



MUTUAL FUNDS

# Fund Commentary

Q4 | 2011

## John Hancock Premium Dividend Fund

### FROM THE JOHN HANCOCK ASSET MANAGEMENT PORTFOLIO MANAGEMENT TEAM

Effective October 18, 2010, the John Hancock Patriot Premium Dividend Fund II changed its name to the John Hancock Premium Dividend Fund.

#### FUND RESULTS

For the fourth quarter of 2011, the Fund returned 8.78% at net asset value. By comparison, the average closed-end preferred stock fund gained 4.06% at net asset value, 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

Preferred securities posted solid gains for the fourth quarter of 2011. The volatile period began on a rather bleak note amid worries about the worsening sovereign debt crisis in Europe and signs that the U.S. economy was slowing. But by mid-October, investor sentiment began to improve when fresh data suggested that the U.S. economy was somewhat better than expected and this provided a boost for preferred securities. In November, preferred securities were bolstered by resurgent investor demand for income-producing securities in light of renewed worries about Europe's ability to contain its debt crisis, the exposure of U.S. banks to European sovereign debt and the possibility that a potential economic recession in Europe would act as a drag on the U.S. economy. In December, preferred securities rebounded in response to news that European leaders had agreed to measures designed to put the region on a better path toward resolving its debt crisis. Utility and energy common stocks — two other areas of emphasis for the Fund — also posted strong returns, bolstered by many of the same trends that lifted preferred securities.

#### PERFORMANCE REVIEW

Among the Fund's best performers during the fourth quarter were its utility and energy common stock holdings. In the utility group, investments in FirstEnergy, NiSource and OGE 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. 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.

Among preferred stocks, some 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.

#### 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).



#### John Hancock Funds

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