%		
D.R. Horton Inc.	1,800	29,925
Engle Homes Inc.	3,000	41,250
Flexsteel Industries Inc.	2,300	30,619
M/I Schottenstein Homes Inc.	2,300	42,406
(a) TBC Corp.	3,500	24,719
		168,919
CONSUMER NON-DURABLES 13.1%		
Block Drug Co. Inc., A	3,000	125,063
DIMON Inc.	15,000	77,813
Schweitzer-Mauduit International Inc.	4,000	60,000
(a) Sola International Inc.	7,000	136,063
Standard Commercial Corp.	13,000	76,375
(a) The Timberland Co., A	5,000	340,313
(a) Tropical Sportswear International Corp.	15,000	478,125
Wolverine World Wide Inc.	19,000	266,000
		1,559,752
CONSUMER SERVICES 1.6%		
Aztar Corp.	20,000	183,750
ELECTRONIC TECHNOLOGY 1.7%		
(a) ESCO Electronics Corp.	600	7,688
(a) NCR Corp.	1,800	87,863
(a) SPACEHAB Inc.	13,500	69,188
United Industrial Corp.	3,200	35,400

ENERGY MINERALS .7%		
Nuevo Energy Co.	6,000	79,500
FINANCE 23.9%		
(a) Acceptance Insurance Cos. Inc.	4,000	60,250
Allstate Corp.	9,000	322,875
American National Insurance Co.	1,900	135,375
(a) American Safety Insurance Group Ltd.	9,000	75,938
The Centris Group Inc.	9,000	91,125
Harleysville Group Inc.	11,100	227,550
HCC Insurance Holdings Inc.	7,500	170,156
Household International Inc.	4,000	189,500
PBOC Holdings Inc.	12,500	125,000
Penn-America Group Inc.	9,500	98,563
The PMI Group Inc.	3,000	188,438
Presidential Life Corp.	16,700	327,738
(a) Professionals Group Inc.	9,000	303,750
Reinsurance Group of America Inc.	3,000	100,500
(a) The Seibels Bruce Group Inc.	9,000	45,000
(a) StanCorp Financial Group Inc.	9,000	270,000
Terra Nova (Bermuda) Holdings Ltd., A	4,000	107,750
		2,839,508
HEALTH TECHNOLOGY 2.2%		
(a) OrthoLogic Corp.	9,200	22,713
(a) SkyePharma PLC, rts., 3/31/00 (United Kingdom)	4,900	--
West Pharmaceutical Services Inc.	6,000	235,500
		258,213

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

VALUE SECURITIES FUND	SHARES/ RIGHTS	VALUE
<S>		
COMMON STOCKS AND RIGHTS (CONT.)		
INDUSTRIAL SERVICES 9.5%		
(a) Atwood Oceanics Inc.	7,000	\$ 218,750
ENSCO International Inc.	15,000	299,063
(a) Perini Corp.	7,000	39,813
(a) R&B Falcon Corp.	14,500	135,938
(a) Rowan Cos. Inc.	15,000	276,563
Santa Fe International Corp.	7,000	161,000
		1,131,127
NON-ENERGY MINERALS 3.9%		
Carpenter Technology Corp.	4,000	\$ 114,250
(a) Lone Star Technologies Inc.	10,000	177,500
LTV Corp.	26,000	173,875
		465,625
PROCESS INDUSTRIES 4.4%		
B.F. Goodrich Co.	5,000	212,500
Lancaster Colony Corp.	2,100	72,450
RPM Inc.	7,500	106,406
Tuscarora Inc.	10,000	135,625
		526,981
PRODUCER MANUFACTURING 18.7%		
Baldor Electric Co.	8,200	162,975
Commercial Intertech Corp.	400	6,375
Commonwealth Industries Inc.	6,500	81,250
Dana Corp.	6,000	276,375
Easco Inc.	8,100	85,556
(a) Global Industrial Technologies Inc.	5,700	68,756
(a) Holophane Corp.	4,000	152,500
JLG Industries Inc.	23,500	478,813
(a) Keystone Consolidated Industries Inc.	4,400	29,150
Myers Industries Inc.	10,500	210,000

Patrick Industries Inc.	2,200	34,375
Superior Industries International Inc.	6,200	169,338
Timken Co.	13,000	253,500
Watts Industries Inc., A	11,000	211,063

		2,220,026

RETAIL TRADE 1.4%		
Schultz Sav-O Stores Inc.	3,800	60,800
(a) Syms Corp.	13,500	109,688

		170,488

(a) TECHNOLOGY SERVICES .6%		
Ultrak Inc.	11,900	69,913

TRANSPORTATION 9.4%		
Air Express International Corp.	7,500	190,303
(a) Atlantic Coast Airlines Holdings Inc.	8,600	163,400
Canadian National Railway Co. (Canada)	2,000	134,000
(a) Fritz Cos. Inc.	5,000	53,750
Kenan Transport Co.	4,300	132,225
(a) Midwest Express Holdings	4,000	136,000
Tidewater Inc.	10,000	305,000

		1,114,678

TOTAL LONG TERM INVESTMENTS (COST \$10,545,736)		11,437,807

</TABLE>

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED) (CONT.)

<TABLE>
<CAPTION>

VALUE SECURITIES FUND	PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>
(f) REPURCHASE AGREEMENT 4.4%		
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$524,499) (Cost \$524,430)	\$ 524,430	\$ 524,430
Barclays Capital Inc. (Maturity Value \$66,158)		
Bear, Stearns & Co. Inc. (Maturity Value \$58,374)		
Chase Securities Inc. (Maturity Value \$10,804)		
CIBC Oppenheimer Corp. (Maturity Value \$66,158)		
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$46,699)		
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$46,699)		
Goldman, Sachs & Co. (Maturity Value \$23,351)		
NationsBanc Montgomery Securities LLC (Maturity Value \$46,699)		
Paine Webber Inc. (Maturity Value \$46,699)		
Paribas Corp. (Maturity Value \$46,699)		
Warburg Dillon Read LLC (Maturity Value \$66,159)		
Collateralized by U.S. Treasury Bills & Notes		

TOTAL INVESTMENTS (COST \$11,070,166) 100.7%		11,962,237
OTHER ASSETS, LESS LIABILITIES (.7%)		(88,025)

NET ASSETS 100.0%		\$11,874,212
		=====

</TABLE>

- (a) Non-income producing.
- (f) See Note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

ZERO COUPON FUND - 2000	PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>
U.S. GOVERNMENT AND AGENCY SECURITIES 97.4%		
FHLB, Strip, A-1, 2/25/01	\$ 7,567,000	\$ 6,880,938

FHLB, Strip, A-1, 2/25/02	465,000	397,687
FHLMC, Strip, 5/15/00	16,175,000	15,443,081
FICO, Strip, 10/06/00	6,200,000	5,773,403
FICO, Strip, 1, 11/11/00	1,139,000	1,054,648
FICO, Strip, 12, 12/06/00	17,390,000	16,031,806
FICO, Strip, 15, 9/07/00	148,000	138,462
FICO, Strip, 17, 10/05/00	5,875,000	5,471,646
FICO, Strip, D, 9/26/00	4,965,000	4,631,114
FNMA, Strip, 11/22/99	3,800,000	3,724,787
FNMA, Strip, 2/12/00	500,000	484,159
FNMA, Strip, 8/12/01	3,000,000	2,652,123
Tennessee Valley Authority, Strip, 7/15/00	3,320,000	3,134,163
Tennessee Valley Authority, Strip, 10/15/00	2,500,000	2,324,640
U.S. Treasury, Strip, 11/15/00	6,600,000	6,133,801
U.S. Treasury, Strip, QO, 11/15/00	1,110,375	1,029,188
U.S. Treasury, Strip, QO, 2/15/01	2,778,750	2,536,315
TOTAL U.S. GOVERNMENT AND AGENCY SECURITIES (COST \$75,596,134)		77,841,961
OTHER SECURITIES - AAA RATED 2.7%		
Interamerican Development Bank, Strip, 12/16/00	220,000	202,774
International Bank for Reconstruction and Development, 2/15/00	405,000	391,274
International Bank for Reconstruction and Development, 8/15/00	945,000	884,399
International Bank for Reconstruction and Development, 2/15/01	735,000	666,103
TOTAL OTHER SECURITIES - AAA RATED (COST \$2,072,756)		2,144,550
TOTAL LONG TERM INVESTMENTS (COST \$77,668,890)		79,986,511
(f) REPURCHASE AGREEMENT .1%		
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$59,894) (COST \$59,886)	59,886	59,886
Barclays Capital Inc. (Maturity Value \$7,555)		
Bear, Stearns & Co. Inc. (Maturity Value \$6,666)		
Chase Securities Inc. (Maturity Value \$1,233)		
CIBC Oppenheimer Corp. (Maturity Value \$7,554)		
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$5,333)		
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$5,333)		
Goldman, Sachs & Co. (Maturity Value \$2,666)		
NationsBanc Montgomery Securities LLC (Maturity Value \$5,333)		
Paine Webber Inc. (Maturity Value \$5,333)		
Paribas Corp. (Maturity Value \$5,333)		
Warburg Dillon Read LLC (Maturity Value \$7,555)		
Collateralized by U.S. Treasury Bills & Notes		
TOTAL INVESTMENTS (COST \$77,728,776) 100.2%		80,046,397
OTHER ASSETS, LESS LIABILITIES (.2%)		(164,453)
NET ASSETS 100.0%		\$79,881,944

</TABLE>

(f) See Notes 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

ZERO COUPON FUND - 2005	PRINCIPAL AMOUNT	VALUE
<S> U.S. GOVERNMENT AND AGENCY SECURITIES 95.8%	<C>	<C>
FHLB, Strip, A-1, 8/25/02	\$ 1,000,000	\$ 828,543
FHLB, Strip, A-1, 2/25/04	9,110,000	6,841,592
FHLB, Strip, A-1P, 2/25/04	800,000	600,798
FICO, Strip, 3/26/05	5,000,000	3,491,840
FICO, Strip, 10/06/05	11,400,000	7,688,491
FICO, Strip, 1, 5/11/05	3,500,000	2,425,056
FICO, Strip, 1, 11/11/05	829,000	555,822
FICO, Strip, 12, 12/06/05	11,055,000	7,376,172
FICO, Strip, 19, 12/06/05	10,000,000	6,672,250
FICO, Strip, D, 9/26/05	6,799,000	4,593,459
FICO, Strip, E, 11/02/05	3,509,000	2,356,195
FNMA, Strip, 2/12/06	250,000	165,263
FNMA, Strip, 1, 8/01/04	450,000	329,805
FNMA, Strip, 1, 2/01/05	6,000,000	4,244,122

FNMA, Strip, 1, 2/12/05	1,000,000	705,884
FNMA, Strip, 1, 8/12/05	875,000	597,690
FNMA, Strip, 1, 2/01/06	4,307,000	2,853,267
FNMA, Strip, 1, 8/01/06	530,000	340,101
FNMA, Strip, 1, 2/01/08	1,730,000	1,003,853
FNMA, Strip, 1, 2/12/08	120,000	69,456
REFCO, Strip, 1/15/06	6,500,000	4,383,841
REFCO, Strip, 4/15/06	3,000,000	1,991,331
Tennessee Valley Authority, Strip, 10/15/04	6,200,000	4,471,186
Tennessee Valley Authority, Strip, 4/15/05	2,260,000	1,575,491
Tennessee Valley Authority, Strip, 10/15/05	1,000,000	674,771
U.S. Treasury, Strip, 2/15/06	5,900,000	3,988,164
TOTAL U.S. GOVERNMENT AND AGENCY SECURITIES (COST \$64,558,962)		70,824,443
OTHER SECURITIES - AAA RATED 4.2%		
Exxon Capital Corp., 11/15/04	1,500,000	1,069,854
International Bank for Reconstruction and Development, 2/15/07	541,000	323,339
International Bank for Reconstruction and Development, 8/15/07	2,500,000	1,444,008
International Bank for Reconstruction and Development, 2, 2/15/07	459,000	274,344
TOTAL OTHER SECURITIES - AAA RATED (COST \$3,051,444)		3,111,545
TOTAL LONG TERM INVESTMENTS (COST \$67,610,406)		73,935,988
(f) REPURCHASE AGREEMENT .1%		
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$107,019) (COST \$107,005) ..	107,005	107,005
Barclays Capital Inc. (Maturity Value \$13,499)		
Bear, Stearns & Co. Inc. (Maturity Value \$11,911)		
Chase Securities Inc. (Maturity Value \$2,202)		
CIBC Oppenheimer Corp. (Maturity Value \$13,499)		
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$9,529)		
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$9,529)		
Goldman, Sachs & Co. (Maturity Value \$4,764)		
NationsBanc Montgomery Securities LLC (Maturity Value \$9,529)		
Paine Webber Inc. (Maturity Value \$9,529)		
Paribas Corp. (Maturity Value \$9,529)		
Warburg Dillon Read LLC (Maturity Value \$13,499)		
Collateralized by U.S. Treasury Bills & Notes		
TOTAL INVESTMENTS (COST \$67,717,411) 100.1%		74,042,993
OTHER ASSETS, LESS LIABILITIES (.1%)		(76,793)
NET ASSETS 100.0%		\$73,966,200

</TABLE>

(f) See Note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

ZERO COUPON FUND - 2010	PRINCIPAL AMOUNT	VALUE
<S>	<C>	<C>
U.S. GOVERNMENT AND AGENCY SECURITIES 93.7%		
FICO, Strip, 3/26/10	\$ 860,000	\$ 424,976
FICO, Strip, 1, 11/11/10	16,246,000	7,684,017
FICO, Strip, 3, 5/30/10	2,000,000	976,190
FICO, Strip, 4, 10/06/10	1,528,000	727,631
FICO, Strip, 8, 8/03/10	3,021,000	1,456,264
FICO, Strip, 11, 2/08/11	2,837,000	1,319,066
FICO, Strip, 12, 6/06/09	4,550,000	2,379,614
FICO, Strip, 12, 12/06/10	7,500,000	3,529,950
FICO, Strip, 19, 6/06/10	9,800,000	4,777,059
FICO, Strip, 19, 12/06/10	2,080,000	978,973
FICO, Strip, A, 8/08/10	7,000,000	3,371,039
FICO, Strip, D, 9/26/10	860,000	410,356
FICO, Strip, GEN, 10/06/10	4,040,000	1,923,840
FICO, Strip, GEN, 4/06/11	5,000,000	2,298,660
FNMA, Strip, 8/12/09	1,975,000	1,028,065
FNMA, Strip, 8/12/10	1,230,000	597,647
FNMA, Strip, 1, 2/01/10	5,000,000	2,520,030
FNMA, Strip, 1, 8/01/10	8,250,000	4,017,024
REFCO, Strip, 10/15/10	20,000,000	9,821,320
Sallie Mae, zero cpn., 5/15/14	8,650,000	2,563,341

Tennessee Valley Authority, Strip, 1/01/10	412,000	198,740
Tennessee Valley Authority, Strip, 4/15/10	12,000,000	5,951,244
Tennessee Valley Authority, Strip, 10/15/10	1,320,000	632,324
Tennessee Valley Authority, Strip, 4/15/11	9,525,000	4,406,332
Tennessee Valley Authority, Strip, 10/15/11	7,295,000	3,258,385
U.S. Treasury, Strip, 11/15/10	14,180,000	7,042,313
TOTAL U.S. GOVERNMENT AND AGENCY SECURITIES (COST \$65,824,226)		74,294,400
OTHER SECURITIES- AAA RATED 6.0%		
International Bank for Reconstruction and Development, 2/15/11	1,392,000	616,094
International Bank for Reconstruction and Development, 2/15/12	2,800,000	1,149,229
International Bank for Reconstruction and Development, 2/15/13	3,287,000	1,249,583
International Bank for Reconstruction and Development, 8/15/13	4,100,000	1,499,444
International Bank for Reconstruction and Development, Series 2, 2/15/11	500,000	221,298
TOTAL OTHER SECURITIES- AAA RATED (COST \$4,473,671)		4,735,648
TOTAL LONG TERM INVESTMENTS (COST \$70,297,897)		79,030,048
(f) REPURCHASE AGREEMENT .4%		
Joint Repurchase Agreement, 4.767%, 7/01/99, (Maturity Value \$357,478) (COST \$357,431) ...	357,431	357,431
Barclays Capital Inc. (Maturity Value \$45,092)		
Bear, Stearns & Co. Inc. (Maturity Value \$39,786)		
Chase Securities Inc. (Maturity Value \$7,364)		
CIBC Oppenheimer Corp. (Maturity Value \$45,091)		
Donaldson, Lufkin & Jenrette Securities Corp. (Maturity Value \$31,828)		
Dresdner Kleinwort Benson, North America LLC (Maturity Value \$31,828)		
Goldman, Sachs & Co. (Maturity Value \$15,914)		
NationsBanc Montgomery Securities LLC (Maturity Value \$31,828)		
Paine Webber Inc. (Maturity Value \$31,828)		
Paribas Corp. (Maturity Value \$31,828)		
Warburg Dillon Read LLC (Maturity Value \$45,091)		
Collateralized by U.S. Treasury Bills & Notes		
TOTAL INVESTMENTS (COST \$70,655,328) 100.1%		79,387,479
OTHER ASSETS, LESS LIABILITIES (.1%)		(105,308)
NET ASSETS 100.0%		\$79,282,171

</TABLE>

(f) See Note 1(c) regarding joint repurchase agreement.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
STATEMENT OF INVESTMENTS, JUNE 30, 1999 (UNAUDITED)

CURRENCY ABBREVIATIONS

AUD	-	Australian Dollar
ARS	-	Argentinian Peso
CAD	-	Canadian Dollar
DKK	-	Danish Krone
EUR	-	Eurodollar
GBP	-	British Pound
INR	-	Indian Rupee
JPY	-	Japanese Yen
NZD	-	New Zealand Dollar
SEK	-	Swedish Krona
ZAR	-	South African Rand

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements

STATEMENTS OF ASSETS AND LIABILITIES
JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

	GLOBAL				
	CAPITAL GROWTH FUND	HEALTH CARE SECURITIES FUND	GLOBAL UTILITIES SECURITIES FUND	GROWTH AND INCOME FUND	HIGH INCOME FUND
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					

