



MUTUAL FUNDS

Fund Commentary

Q4 | 2011

John Hancock Income Securities Trust

FROM THE JOHN HANCOCK ASSET MANAGEMENT PORTFOLIO MANAGEMENT TEAM

FUND RESULTS

The Fund returned 3.16% at net asset value in the fourth quarter of 2011, outpacing both the 1.18% return of its benchmark, the Barclays Capital U.S. Government/Credit Index, and the 1.59% average return of closed-end leveraged investment-grade funds tracked by UBS.

MARKET ENVIRONMENT

U.S. bonds advanced modestly in the fourth quarter of 2011, capping a solid year of performance. Economic news released in the fourth quarter showed modest but steady improvement, quelling concerns from the previous quarter about a potential recession. In particular, employment figures improved notably, sending the unemployment rate down to 8.6%, its lowest reading since March 2009.

Beyond the economy, the financial markets continued to focus much of their attention on Europe and its sovereign debt crisis. Although European authorities took steps to shore up the Continent's banking system, the spread of the contagion to Italy (Europe's third-largest economy) and uncertainty surrounding a resolution to the crisis weighed on investor confidence.

Interest rates were relatively stable during the quarter as upward pressure from the improving economy was offset by flight-from-Europe demand. In this environment, the riskier segments of the bond market outperformed, as high-yield corporate bonds and commercial mortgage-backed securities delivered the best returns. Investment-grade corporate bonds also fared well in the fourth quarter, while Treasury bonds and residential mortgage-backed securities generated positive returns but lagged the broad bond indexes.

PERFORMANCE REVIEW

The Fund's outperformance of its benchmark index and peer group average in the fourth quarter was driven primarily by sector allocation. Corporate bonds comprised more than half of the portfolio throughout the quarter, and a meaningful portion of this corporate bond exposure was in high-yield securities, which were by far the top performers in the bond market. In addition, the Fund's position in commercial mortgage-backed securities added value in the fourth quarter.

Another factor aiding Fund performance was the stable interest rate environment. The vast majority of the portfolio is invested in credit-related securities that have relatively high yields, and this incremental yield advantage provided a tailwind for Fund performance in the fourth quarter.

The best performers among the individual securities in the portfolio were the common stock of tobacco firm Philip Morris and energy producer Royal Dutch Shell. Many of the Fund's interest-only mortgage-backed securities also generated strong returns as refinancing concerns subsided. The most significant detractors included trucking company Western Express Holdings and Latin American cement maker Cemex.

OUTLOOK

As we move into 2012, we expect U.S. economic growth to remain positive but less than robust as the combination of consumer deleveraging and European debt problems curtails economic activity. This environment should be favorable for corporate bonds and other credit-related securities. Valuations in the credit sectors also remain attractive as the market continues to price credit-related securities at recessionary levels. As a result, we intend to maintain the Fund's meaningful exposure to the credit sectors of the bond market.

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**.



John Hancock Funds

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