



MUTUAL FUNDS

# Fund Commentary

Q1 | 2008

## John Hancock Strategic Income 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 1.26% for the quarter that ended March 31, 2008, compared to the 2.17% return for the Lehman Brothers U.S. Aggregate Index and the -0.64% return of Morningstar's peer group of multi-sector bond funds.\*

### MARKET ENVIRONMENT

Global credit markets struggled during the quarter amid weakening economic conditions in the United States and an expanding list of challenges facing the financial system. Only high-quality government bonds — particularly those issued by the U.S. Treasury — performed reasonably well as investors continued to gravitate toward them and away from risk. The Federal Reserve Board cut the federal funds target by two full percentage points during the period and offered brokerage firms access to its lending window for the first time. Foreign government bonds generally performed well as moderate returns in local currencies were augmented by the ongoing weakening of the U.S. dollar. Meanwhile, concerns about the economy weighed on high-yield bonds and emerging-market bonds.

### PERFORMANCE REVIEW

During a period in which the Fund outpaced its peer group average, sector selection was the chief detractor from the Fund's performance relative to the Lehman

Brothers U.S. Aggregate Index. In particular, our underexposure to U.S. Treasury securities detracted from performance, as they were among the market's best performers when investors fled riskier assets. Our decision to hold close to 30% of the fund's investments in high yield bonds — which are not contained in the benchmark — worked against us. Even though defaults remained low, concerns about the economy and a widening aversion to risk weighed on the sector. In contrast, we were helped by our out-of-index exposure to hedged Canadian bonds, which performed similarly to U.S. Treasuries. Our holdings in Australian bonds which we hedged with Canadian dollars also helped our performance.

### OUTLOOK

The recent volatility that has unsettled the global fixed-income and currency markets holds a silver lining of sorts. As their prices fell during the quarter, yields on bonds ranging from high-yield to agency to mortgage debt have risen to more attractive levels relative to risk-free Treasury bonds than a year ago. We're also beginning to see values pop up in the currency market, where volatility often resulted in mispricings. We plan to exploit recent currency volatility through tactical investments and by hedging and cross hedging. As always, we plan to pursue opportunities with an eye toward managing risk properly.

### SCORECARD

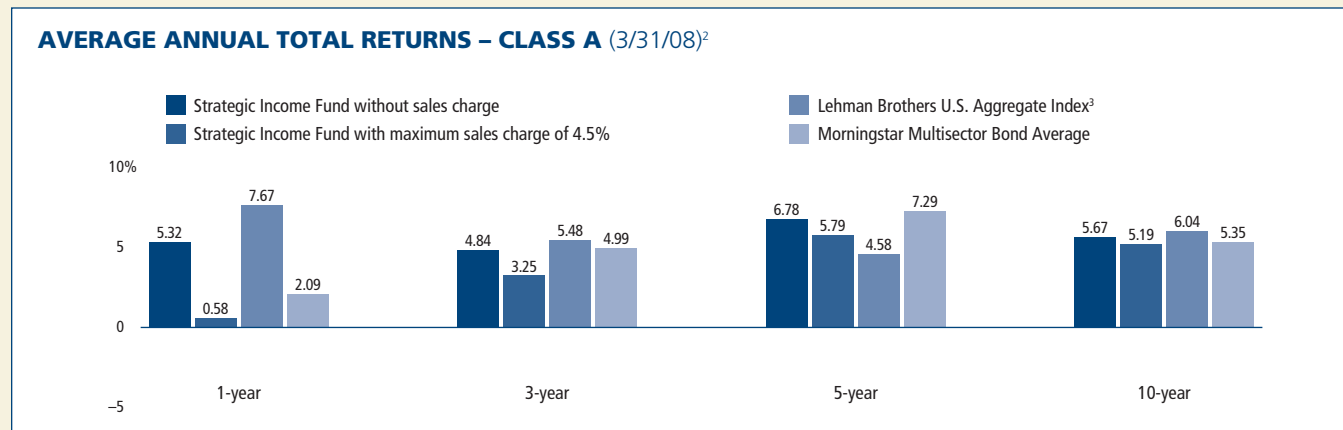
Investment	Period's performance ... and what's behind the numbers
High yield bonds	▼ Potential rise in default rate rattles buyers
U.S. Treasuries	▲ Flight to quality boosts prices, but Fund underweight sector
Foreign government bonds	▲ Falling U.S. dollar lifts prices

\*Performance for Class A shares only at net asset value. Please visit our Web site at [www.jhfunds.com](http://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 ISSUERS (3/31/08)<sup>1</sup>**

FNMA .....	10.68%	Federal Home Loan Mortgage .....	3.32%
New South Wales .....	5.22%	Province of Ontario .....	2.59%
Spanish Government .....	4.77%	Inter-American Development Bank .....	2.25%
United States Treasury .....	4.12%	Province of Quebec .....	1.99%
Canada Housing Trust .....	3.56%	Shaw Communications.....	1.81%



Performance reflects a total annual fund operating expense ratio of 0.87%. 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.

The major factors in this Fund's performance are interest rates and credit risk. When interest rates rise, bond prices usually fall. Generally, an increase in the Fund's average maturity will make it more sensitive to interest-rate risk.

Foreign investing carries additional risks, including political instability, currency fluctuations and differences in accounting standards. These risks are magnified in emerging markets. Higher-yielding bonds are riskier than lower-yielding bonds and their value may fluctuate more in response to market conditions.

**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.
- 3 The Lehman Brothers U.S. Aggregate Index is comprised of government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. It is not possible to invest directly in an index.

NOT FDIC INSURED    MAY LOSE VALUE    NO BANK GUARANTEE  
 NOT INSURED BY ANY GOVERNMENT AGENCY