Investments in securities:					
Cost	\$ 238,302,547	\$ 9,596,134	\$ 687,171,705	\$ 892,898,162	\$ 428,049,857
Value	313,872,522	10,018,464	839,159,255	1,140,073,416	377,154,320
Repurchase agreements, at value and cost ...	42,076,712	346,418	30,928,379	63,629,989	1,034,282
Receivables:					
Investment securities sold	1,657,275	889,289	25,117,984	10,081,880	--
Capital shares sold	967,061	7,021	1,229	12,787	932,326
Dividends and interest	688,532	7,106	1,852,884	3,041,410	7,601,610
Total assets	359,262,102	11,268,298	897,059,731	1,216,839,482	386,722,538
Liabilities:					
Payables:					
Investment securities purchased	2,374,950	831,990	3,637,590	12,041,510	2,500,000
Capital shares redeemed	811,754	17	723,911	1,123,169	181,273
Affiliates	210,988	6,128	352,437	468,198	161,832
Custodian fees	881	21	23,883	21,670	4,205
Postage and mailing fees	10,911	646	14,624	24,340	16,658
Other liabilities	8,556	1,549	66,810	63,965	46,944
Total liabilities	3,418,040	840,351	4,819,255	13,742,852	2,910,912
Net assets, at value	\$ 355,844,062	\$ 10,427,947	\$ 892,240,476	\$1,203,096,630	\$ 383,811,626
Net assets consist of:					
Undistributed net investment income	\$ 2,753,548	\$ 37,454	\$ 43,191,352	\$ 61,413,191	\$ 69,541,329
Net unrealized appreciation (depreciation) .	75,569,975	422,330	151,970,306	247,175,254	(50,895,537)
Accumulated net realized gain (loss)	1,195,711	(1,417,637)	190,340,293	189,965,847	15,306,348
Capital shares	276,324,828	11,385,800	506,738,525	704,542,338	349,859,486
Net assets, at value	\$ 355,844,062	\$ 10,427,947	\$ 892,240,476	\$1,203,096,630	\$ 383,811,626
CLASS 1:					
Net assets, at value	\$ 355,536,656	\$ 10,386,034	\$ 891,972,748	\$1,202,585,998	\$ 383,705,064
Shares outstanding	19,689,451	1,134,290	40,018,839	54,749,803	28,536,369
Net asset value and offering price per share	\$ 18.06	\$ 9.16	\$ 22.29	\$ 21.97	\$ 13.45
CLASS 2:					
Net assets, at value	\$ 307,406	\$ 41,913	\$ 267,728	\$ 510,632	\$ 106,562
Shares outstanding	17,055	4,584	12,030	23,282	7,932
Net asset value and offering price per share	\$ 18.02	\$ 9.14	\$ 22.26	\$ 21.93	\$ 13.43

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF ASSETS AND LIABILITIES (CONT.)
JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

	Income Securities Fund	Money Market Fund	Mutual Discovery Securities Fund	Mutual Shares Securities Fund	Natural Resources Securities Fund
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
Investments in securities:					
Cost	\$936,081,323	\$315,554,350	\$176,183,870	\$423,534,510	\$ 47,714,139
Value	950,315,008	315,554,350	188,379,053	475,778,153	49,389,673
Repurchase agreements, at value and cost	--	38,210,000	--	--	1,259,103
Cash	--	--	7,685,804	12,358,049	--
Receivables:					
Investment securities sold	10,218,668	--	3,811,474	6,285,733	--
Capital shares sold	--	81,226	18,965	56,716	--
Dividends and interest	11,748,298	762,517	638,243	1,156,679	10,305
Unrealized gain on forward exchange contracts (Note 6)	--	--	5,242,102	3,417,587	--
Deposits with brokers for securities sold short .	--	--	3,249,751	7,772,566	--
Total assets	972,281,974	354,608,093	209,025,392	506,825,483	50,659,081
Liabilities:					
Payables:					
Investment securities purchased	174,551	--	1,694,920	5,274,802	103,964

Capital shares redeemed	--	4,675,531	101,237	270,516	170,579
Affiliates	386,845	159,672	164,284	299,331	25,411
Custodian fees	41,982	3,080	4,393	5,231	495
Postage and mailing fees	51,507	7,288	1,513	--	1,415
Securities sold short, at value (proceeds \$1,429,493 and \$3,132,279, respectively)	--	--	1,675,073	3,295,800	--
Due to broker, variation margin	--	--	36,496	77,867	--
Unrealized loss on forward exchange contracts (Note 6)	--	--	327,820	213,896	--
Other liabilities	65,470	7,318	96,300	58,701	5,230
Total liabilities	720,355	4,852,889	4,102,036	9,496,144	307,094
Net assets, at value	\$971,561,619	\$349,755,204	\$204,923,356	\$497,329,339	\$ 50,351,987
Net assets consist of:					
Undistributed net investment income	\$122,233,431	\$ --	\$ 6,414,204	\$ 15,676,564	\$ 933,095
Net unrealized appreciation	14,239,546	--	16,737,331	55,193,958	1,675,534
Accumulated net realized gain (loss)	63,040,408	--	(8,498,065)	12,647,786	(23,266,021)
Capital shares	772,048,234	349,755,204	190,269,886	413,811,031	71,009,379
Net assets, at value	\$971,561,619	\$349,755,204	\$204,923,356	\$497,329,339	\$ 50,351,987
CLASS 1:					
Net assets, at value	\$971,090,696	\$347,023,568	\$204,736,486	\$496,887,152	\$ 50,308,431
Shares outstanding	56,396,814	347,023,568	16,178,470	36,256,033	4,640,233
Net asset value and offering price per share	\$ 17.22	\$ 1.00	\$ 12.65	\$ 13.70	\$ 10.84
CLASS 2:					
Net assets, at value	\$ 470,923	\$ 2,731,636	\$ 186,870	\$ 442,187	\$ 43,556
Shares outstanding	27,386	2,731,636	14,781	32,326	4,021
Net asset value and offering price per share	\$ 17.20	\$ 1.00	\$ 12.64	\$ 13.68	\$ 10.83

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF ASSETS AND LIABILITIES (CONT.)
JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

	Real Estate Securities Fund	Rising Dividends Fund	Small Cap Fund	Templeton Developing Markets Equity Fund	Templeton Global Asset Allocation Fund
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
Investments in securities:					
Cost - Unaffiliated issuers	\$ 205,902,433	\$ 455,267,272	\$ 246,346,501	\$ 176,455,485	\$ 63,992,379
Cost - Non-controlled affiliated issuers	--	21,480,423	--	--	--
Value - Unaffiliated issuers	218,036,187	575,133,599	290,107,691	187,587,783	65,960,511
Value - Non-controlled affiliated issuers	--	29,802,525	--	--	--
Repurchase agreements, at value and cost	3,713,503	10,569,670	18,106,327	--	4,220,000
Cash	--	--	--	336,898	561
Receivables:					
Investment securities sold	1,564,823	6,272,368	846,042	2,824,516	--
Capital shares sold	--	13,806	450,470	583	50
Dividends and interest	1,700,313	881,873	147,406	840,659	533,811
Unrealized gain on forward exchange contracts (Note 6)	--	--	--	--	5,130
Total assets	225,014,826	622,673,841	309,657,936	191,590,439	70,720,063
Liabilities:					
Payables:					
Investment securities purchased	--	--	537,835	1,386,072	24,462
Capital shares redeemed	388,092	690,522	--	185,016	46,386
Affiliates	104,969	369,674	179,512	191,123	--
Custodian fees	1,186	2,488	1,757	56,601	42,285
Postage and mailing fees	9,020	15,440	9,648	12,341	3,844
Payable upon return of securities loaned (Note 10)	--	--	9,656,982	--	--
Deferred tax liability (Note 1j)	--	--	--	341,012	--
Other liabilities	16,250	34,570	16,966	28,381	6,841

Total liabilities	519,517	1,112,694	10,402,700	2,200,546	123,818
Net assets, at value	\$ 224,495,309	\$ 621,561,147	\$ 299,255,236	\$ 189,389,893	\$ 70,596,245
Net assets consist of:					
Undistributed net investment income	\$ 23,943,538	\$ 13,735,865	\$ 1,414,424	\$ 4,420,885	\$ 4,133,697
Net unrealized appreciation	12,133,754	128,188,429	43,761,190	10,791,286	1,968,270
Accumulated net realized gain (loss)	35,206,692	144,195,780	15,284,342	(62,868,325)	2,302,385
Capital shares	153,211,325	335,441,073	238,795,280	237,046,047	62,191,893
Net assets, at value	\$ 224,495,309	\$ 621,561,147	\$ 299,255,236	\$ 189,389,893	\$ 70,596,245
CLASS 1:					
Net assets, at value	\$ 224,450,881	\$ 621,229,866	\$ 299,177,022	\$ 188,802,531	\$ 70,553,184
Shares outstanding	10,665,086	33,361,377	18,724,755	20,102,042	5,297,517
Net asset value and offering price per share	\$ 21.05	\$ 18.62	\$ 15.98	\$ 9.39	\$ 13.32
CLASS 2:					
Net assets, at value	\$ 44,428	\$ 331,281	\$ 78,214	\$ 587,362	\$ 43,061
Shares outstanding	2,114	17,822	4,903	62,613	3,239
Net asset value and offering price per share	\$ 21.02	\$ 18.59	\$ 15.95	\$ 9.38	\$ 13.29

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF ASSETS AND LIABILITIES (CONT.)
JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

	TEMPLETON GLOBAL GROWTH FUND	TEMPLETON GLOBAL INCOME SECURITIES FUND	TEMPLETON INTERNATIONAL EQUITY FUND	TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND	TEMPLETON PACIFIC GROWTH FUND
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
Investments in securities:					
Cost	\$ 600,987,541	\$ 120,116,180	\$ 640,290,738	\$ 22,567,080	\$ 122,176,287
Value	700,887,189	112,912,014	792,576,606	23,161,943	102,159,670
Repurchase agreements, at value and cost	41,328,000	--	31,109,000	1,417,000	7,175,000
Cash	1,959,957	--	400,884	783	3,510,332
Receivables:					
Investment securities sold	230,944	--	1,306,512	97,454	--
Capital shares sold	749,832	113	1,974,355	55,667	807,857
Dividends and interest	3,759,218	1,882,841	3,501,787	100,737	408,121
Unrealized gain on forward exchange contracts (Note 6)	--	31,411	--	--	--
Total assets	748,915,140	114,826,379	830,869,144	24,833,584	114,060,980
Liabilities:					
Payables:					
Investment securities purchased	14,267,674	--	157,553	5,660	--
Capital shares redeemed	408,130	171,188	627,401	4,069	152,426
Affiliates	498,068	54,811	565,730	19,253	100,904
Custodian fees	54,160	25,009	248,787	4,830	34,086
Postage and mailing fees	1,062	12,541	75,097	23	5,550
Funds advanced by custodian	--	853,913	--	--	--
Deferred tax liability (Note 1j)	--	--	--	--	490,909
Other liabilities	41,226	17,588	95,630	3,451	29,320
Total liabilities	15,270,320	1,135,050	1,770,198	37,286	813,195
Net assets, at value	\$ 733,644,820	\$ 113,691,329	\$ 829,098,946	\$ 24,796,298	\$ 113,247,785
Net assets consist of:					
Undistributed net investment income	\$ 24,158,413	\$ 8,638,389	\$ 42,455,389	\$ 1,010,826	\$ 634,906
Net unrealized appreciation (depreciation) ..	99,899,648	(7,200,204)	152,285,868	594,863	(20,507,526)
Accumulated net realized gain (loss)	92,699,126	(4,272,425)	113,791,000	(3,474,245)	(52,406,774)
Capital shares	516,887,633	116,525,569	520,566,689	26,664,854	185,527,179

Net assets, at value	\$ 733,644,820	\$ 113,691,329	\$ 829,098,946	\$ 24,796,298	\$ 113,247,785
=====					
CLASS 1:					
Net assets, at value	\$ 732,163,775	\$ 113,608,897	\$ 824,805,932	\$ 24,281,036	\$ 112,949,839
=====					
Shares outstanding	44,256,213	9,311,962	47,685,867	2,254,156	11,676,480
=====					
Net asset value and offering price per share	\$ 16.54	\$ 12.20	\$ 17.30	\$ 10.77	\$ 9.67
=====					
CLASS 2:					
Net assets, at value	\$ 1,481,045	\$ 82,432	\$ 4,293,014	\$ 515,262	\$ 297,946
=====					
Shares outstanding	89,660	6,766	248,579	47,890	30,876
=====					
Net asset value and offering price per share	\$ 16.52	\$ 12.18	\$ 17.27	\$ 10.76	\$ 9.65
=====					

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF ASSETS AND LIABILITIES (CONT.)
JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

	U.S. GOVERNMENT SECURITIES FUND	VALUE SECURITIES FUND	ZERO COUPON FUND - 2000	ZERO COUPON FUND - 2005	ZERO COUPON FUND -2010
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
Investments in securities:					
Cost	\$ 592,120,175	\$ 10,545,736	\$ 77,668,890	\$ 67,610,406	\$ 70,297,897
=====					
Value	591,526,259	11,437,807	79,986,511	73,935,988	79,030,048
Repurchase agreements, at value and cost	4,447,263	524,430	59,886	107,005	357,431
Receivables:					
Investment securities sold	144,419	5,087	--	--	--
Capital shares sold	306	--	--	--	--
Dividends and interest	4,968,361	10,030	--	--	--

Total assets	601,086,608	11,977,354	80,046,397	74,042,993	79,387,479

Liabilities:					
Payables:					
Investment securities purchased	--	91,788	--	--	--
Capital shares redeemed	430,211	--	106,084	22,835	48,219
Affiliates	246,593	6,953	41,573	38,093	39,854
Custodian fees	2,681	133	404	437	1,218
Postage and mailing fees	48,929	1,471	4,323	4,185	6,961
Other liabilities	52,118	2,797	12,069	11,243	9,056

Total liabilities	780,532	103,142	164,453	76,793	105,308

Net assets, at value	\$ 600,306,076	\$ 11,874,212	\$ 79,881,944	\$ 73,966,200	\$ 79,282,171
=====					
Net assets consist of:					
Undistributed net investment income	\$ 65,469,885	\$ 55,218	\$ 9,600,671	\$ 6,908,463	\$ 7,288,616
Net unrealized appreciation (depreciation) .	(593,916)	892,071	2,317,621	6,325,582	8,732,151
Accumulated net realized gain (loss)	(11,325,526)	(477,785)	2,369,018	1,148,783	3,401,964
Capital shares	546,755,633	11,404,708	65,594,634	59,583,372	59,859,440
=====					
Net assets, at value	\$ 600,306,076	\$ 11,874,212	\$ 79,881,944	\$ 73,966,200	\$ 79,282,171
=====					
CLASS 1:					
Net assets, at value	\$ 598,705,147	\$ 11,814,650	\$ 79,881,944	\$ 73,966,200	\$ 79,282,171
=====					
Shares outstanding	43,671,421	1,367,038	5,340,568	4,388,389	4,563,563
=====					
Net asset value and offering price per share	\$ 13.71	\$ 8.64	\$ 14.96	\$ 16.85	\$ 17.37
=====					
CLASS 2:					
Net assets, at value	\$ 1,600,929	\$ 59,562	--	--	--
=====					
Shares outstanding	116,900	6,901	--	--	--
=====					
Net asset value and offering price per share	\$ 13.69	\$ 8.63	--	--	--
=====					

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

	CAPITAL GROWTH FUND	GLOBAL HEALTH CARE SECURITIES FUND	GLOBAL UTILITIES SECURITIES FUND	GROWTH AND INCOME FUND	HIGH INCOME FUND
<S>	<C>	<C>	<C>	<C>	<C>
Investment income:+					
Dividends	\$ 1,166,373	\$ 30,094	\$ 11,971,588	\$ 19,753,412	\$ 52,325
Interest	1,245,140	21,647	534,762	1,407,992	22,957,372
Total investment income	2,411,513	51,741	12,506,350	21,161,404	23,009,697
Expenses:					
Management fees (Note 3)	1,141,192	29,511	2,157,610	2,889,139	1,077,280
Administrative fees (Note 3)	--	7,441	--	--	--
Distribution fees (Note 3)					
Class 2	198	17	142	306	79
Custodian fees	1,351	57	54,640	21,206	4,751
Reports to shareholders	18,685	1,091	53,936	69,996	36,576
Professional fees	4,961	906	20,219	28,474	10,847
Trustees' fees and expenses	785	53	3,926	5,095	1,868
Other	784	298	24,115	7,572	20,616
Total expenses	1,167,956	39,374	2,314,588	3,021,788	1,152,017
Net investment income	1,243,557	12,367	10,191,762	18,139,616	21,857,680
Realized and unrealized gains (losses):					
Net realized gain (loss) from:					
Investments	4,715,973	(1,155,604)	111,252,257	71,119,583	2,775,729
Foreign currency transactions	--	(583)	(827,994)	(237,791)	(1,982)
Net realized gain (loss)	4,715,973	(1,156,187)	110,424,263	70,881,792	2,773,747
Net unrealized appreciation (depreciation) on:					
Investments	30,659,765	(453,663)	(45,720,421)	2,261,901	(18,528,514)
Translation of assets and liabilities denominated in foreign currencies	--	--	(17,244)	5,820	465
Net unrealized appreciation (depreciation)	30,659,765	(453,663)	(45,737,665)	2,267,721	(18,528,049)
Net realized and unrealized gain (loss)	35,375,738	(1,609,850)	64,686,598	73,149,513	(15,754,302)
Net increase (decrease) in net assets resulting from operations	\$ 36,619,295	\$ (1,597,483)	\$ 74,878,360	\$ 91,289,129	\$ 6,103,378

</TABLE>

+Net of foreign taxes and fees of \$13,674, \$477, \$415,034, and \$236,846 for the Capital Growth Fund, the Global Health Care Securities Fund, the Global Utilities Securities Fund, and the Growth and Income Fund, respectively.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF OPERATIONS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

	INCOME SECURITIES FUND	MONEY MARKET FUND	MUTUAL DISCOVERY SECURITIES FUND	MUTUAL SHARES SECURITIES FUND	NATURAL RESOURCES SECURITIES FUND
<S>	<C>	<C>	<C>	<C>	<C>
Investment income:+					
Dividends	\$ 12,678,277	\$ --	\$ 2,586,017	\$ 3,173,746	\$ 318,904

Interest	29,309,887	9,665,523	736,265	2,795,696	40,325
Total investment income	41,988,164	9,665,523	3,322,282	5,969,442	359,229
Expenses:					
Management fees (Note 3)	2,500,719	998,583	830,969	1,430,056	145,311
Administrative fees (Note 3)	--	--	155,103	336,639	--
Distribution fees (Note 3)					
Class 2	214	976	132	296	31
Custodian fees	43,219	2,108	12,314	16,100	664
Reports to shareholders	90,743	15,156	9,511	28,800	3,434
Professional fees	22,723	6,875	4,586	18,500	1,819
Trustees' fees and expenses	4,360	1,673	764	1,900	208
Other	14,723	--	--	29,294	1,724
Total expenses	2,676,701	1,025,371	1,013,379	1,861,585	153,191
Net investment income	39,311,463	8,640,152	2,308,903	4,107,857	206,038
Realized and unrealized gains (losses):					
Net realized gain (loss) from:					
Investments	34,354,839	208	1,833,708	20,421,696	141,339
Foreign currency transactions	(68,540)	--	1,365,905	1,923,527	(882)
Net realized gain	34,286,299	208	3,199,613	22,345,223	140,457
Net unrealized appreciation (depreciation) on:					
Investments	(58,479,138)	--	11,865,780	35,521,440	11,868,065
Translation of assets and liabilities denominated in foreign currencies	6,494	--	5,832,711	3,031,844	--
Net unrealized appreciation (depreciation)	(58,472,644)	--	17,698,491	38,553,284	11,868,065
Net realized and unrealized gain (loss)	(24,186,345)	208	20,898,104	60,898,507	12,008,522
Net increase in net assets resulting from operations	\$ 15,125,118	\$ 8,640,360	\$ 23,207,007	\$ 65,006,364	\$ 12,214,560

</TABLE>

+Net of foreign taxes and fees of \$18,221, \$247,535, \$157,586, and \$9,779 for the Income Securities Fund, the Mutual Discovery Securities Fund, the Mutual Shares Securities Fund, and the Natural Resources Securities Fund, respectively.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF OPERATIONS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

	REAL ESTATE SECURITIES FUND	RISING DIVIDENDS FUND	SMALL CAP FUND	TEMPLETON DEVELOPING MARKETS EQUITY FUND	TEMPLETON GLOBAL ASSET ALLOCATION FUND
<S>	<C>	<C>	<C>	<C>	<C>
Investment income:+					
Dividends	\$ 5,613,414	\$ 6,579,081	\$ 695,579	\$ 2,475,116	\$ 830,102
Interest	122,726	193,549	321,047	6,057	831,921
Total investment income	5,736,140	6,772,630	1,016,626	2,481,173	1,662,023
Expenses:					
Management fees (Note 3)	671,739	2,328,514	1,101,012	1,041,397	237,031
Administrative fees (Note 3)	--	--	--	--	54,699
Distribution fees (Note 3)					
Class 2	29	212	32	39	30
Custodian fees	1,630	3,568	1,757	105,800	--
Reports to shareholders	20,000	42,305	19,744	8,000	7,200
Professional fees	5,832	14,441	7,859	11,500	1,900
Trustees' fees and expenses	1,224	2,884	1,228	600	--
Other	1,852	4,297	3,105	69	379
Total expenses	702,306	2,396,221	1,134,737	1,167,405	301,239
Net investment income (loss)	5,033,834	4,376,409	(118,111)	1,313,768	1,360,784
Realized and unrealized gains (losses):					
Net realized gain (loss) from:					

Investments	10,710,550*	50,831,307*	15,619,206	(26,187,877)	(1,148,042)
Foreign currency transactions	--	--	--	(45,691)	(32,423)
Net realized gain (loss)	10,710,550	50,831,307	15,619,206	(26,233,568)	(1,180,042)
Net unrealized appreciation (depreciation) on:					
Investments	(3,935,850)	(44,209,040)	27,500,843	77,326,037	3,153,775
Deferred taxes (Note 1j)	--	--	--	(341,012)	--
Translation of assets and liabilities denominated in foreign currencies	--	--	--	--	(5,174)
Net unrealized appreciation (depreciation)	(3,935,850)	(44,209,040)	27,500,843	76,985,025	3,148,601
Net realized and unrealized gain	6,774,700	6,622,267	43,120,049	50,751,457	1,968,136
Net increase in net assets resulting from operations	\$ 11,808,534	\$ 10,998,676	\$ 43,001,938	\$ 52,065,225	\$ 3,328,920

</TABLE>

+Net of foreign taxes and fees of \$79,290, \$319,010, and \$81,106 for the Small Cap Fund, the Templeton Developing Markets Equity Fund, and the Templeton Global Asset Allocation Fund, respectively.

