

*John Hancock*

MUTUAL FUNDS

John Hancock  
Investment Grade Bond Fund



**Semiannual Report**

11.30.11

## CEO corner



### To Our Shareholders,

The six months ended November 30, 2011 were tumultuous for financial markets as a host of macroeconomic concerns were the market drivers, trumping company fundamentals as investor sentiment swung between positive and negative on each new piece of news.

Stocks succumbed to an increasing series of ills, including the escalating sovereign debt crisis in Europe, worries about the pace of economic recovery and a first-ever downgrade of U.S. debt, sparked in part by U.S. politicians bickering about the widening budget deficit and raising the federal debt ceiling. As a result, the broad market, as measured by the S&P 500 Index, lost ground during the six-month period ended November 30, 2011, returning -6.25%.

On the other hand, bonds advanced, as investors sought the relative safe haven of fixed-income investments. Of all the problems, the ballooning European debt crisis was the biggest hot-button issue that made investors move out of stocks and into bonds. For the six-month period, the Barclays Capital U.S. Aggregate Bond Index returned 3.54%.

U.S. Treasuries topped the bond market list, evidence that they are still considered one of the safest havens in the midst of uncertainty, even after their credit-rating downgrade. Municipal bonds also posted solid returns as they continued to rally back from an unusually sharp decline in late 2010 and early 2011. High-yield bonds landed at the bottom of the bond spectrum in this period. They have the highest risk profile that investors shunned.

The stunning performance of U.S. Treasuries during this period defied all conventional wisdom. A year ago, when interest rates remained at near-historically low levels, many experts predicted that U.S. Treasuries couldn't possibly outperform going forward. With the federal funds rate at between 0.00% and 0.25%, and the Federal Reserve stating its intent to keep rates at that level through mid-2013, the thinking was that there wasn't much room for further appreciation, yet yields continued to fall and bond prices to rise.

Some of our bond fund managers shared the negative Treasury outlook and had underweight stakes Treasuries in their funds, which held performance back in this period. Our bond fund managers were in good company. Renowned PIMCO bond portfolio manager Bill Gross, known as the "bond king," admitted earlier in 2011 that he erred in betting against U.S. Treasuries. On the following pages the Fund's portfolio managers discuss the Fund's current positioning and their outlook.

While the Treasury rally defied conventional wisdom, the lessons we learned in 2008 and 2009 tell us, although past performance is no guarantee of future results, that now is not the time to chase the train that has already left the station. Treasuries also outperformed high-yield and corporate bonds in 2008 in the height of the financial crisis, only to see the tables turn dramatically in 2009. While we might have missed the train this year, we still believe the markets will eventually rotate, and we believe our funds are well positioned for the shift.

Sincerely,

*Keith F. Hartstein*

Keith F. Hartstein,  
President and Chief Executive Officer

P.S. If you haven't already done so, we encourage you to consider choosing electronic delivery for your John Hancock Mutual Funds reports and statements. You'll add a layer of identity protection for your documents and at the same time do well by planet Earth. To sign up, please go to [www.jhfunds.com/edelivery](http://www.jhfunds.com/edelivery). Thank you.

This commentary reflects the CEO's views as of November 30, 2011. They are subject to change at any time. For more up-to-date information, you can visit our Web site at [www.jhfunds.com](http://www.jhfunds.com).

**Not part of the semiannual report**

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## Your fund at a glance

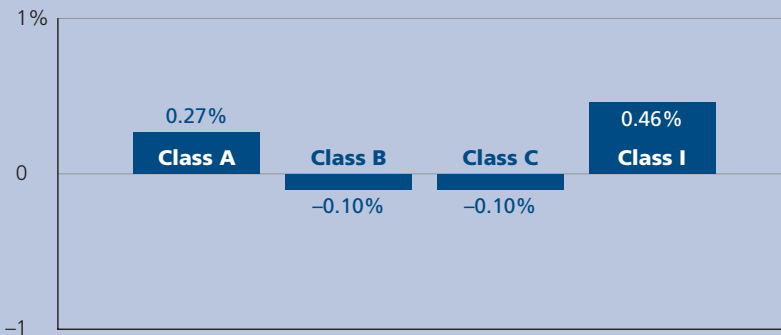
The Fund seeks a high level of current income consistent with preservation of capital and maintenance of liquidity. Under normal market conditions, the Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in investment-grade bonds (securities rated from AAA to BBB).

### Over the last six months

- ▶ Global macroeconomic concerns that included escalating sovereign debt problems in Europe led to an investor flight to safety.
- ▶ Long-term U.S. Treasuries posted particularly strong returns, beating the more modest gains of mortgage and corporate bonds.
- ▶ An overweight in weak performing corporate bonds and an underweight in Treasuries caused the Fund to lag its benchmark, the Barclays Capital U.S. Aggregate Bond Index.

### John Hancock Investment Grade Bond Fund

Fund performance for the six months ended November 30, 2011.



Total returns for the Fund are at net asset value with all distributions reinvested. These returns do not reflect the deduction of the maximum sales charge, which would reduce the performance shown above.

Past performance is no guarantee of future results.

# Managers' report

John Hancock

## Investment Grade Bond Fund

**Over the six months ended November 30, 2011, U.S. Treasuries rallied nicely, as heightened macroeconomic risk pushed investors toward safe havens.** Escalating sovereign debt problems in Europe were the biggest concern amid worries about the impact a restructuring plan in Greece would have on financial institutions worldwide, as well as on neighboring eurozone countries. In addition, U.S. economic growth slowed in the second quarter.

