



MUTUAL FUNDS

# Fund Commentary

Q4 | 2011

## John Hancock Tax-Advantaged Dividend Income Fund

FROM THE JOHN HANCOCK ASSET MANAGEMENT PORTFOLIO MANAGEMENT TEAM

### FUND RESULTS

For the fourth quarter of 2011, the Fund returned 12.82% at net asset value (NAV). By comparison, the average equity diversified closed-end fund gained 13.58% at NAV, as tracked by UBS, the Barclays Capital U.S. Aggregate Bond Index returned 1.12% and the Bank of America Merrill Lynch Preferred Stock DRD-Eligible Index rose 4.35%.

### MARKET ENVIRONMENT

Utility and energy common stocks — two significant areas of emphasis for the Fund — posted sizable gains during the quarter, fueled by growing investor demand for comparatively high-yielding stocks issued by companies in industries with a reputation for providing haven during periods of economic uncertainty and market volatility. Preferred securities, another area of emphasis for the Fund, also generated solid results, bolstered by many of the same factors.

### PERFORMANCE REVIEW

Among the Fund's best performers during the period were its utility and energy common stock holdings. In the utility group, investments in OGE Energy, ONEOK and Spectra Energy each posted significant gains. These stocks were heavily favored by investors seeking shelter from economic and market uncertainty and those looking for higher-yielding alternatives to ultra-low-yielding U.S. government bonds. In addition, all three have major mid-stream natural gas processing facilities and, as such, benefited from their ability to buy natural gas cheaply, extract the liquids from it and then sell the liquids at a sizable profit. Among oil company common stock holdings, major integrated oil companies Royal Dutch Shell and ConocoPhillips enjoyed improved financial results and growing investor interest as the price of oil rose.

In the preferred security group, several of the Fund's better performers included DTE Energy and Apache. The price of the recently issued preferred securities of DTE Energy rose amid strong demand from investors seeking investment-grade, well-run utilities that rewarded shareholders with an attractive dividend, while rising oil prices bolstered the performance of Apache. Detracting from performance were holdings in the preferred securities of European financial companies, including Deutsche Bank and Barclays Bank. Until the very end of the quarter, these investments remained under heavy selling pressure as investors worried about the companies' exposure to the debt of troubled European nations.

### OPTION OVERLAY

Equities posted strong results for the final quarter of 2011 as the S&P 500 Index returned 11.82%. A strong market is typically a challenging environment for covered call option strategies, but the path toward the index's nearly 12% return was actually beneficial. The BXM Index, which is the S&P 500 Index coupled with the S&P 500 Index call options, outperformed and returned 15.66% for the quarter. During the quarter, options written on certain indexes, including the S&P 100, S&P MidCap and the S&P SmallCap Indexes, contributed positively to performance. The only negative contributor was an option written on the S&P 500 Index in December as equities moved higher toward the end of the quarter.

### OUTLOOK

Our forecast calls for continued slow U.S. economic growth, continued low interest rates and ongoing uncertainty about the European sovereign debt crisis. If that proves to be the case, we expect that investors will remain risk averse with a preference toward income-producing asset classes including preferred securities and utility common stocks.

This commentary reflects the views of the portfolio managers through 12/31/11 and may include forward-looking statements. The statements may include projections, estimates and descriptions of future events. These statements are subject to a variety of risks and uncertainties, which may cause actual results to differ materially. The managers' views are subject to change as market and other conditions warrant and should not be construed as a recommendation for any securities discussed herein.

Unlike open-end funds, closed-end funds are not continuously offered. After a one-time public offering, shares of closed-end funds are sold in the secondary market and frequently trade at a discount to net asset value. A closed-end fund cannot predict whether its shares will trade at, below or above net asset value. Specialized funds carry additional risks.

Fund-specific information is provided for informational purposes only and is not intended for trading purposes.

If you are interested in investing in any of the John Hancock closed-end funds, please contact your financial professional. Before investing, prospective investors should consider carefully a fund's objective, risks, charges and expenses. For current fund information or to request closed-end fund literature, call 1-800-843-0090 or visit our Web site at [www.jhfunds.com](http://www.jhfunds.com).



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