*Includes non-controlled affiliated issuer in the amount of (\$1,793,962) for the Real Estate Securities Fund and \$281,428 for the Rising Dividends Fund.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF OPERATIONS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)

<TABLE>
<CAPTION>

	TEMPLETON GLOBAL GROWTH FUND	TEMPLETON GLOBAL INCOME SECURITIES FUND	TEMPLETON INTERNATIONAL EQUITY FUND	TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND	TEMPLETON PACIFIC GROWTH FUND
<S>	<C>	<C>	<C>	<C>	<C>
Investment income:+					
Dividends	\$ 11,344,030	\$ --	\$ 14,953,862	\$ 511,983	\$ 1,141,457
Interest	1,288,395	4,131,998	1,189,313	7,576	19,696
Total investment income	12,632,425	4,131,998	16,143,175	519,559	1,161,153
Expenses:					
Management fees (Note 3)	2,983,965	393,647	3,540,668	97,875	484,190
Administrative fees (Note 3)	--	--	--	17,272	--
Distribution fees (Note 3)					
Class 2	442	32	1,313	25	40
Custodian fees	111,000	26,200	299,100	10,900	40,617
Reports to shareholders	33,100	12,800	79,300	2,000	--
Professional fees	15,600	3,400	21,400	1,350	1,100
Trustees' fees and expenses	2,800	400	4,000	150	300
Other	6,134	556	5,334	121	--
Total expenses	3,153,041	437,035	3,951,115	129,693	526,247
Net investment income	9,479,384	3,694,963	12,192,060	389,866	634,906
Realized and unrealized gains (losses):					
Net realized gain (loss) from:					
Investments	17,344,632	(921,611)	90,886,731	(924,716)	(27,812,132)
Foreign currency transactions	(506,819)	147,984	(1,165,446)	(5,559)	83,252
Net realized gain (loss)	16,837,813	(773,627)	89,721,285	(930,275)	(27,728,880)
Net unrealized appreciation (depreciation) on:					
Investments	54,339,968	(10,006,919)	(10,209,283)	4,119,484	54,174,109
Deferred taxes (Note 1j)	--	--	--	--	(490,909)
Translation of assets and liabilities denominated in foreign currencies	--	(46,104)	--	--	(572,161)
Net unrealized appreciation (depreciation) .	54,339,968	(10,053,023)	(10,209,283)	4,119,484	53,111,039
Net realized and unrealized gain (loss)	71,177,781	(10,826,650)	79,512,002	3,189,209	25,382,159
Net increase (decrease) in net assets resulting from operations	\$ 80,657,165	\$ (7,131,687)	\$ 91,704,062	\$ 3,579,075	\$ 26,017,065

</TABLE>

+Net of foreign taxes and fees of \$1,090,514, \$1,715,049, \$66,353, and \$79,360 for the Templeton Global Growth Fund, the Templeton International Equity Fund, the Templeton International Smaller Companies Fund, and the Templeton Pacific Growth Fund, respectively.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF OPERATIONS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)

	U.S.				
	GOVERNMENT	VALUE	ZERO COUPON	ZERO COUPON	ZERO COUPON
	SECURITIES FUND	SECURITIES FUND	FUND - 2000	FUND - 2005	FUND -2010
<S>	<C>	<C>	<C>	<C>	<C>
Investment income:					
Dividends	\$ --	\$ 51,283	\$ --	\$ --	\$ --
Interest	21,940,933	14,715	3,168,371	2,535,200	2,667,814
Total investment income	21,940,933	65,998	3,168,371	2,535,200	2,667,814
Expenses:					
Management fees (Note 3)	1,604,660	27,429	268,911	247,643	269,530
Administrative fees (Note 3)	--	6,911	--	--	--
Distribution fees (Note 3)					
Class 2	875	43	--	--	--
Custodian fees	3,870	148	544	629	474
Reports to shareholders	75,375	2,351	7,624	6,591	7,658
Professional fees	12,813	1,016	2,802	2,488	2,514
Trustees' fees and expenses	2,709	285	388	342	357
Other	18,815	773	4,352	4,711	4,942
Total expenses	1,719,117	38,956	284,621	262,404	285,475
Net investment income	20,221,816	27,042	2,883,750	2,272,796	2,382,339
Realized and unrealized gains (losses):					
Net realized gain (loss) from investments	1,596,888	(387,745)	617,145	695,508	1,175,571
Net unrealized appreciation (depreciation) on investments	(29,783,067)	1,294,459	(2,662,964)	(7,064,769)	(11,551,249)
Net realized and unrealized gain (loss)	(28,186,179)	906,714	(2,045,819)	(6,369,261)	(10,375,678)
Net increase (decrease) in net assets resulting from operations	\$ (7,964,363)	\$ 933,756	\$ 837,931	\$ (4,096,465)	\$ (7,993,339)

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF CHANGES IN NET ASSETS FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED) AND THE YEAR ENDED DECEMBER 31, 1998

	CAPITAL GROWTH FUND		GLOBAL HEALTH CARE SECURITIES FUND	
	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998*
<S>	<C>	<C>	<C>	<C>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 1,243,557	\$ 1,514,533	\$ 12,367	\$ 25,087
Net realized gain (loss) from investments and foreign currency transactions	4,715,973	(3,325,719)	(1,156,187)	(261,450)
Net unrealized appreciation (depreciation) on investments and translation of assets and				

liabilities denominated in foreign currencies	30,659,765	31,691,954	(453,663)	875,993
Net increase (decrease) in net assets resulting from operations	36,619,295	29,880,768	(1,597,483)	639,630
Distributions to shareholders from:				
Net investment income:				
Class 1	--	(539,187)	--	--
Net realized gains:				
Class 1	--	--	--	--
Total distributions to shareholders	--	(539,187)	--	--
Capital share transactions: (Note 2)				
Class 1	97,982,258	82,255,070	2,993,105	8,350,695
Class 2	290,871	--	42,000	--
Total capital share transactions ...	98,273,129	82,255,070	3,035,105	8,350,695
Net increase (decrease) in net assets	134,892,424	111,596,651	1,437,622	8,990,325
Net assets:				
Beginning of period	220,951,638	109,354,987	8,990,325	--
End of period	\$ 355,844,062	\$220,951,638	\$ 10,427,947	\$ 8,990,325
Undistributed net investment income included in net assets:				
End of period	\$ 2,753,548	\$ 1,509,991	\$ 37,454	\$ 25,087

</TABLE>

<TABLE>
<CAPTION>

	GLOBAL UTILITIES SECURITIES FUND	
	SIX MONTHS ENDED	YEAR ENDED
	JUNE 30, 1999	DECEMBER 31, 1998
<S>	<C>	<C>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 10,191,762	\$ 33,039,638
Net realized gain (loss) from investments and foreign currency transactions	110,424,263	80,008,445
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	(45,737,665)	(5,715,083)
Net increase (decrease) in net assets resulting from operations	74,878,360	107,333,000
Distributions to shareholders from:		
Net investment income:		
Class 1	--	(42,481,848)
Net realized gains:		
Class 1	--	(61,944,426)
Total distributions to shareholders	--	(104,426,274)
Capital share transactions: (Note 2)		
Class 1	(169,644,303)	(146,055,631)
Class 2	251,223	--
Total capital share transactions ...	(169,393,080)	(146,055,631)
Net increase (decrease) in net assets	(94,514,720)	(143,148,905)
Net assets:		
Beginning of period	986,755,196	1,129,904,101
End of period	\$ 892,240,476	\$ 986,755,196
Undistributed net investment income included in net assets:		
End of period	\$ 43,191,352	\$ 32,999,590

</TABLE>

*For the period May 1, 1998 (effective date) to December 31, 1998.

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF CHANGES IN NET ASSETS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)
AND THE YEAR ENDED DECEMBER 31, 1998

<TABLE>
<CAPTION>

	GROWTH AND INCOME FUND		HIGH INCOME FUND	
	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
<S>	<C>	<C>	<C>	<C>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 18,139,616	\$ 44,009,803	\$ 21,857,680	\$ 48,463,944
Net realized gain from investments and foreign currency transactions	70,881,792	119,155,296	2,773,747	11,863,739
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	2,267,721	(59,404,856)	(18,528,049)	(53,325,986)
Net increase in net assets resulting from operations	91,289,129	103,760,243	6,103,378	7,001,697
Distributions to shareholders from:				
Net investment income:				
Class 1	--	(43,569,458)	--	(44,113,847)
Net realized gains:				
Class 1	--	(102,500,145)	--	(2,617,950)
Total distributions to shareholders	--	(146,069,603)	--	(46,731,797)
Capital share transactions: (Note 2)				
Class 1	(207,410,551)	22,576,507	(69,006,753)	(9,697,227)
Class 2	474,779	--	106,496	--
Total capital share transactions .	(206,935,772)	22,576,507	(68,900,257)	(9,697,227)
Net decrease in net assets	(115,646,643)	(19,732,853)	(62,796,879)	(49,427,327)
Net assets:				
Beginning of period	1,318,743,273	1,338,476,126	446,608,505	496,035,832
End of period	\$ 1,203,096,630	\$ 1,318,743,273	\$ 383,811,626	\$ 446,608,505
Undistributed net investment income included in net assets:				
End of period	\$ 61,413,191	\$ 43,273,575	\$ 69,541,329	\$ 48,138,649

</TABLE>

<TABLE>
<CAPTION>

	INCOME SECURITIES FUND	
	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
<S>	<C>	<C>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 39,311,463	\$ 90,721,586
Net realized gain from investments and foreign currency transactions	34,286,299	21,750,117
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in		

foreign currencies	(58,472,644)	(93,203,950)
Net increase in net assets resulting from operations	15,125,118	19,267,753
Distributions to shareholders from:		
Net investment income:		
Class 1	--	(102,762,930)
Net realized gains:		
Class 1	--	(24,268,308)
Total distributions to shareholders	--	(127,031,238)
Capital share transactions:		
(Note 2)		
Class 1	(229,868,833)	(113,183,247)
Class 2	465,447	--
Total capital share transactions .	(229,403,386)	(113,183,247)
Net decrease in net assets	(214,278,268)	(220,946,732)
Net assets:		
Beginning of period	1,185,839,887	1,406,786,619
End of period	\$ 971,561,619	\$ 1,185,839,887
Undistributed net investment income included in net assets:		
End of period	\$ 122,233,431	\$ 82,921,968

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF CHANGES IN NET ASSETS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)
AND THE YEAR ENDED DECEMBER 31, 1998

<TABLE>
<CAPTION>

	MONEY MARKET FUND		MUTUAL DISCOVERY SERIES FUND	
	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
<S>	<C>	<C>	<C>	<C>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 8,640,152	\$ 19,603,887	\$ 2,308,903	\$ 4,620,204
Net realized gain (loss) from investments and foreign currency transactions	208	(371)	3,199,613	(11,326,928)
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	--	--	17,698,491	(12,566,983)
Net increase (decrease) in net assets resulting from operations	8,640,360	19,603,516	23,207,007	(19,273,707)
Distributions to shareholders from:				
Net investment income:				
Class 1	(8,627,302)	(19,603,516)	--	(3,306,778)
Class 2	(13,058)	--	--	--
Net realized gains:				
Class 1	--	--	--	(3,076,305)
Total distributions to shareholders	(8,640,360)	(19,603,516)	--	(6,383,083)
Capital share transactions:				
(Note 2)				
Class 1	(67,317,190)	46,891,619	(43,112,110)	51,660,205
Class 2	2,731,636	--	172,282	--
Total capital share transactions ...	(64,585,554)	46,891,619	(42,939,828)	51,660,205
Net increase (decrease)				

in net assets	(64,585,554)	46,891,619	(19,732,821)	26,003,415
Net assets:				
Beginning of period	414,340,758	367,449,139	224,656,177	198,652,762
	=====			
End of period	\$ 349,755,204	\$ 414,340,758	\$ 204,923,356	\$ 224,656,177
Undistributed net investment income included in net assets:				
End of period	\$ --	\$ --	\$ 6,414,204	\$ 4,105,301
	=====			

</TABLE>

<TABLE>
<CAPTION>

	MUTUAL SHARES SECURITIES FUND	
	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998

<S>	<C>	<C>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 4,107,857	\$ 12,337,999
Net realized gain (loss) from investments and foreign currency transactions	22,345,223	(9,502,532)
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	38,553,284	(8,967,243)

Net increase (decrease) in net assets resulting from operations	65,006,364	(6,131,776)
Distributions to shareholders from:		
Net investment income:		
Class 1	--	(5,124,853)
Class 2	--	--
Net realized gains:		
Class 1	--	(4,478,333)

Total distributions to shareholders	--	(9,603,186)
Capital share transactions:		
(Note 2)		
Class 1	(50,529,383)	110,391,317
Class 2	408,671	--

Total capital share transactions ...	(50,120,712)	110,391,317
Net increase (decrease) in net assets	14,885,652	94,656,355
Net assets:		
Beginning of period	482,443,687	387,787,332
	=====	
End of period	\$ 497,329,339	\$ 482,443,687
Undistributed net investment income included in net assets:		
End of period	\$ 15,676,564	\$ 11,568,707
	=====	

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF CHANGES IN NET ASSETS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)
AND THE YEAR ENDED DECEMBER 31, 1998

<TABLE>
<CAPTION>

	NATURAL RESOURCES SECURITIES FUND		REAL ESTATE SECURITIES FUND	
	SIX MONTHS	YEAR	SIX MONTHS	YEAR

	ENDED JUNE 30, 1999	ENDED DECEMBER 31, 1998	ENDED JUNE 30, 1999	ENDED DECEMBER 31, 1998
<S>	<C>	<C>	<C>	<C>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 206,038	\$ 751,162	\$ 5,033,834	\$ 20,084,431
Net realized gain (loss) from investments and foreign currency transactions	140,457	(16,988,914)	10,710,550	24,686,332
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	11,868,065	(1,662,177)	(3,935,850)	(114,230,527)
Net increase (decrease) in net assets resulting from operations	12,214,560	(17,899,929)	11,808,534	(69,459,764)
Distributions to shareholders from:				
Net investment income:				
Class 1	--	(946,913)	--	(15,362,062)
Net realized gains:				
Class 1	--	--	--	(9,509,537)
Total distributions to shareholders	--	(946,913)	--	(24,871,599)
Capital share transactions: (Note 2)				
Class 1	(7,827,532)	(10,150,422)	(69,646,316)	(63,932,493)
Class 2	37,913	--	42,684	--
Total capital share transactions . Net increase (decrease) in net assets	(7,789,619)	(10,150,422)	(69,603,632)	(63,932,493)
4,424,941	(28,997,264)	(57,795,098)	(158,263,856)	
Net assets:				
Beginning of period	45,927,046	74,924,310	282,290,407	440,554,263
End of period	\$ 50,351,987	\$ 45,927,046	\$ 224,495,309	\$ 282,290,407
Undistributed net investment income included in net assets: End of period	\$ 933,095	\$ 727,057	\$ 23,943,538	\$ 18,909,704

</TABLE>

<TABLE>
<CAPTION>

	RISING DIVIDENDS FUND	
	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
<S>	<C>	<C>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 4,376,409	\$ 9,364,650
Net realized gain (loss) from investments and foreign currency transactions	50,831,307	93,670,542
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	(44,209,040)	(58,097,205)
Net increase (decrease) in net assets resulting from operations	10,998,676	44,937,987
Distributions to shareholders from:		
Net investment income:		
Class 1	--	(8,600,227)
Net realized gains:		
Class 1	--	(105,391,578)
Total distributions to shareholders	--	(113,991,805)
Capital share transactions: (Note 2)		
Class 1	(141,612,078)	40,625,030
Class 2	305,553	--

Total capital share transactions .	(141,306,525)	40,625,030
Net increase (decrease) in net assets	(130,307,849)	(28,428,788)
Net assets:		
Beginning of period	751,868,996	780,297,784
End of period	\$ 621,561,147	\$ 751,868,996
Undistributed net investment income included in net assets:		
End of period	\$ 13,735,865	\$ 9,359,456

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF CHANGES IN NET ASSETS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)
AND THE YEAR ENDED DECEMBER 31, 1998

