



MUTUAL FUNDS

# Fund Commentary

Q1 | 2008

## John Hancock Small Cap Equity Fund

FROM THE MFC GLOBAL INVESTMENT MANAGEMENT (U.S.), LLC 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 -20.40% for the quarter ended March 31, 2008, versus -12.83% for the Russell 2000 Growth Index and -14.45% for the Morningstar Small Cap Growth peer group.\*

### MARKET ENVIRONMENT

First quarter stock market performance was extremely volatile and weak. The credit shock, which initially resulted from the subprime mortgage market, led to a liquidity crisis and dampened investor's risk appetite. The Federal Reserve's orchestrated rescue of investment bank Bear Stearns and an aggressive monetary stimulus package injected some liquidity into the markets. Nonetheless, the market sold off sharply as it became clear that U.S. economic growth was slowing, aggressive rate cuts would likely weaken the U.S. dollar and commodity costs continued to rise. The first quarter's leadership was one of the narrowest markets in recent memory. Of the ten sectors that comprise the benchmark, only one (energy) recorded modestly positive returns.

### PERFORMANCE REVIEW

The Fund underperformed its peer group and benchmark. Stock selection was the primary drag on performance due to the portfolio's two largest sectors, technology and health care, as well as the energy sector. The Fund's sector positioning was hurt by overweight positions in the classic growth sectors and an equal weight in the energy sector. The team's decision to add to attractively valued growth companies as the economic outlook worsened detracted

from performance in the near term. Additionally, the Federal Reserve's aggressive rate cuts in response to a liquidity crisis in capital markets stoked fears of a weakening U.S. dollar and higher inflation driven by economic strength in international economies. We believe that we have less inflation-related exposure in the portfolio relative to our peers.

### OUTLOOK

The U.S. economy is slowing, and market expectations regarding growth (slower) and risk (higher premium) have been adjusted. We believe commodities could be poised for a correction because U.S. and international demand appears to be slowing as additional supply is coming on line. Consumer sentiment will likely be weak for a period of time due to the housing crisis aftermath and high gas prices despite recent fiscal and monetary stimulus. The financial sector will take some time to work out its issues regarding excess credit and leverage. However, we are actively looking to add companies with excess capital capable of writing very attractive business in the current environment. Thus, our largest active bets remain in technology and health care. Our exposure in these sectors is characterized largely by attractive product cycles, strong international exposure (benefiting from a weak dollar) or high visibility. We continue to focus our efforts on creating a diversified portfolio of high quality growth companies, which should be attractive in a slowing economic environment and should warrant a premium valuation in a less inflationary environment.

### SCORECARD

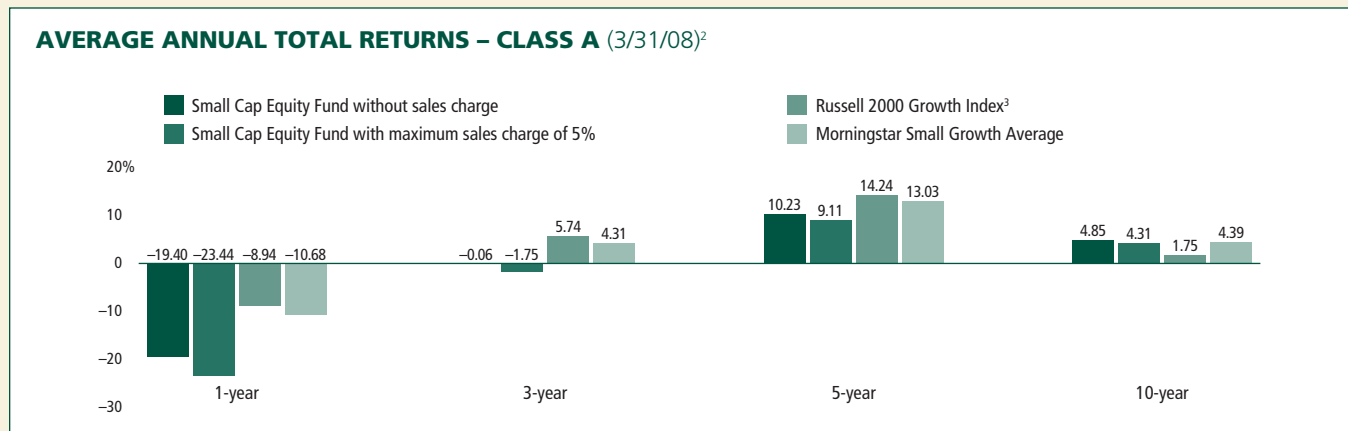
Investment	Period's performance ... and what's behind the numbers
<b>FTI Consulting</b>	▲ Experienced strong demand for their bankruptcy services
<b>Medis Technologies</b>	▼ Delayed product launch
<b>Euronet Worldwide</b>	▼ Lowered guidance due to weakness in money transfer segment

\*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. MFC Global Investment Management (U.S.), LLC, John Hancock Advisers, LLC, and their affiliates, employees and clients may hold or trade the securities mentioned in this commentary.

**TEN LARGEST EQUITY HOLDINGS (3/31/08)<sup>1</sup>**

FTI Consulting .....	2.80%	Medis Technologies .....	2.19%
IMAX .....	2.79%	Barrett Business Services.....	2.09%
Superior Energy Services.....	2.46%	ResMed.....	2.09%
InterOil .....	2.36%	Ansoft.....	2.02%
iRobot .....	2.35%	Hill International.....	1.90%



Performance reflects a total annual fund operating expense ratio of 1.40%. There is currently no contractual expense reimbursement in effect; therefore, the net and gross expense ratio is the same figure. 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](http://www.jhfunds.com). Please read the prospectus carefully before investing or sending money.**

*Investors should be aware that small companies are more volatile than the market as a whole. The principal value and return of your investment will fluctuate with market conditions. Foreign investments carry additional risks, including currency fluctuations, differences in accounting standards and political instability. In addition, small-capitalization stocks as a group could fall out of favor with the market, causing the Fund to underperform investments that focus either on medium- or large-capitalization stocks.*

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



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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. For some periods, the Fund's performance may have been influenced by investments in unusually hot industries, IPO's or other factors. Similar opportunities may or may not be available in the future.
- 3 The Russell 2000 Growth Index measures the performance of those companies within the Russell 2000 Index with high price-to-book ratios and higher forecasted values. It is not possible to invest directly in an index.

NOT FDIC INSURED    MAY LOSE VALUE    NO BANK GUARANTEE  
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