



MUTUAL FUNDS

# Fund Commentary

Q1 | 2008

## John Hancock Bank and Thrift Opportunity Fund

FROM THE MFC GLOBAL INVESTMENT MANAGEMENT (U.S.), LLC PORTFOLIO MANAGEMENT TEAM

The Fund decreased 7.1% at net asset value (NAV) for the first quarter of 2008, but was well ahead of the S&P 1500 Supercomposite Bank Index, which fell by 11.6%.

### MARKET ENVIRONMENT

The economy continued to weaken in the first quarter, with further deterioration in the housing and mortgage markets. The S&P 500 fell 9.4% for the quarter, with many sectors experiencing declines. The Federal Reserve continued to lower interest rates and took other measures to add liquidity to the market. The federal government announced a fiscal stimulus package and proposed various programs to assist struggling homeowners.

### PERFORMANCE REVIEW

Financial stocks fell during the first quarter, with liquidity issues straining some companies and others working to shore up capital. The Fund performed better than its benchmark due to its underweight in the thrift and mortgage finance segment and its overweights in the money center banks and the custody banks.

Earnings for the banks and thrifts were generally disappointing as companies wrote down assets and built loan loss reserves. Net interest margins remain under pressure, but should stabilize or improve as the year progresses due to the steeper yield curve, the Fed's easing campaign, better spreads on loans and less competition for deposits.

The Fund was helped by names perceived to be more conservative, such as mid-cap banks Hancock Holding and

Cullen/Frost Bankers, Inc. North Carolina-based BB&T Corp was a standout among the larger regional banks after reporting stronger-than-peer earnings for 2007. Some of our thrift names also had solid showings in the quarter, including Hudson City Bancorp and Peoples United Financial.

The Fund's performance was negatively impacted by companies with outsized mortgage- or construction-related exposure, including Wachovia Corp, East West Bancorp, Americanwest Bancorp and Colonial Bancgroup.

### MANAGED DISTRIBUTION

On March 3, 2008, the Fund announced a quarterly distribution of \$0.173 to shareholders of record as of December 12. This payment is pursuant to a managed distribution plan, which has been in effect since January 2004 and requires the Fund to make quarterly distributions of at least 2.5% of the preceding calendar year's NAV.

### OUTLOOK

We're still cautious on the near-term fundamental outlook for the U.S. bank and thrift sector, and believe that the first half of 2008 will be particularly challenging. However, we do see some potential catalysts for the Fund. Bank stocks tend to outperform the market when the Fed is lowering rates. Also, bank stocks have historically done better than the overall market before fundamentals begin to improve. Finally, we believe consolidation will return to the sector later this year and into next year.

**This commentary reflects the views of the portfolio managers through March 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, LLC**

MEMBER FINRA

601 Congress Street ■ Boston, MA 02210-2805

■ [www.jhfunds.com](http://www.jhfunds.com)

P9MMC 4/08