<TABLE>
<CAPTION>

	SMALL CAP FUND		TEMPLETON DEVELOPING MARKETS EQUITY FUND	
	SIX MONTHS ENDED	YEAR ENDED	SIX MONTHS ENDED	YEAR ENDED
	JUNE 30, 1999	DECEMBER 31, 1998	JUNE 30, 1999	DECEMBER 31, 1998
<S>	<C>	<C>	<C>	<C>
Increase (decrease) in net assets:				
Operations:				
Net investment income (loss)	\$ (118,111)	\$ 1,603,412	\$ 1,313,768	\$ 4,306,111
Net realized gain (loss) from investments and foreign currency transactions	15,619,206	(229,426)	(26,233,568)	(27,689,978)
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	27,500,843	(8,381,265)	76,985,025	(32,987,790)
Net increase (decrease) in net assets resulting from operations	43,001,938	(7,007,279)	52,065,225	(56,371,657)
Distributions to shareholders from:				
Net investment income:				
Class 1	--	(201,399)	--	(7,007,398)
Net realized gains:				
Class 1	--	(25,854,889)	--	(22,786,132)
Total distributions to shareholders	--	(26,056,288)	--	(29,793,530)
Capital share transactions: (Note 2)				
Class 1	(59,278,260)	35,061,886	(25,684,352)	(31,081,577)
Class 2	71,700	--	575,733	--
Total capital share transactions .	(59,206,560)	35,061,886	(25,108,619)	(31,081,577)
Net increase (decrease) in net assets	(16,204,622)	1,998,319	26,956,606	(117,246,764)
Net assets:				
Beginning of period	315,459,858	313,461,539	162,433,287	279,680,051
End of period	\$ 299,255,236	\$ 315,459,858	\$ 189,389,893	\$ 162,433,287
Undistributed net investment income included in net assets:				
End of period	\$ 1,414,424	\$ 1,532,535	\$ 4,420,885	\$ 3,107,117

</TABLE>

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
<S>	<C>	<C>
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss)	\$ 1,360,784	\$ 3,890,233
Net realized gain (loss) from investments and foreign currency transactions	(1,180,465)	2,718,229
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	3,148,601	(7,345,527)
Net increase (decrease) in net assets resulting from operations	3,328,920	(737,065)
Distributions to shareholders from:		
Net investment income:		
Class 1	--	(3,274,568)
Net realized gains:		
Class 1	--	(3,894,373)
Total distributions to shareholders	--	(7,168,941)
Capital share transactions: (Note 2)		
Class 1	(14,443,463)	(3,826,198)
Class 2	41,170	--
Total capital share transactions .	(14,402,293)	(3,826,198)
Net increase (decrease) in net assets	(11,073,373)	(11,732,204)
Net assets:		
Beginning of period	81,669,618	93,401,822
End of period	\$ 70,596,245	\$ 81,669,618
Undistributed net investment income included in net assets:		
End of period	\$ 4,133,697	\$ 2,772,913

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF CHANGES IN NET ASSETS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)
AND THE YEAR ENDED DECEMBER 31, 1998

	TEMPLETON GLOBAL GROWTH FUND		TEMPLETON GLOBAL INCOME SECURITIES FUND	
	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
<S>	<C>	<C>	<C>	<C>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 9,479,384	\$ 17,620,120	\$ 3,694,963	\$ 11,448,872
Net realized gain (loss) from investments and foreign currency transactions	16,837,813	76,153,893	(773,627)	(5,620,478)
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	54,339,968	(33,429,013)	(10,053,023)	5,419,749
Net increase (decrease) in net assets resulting from operations	80,657,165	60,345,000	(7,131,687)	11,248,143

Distributions to shareholders from:				
Net investment income:				
Class 1	--	(20,206,508)	--	(12,370,027)
Net realized gains:				
Class 1	--	(73,600,973)	--	--

Total distributions to shareholders	--	(93,807,481)	--	(12,370,027)
Capital share transactions:				
(Note 2)				
Class 1	(95,532,793)	22,098,260	(30,201,573)	(32,953,553)
Class 2	1,440,094	--	83,852	--

Total capital share transactions..	(94,092,699)	22,098,260	(30,117,721)	(32,953,553)
Net decrease in net assets	(13,435,534)	(11,364,221)	(37,249,408)	(34,075,437)
Net assets:				
Beginning of period	747,080,354	758,444,575	150,940,737	185,016,174

End of period	\$ 733,644,820	\$ 747,080,354	\$ 113,691,329	\$ 150,940,737
=====				
Undistributed net investment income included in net assets:				
End of period	\$ 24,158,413	\$ 14,679,029	\$ 8,638,389	\$ 4,943,426
=====				

</TABLE>

<TABLE>
<CAPTION>

TEMPLETON INTERNATIONAL EQUITY FUND		
	SIX MONTHS ENDED	YEAR ENDED
	JUNE 30, 1999	DECEMBER 31, 1998
	-----	-----
<S>	<C>	<C>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 12,192,060	\$ 32,119,117
Net realized gain (loss) from investments and foreign currency transactions	89,721,285	24,006,171
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	(10,209,283)	3,813,638

Net increase (decrease) in net assets resulting from operations	91,704,062	59,938,926
Distributions to shareholders from:		
Net investment income:		
Class 1	--	(34,702,026)
Net realized gains:		
Class 1	--	(69,708,108)

Total distributions to shareholders	--	(104,410,134)
Capital share transactions:		
(Note 2)		
Class 1	(222,596,332)	(161,058,239)
Class 2	4,091,114	--

Total capital share transactions...	(218,505,218)	(161,058,239)
Net decrease in net assets	(126,801,156)	(205,529,447)
Net assets:		
Beginning of period	955,900,102	1,161,429,549

End of period	\$ 829,098,946	\$ 955,900,102
=====		
Undistributed net investment income included in net assets:		
End of period	\$ 42,455,389	\$ 30,263,329
=====		

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF CHANGES IN NET ASSETS (CONT.)
 FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)
 AND THE YEAR ENDED DECEMBER 31, 1998

<TABLE>
 <CAPTION>

	TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND		TEMPLETON PACIFIC GROWTH FUND	
	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
<S>	<C>	<C>	<C>	<C>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 389,866	\$ 691,086	\$ 634,906	\$ 3,011,920
Net realized gain (loss) from investments and foreign currency transactions	(930,275)	(2,334,096)	(27,728,880)	(24,149,643)
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	4,119,484	(2,224,314)	53,111,039	(1,803,583)
Net increase (decrease) in net assets resulting from operations	3,579,075	(3,867,324)	26,017,065	(22,941,306)
Distributions to shareholders from:				
Net investment income:				
Class 1	--	(741,651)	--	(5,322,439)
Net realized gains:				
Class 1	--	(858,571)	--	(1,619,542)
Total distributions to shareholders	--	(1,600,222)	--	(6,941,981)
Capital share transactions:				
(Note 2)				
Class 1	(4,294,799)	(1,733,715)	(11,826,568)	(36,751,143)
Class 2	512,578	--	287,903	--
Total capital share transactions .	(3,782,221)	(1,733,715)	(11,538,665)	(36,751,143)
Net increase (decrease) in net assets	(203,146)	(7,201,261)	14,478,400	(66,634,430)
Net assets:				
Beginning of period	24,999,444	32,200,705	98,769,385	165,403,815
End of period	\$ 24,796,298	\$ 24,999,444	\$ 113,247,785	\$ 98,769,385
Undistributed net investment income included in net assets:				
End of period	\$ 1,010,826	\$ 620,960	\$ 634,906	\$ --

</TABLE>

<TABLE>
 <CAPTION>

	U.S. GOVERNMENT SECURITIES FUND	
	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
<S>	<C>	<C>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 20,221,816	\$ 45,349,259
Net realized gain (loss) from investments and foreign currency transactions	1,596,888	2,808,941
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	(29,783,067)	3,506,133
Net increase (decrease) in net assets resulting from operations	(7,964,363)	51,664,333
Distributions to shareholders from:		
Net investment income:		
Class 1	--	(50,958,932)

Net realized gains:		
Class 1	--	--

Total distributions to shareholders	--	(50,958,932)
Capital share transactions:		
(Note 2)		
Class 1	(104,181,877)	(54,957,919)
Class 2	1,620,393	--

Total capital share transactions .	(102,561,484)	(54,957,919)
Net increase (decrease)		
in net assets	(110,525,847)	(54,252,518)
Net assets:		
Beginning of period	710,831,923	765,084,441

End of period	\$ 600,306,076	\$ 710,831,923
=====		
Undistributed net investment		
income included in net assets:		
End of period	\$ 65,469,885	\$ 45,248,069
=====		

</TABLE>

See notes to financial statements.

FRANKLIN VALUEMARK FUNDS
Financial Statements (continued)

STATEMENTS OF CHANGES IN NET ASSETS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)
AND THE YEAR ENDED DECEMBER 31, 1998

<TABLE>
<CAPTION>

	VALUE SECURITIES FUND		ZERO COUPON FUND - 2000	
	SIX MONTHS ENDED	YEAR ENDED	SIX MONTHS ENDED	YEAR ENDED
	JUNE 30, 1999	DECEMBER 31, 1998*	JUNE 30, 1999	DECEMBER 31, 1998
	<C>	<C>	<C>	<C>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 27,042	\$ 28,176	\$ 2,883,750	\$ 6,767,257
Net realized gain (loss) from investments	(387,745)	(90,040)	617,145	1,752,805
Net unrealized appreciation (depreciation)				
on investments	1,294,459	(402,388)	(2,662,964)	(1,138,823)

Net increase (decrease) in net assets resulting from operations	933,756	(464,252)	837,931	7,381,239
Distributions to shareholders from:				
Net investment income:				
Class 1	--	--	--	(7,809,331)
Net realized gains:				
Class 1	--	--	--	(1,249,416)

Total distributions to shareholders	--	--	--	(9,058,747)
Capital share transactions: (Note 2)				
Class 1	1,874,914	9,477,723	(14,498,813)	(16,430,117)
Class 2	52,071	--	--	--

Total capital share transactions	1,926,985	9,477,723	(14,498,813)	(16,430,117)
Net increase (decrease) in net assets	2,860,741	9,013,471	(13,660,882)	(18,107,625)
Net assets:				
Beginning of period	9,013,471	--	93,542,826	111,650,451

End of period	\$ 11,874,212	\$ 9,013,471	\$ 79,881,944	\$ 93,542,826
=====				
Undistributed net investment income included in net assets:				
End of period	\$ 55,218	\$ 28,176	\$ 9,600,671	\$ 6,716,921
=====				

</TABLE>

*For the period May 1, 1998 (effective date) to December 31, 1998

See notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS (CONT.)
FOR THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)
AND THE YEAR ENDED DECEMBER 31, 1998

<TABLE>
<CAPTION>

	ZERO COUPON FUND - 2005		ZERO COUPON FUND - 2010	
	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
<S>	<C>	<C>	<C>	<C>
Increase (decrease) in net assets:				
Operations:				
Net investment income	\$ 2,272,796	\$ 4,640,880	\$ 2,382,339	\$ 4,911,607
Net realized gain from investments	695,508	454,474	1,175,571	2,320,295
Net unrealized appreciation (depreciation) on investments	(7,064,769)	4,293,862	(11,551,249)	4,482,254
Net increase (decrease) in net assets resulting from operations	(4,096,465)	9,389,216	(7,993,339)	11,714,156
Distributions to shareholders from:				
Net investment income	--	(4,795,119)	--	(4,888,749)
Net realized gains	--	(1,109,296)	--	(676,395)
Total distributions to shareholders	--	(5,904,415)	--	(5,565,144)
Capital share transactions (Note 2)	(6,424,720)	3,707,073	(6,239,625)	1,851,397
Net increase (decrease) in net assets .	(10,521,185)	7,191,874	(14,232,964)	8,000,409
Net assets:				
Beginning of period	84,487,385	77,295,511	93,515,135	85,514,726
End of period	\$ 73,966,200	\$ 84,487,385	\$ 79,282,171	\$ 93,515,135
Undistributed net investment income included in net assets:				
End of period	\$ 6,908,463	\$ 4,635,667	\$ 7,288,616	\$ 4,906,277

</TABLE>

See notes to financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Valuemark Funds (the Trust) is registered under the Investment Company Act of 1940, as an open-end investment company, consisting of twenty-five series (the Funds). All Funds are diversified except the Global Health Care Securities Fund, the Templeton Global Income Securities Fund, and the Value Securities Fund. Shares of the Funds are sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Funds and their investment objectives are:

<TABLE>
<CAPTION>

CAPITAL GROWTH	GROWTH AND INCOME	CURRENT INCOME	CAPITAL PRESERVATION AND INCOME
<S>	<C>	<C>	<C>
Capital Growth Fund	Global Utilities Securities Fund	High Income Fund	Money Market Fund
Global Health Care Securities Fund	Growth and Income Fund	Templeton Global	
Mutual Discovery Securities Fund	Income Securities Fund	Income Securities	
Natural Resources Securities Fund	Mutual Shares Securities Fund	Fund	
Small Cap Fund	Real Estate Securities Fund	U.S. Government	
Templeton Developing Markets Equity Fund	Rising Dividends Fund	Securities Fund	
Templeton Global Growth Fund	Templeton Global Asset Allocation Fund	Zero Coupon Fund - 2000	
Templeton International Equity Fund	Value Securities Fund	Zero Coupon Fund - 2005	
Templeton International Smaller Companies Fund		Zero Coupon Fund - 2010	
Templeton Pacific Growth Fund			

</TABLE>

Effective July 1, 1999, the name of the Trust, Franklin Valuemark Funds, changed to Franklin Templeton Variable Insurance Products Trust. The Funds' investment

objectives and other policies did not change as a result of the name change.

The following summarizes the Funds' significant accounting policies.

a. SECURITY VALUATION

Securities listed or traded on a recognized national exchange or NASDAQ are valued at the latest reported sales price. Over-the-counter securities and listed securities for which no sale is reported are valued within the range of the latest quoted bid and asked prices. Restricted securities and securities for which market quotations are not readily available are valued at fair value as determined by management in accordance with procedures established by the Board of Trustees (the Board).

Securities in the Money Market Fund are valued at amortized cost which approximates value.

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. Purchases and sales of securities and income items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date.

The Funds do 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.

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. REPURCHASE AGREEMENTS

Certain funds may enter into a joint repurchase agreement whereby their uninvested cash balances are deposited into a joint cash account to be used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. Certain funds may enter into repurchase agreements which are accounted for as a loan by the fund to the seller, collateralized by securities which are delivered to the funds' custodian. The market value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. At June 30, 1999, all outstanding repurchase agreements had been entered into on that date.

FRANKLIN VALUEMARK FUNDS

Notes to Financial Statements (unaudited) (continued)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT.)

d. FORWARD EXCHANGE CONTRACTS

The Mutual Discovery Securities Fund, the Mutual Shares Securities Fund, the Templeton Global Asset Allocation Fund, and the Templeton Global Income Securities Fund may enter into forward exchange contracts to hedge against foreign exchange risks. These contracts are valued daily and each Fund's equity therein is included in the Statements of Assets and Liabilities. Realized and unrealized gains and losses are included in the Statements of Operations.

e. CONTRACTS FOR DIFFERENCES

The Mutual Discovery Securities Fund and the Mutual Shares Securities Fund are engaged in short contracts for differences. Short contracts for differences are contracts entered into between a broker and the fund under which the parties agree to make payments to each other so as to replicate the economic consequences that would apply had a short sale of the underlying security taken place. Upon entering into short contracts for differences, the funds are required to pledge to the broker an amount of cash and/or other assets equal to a certain percentage of the contract amount ("initial margin"). Subsequent payments known as "variation margin", are made or received by the funds periodically, depending on fluctuations in the value of the underlying security. When the contract is closed, the funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Should market conditions move unexpectedly, the fund may not achieve the anticipated benefits of the contracts for the differences and may realize a loss.

f. OPTIONS

In order to produce incremental income or protect against changes in the value of the underlying securities, the Mutual Discovery Securities Fund and the Mutual Shares Securities Fund may write put and covered call options.

Premiums received by these funds upon writing put or covered call options are recorded as an asset and an equivalent liability which is subsequently adjusted daily to equal the current market value of the option written. Each fund will realize a gain or loss upon the expiration or closing of the option transaction. When an option is exercised, the proceeds on sales for a written call option or the purchase cost for a written put option is adjusted by the amount of the premium received or paid. The risk in writing a call option is that the funds give up the opportunity for profit if the market price of the security increases and the option is exercised. The risk in writing a put option is that the funds may incur a loss if the market price of the security decreases and the option is exercised. All collateral covering written options are held in a segregated account by the custodian bank.

g. SECURITIES SOLD SHORT

The Mutual Discovery Securities Fund and the Mutual Shares Securities Fund are engaged in selling securities short, which obligates the funds to replace a security borrowed with the same security at the current market value. The funds would incur a loss if the price of the security increases between the date of the short sale and the date on which the funds replace the borrowed security. The funds would realize a gain if the price of the security declines between those dates.

The funds are 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 and the funds must maintain a deposit for the broker consisting of cash and securities having a value equal to a specified percentage of the value of the securities sold short.

h. INCOME TAXES

No provision has been made for income taxes because each fund's policy is to qualify as a regulated investment company under the Internal Revenue Code and to distribute substantially all of its taxable income.

i. 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. Bond discount is amortized on an income tax basis. Dividend income and distributions to shareholders are recorded on the ex-dividend date. For the Money Market Fund, dividends from net investment income and capital gains or losses are normally declared daily. Such distributions are reinvested in additional shares of the fund.

FRANKLIN VALUEMARK FUNDS

Notes to Financial Statements (unaudited) (continued)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. SECURITY TRANSACTIONS, INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS (CONT.)

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. Other expenses are charged to each fund on a specific identification basis.

Distributions received by the Trust from securities may be a return of capital (ROC). Such distributions reduce the cost basis of the securities, and any distributions in excess of the cost basis are recognized as capital gains.

Realized and unrealized gains and losses and net investment income, other than class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class.

j. DEFERRED TAXES

Deferred taxes are recorded for estimated tax liabilities inherent in the fund's portfolio securities which may arise from subsequent sales of those securities and asset repatriations from countries that impose such taxes.

k. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles 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 expense during the reporting period. Actual results could differ from those estimates.

2. SHARES OF BENEFICIAL INTEREST

Effective January 6, 1999, all funds except the Zero Coupon Fund - 2000, the Zero Coupon Fund - 2005, and the Zero Coupon Fund - 2010 offered two classes of shares: Class 1 and Class 2. Outstanding shares before that date were designated Class 1 shares. Each class of shares differ by their distribution fees, voting rights on matters affecting a single class and the exchange privilege of each class.

