



MUTUAL FUNDS

Fund Commentary

Q1 | 2008

John Hancock Floating Rate Income Fund

FROM THE WESTERN ASSET MANAGEMENT COMPANY PORTFOLIO MANAGEMENT TEAM

The performance data contained within this material represents past performance, which does not guarantee future results. The return and principal value of an investment will fluctuate, so that shares, when redeemed, may be worth more or less than the original cost. The Fund's current performance may be higher or lower and is subject to substantial changes. For performance data current to the most recent month end, contact your financial professional or call John Hancock Funds at 1-800-225-5291.

FUND RESULTS

The Fund returned -2.12% for the quarter ended March 31, 2008, while the S&P/LSTA Performing Loan Index returned -5.73% for the period.*

MARKET REVIEW

The Federal Reserve engaged in a campaign against downside risks to growth. The Fund's rate was reduced 200 basis points (bps) and the latest FOMC statement indicated further reductions were in the pipeline. The Fed also announced new lending facilities targeted directly at strained credit conditions. Economic data was generally negative. Sales of new and existing homes continued to fall. Consumer confidence fell as jobs growth slowed. Headline inflation measures remained elevated. Commodity prices continued to rise, led by oil, which breached \$100 per barrel. Credit spreads widened to historic levels on diminished risk appetite and also under the assumption that defaults would begin to rise along with the fall in corporate profitability.

PERFORMANCE REVIEW

Loan investors are certainly happy that the quarter is over, as it was the worst performing quarter on record for the asset class. The average loan price fell from \$94.38 at the end of 2007 to \$87.22 at the close on March 31, 2008. Spreads widened significantly during the first quarter from approximately LIBOR +525 to greater than LIBOR +850. The market overhang and the disappearance of the bid

from CLO continued to roil the asset class. Loan mutual funds also contributed to a poor technical backdrop as they realized large net outflows in the first quarter. One result of the slower macroeconomic backdrop is an increase in defaults. The trailing 12-month issuer weighted default rate ticked up to 1.72% from 1.22% through March 2008. New issue volume was \$45 billion, down from \$78 billion in the fourth quarter of 2007. The recent announcement by Citigroup that it had placed \$10 billion of loans with a private equity consortium that included Apollo, TPG and Blackstone, as well as the increasing probability that the \$14 billion Clear Channel transaction may be cancelled, could further reduce the overhang.

MARKET OUTLOOK

We remain encouraged with the prospects of outperformance within the loan market. We continue to feel that much of the recent volatility has been due to technical issues and less with fundamental concerns. While we recognize that the fundamental credit picture has become more of a concern and volatility could be elevated, we are comforted by the fact that defaults remain historically low, operations are still showing some levels of growth and triggers for default are not causing a significant amount of concern. We are seeing some pockets of weakness, but we have not seen a broad fundamental meltdown that would be needed to support current spreads.

*Performance for Class A shares only at net asset value. Please visit our Web site at www.jhfunds.com for performance of other share classes.

This commentary reflects the views of the portfolio managers through March 31, 2008. The managers' views are subject to change as market and other conditions warrant. No forecasts are guaranteed. This commentary is provided for informational purposes only and is not an endorsement of any security, mutual fund, sector or index. Western Asset Management Company, John Hancock Advisers, LLC, and their affiliates, employees and clients may hold or trade the securities mentioned in this commentary.

TEN LARGEST ISSUERS (3/31/08)¹

HCA.....	2.52%	Energy Future Hldng.....	2.02%
Communityhealth Sy In.....	2.49%	Calpine Dip.....	1.80%
Cablevision.....	2.20%	Hertz.....	1.67%
Sunguard.....	2.07%	Nrg Energy Opco TI.....	1.58%
First Data.....	2.04%	Harrahs Op Tlb2.....	1.57%

AVERAGE ANNUAL TOTAL RETURNS – CLASS A (3/31/08)²

	Since inception (12/31/07)
Floating Rate Income Fund without sales charge	-2.12%
Floating Rate Income Fund with maximum sales charge of 3%	-5.05%
S&P/LSTA Performing Loan Index ³	-5.74%
Morningstar Bank Loan Average	-6.00%

Performance reflects a net annual fund operating expense ratio of 1.20%. The gross annual fund operating expense ratio of 1.42% is reduced due to a contractual expense reimbursement. The reimbursement is in effect until at least 12/31/2008 and may be terminated after such date. Expenses for other share classes will vary, which will affect returns. Performance figures assume that all distributions are reinvested. Performance quoted without sales charges would be reduced if the sales charges were applied.

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A fund's investment objectives, risks, charges and expenses should be considered carefully before investing. The prospectus contains this and other important information about the Fund. To obtain a prospectus, call your financial professional, John Hancock Funds at 1-800-225-5291 or visit our Web site at www.jhfunds.com. Please read the prospectus carefully before investing or sending money.

The major factor in this Fund's performance is credit risk. Lower-rated, fixed-income securities have a greater risk of issuers not being able to meet debt obligations, and their value will fluctuate more in response to market conditions.

Loans and debt instruments rated below investment grade are considered to have speculative characteristics. The Fund may invest in loans of companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructurings. The Fund may also acquire bonds, warrants and other equity interests. The Fund may take full advantage of the entire range of maturities and durations, and may adjust the average maturity or duration of the investments held by the Fund from time to time, depending on its assessment of the relative yields of different maturities and durations and its expectations of future changes in interest rates. Principal value and investment return will fluctuate with market conditions.

For more information, call your financial professional or John Hancock Funds at 1-800-225-5291.



John Hancock Funds, LLC

MEMBER FINRA
601 Congress Street
Boston, MA 02210-2805
1-800-225-5291
1-800-554-6713 TDD
www.jhfunds.com

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- 1 Listed holdings do not represent all of the holdings in the Fund. Holdings are subject to change at any time and are not recommendations to buy or sell any security. Holdings are expressed as a percentage of net assets.
- 2 Source: Morningstar, Inc. Performance for other share classes may vary, and returns assume all dividends and capital gains are reinvested.
- 3 The S&P/LSTA Performing Loan Index is a subset of the S&P/LSTA leveraged loan index tracking returns in the leveraged loan market and capturing a broad cross-section of the U.S. leveraged loan market, including dollar-denominated, U.S.-syndicated loans to overseas issuers and excluding those in default. It is not possible to invest directly in an index.

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