



MUTUAL FUNDS

Fund Commentary

Q1 | 2012

John Hancock Hedged Equity & Income Fund

FROM THE WELLINGTON MANAGEMENT PORTFOLIO MANAGEMENT TEAM

FUND RESULTS

The Fund returned 10.09% at net asset value for the first quarter of 2012, outperforming the average 7.32% return at net asset value of closed-end equity covered call funds tracked by UBS, but underperforming the 12.87% return of the Fund's benchmark, the Russell 3000 Index.

MARKET ENVIRONMENT

U.S. equities continued to rebound in the first quarter of 2012. Better-than-expected corporate earnings, generally improving economic data and improved consumer confidence pointed to a soft but sustainable recovery. What's more, recent signs from China point to a soft landing and moderate global growth.

PERFORMANCE REVIEW

The Fund's equity strategy contributed to relative returns, but these positive results were offset by the negative performance of the options strategy.

The equity strategy outperformed the Russell 3000 Index for the period. Positive stock selection within the consumer discretionary and industrials sectors contributed to relative performance. This was partially offset by weak selection in financials, consumer staples and information technology. Also contributing to the Fund's outperformance was sector positioning, primarily due to the Fund's underweight to the lagging utilities and telecom services sectors, as well as an overweight to consumer discretionary.

Top contributors to relative performance included home improvement retailer Lowe's, leading global storage equipment manufacturer EMC and an underweight position in integrated oil company ExxonMobil. Not owning consumer packaged goods company Procter & Gamble also contributed to

relative returns as the stock underperformed. Top detractors from performance included energy products distributor and marketer UGI, and global wire transfer services company Western Union. An underweight position in personal electronics designer, manufacturer and retailer Apple also detracted from returns as the stock performed well during the period. Not owning bank and brokerage giant Bank of America also weighed on relative results.

As it relates to the options overlay, the put-spread and written calls on the S&P 500 Index both generated a negative return during the quarter. The S&P 500 Index returned 12.59% during the quarter, which resulted in a decrease in value of our put-spread. The Fund received premiums from writing call options, but a strong equity market rally in February resulted in premiums being used to cover losses on the underlying calls.

OUTLOOK

Markets have recovered nicely off the lows in 2011. Year-to-date in 2012, both volatility and correlations have moderated. The path to recovery has a chance to be a bumpy one, however. The European sovereign debt crisis is still unresolved, and the U.S. is still vulnerable to growth setbacks.

Currently, the equity strategy has a procyclical or recovery bias to it, with overweights in the consumer discretionary, industrials and information technology sectors. With global markets in a fragile state, however, we have become more cautious on the return to equity markets. In the lower volatility environment, we took the opportunity to implement a new put spread that expires in June 2013. If equity markets reverse from here, we believe that our options strategy may help mitigate the effect of a big pull back.

This commentary reflects the views of the portfolio managers through 3/31/12 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**.



John Hancock Funds

601 Congress Street ■ Boston, MA 02210-2805
1-800-843-0090 ■ 1-800-554-6713 TDD ■ www.jhfunds.com

NOT FDIC INSURED. MAY LOSE VALUE. NO BANK GUARANTEE. NOT INSURED BY ANY GOVERNMENT AGENCY. P15MMC 4/12