At June 30, 1999, there were an unlimited number of shares authorized (\$.01 par value). Transactions in the Funds' shares were as follows:

<TABLE>
<CAPTION>

	CAPITAL GROWTH FUND		GLOBAL HEALTH CARE SECURITIES FUND(2)	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
CLASS 1 SHARES:				
Period ended June 30, 1999				
Shares sold	10,973,145	\$ 182,013,202	854,024	\$ 8,285,607
Shares redeemed	(5,024,170)	(84,030,944)	(559,224)	(5,292,502)
Net increase (decrease)	5,948,975	\$ 97,982,258	294,800	\$ 2,993,105
Year ended December 31, 1998				
Shares sold	9,664,745	\$ 140,653,465	1,315,108	\$ 12,754,095
Shares issued in reinvestment of distributions	37,058	539,187	--	--
Shares redeemed	(4,111,363)	(58,937,582)	(475,618)	(4,403,400)
Net increase (decrease)	5,590,440	\$ 82,255,070	839,490	\$ 8,350,695
CLASS 2 SHARES:				
Period ended June 30, 1999				
Shares sold	33,409	\$ 565,484	4,584	\$ 42,000
Shares redeemed	(16,354)	(274,613)	--	--
Net increase	17,055	\$ 290,871	4,584	\$ 42,000

</TABLE>

<TABLE>
<CAPTION>

	GLOBAL UTILITIES SECURITIES FUND	
	SHARES	AMOUNT
<S>	<C>	<C>
CLASS 1 SHARES:		
Period ended June 30, 1999		
Shares sold	710,275	\$ 14,567,401
Shares redeemed	(8,952,145)	(184,211,704)
Net increase (decrease)	(8,241,870)	\$ (169,644,303)
Year ended December 31, 1998		
Shares sold	2,621,862	\$ 52,650,625
Shares issued in reinvestment of distributions	5,388,353	104,426,274
Shares redeemed	(15,318,738)	(303,132,530)
Net increase (decrease)	(7,308,523)	\$ (146,055,631)
CLASS 2 SHARES:		
Period ended June 30, 1999		
Shares sold	12,466	\$ 259,822
Shares redeemed	(436)	(8,599)
Net increase	12,030	\$ 251,223

</TABLE>

FRANKLIN VALUEMARK FUNDS
Notes to Financial Statements (unaudited) (continued)

2. SHARES OF BENEFICIAL INTEREST (CONT.)

<TABLE>

<CAPTION>

	GROWTH AND INCOME FUND		HIGH INCOME FUND	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
CLASS 1 SHARES:				
Period ended June 30, 1999				
Shares sold	2,726,021	\$ 55,863,148	7,113,530	\$ 95,541,636
Shares redeemed	(12,758,646)	(263,273,699)	(12,198,106)	(164,548,389)
Net decrease	(10,032,625)	\$ (207,410,551)	(5,084,576)	\$ (69,006,753)
Year ended December 31, 1998				
Shares sold	9,617,417	\$ 198,201,953	12,350,296	\$ 169,850,148
Shares issued in reinvestment of distributions	7,392,186	146,069,603	3,423,575	46,731,797
Shares redeemed	(15,929,952)	(321,695,049)	(16,477,344)	(226,279,172)
Net increase (decrease)	1,079,651	\$ 22,576,507	(703,473)	\$ (9,697,227)
CLASS 2 SHARES:				
Period ended June 30, 1999				
Shares sold	27,862	\$ 574,506	11,540	\$ 155,205
Shares redeemed	(4,580)	(99,727)	(3,608)	(48,709)
Net increase	23,282	\$ 474,779	7,932	\$ 106,496

</TABLE>

<TABLE>
<CAPTION>

	INCOME SECURITIES FUND	
	SHARES	AMOUNT
<S>	<C>	<C>
CLASS 1 SHARES:		
Period ended June 30, 1999		
Shares sold	1,457,863	\$ 24,398,652
Shares redeemed	15,134,841)	(254,267,485)
Net decrease	13,676,978)	\$(229,868,833)
Year ended December 31, 1998		
Shares sold	5,561,398	\$ 97,914,458
Shares issued in reinvestment of distributions	7,512,196	127,031,238
Shares redeemed	19,594,845)	(338,128,943)
Net increase (decrease)	(6,521,251)	\$(113,183,247)
CLASS 2 SHARES:		
Period ended June 30, 1999		
Shares sold	27,417	\$ 465,971
Shares redeemed	(31)	(524)
Net increase	27,386	\$ 465,447

</TABLE>

<TABLE>
<CAPTION>

	MONEY MARKET FUND		MUTUAL DISCOVERY SECURITIES FUND	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
CLASS 1 SHARES:				
Period ended June 30, 1999				
Shares sold	352,013,600	\$ 352,013,600	585,114	\$ 6,880,312
Shares issued in reinvestment of distributions	8,627,323	8,627,323	--	--
Shares redeemed	(427,958,113)	(427,958,113)	(4,311,293)	(49,992,422)
Net decrease	(67,317,190)	\$ (67,317,190)	(3,726,179)	\$ (43,112,110)
Year ended December 31, 1998				
Shares sold	748,602,052	\$ 748,602,052	7,041,503	\$ 90,113,407
Shares issued in reinvestment of distributions	19,603,629	19,603,629	482,835	6,383,083
Shares redeemed	(721,314,062)	(721,314,062)	(3,946,113)	(44,836,285)
Net increase	46,891,619	\$ 46,891,619	3,578,225	\$ 51,660,205
CLASS 2 SHARES:				
Period ended June 30, 1999				

Shares sold	25,924,734	\$ 25,924,734	14,784	\$ 172,322
Shares issued in reinvestment of distributions	13,057	13,057	--	--
Shares redeemed	(23,206,155)	(23,206,155)	(3)	(40)
Net increase	2,731,636	\$ 2,731,636	14,781	\$ 172,282

</TABLE>

<TABLE>
<CAPTION>

MUTUAL SHARES SECURITIES FUND

SHARES AMOUNT

<S>	<C>	<C>
CLASS 1 SHARES:		
Period ended June 30, 1999		
Shares sold	1,558,491	\$ 19,723,160
Shares issued in reinvestment of distributions		
Shares redeemed	(5,637,705)	(70,252,543)
Net decrease	(4,079,214)	\$ (50,529,383)
Year ended December 31, 1998		
Shares sold	12,012,852	\$ 150,206,617
Shares issued in reinvestment of distributions	760,950	9,603,186
Shares redeemed	(4,280,005)	(49,418,486)
Net increase	8,493,797	\$ 110,391,317

CLASS 2 SHARES:		
Period ended June 30, 1999		
Shares sold	32,375	\$ 409,335
Shares issued in reinvestment of distributions	--	--
Shares redeemed	(49)	(664)
Net increase	32,326	\$ 408,671

</TABLE>

FRANKLIN VALUEMARK FUNDS
Notes to Financial Statements (unaudited) (continued)

2. SHARES OF BENEFICIAL INTEREST (CONT.)

<TABLE>
<CAPTION>

NATURAL RESOURCES SECURITIES FUND REAL ESTATE SECURITIES FUND RISING DIVIDENDS FUND

	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
CLASS 1 SHARES:						
Period ended June 30, 1999						
Shares sold	2,402,323	\$ 21,970,485	375,550	\$ 7,528,431	1,699,792	\$ 29,257,585
Shares redeemed	(3,238,289)	(29,798,017)	(3,875,018)	(77,174,747)	(9,864,878)	(170,869,663)
Net decrease	(835,966)	\$ (7,827,532)	(3,499,468)	\$ (69,646,316)	(8,165,086)	\$ (141,612,078)
Year ended December 31, 1998						
Shares sold	3,505,454	\$ 36,314,081	1,938,333	\$ 46,066,967	10,051,992	\$ 190,031,986
Shares issued in reinvestment of distributions	91,844	946,913	1,117,322	24,871,599	6,443,856	113,991,805
Shares redeemed	(4,685,716)	(47,411,416)	(6,098,998)	(134,871,059)	(14,609,606)	(263,398,761)
Net increase (decrease)	(1,088,418)	\$ (10,150,422)	(3,043,343)	\$ (63,932,493)	1,886,242	\$ 40,625,030
CLASS 2 SHARES:						
Period ended June 30, 1999(1)						
Shares sold	4,023	\$ 37,935	2,118	\$ 42,776	18,737	\$ 320,600
Shares redeemed	(2)	(22)	(4)	(92)	(915)	(15,047)
Net increase	4,021	\$ 37,913	2,114	\$ 42,684	17,822	\$ 305,553

</TABLE>

<TABLE>
<CAPTION>

SMALL CAP FUND TEMPLETON DEVELOPING MARKETS EQUITY FUND TEMPLETON GLOBAL ASSET ALLOCATION FUND

SHARES AMOUNT SHARES AMOUNT SHARES AMOUNT

<S>	<C>	<C>	<C>	<C>	<C>	<C>
CLASS 1 SHARES:						
Period ended June 30, 1999						
Shares sold	2,246,067	\$ 32,245,949	2,116,590	\$ 16,820,342	312,654	\$ 3,996,393
Shares redeemed	(6,520,641)	(91,524,209)	(5,519,923)	(42,504,694)	(1,461,637)	(18,439,856)
Net decrease	(4,274,574)	\$ (59,278,260)	(3,403,333)	\$ (25,684,352)	(1,148,983)	\$ (14,443,463)
Year ended December 31, 1998						
Shares sold	10,354,452	\$ 146,238,628	6,171,249	\$ 49,413,698	1,163,365	\$ 15,880,669
Shares issued in reinvestment of distributions	1,866,496	26,056,288	4,042,542	29,793,530	556,595	7,168,941
Shares redeemed	(10,047,779)	(137,233,030)	(13,892,294)	(110,288,805)	(2,081,709)	(26,875,808)
Net increase (decrease)	2,173,169	\$ 35,061,886	(3,678,503)	\$ (31,081,577)	(361,749)	\$ (3,826,198)
CLASS 2 SHARES:						
Period ended June 30, 1999(1)						
Shares sold	4,906	\$ 71,741	62,613	\$ 575,733	3,263	\$ 41,492
Shares redeemed	(3)	(41)	--	--	(24)	(322)
Net increase	4,903	\$ 71,700	62,613	\$ 575,733	3,239	\$ 41,170

</TABLE>

FRANKLIN VALUEMARK FUNDS
Notes to Financial Statements (unaudited) (continued)

2. SHARES OF BENEFICIAL INTEREST (CONT.)

<TABLE>
<CAPTION>

<S>	TEMPLETON GLOBAL GROWTH FUND		TEMPLETON GLOBAL INCOME SECURITIES FUND		TEMPLETON INTERNATIONAL EQUITY FUND	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
CLASS 1 SHARES:						
Period ended June 30, 1999						
Shares sold	1,782,998	\$ 27,617,265	588,496	\$ 7,453,070	5,410,230	\$ 87,114,718
Shares redeemed	(8,111,183)	(123,150,058)	(3,001,716)	(37,654,643)	(19,308,547)	(309,711,050)
Net decrease	(6,328,185)	\$ (95,532,793)	(2,413,220)	\$ (30,201,573)	(13,898,317)	\$ (222,596,332)
Year ended December 31, 1998						
Shares sold	6,659,421	\$ 103,474,286	884,521	\$ 11,354,195	6,071,020	\$ 98,428,488
Shares issued in reinvestment of distributions	6,496,363	93,807,481	1,004,061	12,370,027	6,374,245	104,410,134
Shares redeemed	(12,002,187)	(175,183,507)	(4,428,598)	(56,677,775)	(22,907,488)	(363,896,861)
Net increase (decrease)	1,153,597	\$ 22,098,260	(2,540,016)	\$ (32,953,553)	(10,462,223)	\$ (161,058,239)
CLASS 2 SHARES:						
Period ended June 30, 1999(1)						
Shares sold	93,482	\$ 1,500,766	7,971	\$ 98,979	1,304,309	\$ 22,266,015
Shares redeemed	(3,822)	(60,672)	(1,205)	(15,127)	(1,055,730)	(18,174,901)
Net increase	89,660	\$ 1,440,094	6,766	\$ 83,852	248,579	\$ 4,091,114

</TABLE>

<TABLE>
<CAPTION>

<S>	TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND		TEMPLETON PACIFIC GROWTH FUND		U.S. GOVERNMENT SECURITIES FUND	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
CLASS 1 SHARES:						
Period ended June 30, 1999						
Shares sold	168,815	\$ 1,720,634	17,387,718	\$ 143,677,196	2,461,939	\$ 34,158,528
Shares redeemed	(633,167)	(6,015,433)	(18,864,053)	(155,503,764)	(9,984,254)	(138,340,405)
Net decrease	(464,352)	\$ (4,294,799)	(1,476,335)	\$ (11,826,568)	(7,522,315)	\$ (104,181,877)
Year ended December 31, 1998						
Shares sold	1,335,385	\$ 13,968,902	12,315,500	\$ 91,136,520	10,470,243	\$ 144,337,382
Shares issued in reinvestment of distributions	147,758	1,600,222	1,116,074	6,941,981	3,808,590	50,958,932

Shares redeemed	(1,687,180)	(17,302,839)	(18,106,232)	(134,829,644)	(18,034,303)	(250,254,233)
Net decrease	(204,037)	\$ (1,733,715)	(4,674,658)	\$ (36,751,143)	(3,755,470)	\$ (54,957,919)
=====						
CLASS 2 SHARES:						
Period ended June 30, 1999(1)						
Shares sold	47,894	\$ 512,620	57,566	\$ 543,041	117,127	\$ 1,623,528
Shares redeemed	(4)	(42)	(26,690)	(255,138)	(227)	(3,135)
Net increase	47,890	\$ 512,578	30,876	\$ 287,903	116,900	\$ 1,620,393
=====						

</TABLE>

FRANKLIN VALUEMARK FUNDS
Notes to Financial Statements (unaudited) (continued)

2. SHARES OF BENEFICIAL INTEREST (CONT.)

	VALUE SECURITIES FUND(2)		ZERO COUPON FUND - 2000		ZERO COUPON FUND - 2005	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
	<C>	<C>	<C>	<C>	<C>	<C>
CLASS 1 SHARES:						
Period ended June 30, 1999						
Shares sold	1,036,592	\$ 8,039,374	205,058	\$ 3,048,719	401,763	\$ 6,940,753
Shares redeemed	(826,346)	(6,164,460)	(1,179,809)	(17,547,532)	(775,269)	(13,365,473)
Net increase (decrease)	210,246	\$ 1,874,914	(974,751)	\$ (14,498,813)	(373,506)	\$ (6,424,720)
=====						
Year ended December 31, 1998						
Shares sold	1,367,931	\$ 11,279,710	646,397	\$ 9,539,377	977,903	\$ 16,942,756
Shares issued in reinvestment of distributions	--	--	637,042	9,058,747	357,194	5,904,415
Shares redeemed	(211,139)	(1,801,987)	(2,343,411)	(35,028,241)	(1,107,098)	(19,140,098)
Net increase (decrease)	1,156,792	\$ 9,477,723	(1,059,972)	\$ (16,430,117)	227,999	\$ 3,707,073
=====						
CLASS 2 SHARES:						
Period ended June 30, 1999(1)						
Shares sold	6,901	\$ 52,071				
Net increase	6,901	\$ 52,071				
=====						

</TABLE>

<TABLE>
<CAPTION>

	ZERO COUPON FUND - 2010	
	SHARES	AMOUNT
	<C>	<C>
CLASS 1 SHARES:		
Period ended June 30, 1999		
Shares sold	998,298	\$ 18,201,492
Shares redeemed	(1,343,609)	(24,441,117)
Net decrease	(345,311)	\$ (6,239,625)
=====		
Year ended December 31, 1998		
Shares sold	2,622,702	\$ 48,365,327
Shares issued in reinvestment of distributions	314,060	5,565,143
Shares redeemed	(2,825,253)	(52,079,073)
Net increase	111,509	\$ 1,851,397
=====		

</TABLE>

(1) For the period January 6, 1999 (effective date) to June 30, 1999.

(2) For the period May 1, 1998 (effective date) to December 31, 1998.

FRANKLIN VALUEMARK FUNDS
Notes to Financial Statements (unaudited) (continued)

3. TRANSACTIONS WITH AFFILIATES

Certain officers and trustees of the Trust are also officers and/or directors of the following entities:

ENTITY	AFFILIATION
Franklin Templeton Services, Inc. (FT Services)	Administrative manager
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Advisory Services, LLC (Advisory Services)	Investment manager
Franklin Mutual Advisers, LLC (Franklin Mutual)	Investment manager
Templeton Asset Management Ltd. (TAML)	Investment manager
Templeton Global Advisors Ltd. (TGAL)	Investment manager
Templeton Investment Counsel, Inc. (TICI)	Investment manager
Franklin/Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin/Templeton Investor Services, Inc. (Investor Services)	Transfer agent

The Funds pay an investment management fee to Advisers based on the average net assets of the Funds, except the Capital Growth Fund, the Global Health Care Securities Fund, the Mutual Discovery Securities Fund, the Mutual Shares Securities Fund, the Rising Dividends Fund, the Small Cap Fund, the Templeton Developing Markets Equity Fund, the Templeton Global Asset Allocation Fund, the Templeton Global Growth Fund, the Templeton International Equity Fund, the Templeton International Smaller Companies Fund, the Templeton Pacific Growth Fund, and the Value Securities Fund as follows:

ANNUALIZED FEE RATE	DAILY NET ASSETS
.625%	First \$100 million
.50%	over \$100 million, up to and including \$250 million
.45%	over \$250 million, up to and including \$10 billion

Fees are further reduced on net assets over \$10 billion.

Under a subadvisory agreement, TICI provides subadvisory services to the Templeton Global Income Securities Fund and receives from Advisers fees based on the average daily net assets of the Fund.

The Templeton International Equity Fund and the Templeton Pacific Growth Fund pay an investment management fee to Advisers based on the average net assets of each Fund as follows:

ANNUALIZED FEE RATE	DAILY NET ASSETS
1.00%	First \$100 million
.90%	over \$100 million, up to and including \$250 million
.80%	over \$250 million, up to and including \$500 million

Fees are further reduced on net assets over \$500 million.

Under a subadvisory agreement, TICI provides subadvisory services to the Templeton International Equity Fund and the Templeton Pacific Growth Fund, and receives from Advisers fees based on the average daily net assets of each Fund.

The Capital Growth Fund and the Small Cap Fund pay an investment management fee to Advisers based on the average net assets of each Fund as follows:

Annualized Fee Rate	Daily Net Assets
.75%	First \$500 million
.625%	over \$500 million, up to and including \$1 billion
.50%	over \$1 billion

FRANKLIN VALUEMARK FUNDS
Notes to Financial Statements (unaudited) (continued)

3. TRANSACTIONS WITH AFFILIATES (CONT.)

The Global Health Care Securities Fund and the Value Securities Fund pay an investment management fee to Advisers and Advisory Services, respectively, based on the average net assets of each Fund as follows:

ANNUALIZED FEE RATE	DAILY NET ASSETS
.60%	First \$200 million
.50%	over \$200 million, up to and including \$1.3 billion
.40%	over \$1.3 billion

The Rising Dividends Fund pays an investment management fee to Advisory Services based on the average net assets of the Fund as follows:

ANNUALIZED FEE RATE	DAILY NET ASSETS
.75%	First \$500 million
.625%	over \$500 million, up to and including \$1 billion
.50%	over \$1 billion

The Templeton Global Growth Fund pays an investment management fee to TGAL based on the average net assets of the Fund as follows:

ANNUALIZED FEE RATE	DAILY NET ASSETS
1.00%	First \$100 million
.90%	over \$100 million, up to and including \$250 million
.80%	over \$250 million, up to and including \$500 million

Fees are further reduced on net assets over \$500 million.

The Templeton Global Asset Allocation Fund pays an investment management fee to TGAL based on the average net assets of the Fund as follows:

ANNUALIZED FEE RATE	DAILY NET ASSETS
.65%	First \$200 million
.585%	over \$200 million, up to and including \$1.3 billion
.52%	over \$1.3 billion

Under a subadvisory agreement, TICI provides subadvisory services to the Templeton Global Asset Allocation Fund and receives from TGAL fees based on the average daily net assets of the Fund.

The Templeton International Smaller Companies Fund pays an investment management fee to TICI based on the average daily net assets of the Fund as follows:

ANNUALIZED FEE RATE	DAILY NET ASSETS
.85%	First \$200 million
.765%	over \$200 million, up to and including \$1.3 billion
.68%	over \$1.3 billion

The Mutual Discovery Securities Fund and the Mutual Shares Securities Fund pay an investment management fee to Franklin Mutual of .80% and .60%, respectively, per year of the average daily net assets of each Fund.

The Templeton Developing Markets Equity Fund pays an investment management fee to TAML of 1.25% per year of the average daily net assets of the Fund.

Under an agreement with their respective investment managers, FT Services

provides administrative services to the Funds, except for the Global Health Care Securities Fund, the Mutual Discovery Securities Fund, the Mutual Shares Securities Fund, the Templeton Global Asset Allocation Fund, the Templeton International Smaller Companies Fund, and the Value Securities Fund. The fee is paid by each Fund's respective investment managers based on average daily net assets, and is not an additional expense of the Funds.

FRANKLIN VALUEMARK FUNDS

Notes to Financial Statements (unaudited) (continued)

3. TRANSACTIONS WITH AFFILIATES (CONT.)

The Global Health Care Securities Fund, the Mutual Discovery Securities Fund, the Mutual Shares Securities Fund, the Templeton Global Asset Allocation Fund, the Templeton International Smaller Companies Fund, and the Value Securities Fund pay administrative fees to FT Services based on the average daily net assets of each Fund as follows:

ANNUALIZED FEE RATE	DAILY NET ASSETS
.15%	First \$200 million
.135%	over \$200 million, up to and including \$700 million
.10%	over \$700 million, up to and including \$1.2 billion

Fees are further reduced on net assets over \$1.2 billion.

The Funds reimburse Distributors up to .30% per year of the Fund's average daily net assets of Class 2, for costs incurred in marketing the Fund's shares. Effective July 1, 1999, the distribution rate changed from .30% to .25%.

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

4. INCOME TAXES

At December 31, 1998, certain funds had tax basis capital losses, which may be carried over to offset future capital gains. Such losses expire as follows:

	CAPITAL GROWTH FUND	GLOBAL HEALTH CARE SECURITIES FUND	MONEY MARKET FUND	MUTUAL DISCOVERY SECURITIES FUND	MUTUAL SHARES SECURITIES FUND	NATURAL RESOURCES SECURITIES FUND
Capital loss carryovers expiring in:						
2000	\$ --	\$ --	\$ 418	\$ --	\$ --	\$ --
2001	--	--	523	--	--	--
2002	--	--	7,568	--	--	--
2004	52,275	--	--	--	--	146,066
2005	72,043	--	--	--	--	3,313,053
2006	3,304,340	239,954	371	12,201,956	9,766,336	14,821,804
	\$ 3,428,658	\$ 239,954	\$ 8,880	\$ 12,201,956	\$ 9,766,336	\$ 18,280,923

	TEMPLETON DEVELOPING MARKETS EQUITY FUND	TEMPLETON GLOBAL INCOME SECURITIES FUND	TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND	TEMPLETON PACIFIC GROWTH FUND	U.S. GOVERNMENT SECURITIES FUND	VALUE SECURITIES FUND
Capital loss carryovers expiring in:						
2002	\$ --	\$ --	\$ --	\$ --	\$ 11,604,729	\$ --
2003	--	1,035,267	--	--	826,481	--
2005	--	--	--	--	169,754	--
2006	21,632,762	--	2,543,971	24,460,805	--	64,007
	\$ 21,632,762	\$ 1,035,267	\$ 2,543,971	\$ 24,460,805	\$ 12,600,964	\$ 64,007

At December 31, 1998, the following funds had deferred capital losses and/or

deferred currency losses occurring subsequent to October 31, 1998. For tax purposes, such losses will be reflected in the year ending December 31, 1999.

MUTUAL DISCOVERY SECURITIES FUND	MUTUAL SHARES SECURITIES FUND	NATURAL RESOURCES SECURITIES FUND	SMALL CAP FUND	TEMPLETON DEVELOPING MARKETS EQUITY FUND	TEMPLETON GLOBAL ASSET ALLOCATION FUND	TEMPLETON GLOBAL INCOME SECURITIES FUND	TEMPLETON PACIFIC GROWTH FUND	VALUE SECURITIES FUND
\$812,344	\$187,467	\$5,103,017	\$542,078	\$7,956,080	\$1,267,941	\$3,913,734	\$217,089	\$7,486

FRANKLIN VALUEMARK FUNDS
Notes to Financial Statements (unaudited) (continued)

4. INCOME TAXES (CONT.)

Net investment income differs for financial statement and tax purposes primarily due to differing treatments of defaulted securities, foreign currency transactions, and passive foreign investment company shares.

Net realized capital gains (losses) differ for financial statement and tax purposes primarily due to differing treatments of wash sales, foreign currency transactions, and passive foreign investment company shares.

At June 30, 1999, the net unrealized appreciation (depreciation) based on the cost of investments for income tax purposes was as follows:

	CAPITAL GROWTH FUND	GLOBAL HEALTH CARE SECURITIES FUND	GLOBAL UTILITIES SECURITIES FUND	GROWTH AND INCOME FUND	HIGH INCOME FUND
Investments at cost	\$ 280,470,863	\$ 10,027,568	\$ 718,100,084	\$ 956,551,110	\$ 429,084,139
Unrealized appreciation	\$ 84,387,502	\$ 1,003,621	\$ 185,989,820	\$ 274,228,883	\$ 5,580,890
Unrealized depreciation	(8,909,131)	(666,307)	(34,002,270)	(27,076,588)	(56,476,427)
Net unrealized appreciation (depreciation)	\$ 75,478,371	\$ 337,314	\$ 151,987,550	\$ 247,152,295	\$ (50,895,537)

	INCOME SECURITIES FUND	MUTUAL DISCOVERY SECURITIES FUND	MUTUAL SHARES SECURITIES FUND	NATURAL RESOURCES SECURITIES FUND	REAL ESTATE SECURITIES FUND
Investments at cost	\$ 936,081,323	\$ 176,725,321	\$ 423,596,088	\$ 48,995,780	\$ 209,615,936
Unrealized appreciation	\$ 105,734,764	\$ 22,839,363	\$ 67,094,931	\$ 7,592,788	\$ 31,664,183
Unrealized depreciation	(91,501,079)	(11,185,631)	(14,912,866)	(5,939,792)	(19,530,429)
Net unrealized appreciation	\$ 14,233,685	\$ 11,653,732	\$ 52,182,065	\$ 1,652,996	\$ 12,133,754

	RISING DIVIDENDS FUND	SMALL CAP FUND	TEMPLETON DEVELOPING MARKETS EQUITY FUND	TEMPLETON GLOBAL ASSET ALLOCATION FUND	TEMPLETON GLOBAL GROWTH FUND
Investments at cost	\$ 487,727,476	\$ 264,489,704	\$ 182,176,860	\$ 68,212,379	\$ 642,315,541
Unrealized appreciation	\$ 158,376,890	\$ 85,662,298	\$ 39,408,521	\$ 9,394,774	\$ 165,648,704
Unrealized depreciation	(30,598,572)	(41,937,984)	(33,997,598)	(7,426,642)	(65,749,056)
Net unrealized appreciation	\$ 127,778,318	\$ 43,724,314	\$ 5,410,923	\$ 1,968,132	\$ 99,899,648

	TEMPLETON GLOBAL INCOME SECURITIES FUND	TEMPLETON INTERNATIONAL EQUITY FUND	TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND	TEMPLETON PACIFIC GROWTH FUND	U.S. GOVERNMENT SECURITIES FUND
<S>	<C>	<C>	<C>	<C>	<C>
Investments at cost	\$ 120,118,841	\$ 671,399,738	\$ 23,984,080	\$ 129,351,287	\$ 596,567,438
Unrealized appreciation	\$ 250,959	\$ 233,918,478	\$ 4,383,387	\$ 10,459,918	\$ 11,489,597
Unrealized depreciation	(7,457,786)	(81,632,610)	(3,788,524)	(30,476,535)	(12,083,513)
Net unrealized appreciation (depreciation)	\$ (7,206,827)	\$ 152,285,868	\$ 594,863	\$ (20,016,617)	\$ (593,916)

</TABLE>

<TABLE>
<CAPTION>

	VALUE SECURITIES FUND	ZERO COUPON FUND - 2000	ZERO COUPON FUND - 2005	ZERO COUPON FUND - 2010
<S>	<C>	<C>	<C>	<C>
Investments at cost	\$ 11,243,939	\$ 77,728,776	\$ 67,768,879	\$ 70,808,787
Unrealized appreciation	\$ 1,497,406	\$ 2,330,599	\$ 6,744,548	\$ 9,328,362
Unrealized depreciation	(779,108)	(12,978)	(470,434)	(749,670)
Net unrealized appreciation	\$ 718,298	\$ 2,317,621	\$ 6,274,114	\$ 8,578,692

</TABLE>

FRANKLIN VALUEMARK FUNDS
Notes to Financial Statements (unaudited) (continued)

5. INVESTMENT TRANSACTIONS

Purchases and sales of securities (excluding short-term securities) for the period ended June 30, 1999 were as follows:

<TABLE>
<CAPTION>

	CAPITAL GROWTH FUND	GLOBAL HEALTH CARE SECURITIES FUND	GLOBAL UTILITIES SECURITIES FUND	GROWTH AND INCOME FUND	HIGH INCOME FUND
<S>	<C>	<C>	<C>	<C>	<C>
Purchases	\$114,912,051	\$ 12,025,509	\$387,290,179	\$228,601,685	\$ 57,569,929
Sales ...	\$ 23,060,993	\$ 7,824,152	\$559,334,055	\$397,261,179	\$ 94,240,399

</TABLE>

<TABLE>
<CAPTION>

	INCOME SECURITIES FUND	MUTUAL DISCOVERY SECURITIES FUND	MUTUAL SHARES SECURITIES FUND	NATURAL RESOURCES SECURITIES FUND	REAL ESTATE SECURITIES FUND
<S>	<C>	<C>	<C>	<C>	<C>
Purchases	\$ 66,791,523	\$ 99,419,287	\$169,196,103	\$ 12,507,061	\$ 11,927,238
Sales ...	\$249,943,953	\$117,237,471	\$183,503,607	\$ 17,693,772	\$ 72,115,352

</TABLE>

<TABLE>
<CAPTION>

	RISEING DIVIDENDS FUND	SMALL CAP FUND	TEMPLETON DEVELOPING MARKETS EQUITY FUND	TEMPLETON GLOBAL ASSET ALLOCATION FUND	TEMPLETON GLOBAL GROWTH FUND
<S>	<C>	<C>	<C>	<C>	<C>
Purchases	\$ 21,417,273	\$ 65,748,292	\$ 23,424,347	\$ 10,046,297	\$ 71,767,665
Sales ...	\$157,739,616	\$113,762,405	\$ 49,653,926	\$ 22,062,869	\$144,487,083

</TABLE>

<TABLE>
<CAPTION>

	TEMPLETON GLOBAL INCOME SECURITIES FUND	TEMPLETON INTERNATIONAL EQUITY FUND	TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND	TEMPLETON PACIFIC GROWTH FUND	U.S. GOVERNMENT SECURITIES FUND
<S>	<C>	<C>	<C>	<C>	<C>

<S>	<C>	<C>	<C>	<C>	<C>
Purchases	\$ 50,784,921	\$ 66,261,915	\$ 1,366,416	\$ 5,856,216	\$ 47,441,883
Sales ...	\$ 71,307,694	\$ 204,436,689	\$ 4,990,720	\$ 29,637,490	\$ 133,096,586

<TABLE>
<CAPTION>

	VALUE SECURITIES FUND	ZERO COUPON FUND - 2000	ZERO COUPON FUND - 2005	ZERO COUPON FUND - 2010
<S>	<C>	<C>	<C>	<C>
Purchases ..	\$ 6,266,197	\$ 8,326,710	\$ 3,407,650	\$ 8,019,290
Sales	\$ 3,700,583	\$ 22,387,084	\$ 9,840,570	\$ 14,859,891

Transactions in call options written during the period ended June 30, 1999 were as follows:

MUTUAL DISCOVERY SECURITIES FUND

<TABLE>
<CAPTION>

	NUMBER OF CONTRACTS	PREMIUMS RECEIVED
<S>	<C>	<C>
Options outstanding at December 31, 1998	9	\$ 1,346
Options written	14	5,776
Options expired	(23)	(7,122)
Options exercised	--	--
Options closed	--	--
Options outstanding at June 30, 1999	--	--

</TABLE>

MUTUAL SHARES SECURITIES FUND

<TABLE>
<CAPTION>

	NUMBER OF CONTRACTS	PREMIUMS RECEIVED
<S>	<C>	<C>
Options outstanding at December 31, 1998	12	\$ 1,795
Options written	31	12,682
Options expired	(43)	(14,477)
Options exercised	--	--
Options closed	--	--
Options outstanding at June 30, 1999	--	--

</TABLE>

6. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Each of the funds listed below has been a party to financial instruments with off-balance-sheet risk, primarily forward exchange contracts, in order to minimize the impact on the funds from adverse changes in the relationship between the U.S. dollar and foreign currencies and interest rates. These instruments involve market risk in excess of the amount recognized on the Statements of Assets and Liabilities. Some of these risks have been minimized by offsetting contracts. Risks arise from the possible inability of counterparties to meet the terms of their contracts, future movement in currency values and interest rates and contract positions that are not exact offsets. The contract amount indicates the extent of the funds' involvement in such contracts.

FRANKLIN VALUEMARK FUNDS

Notes to Financial Statements (unaudited) (continued)

6. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (CONT.)

A forward exchange contract is an agreement between two parties to exchange different currencies at a specific rate at an agreed future date. At June 30, 1999, certain funds have outstanding forward exchange contracts for the sale or purchase of currencies as set out below. The contracts are reported in the financial statements at each Fund's net equity, as measured by the difference between the forward exchange rates at the reporting date and the forward exchange rates at the day of entry into the contract.

As of June 30, 1999, all forward exchange contracts in the Templeton Global Asset Allocation Fund and the Templeton Global Income Securities Fund were

offset.

MUTUAL DISCOVERY SECURITIES FUND

<TABLE>
<CAPTION>

CONTRACTS TO BUY		IN EXCHANGE FOR	SETTLEMENT DATE	UNREALIZED GAIN / (LOSS)
<S>	<C>	<C>	<C>	<C>
3,975,680	Norwegian Krone	U.S. \$ 500,000	9/10/99	U.S. \$ 3,933

CONTRACTS TO SELL				
16,251,010	British Pounds	U.S. \$ 26,911,672	7/20/99	U.S. \$1,292,634
2,328,902	British Pounds	3,769,403	5/22/00	83,176
1,357,353	Canadian Dollars	931,984	10/29/99	2,937
12,687,355	Danish Krone	1,834,169	10/27/99	55,987
1,680,835	European Unit	1,905,892	7/19/99	170,065
1,202,826	European Unit	1,323,834	8/31/99	77,546
13,600,350	European Unit	14,839,102	9/10/99	736,064
5,620,475	European Unit	6,071,405	10/12/99	228,326
12,187,113	European Unit	13,813,334	10/27/99	1,128,458
3,468,834	European Unit	3,697,104	11/29/99	77,114
2,245,897	European Unit	2,377,079	12/17/99	29,955
396,610,506	Japanese Yen	3,388,569	9/24/99	69,108
2,277,014	New Zealand Dollars	1,278,373	11/17/99	67,799
12,538,644	Norwegian Krone	1,608,085	9/10/99	18,763
10,889,014	Swedish Krona	1,416,777	7/21/99	134,362
15,547,043	Swedish Krona	2,998,421	8/17/99	175,450
12,347,230	Swedish Krona	1,527,544	9/15/99	68,216
46,159,548	Swedish Krona	5,671,403	9/20/99	213,962
35,271,263	Swedish Krona	4,303,078	10/19/99	124,675
16,879,167	Swedish Krona	2,145,176	11/17/99	141,565
9,122,385	Swiss Francs	6,260,076	9/10/99	342,007
		U.S. \$108,072,480		U.S. \$5,238,169

Unrealized gain on forward exchange contracts				U.S. \$5,242,102

CONTRACTS TO BUY				
5,183,294	British Pounds	U.S. \$ 8,430,833	7/20/99	U.S. \$ (259,587)
670,301	British Pounds	1,081,195	8/17/99	(24,272)
150,000	Canadian Dollars	102,740	10/29/99	(72)
138,421,064	Japanese Yen	1,188,174	9/24/99	(29,648)
3,380,915	Norwegian Krone	431,082	9/10/99	(2,537)
3,141,395	Swedish Krona	371,236	7/21/99	(2,341)
		U.S. \$ 11,605,260		U.S. \$ (318,457)

CONTRACTS TO SELL				
774,031	Canadian Dollars	U.S. \$ 528,736	10/29/99	U.S. \$ (1,053)
54,150,000	Japanese Yen	448,039	9/24/99	(5,174)
4,027,906	Norwegian Krone	507,805	9/10/99	(2,748)
876,426	Swedish Krona	103,647	11/17/99	(388)
		U.S. \$ 1,588,227		U.S. \$ (9,363)

Unrealized loss on forward exchange contracts				U.S. \$ (327,820)

Net unrealized gain on forward exchange contracts				U.S. \$4,914,282
=====				

</TABLE>

FRANKLIN VALUEMARK FUNDS

Notes to Financial Statements (unaudited) (continued)

6. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (CONT.)

MUTUAL SHARES SECURITIES FUND

<TABLE>
<CAPTION>

CONTRACTS TO BUY		IN EXCHANGE FOR	SETTLEMENT DATE	UNREALIZED GAIN / (LOSS)
------------------	--	--------------------	--------------------	-----------------------------

<S>		<C>		<C>		<C>
1,985,093	Canadian Dollars	U.S. \$	1,331,850	10/29/99	U.S. \$	26,857
3,178,135	European Unit		3,455,904	9/10/99		160,300
			-----			-----
		U.S. \$	4,787,754		U.S. \$	187,157
			-----			-----
CONTRACTS TO SELL						
10,496,325	British Pounds	U.S. \$	17,381,915	7/20/99	U.S. \$	834,896
614,633	British Pounds		1,054,916	8/17/99		32,090
117,327	British Pounds		189,131	1/18/00		3,725
1,969,895	British Pounds		3,188,880	5/22/00		70,896
3,398,413	European Unit		3,885,050	7/19/99		375,451
2,801,080	European Unit		3,110,003	8/31/99		186,986
4,682,833	European Unit		5,146,930	9/10/99		291,011
6,138,910	European Unit		6,711,250	10/12/99		329,201
6,214,800	European Unit		6,770,547	10/27/99		301,914
2,431,582	European Unit		2,602,756	11/29/99		65,218
2,447,499	European Unit		2,589,567	12/17/99		31,755
43,669,556	Japanese Yen		377,706	9/24/99		12,210
5,500,000	Swedish Krona		646,959	8/17/99		51,806
30,236,278	Swedish Krona		3,732,205	9/15/99		158,559
35,950,730	Swedish Krona		4,413,469	9/20/99		163,016
19,759,585	Swedish Krona		2,413,532	10/19/99		72,717
8,000,000	Swedish Krona		1,005,856	11/17/99		56,230
5,735,403	Swiss Francs		3,913,542	9/10/99		192,749
			-----			-----
		U.S. \$	69,134,214		U.S. \$	3,230,430
			-----			-----
Unrealized gain on forward exchange contracts					U.S. \$	3,417,587

CONTRACTS TO BUY						
1,674,217	British Pounds	U.S. \$	2,689,362	7/20/99	U.S. \$	(50,030)
500,000	British Pounds		809,600	8/17/99		(21,205)
534,439	Canadian Dollars		367,312	10/29/99		(1,513)
23,032,556	Japanese Yen		197,706	9/24/99		(4,933)
			-----			-----
		U.S. \$	4,063,980		U.S. \$	(77,681)
			-----			-----
CONTRACTS TO SELL						
5,983,869	Canadian Dollars	U.S. \$	3,964,550	10/29/99	U.S. \$	(131,133)
16,964,800	Swedish Krona		2,000,000	9/15/99		(5,082)
			-----			-----
		U.S. \$	5,964,550		U.S. \$	(136,215)
			-----			-----
Unrealized loss on forward exchange contracts					U.S. \$	(213,896)

Net unrealized gain on forward exchange contracts					U.S. \$	3,203,691
						=====

</TABLE>

7. CREDIT RISK AND DEFAULTED SECURITIES

The High Income Fund and the Income Securities Fund have 99.1% and 37.5%, respectively, of their portfolios invested in lower rated and comparable quality unrated high yield securities, which tend to be more sensitive to economic conditions than higher rated securities. The risk of loss due to default by the issuer may be significantly greater for the holders of high yielding securities because such securities are generally unsecured and are often subordinated to other creditors of the issuer. At June 30, 1999, the High Income Fund and the Income Securities Fund held defaulted securities with a value aggregating \$3,959,500 representing 1.0% and \$475,000, representing .1%, respectively, of each Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

FRANKLIN VALUEMARK FUNDS

Notes to Financial Statements (unaudited) (continued)

7. CREDIT RISK AND DEFAULTED SECURITIES (CONT.)

For financial reporting purposes, the Funds discontinue accruing income on defaulted bonds and provide an estimate for losses on interest receivable.

The following funds have investments in excess of 10% of their total net assets in the following:

High Income Fund - Consumer Services and Telecommunications industries.

Templeton Global Income Securities Fund - Germany and United Kingdom.

Such concentration may subject each Fund more significantly to economic changes occurring within these countries or industries.

Investing in equity securities of Russian companies includes certain risks not typically associated with investing in countries with more developed securities markets, such as political, economic and legal uncertainties, delays in settling portfolio transactions and the risk of loss from Russia's underdeveloped systems of securities registration and transfer.

8. RESTRICTED SECURITIES

The Funds may purchase securities through a private offering that generally cannot be resold to the public without prior registration under the Securities Act of 1933. The costs of registering such securities are paid by the issuer. Restricted securities held at June 30, 1999 are as follows:

<TABLE>

<CAPTION>

PRINCIPAL AMOUNT/ SHARES/WARRANTS	ISSUER	ACQUISITION DATE	COST	VALUE
<S>	<C>	<C>	<C>	<C>
HIGH INCOME FUND				
\$7,800,000	International Wireless Communications, senior disc. note, zero cpn., 8/15/01	8/09/96	\$3,965,050	\$ 624,000
	TOTAL RESTRICTED SECURITIES (.2% of Net Assets)			\$ 624,000
MUTUAL DISCOVERY SECURITIES FUND				
615	Golden Ocean Group Ltd., wts., 8/31/01	8/25/97	\$ 375	\$ --
\$ 570,000	Golden Ocean Group Ltd., 10.00%, 8/31/01	8/26/97	412,147	62,700
81,700	Laser Mortgage Management Inc.	11/26/97	883,177	280,844
11,745	Security Capital European Realty	4/08/98	234,900	203,508
	TOTAL RESTRICTED SECURITIES (.3% of Net Assets)			\$ 547,052
MUTUAL SHARES SECURITIES FUND				
1,120	Golden Ocean Group Ltd., wts., 8/31/01	8/25/97	\$ 1,611	\$ --
\$1,050,000	Golden Ocean Group Ltd., 10.00%, 8/31/01	8/26/97	756,829	115,500
186,700	Laser Mortgage Management Inc.	11/26/97	2,018,227	641,781
\$2,328,000	Roil Limited, 12.779%, 12/05/02	5/08/98	2,315,850	814,800
23,055	Security Capital European Realty	4/08/98	461,100	399,479
	TOTAL RESTRICTED SECURITIES (.4% of Net Assets)			\$1,971,560

</TABLE>

FRANKLIN VALUEMARK FUNDS

Notes to Financial Statements (unaudited) (continued)

9. HOLDING OF 5% VOTING SECURITIES OF PORTFOLIO COMPANIES

The Investment Company Act of 1940 defines "affiliated companies" as investments in portfolio companies in which the Fund owns 5% or more of the outstanding voting securities. Investments in "affiliated companies", at June 30, 1999 were as follows:

<TABLE>

<CAPTION>

NAME OF ISSUER	NUMBER OF SHARES HELD AT			NUMBER OF SHARES HELD END OF PERIOD	VALUE AT END OF PERIOD	CAPITAL GAINS/ LOSSES
	BEGINNING OF PERIOD	GROSS ADDITIONS	GROSS REDUCTIONS			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
RISING DIVIDENDS FUND						
West Pharmaceutical Services Inc.	784,300	--	(25,000)	759,300	\$29,802,525	\$ 281,428
REAL ESTATE SECURITIES FUND						
Candlewood Hotel Co. Inc.	650,000	--	(300,000)	350,000	*	\$(1,793,962)

</TABLE>

*As of June 30, 1999, no longer an affiliate.

10. LENDING OF PORTFOLIO SECURITIES

The Small Cap Fund loans securities to certain brokers for which it receives cash collateral against the loaned securities in an amount equal to at least 102% of the market value of the loaned securities. Net interest income from the

investment of the cash collateral received was \$77,779 for the period ended June 30, 1999. The value of the loaned securities was \$9,147,404 at June 30, 1999. The Fund has received sufficient cash collateral to meet this commitment.

11. OTHER CONSIDERATIONS

Advisers, as the High Income Fund's Manager, may serve as a member of various bondholder's steering committees, representing bondholder's interests in certain corporate restructuring negotiations, or on creditors committees. Currently, the Manager serves on the Official Committee of Unsecured Creditors of International Wireless Communications Holdings Inc. As a result of this involvement, Advisers may be in possession of certain material non-public information. The Fund's Manager has not nor does it intend to sell any of its holdings in these securities while in possession of such information.

FRANKLIN VALUEMARK FUNDS
Tax Information

At December 31, 1998, more than 50% of the Templeton Developing Markets Equity Fund, Templeton Global Asset Allocation Fund, Templeton Global Growth Fund, Templeton International Equity Fund, and Templeton International Smaller Companies Fund total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from dividends paid to the Funds on these investments. Each Fund intends to make an election under Section 853 of the Internal Revenue Code. This election will allow shareholders to treat their proportionate share of foreign taxes paid by the funds as having been paid directly to them.

The following tables provide a breakdown by country of foreign source income and foreign taxes paid to Class 1 and Class 2 shareholders in July 1999.

TEMPLETON DEVELOPING MARKETS EQUITY FUND

<TABLE>
<CAPTION>

COUNTRY	CLASS 1		CLASS 2	
	FOREIGN TAXES WITHHELD PER SHARE	FOREIGN SOURCE INCOME PER SHARE	FOREIGN TAXES WITHHELD PER SHARE	FOREIGN SOURCE INCOME PER SHARE
<S>	<C>	<C>	<C>	<C>
Argentina	\$ 0.0000	\$ 0.0068	\$ 0.0000	\$ 0.0068
Brazil	0.0096	0.0462	0.0096	0.0462
Chile	0.0003	0.0007	0.0003	0.0007
China	0.0000	0.0045	0.0000	0.0045
Colombia	0.0000	0.0024	0.0000	0.0024
Czech Republic	0.0001	0.0004	0.0001	0.0004
Ghana	0.0001	0.0004	0.0001	0.0004
Greece	0.0000	0.0102	0.0000	0.0102
Hong Kong	0.0000	0.0198	0.0000	0.0198
Hungary	0.0003	0.0012	0.0003	0.0012
India	0.0000	0.0087	0.0000	0.0087
Indonesia	0.0001	0.0006	0.0001	0.0006
Israel	0.0001	0.0004	0.0001	0.0004
Jordan	0.0000	0.0002	0.0000	0.0002
Korea (South)	0.0006	0.0021	0.0006	0.0021
Malaysia	0.0019	0.0050	0.0019	0.0050
Mexico	0.0000	0.0161	0.0000	0.0161
Pakistan	0.0007	0.0028	0.0007	0.0028
Peru	0.0000	0.0015	0.0000	0.0015
Philippines	0.0001	0.0002	0.0001	0.0002
Poland	0.0005	0.0020	0.0005	0.0020
Portugal	0.0015	0.0061	0.0015	0.0061
Singapore	0.0040	0.0105	0.0040	0.0105
Slovak Republic	0.0003	0.0012	0.0003	0.0012
South Africa	0.0000	0.0170	0.0000	0.0170
Sri Lanka	0.0001	0.0004	0.0001	0.0004
Thailand	0.0003	0.0021	0.0003	0.0021
Turkey	0.0000	0.0297	0.0000	0.0297
Venezuela	0.0000	0.0024	0.0000	0.0024
Zimbabwe	0.0001	0.0006	0.0001	0.0006
TOTAL	\$ 0.0207	\$ 0.2022	\$ 0.0207	\$ 0.2022

</TABLE>

TEMPLETON GLOBAL ASSET ALLOCATION FUND

<TABLE>
<CAPTION>

Country	CLASS 1		CLASS 2	
	FOREIGN TAXES WITHHELD	FOREIGN SOURCE INCOME	FOREIGN TAXES WITHHELD	FOREIGN SOURCE INCOME
	PER SHARE	PER SHARE	PER SHARE	PER SHARE
<S>	<C>	<C>	<C>	<C>
Argentina	\$ 0.0000	\$ 0.0118	\$ 0.0000	\$ 0.0118
Australia	0.0009	0.0170	0.0009	0.0170
Bermuda	0.0000	0.0039	0.0000	0.0039
Brazil	0.0079	0.0528	0.0079	0.0528
Bulgaria	0.0000	0.0001	0.0000	0.0001
Canada	0.0004	0.0021	0.0004	0.0021
Chile	0.0007	0.0024	0.0007	0.0024
China	0.0000	0.0064	0.0000	0.0064
Ecuador	0.0000	0.0025	0.0000	0.0025
Egypt	0.0000	0.0097	0.0000	0.0097
Finland	0.0002	0.0013	0.0002	0.0013
France	0.0025	0.0200	0.0025	0.0200
Greece	0.0000	0.0015	0.0000	0.0015
Hong Kong	0.0000	0.0324	0.0000	0.0324
Hungary	0.0000	0.0007	0.0000	0.0007
India	0.0003	0.0083	0.0003	0.0083
Indonesia	0.0000	0.0002	0.0000	0.0002
Israel	0.0003	0.0010	0.0003	0.0010
Italy	0.0004	0.0020	0.0004	0.0020
Japan	0.0004	0.0021	0.0004	0.0021
Korea (South)	0.0005	0.0024	0.0005	0.0024
Mexico	0.0000	0.0143	0.0000	0.0143
Netherlands	0.0004	0.0029	0.0004	0.0029
New Zealand	0.0003	0.0019	0.0003	0.0019
Norway	0.0012	0.0065	0.0012	0.0065
Peru	0.0000	0.0002	0.0000	0.0002
Russia	0.0002	0.0013	0.0002	0.0013
Singapore	0.0007	0.0027	0.0007	0.0027
Spain	0.0004	0.0023	0.0004	0.0023
Sweden	0.0003	0.0018	0.0003	0.0018
Switzerland	0.0012	0.0066	0.0012	0.0066
Turkey	0.0000	0.0002	0.0000	0.0002
United Kingdom	0.0145	0.0981	0.0145	0.0981
Venezuela	0.0000	0.0009	0.0000	0.0009
TOTAL	\$ 0.0337	\$ 0.3203	\$ 0.0337	\$ 0.3203

</TABLE>

FRANKLIN VALUEMARK FUNDS
Tax Information (continued)

TEMPLETON GLOBAL GROWTH FUND

<TABLE>
<CAPTION>

Country	CLASS 1		CLASS 2	
	FOREIGN TAXES WITHHELD	FOREIGN SOURCE INCOME	FOREIGN TAXES WITHHELD	FOREIGN SOURCE INCOME
	PER SHARE	PER SHARE	PER SHARE	PER SHARE
<S>	<C>	<C>	<C>	<C>
Argentina	\$ 0.0000	\$ 0.0130	\$ 0.0000	\$ 0.0130
Australia	0.0010	0.0151	0.0010	0.0151
Austria	0.0009	0.0046	0.0009	0.0046
Belgium	0.0019	0.0096	0.0019	0.0096
Bermuda	0.0000	0.0025	0.0000	0.0025
Brazil	0.0029	0.0209	0.0029	0.0209
Canada	0.0007	0.0035	0.0007	0.0035
China	0.0000	0.0030	0.0000	0.0030
Denmark	0.0010	0.0051	0.0010	0.0051
Ecuador	0.0000	0.0008	0.0000	0.0008
Finland	0.0019	0.0098	0.0019	0.0098
France	0.0021	0.0141	0.0021	0.0141
Germany	0.0001	0.0008	0.0001	0.0008
Greece	0.0000	0.0052	0.0000	0.0052
Hong Kong	0.0000	0.0367	0.0000	0.0367
Hungary	0.0001	0.0017	0.0001	0.0017
India	0.0000	0.0056	0.0000	0.0056
Indonesia	0.0000	0.0001	0.0000	0.0001
Italy	0.0006	0.0031	0.0006	0.0031
Japan	0.0005	0.0026	0.0005	0.0026

Korea (South)	0.0007	0.0026	0.0007	0.0026
Mexico	0.0000	0.0042	0.0000	0.0042
Netherlands	0.0015	0.0078	0.0015	0.0078
New Zealand	0.0006	0.0032	0.0006	0.0032
Norway	0.0004	0.0017	0.0004	0.0017
Singapore	0.0011	0.0032	0.0011	0.0032
South Africa	0.0000	0.0062	0.0000	0.0062
Spain	0.0014	0.0071	0.0014	0.0071
Sweden	0.0019	0.0103	0.0019	0.0103
Switzerland	0.0019	0.0096	0.0019	0.0096
Thailand	0.0002	0.0018	0.0002	0.0018
United Kingdom	0.0214	0.1079	0.0214	0.1079

TOTAL \$ 0.0448 \$ 0.3234 \$ 0.0448 \$ 0.3234

</TABLE>

TEMPLETON INTERNATIONAL EQUITY FUND

<TABLE>
<CAPTION>

Country	CLASS 1		CLASS 2	
	FOREIGN TAXES WITHHELD PER SHARE	FOREIGN SOURCE INCOME PER SHARE	FOREIGN TAXES WITHHELD PER SHARE	FOREIGN SOURCE INCOME PER SHARE
<S>	<C>	<C>	<C>	<C>
Argentina	\$ 0.0000	\$ 0.0115	\$ 0.0000	\$ 0.0115
Australia	0.0026	0.0204	0.0026	0.0204
Austria	0.0006	0.0030	0.0006	0.0030
Bermuda	0.0000	0.0040	0.0000	0.0040
Brazil	0.0109	0.0765	0.0109	0.0765
Canada	0.0015	0.0079	0.0015	0.0079
China	0.0000	0.0021	0.0000	0.0021
Finland	0.0017	0.0087	0.0017	0.0087
France	0.0022	0.0170	0.0022	0.0170
Germany	0.0009	0.0070	0.0009	0.0070
Hong Kong	0.0000	0.0142	0.0000	0.0142
Italy	0.0053	0.0169	0.0053	0.0169
Korea (South)	0.0003	0.0009	0.0003	0.0009
Mexico	0.0000	0.0016	0.0000	0.0016
Netherlands	0.0056	0.0293	0.0056	0.0293
New Zealand	0.0024	0.0128	0.0024	0.0128
Norway	0.0019	0.0098	0.0019	0.0098
Peru	0.0000	0.0043	0.0000	0.0043
Portugal	0.0006	0.0029	0.0006	0.0029
South Africa	0.0000	0.0058	0.0000	0.0058
Spain	0.0054	0.0293	0.0054	0.0293
Sweden	0.0049	0.0264	0.0049	0.0264
Switzerland	0.0029	0.0154	0.0029	0.0154
United Kingdom	0.0346	0.2758	0.0346	0.2758
TOTAL	\$ 0.0843	\$ 0.6035	\$ 0.0843	\$ 0.6035

</TABLE>

FRANKLIN VALUEMARK FUNDS
Tax Information (continued)

TEMPLETON INTERNATIONAL SMALLER COMPANIES FUND

<TABLE>
<CAPTION>

Country	CLASS 1		CLASS 2	
	FOREIGN TAXES WITHHELD PER SHARE	FOREIGN SOURCE INCOME PER SHARE	FOREIGN TAXES WITHHELD PER SHARE	FOREIGN SOURCE INCOME PER SHARE
<S>	<C>	<C>	<C>	<C>
Argentina	\$ 0.0000	\$ 0.0042	\$ 0.0000	\$ 0.0042
Australia	0.0010	0.0136	0.0010	0.0136
Austria	0.0008	0.0044	0.0008	0.0044
Brazil	0.0059	0.0357	0.0059	0.0357
Canada	0.0033	0.0156	0.0033	0.0156
China	0.0000	0.0087	0.0000	0.0087
Colombia	0.0000	0.0015	0.0000	0.0015
Denmark	0.0005	0.0025	0.0005	0.0025
Ecuador	0.0000	0.0035	0.0000	0.0035
Egypt	0.0000	0.0100	0.0000	0.0100
France	0.0011	0.0071	0.0011	0.0071

Germany	0.0005	0.0035	0.0005	0.0035
Hong Kong	0.0000	0.0294	0.0000	0.0294
India	0.0000	0.0098	0.0000	0.0098
Indonesia	0.0002	0.0008	0.0002	0.0008
Israel	0.0003	0.0008	0.0003	0.0008
Japan	0.0002	0.0008	0.0002	0.0008
Korea (South)	0.0003	0.0007	0.0003	0.0007
Luxembourg	0.0004	0.0017	0.0004	0.0017
Netherlands	0.0054	0.0251	0.0054	0.0251
New Zealand	0.0017	0.0080	0.0017	0.0080
Norway	0.0027	0.0150	0.0027	0.0150
Singapore	0.0023	0.0063	0.0023	0.0063
South Africa	0.0000	0.0066	0.0000	0.0066
Spain	0.0032	0.0170	0.0032	0.0170
Sweden	0.0039	0.0184	0.0039	0.0184
Switzerland	0.0017	0.0085	0.0017	0.0085
Thailand	0.0001	0.0006	0.0001	0.0006
United Kingdom	0.0174	0.0788	0.0174	0.0788

TOTAL	\$ 0.0529	\$ 0.3386	\$ 0.0529	\$ 0.3386
=====				

</TABLE>

SUPPLEMENT DATED JULY 1, 1999
TO THE PROSPECTUS
OF

FRANKLIN VALUEMARK(R) LIFE
SINGLE PREMIUM VARIABLE LIFE INSURANCE
ALLIANZ LIFE VARIABLE ACCOUNT A
DATED MAY 1, 1999

ALLIANZ VALUE LIFE
A FLEXIBLE UNIVERSAL LIFE INSURANCE POLICY
ALLIANZ LIFE VARIABLE ACCOUNT A
DATED MAY 1, 1999, AS AMENDED JUNE 1, 1999

FRANKLIN VALUEMARK(R) II, III AND IV
FLEXIBLE PAYMENT VARIABLE ANNUITIES
ALLIANZ LIFE VARIABLE ACCOUNT B
DATED MAY 1, 1999

FRANKLIN VALUEMARK(R) II AND IV
FLEXIBLE PREMIUM VARIABLE ANNUITY
PREFERRED LIFE VARIABLE ACCOUNT C
DATED MAY 1, 1999

FRANKLIN TEMPLETON VALUEMARK INCOME PLUS
AN INDIVIDUAL IMMEDIATE VARIABLE ANNUITY
ALLIANZ LIFE VARIABLE ACCOUNT B
DATED MAY 1, 1999

The Board of Trustees of Franklin Valuemark Funds (the Trust), has approved a change in the name of the Trust to Franklin Templeton Variable Insurance Products Trust. References to Franklin Valuemark Funds or to the Trust in the Contract's profile or prospectus should be deemed to refer to Franklin Templeton Variable Insurance Products Trust. The names of the Portfolios of the Trust available under the Contract remain unchanged.

SUPPLEMENT DATED JULY 1, 1999
TO THE PROSPECTUS DATED MAY 1, 1999
OF

FRANKLIN VALUEMARK(R) FUNDS
CLASS 1

The Board of Trustees of Franklin Valuemark Funds (the Trust), has approved a change in the name of the Trust to Franklin Templeton Variable Insurance Products Trust. References in the prospectus to Franklin Valuemark Funds or to the Trust should be deemed to refer to Franklin Templeton Variable Insurance Products Trust. The names of the series of the Trust remain unchanged.

SUPPLEMENT DATED JULY 1, 1999
TO THE PROSPECTUS
OF

FRANKLIN(R) VALUEMARK(R) CHARTER
A FLEXIBLE PREMIUM VARIABLE ANNUITY
ALLIANZ LIFE VARIABLE ACCOUNT B
DATED MAY 1, 1999

1. The Board of Trustees of Franklin Valuemark Funds (the Trust), has approved a

change in the name of the Trust to Franklin Templeton Variable Insurance Products Trust. References to Franklin Valuemark Funds or to the Trust in the Contract's profile or prospectus should be deemed to refer to Franklin Templeton Variable Insurance Products Trust. The names of the Portfolios of the Trust available under the Contract remain unchanged.

2. The charts on pages 4 and 5 of the profile's section "5. Expenses" are replaced with the following charts (to reflect a reduction in each Portfolio's class 2 12b-1 expenses to 0.25% per year):

CHART 1. EXPENSES FOR CONTRACTS WITH TRADITIONAL DEATH BENEFIT:

<TABLE>
<CAPTION>

VARIABLE OPTION	TOTAL ANNUAL INSURANCE CHARGES	TOTAL ANNUAL CLASS 2 PORTFOLIO EXPENSES	TOTAL ANNUAL EXPENSES	EXAMPLES: EXPENSES AT END OF:	
	<C>	<C>	<C>	1 YEAR	10 YEARS
<S>	<C>	<C>	<C>	<C>	<C>
Capital Growth	1.25%	1.02%	2.27%	\$ 23	\$260
Global Health Care Securities(1).....	1.25%	1.09%	2.34%	\$ 24	\$267
Global Utilities Securities	1.25%	.75%	2.00%	\$ 20	\$232
Growth and Income	1.25%	.74%	1.99%	\$ 20	\$231
High Income	1.25%	.78%	2.03%	\$ 21	\$235
Income Securities	1.25%	.74%	1.99%	\$ 20	\$231
Money Market	1.25%	.78%	2.03%	\$ 21	\$235
Mutual Discovery Securities	1.25%	1.25%	2.50%	\$ 25	\$284
Mutual Shares Securities	1.25%	1.02%	2.27%	\$ 23	\$260
Natural Resources Securities	1.25%	.89%	2.14%	\$ 22	\$247
Real Estate Securities	1.25%	.79%	2.04%	\$ 21	\$236
Rising Dividends	1.25%	.97%	2.22%	\$ 23	\$255
Small Cap	1.25%	1.02%	2.27%	\$ 23	\$260
Templeton Developing Markets Equity	1.25%	1.66%	2.91%	\$ 29	\$324
Templeton Global Asset Allocation	1.25%	1.09%	2.34%	\$ 24	\$267
Templeton Global Growth	1.25%	1.13%	2.38%	\$ 24	\$272
Templeton Global Income Securities	1.25%	.88%	2.13%	\$ 22	\$246
Templeton International Equity	1.25%	1.13%	2.38%	\$ 24	\$272
Templeton International Smaller Companies	1.25%	1.35%	2.60%	\$ 26	\$294
Templeton Pacific Growth	1.25%	1.35%	2.60%	\$ 26	\$294
U.S. Government Securities	1.25%	.75%	2.00%	\$ 20	\$232
Value Securities(1).....	1.25%	1.08%	2.33%	\$ 24	\$266

</TABLE>

(1.) Estimated for 1999

CHART 2. EXPENSES FOR CONTRACTS WITH ENHANCED DEATH BENEFIT:

<TABLE>
<CAPTION>

VARIABLE OPTION	TOTAL ANNUAL INSURANCE CHARGES	TOTAL ANNUAL CLASS 2 PORTFOLIO EXPENSES	TOTAL ANNUAL EXPENSES	EXAMPLES: EXPENSES AT END OF:	
	<C>	<C>	<C>	1 YEAR	10 YEARS
<S>	<C>	<C>	<C>	<C>	<C>
Capital Growth	1.45%	1.02%	2.47%	\$ 25	\$281
Global Health Care Securities(1).....	1.45%	1.09%	2.54%	\$ 26	\$288
Global Utilities Securities	1.45%	.75%	2.20%	\$ 22	\$253
Growth and Income	1.45%	.74%	2.19%	\$ 22	\$252
High Income	1.45%	.78%	2.23%	\$ 23	\$256
Income Securities	1.45%	.74%	2.19%	\$ 22	\$252
Money Market	1.45%	.78%	2.23%	\$ 23	\$256
Mutual Discovery Securities	1.45%	1.25%	2.70%	\$ 27	\$303
Mutual Shares Securities	1.45%	1.02%	2.47%	\$ 25	\$281
Natural Resources Securities	1.45%	.89%	2.34%	\$ 24	\$267
Real Estate Securities	1.45%	.79%	2.24%	\$ 23	\$257
Rising Dividends	1.45%	.97%	2.42%	\$ 25	\$276
Small Cap	1.45%	1.02%	2.47%	\$ 25	\$281
Templeton Developing Markets Equity	1.45%	1.66%	3.11%	\$ 31	\$343
Templeton Global Asset Allocation	1.45%	1.09%	2.54%	\$ 26	\$288
Templeton Global Growth	1.45%	1.13%	2.58%	\$ 26	\$292
Templeton Global Income Securities	1.45%	.88%	2.33%	\$ 24	\$266
Templeton International Equity	1.45%	1.13%	2.58%	\$ 26	\$292
Templeton International Smaller Companies	1.45%	1.35%	2.80%	\$ 28	\$313
Templeton Pacific Growth	1.45%	1.35%	2.80%	\$ 28	\$313
U.S. Government Securities	1.45%	.75%	2.20%	\$ 22	\$253
Value Securities(1).....	1.45%	1.08%	2.53%	\$ 26	\$287

</TABLE>

(1.) Estimated for 1999

3. The last two sentences of the profile's section "8. Performance" are replaced with the following language:

"Effective July 1, 1999, Class 2 shares have 12b-1 plan expenses currently equal to 0.25% per year of each portfolio's average net assets which will affect future performance. Prior to July 1, 1999 the Class 2 shares had 12b-1 plan expenses equal to .30% per year of each portfolio's average net assets. Past performance is not a guarantee of future results."

4. The table on page 5 of the prospectus is replaced with the following table:

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST'S
ANNUAL EXPENSES: CLASS 2 SHARES
(as a percentage of each Portfolio's average net assets)

The Management and Portfolio Administration Fees and Total Annual Expenses for each Portfolio are based on a percentage of that Portfolio's average net assets for the most recent fiscal year. Class 2 shares have a distribution plan which is referred to as a Rule 12b-1 plan. See the accompanying Franklin Templeton Variable Insurance Products Trust prospectus for a description of these fees and the Rule 12b-1 plan. While the maximum amount payable under each Portfolio's Class 2 Rule 12b-1 plan is 0.35% per year of the Portfolio's average daily net assets, effective July 1, 1999, the Board of Trustees of Franklin Templeton Variable Insurance Products Trust has set the current rate at 0.25% per year. Prior to July 1, 1999 the Class 2 shares had 12b-1 plan expenses equal to .30% per year of each portfolio's average net assets. Because Class 2 shares are new, the figures below (other than Rule 12b-1 plan fees) are based on the expenses of each Portfolio's Class 1 shares for the most recent fiscal year, except as noted.

<TABLE>
<CAPTION>

	MANAGEMENT AND PORTFOLIO ADMINISTRATION FEES (1)	12b-1 FEES	OTHER EXPENSES	TOTAL ANNUAL EXPENSES
<S>	<C>	<C>	<C>	<C>
Capital Growth Fund .....	.75%	.25%	.02%	1.02%
Global Health Care Securities Fund(2) .....	.75%	.25%	.09%	1.09%
Global Utilities Securities Fund .....	.47%	.25%	.03%	.75%
Growth and Income Fund .....	.47%	.25%	.02%	.74%
High Income Fund .....	.50%	.25%	.03%	.78%
Income Securities Fund .....	.47%	.25%	.05%	.74%
Money Market Fund .....	.51%	.25%	.02%	.78%
Mutual Discovery Securities Fund .....	.95%	.25%	.05%	1.25%
Mutual Shares Securities Fund .....	.74%	.25%	.03%	1.02%
Natural Resources Securities Fund .....	.62%	.25%	.02%	.89%
Real Estate Securities Fund .....	.52%	.25%	.02%	.79%
Rising Dividends Fund .....	.70%	.25%	.02%	.97%
Small Cap Fund .....	.75%	.25%	.02%	1.02%
Templeton Developing Markets Equity Fund	1.25%	.25%	.16%	1.66%
Templeton Global Asset Allocation Fund .....	.80%	.25%	.04%	1.09%
Templeton Global Growth Fund .....	.83%	.25%	.05%	1.13%
Templeton Global Income Securities Fund .....	.57%	.25%	.06%	.88%
Templeton International Equity Fund .....	.80%	.25%	.08%	1.13%
Templeton International Smaller Companies Fund	1.00%	.25%	.10%	1.35%
Templeton Pacific Growth Fund .....	.99%	.25%	.11%	1.35%
U.S. Government Securities Fund .....	.48%	.25%	.02%	.75%
Value Securities Fund(2) .....	.75%	.25%	.08%	1.08%

</TABLE>

(1.) The Portfolio Administration Fee is a direct expense for the Global Health Care Securities Fund, the Mutual Discovery Securities Fund, the Mutual Shares Securities Fund, the Templeton Global Asset Allocation Fund, the Templeton International Smaller Companies Fund, and the Value Securities Fund; other Portfolios pay for similar services indirectly through the Management Fee. See the accompanying Franklin Templeton Variable Insurance Products Trust prospectus for further information regarding these fees.

(2.) The Global Health Care Securities Fund and the Value Securities Fund commenced operations May 1, 1998. The expenses shown above for these Portfolios are therefore estimated for 1999.

5. The charts on pages 6 and 7 of the prospectus are replaced with the following charts:

CHART 1. CONTRACTS WITH TRADITIONAL DEATH BENEFIT OPTION

You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return on your money regardless of whether you surrender your Contract at the end of each time period:

<TABLE>
<CAPTION>

VARIABLE OPTION	1 YEAR	3 YEARS	5 YEARS	10 YEARS

<S>	<C>	<C>	<C>	<C>
Capital Growth	\$ 23	\$ 71	\$121	\$260
Global Health Care Securities*	\$ 24	\$ 73	\$125	\$267
Global Utilities Securities	\$ 20	\$ 63	\$108	\$232
Growth and Income	\$ 20	\$ 62	\$107	\$231
High Income	\$ 21	\$ 64	\$109	\$235
Income Securities	\$ 20	\$ 62	\$107	\$231
Money Market	\$ 21	\$ 64	\$109	\$235
Mutual Discovery Securities	\$ 25	\$ 78	\$133	\$284
Mutual Shares Securities	\$ 23	\$ 71	\$121	\$260
Natural Resources Securities	\$ 22	\$ 67	\$115	\$247
Real Estate Securities	\$ 21	\$ 64	\$110	\$236
Rising Dividends	\$ 23	\$ 69	\$119	\$255
Small Cap	\$ 23	\$ 71	\$121	\$260
Templeton Developing Markets Equity	\$ 29	\$ 90	\$153	\$324
Templeton Global Asset Allocation	\$ 24	\$ 73	\$125	\$267
Templeton Global Growth	\$ 24	\$ 74	\$127	\$272
Templeton Global Income Securities	\$ 22	\$ 67	\$114	\$246
Templeton International Equity	\$ 24	\$ 74	\$127	\$272
Templeton International Smaller Companies	\$ 26	\$ 81	\$138	\$294
Templeton Pacific Growth	\$ 26	\$ 81	\$138	\$294
U.S. Government Securities	\$ 20	\$ 63	\$108	\$232
Value Securities*	\$ 24	\$ 73	\$124	\$266

*Estimated

CHART 2. CONTRACTS WITH ENHANCED DEATH BENEFIT OPTION

You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return on your money regardless of whether you surrender your Contract at the end of each time period:

<TABLE> <CAPTION> VARIABLE OPTION	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>
Capital Growth	\$ 25	\$ 77	\$132	\$281
Global Health Care Securities*	\$ 26	\$ 79	\$135	\$288
Global Utilities Securities	\$ 22	\$ 69	\$118	\$253
Growth and Income	\$ 22	\$ 68	\$117	\$252
High Income	\$ 23	\$ 70	\$119	\$256
Income Securities	\$ 22	\$ 68	\$117	\$252
Money Market	\$ 23	\$ 70	\$119	\$256
Mutual Discovery Securities	\$ 27	\$ 84	\$143	\$303
Mutual Shares Securities	\$ 25	\$ 77	\$132	\$281
Natural Resources Securities	\$ 24	\$ 73	\$125	\$267
Real Estate Securities	\$ 23	\$ 70	\$120	\$257
Rising Dividends	\$ 25	\$ 75	\$129	\$276
Small Cap	\$ 25	\$ 77	\$132	\$281
Templeton Developing Markets Equity	\$ 31	\$ 96	\$163	\$343
Templeton Global Asset Allocation	\$ 26	\$ 79	\$135	\$288
Templeton Global Growth	\$ 26	\$ 80	\$137	\$292
Templeton Global Income Securities	\$ 24	\$ 73	\$124	\$266
Templeton International Equity	\$ 26	\$ 80	\$137	\$292
Templeton International Smaller Companies	\$ 28	\$ 87	\$148	\$313
Templeton Pacific Growth	\$ 28	\$ 87	\$148	\$313
U.S. Government Securities	\$ 22	\$ 69	\$118	\$253
Value Securities*	\$ 26	\$ 79	\$135	\$287

*Estimated

6. The last two sentences of paragraph two under "8. Performance" on page 17 of the prospectus are replaced with the following language:

"Class 2 shares are relatively new and effective July 1, 1999 currently have Rule 12b-1 Plan expenses of 0.25% per year which will affect future performance. Prior to July 1, 1999 the Class 2 shares had 12b-1 plan expenses of .30% per year. The information is based upon the historical experience of the Portfolio's Class 1 shares and does not represent past performance or predict future performance."

SUPPLEMENT DATED JULY 1, 1999
TO THE PROSPECTUS DATED MAY 1, 1999
OF
FRANKLIN VALUEMARK(R) FUNDS
CLASS 2

The Board of Trustees of Franklin Valuemark Funds (the Trust), has approved the following changes:

- A change in the name of the Trust to Franklin Templeton Variable Insurance Products Trust. References in the prospectus to Franklin Valuemark Funds or to the Trust should be deemed to refer to Franklin Templeton Variable Insurance Products Trust. The names of the series of the Trust remain unchanged.
- A reduction in the maximum allowable fees which may be charged to class 2 of each fund under its distribution plan. The last sentence under "Distribution and Service (12b-1) fees" on page 71 is amended to read:

"While the maximum fee is up to 0.35% per year, the Board of Trustees has set the current rate of 0.25% of a fund's class 2 average daily net assets, effective July 1, 1999."

SUPPLEMENT DATED AUGUST 9, 1999
TO THE PROSPECTUSES DATED MAY 1, 1999
OF
FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
CLASS 1 AND CLASS 2

I. EFFECTIVE NOVEMBER 15, 1999, Global Utilities Securities Fund's name will be changed to "Franklin Global Communications Securities Fund" and the fund's strategy will be restated to one of investing at least 65% of total assets in equity securities of companies that are primarily engaged in providing communications services and communications equipment. These changes will reflect better the fund's principal investment strategy of investing primarily in the communications industries which have come to represent over 70% of the global public utilities sector. The fund's principal risks are those related to communications investments.

II. EFFECTIVE AS OF THE DATE OF THIS SUPPLEMENT, the prospectus information for the Global Utilities Securities Fund is amended by:

a) Under "Principal Investments," replacing the sentence which reads "The manager expects to invest substantially in the electricity and telecommunications sectors." with the following:

Because telecommunications industries have increasingly come to dominate the global utilities sector, the fund will invest substantially in communications companies. These are companies that are involved in the development, manufacture or sale of communications services and communications equipment (communications companies). These may include, for example, companies that provide

- local and long distance telephone services or equipment;
- cellular and other wireless communications, paging, and local and wide area network services or equipment;
- satellite, microwave, cable and other pay television services or equipment; and internet-related services or equipment, including internet service providers, web hosting and web content providers and internet portals.

b) Under "Main Risks - Utilities Industries," adding the following as the second paragraph of the section:

Moreover, by investing substantially in the securities of communications companies within the utilities sector, the fund carries greater risk of adverse developments affecting these companies than a fund that invests more broadly. The securities of communications companies may experience more price volatility than securities of companies in other industries. For example, communications companies are subject to significant competitive pressures, such as new market entrants, aggressive pricing and competition for market share and the potential for falling profit margins. These companies also face the risks that new services, equipment or technologies will not be accepted by consumers and businesses or will become rapidly obsolete. These factors can affect the profitability of communications companies and, as a result, the value of their securities. In addition, many wireless telecommunication and internet-related companies are in the emerging stage of development and are particularly vulnerable to the risks of rapidly changing technologies. Prices of these companies' securities historically have been more volatile than other securities, especially over the short term.

c) Under "Main Risks - Utilities Industries," replacing the last sentence of the section with the following:

Water supply company securities are often thinly traded and their markets, less liquid, than other utility securities.

III. The section "Management" for the Small Cap Fund is amended by adding Michael McCarthy to the portfolio manager team:

MICHAEL MCCARTHY

VICE PRESIDENT OF ADVISERS

Mr. McCarthy has been a manager of the fund since its inception in 1995. He joined the Franklin Templeton Group in 1992.