Escalating sovereign debt problems in Europe were the biggest concern amid worries about the impact a restructuring plan in Greece would have on financial institutions worldwide, as well as on neighboring eurozone countries. In addition, U.S. economic growth slowed in the second quarter.

Although third-quarter U.S. economic growth was slightly higher than expected, investors questioned the strength of the recovery. Also worrisome was the federal government's inability to balance its budget and close a widening deficit, which led

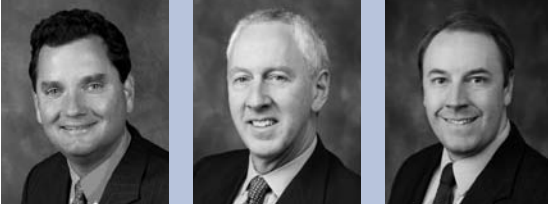
Standard & Poor's to downgrade its credit rating on U.S. sovereign debt. Despite the downgrade, Treasuries remained the safe haven of choice and continued to rally. Non-Treasury bond sectors produced only modest gains for the period, but handily beat the -6.25% return of the S&P 500 Index.

### PORTFOLIO COMPOSITION<sup>1</sup>

Corporate Bonds.....	35.3%
U.S. Government Agency.....	31.6%
U.S. Government .....	11.5%
Collateralized Mortgage Obligations ...	11.3%
Asset-Backed Securities .	3.6%
Capital Preferred Securities.....	1.5%
Municipal Bonds.....	1.0%
Convertible Bonds.....	0.3%
Foreign Government Obligations.....	0.1%
Preferred Securities.....	0.1%
Short-Term Investments & Other.....	3.7%

### Performance and strategy review

For the six months ended November 30, 2011, John Hancock Investment Grade Bond Fund's Class A shares returned 0.27%, excluding sales charges, lagging both the 3.54% return of its benchmark, the Barclays Capital U.S. Aggregate Bond Index, and the average 1.14% gain of its peer group, the Morningstar, Inc. intermediate term bond fund category.<sup>2</sup> Please see page one for the total return performance of other share classes in this period and pages six and seven for additional historical performance information. Keep in mind that your total return will differ from these results if you were not invested in the Fund for the entire period or did not reinvest all distributions.



**Portfolio Managers Barry H. Evans, CFA, Howard C. Greene, CFA, and Jeffrey N. Given, CFA, John Hancock Asset Management a division of Manulife Asset Management (US) LLC**

The Fund trailed the benchmark index because it had a sizable weight in corporate bonds, which lagged Treasuries. We favored corporate issues because they offered added income potential, and, with interest rates so low, we thought Treasuries offered little room for price appreciation. Overall, the Fund also was slightly less sensitive than the index to interest-rate changes (shorter duration), which meant less price appreciation as yields fell.

**Disappointing performance from corporate sector**

Within the corporate sector, the Fund's biggest exposure was to financials, which were particularly weak performers. We expected financials to benefit as new government regulations forced issuers to lower their debt ratios. Instead, concerns about companies' potential exposure to the European sovereign debt crisis pressured the segment. Among the biggest detractors in financials were bonds issued by investment banks The Goldman Sachs Group, Inc. and Jefferies Group, Inc. which declined significantly during the six-month period.

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**"... U.S. Treasuries rallied nicely, as heightened macroeconomic risk pushed investors toward safe havens."**

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In addition, having only a small stake in utilities hurt, as the segment's consistent cash flows helped attract investors and drive price gains. The Fund also got a boost from long-maturity bonds issued by power producer Exelon Generation Company LLC. Elsewhere, high-quality, long-term, taxable municipal bonds issued by the Board of Regents of the University of Texas aided returns. The rest of the Fund's corporate holdings were in industrials, which beat financials but lagged utilities.

**Focus on longer-maturity Treasuries**

Some of the loss from the Fund's underweight in Treasuries was offset by favorable positioning within the segment, including a bias toward 10- and 30-year issues.

We leaned toward long-term issues because we expected them to outperform whether the economy weakened or strengthened. In a slump, we thought rates on long-maturity bonds would fall more than those on short-term bonds, which were already near historic lows. If economic growth were much stronger than expected, we thought investors would begin anticipating a Fed interest-rate hike, which would have the biggest impact on short-term yields.

Over the period, longer-term bonds did handily beat shorter-maturity securities. The segment benefited as longer-term rates fell more than short-term rates, causing the yield curve — a graph that plots the yields on short relative to long-maturity Treasuries — to flatten. Long-term rates were pressured first by the Federal Reserve’s announcement in August that it did not expect to raise interest rates for two years. In September, long-term bonds further benefited from the launch of Operation Twist, a government initiative to sell short-term Treasuries

and buy long-maturity securities in order to push long-term rates lower and stimulate economic growth. (Bond interest rates and prices typically move in opposite directions.)

#### SECTOR COMPOSITION<sup>1</sup>

U.S. Government Agency.....	31.6%
Financials.....	18.8%
U.S. Government .....	11.5%
Collateralized Mortgage Obligations ...	11.3%
Asset-Backed Securities .	3.6%
Energy.....	3.5%
Consumer Discretionary	3.4%
Industrials.....	2.7%
Utilities .....	2.5%
Materials .....	2.4%
Telecommunication Services .....	2.3%
Municipal Bonds.....	1.0%
Consumer Staples .....	0.9%
Health Care .....	0.4%
Information Technology	0.3%
Foreign Government Obligations.....	0.1%
Short-Term Investments & Other.....	3.7%

#### Positioning within mortgage sector

About 37% of net assets were in mortgage bonds at period end — roughly in line with the sector’s weighting in the benchmark index. Mortgage bonds posted only modest gains amid concerns that historically low interest rates would lead to increased prepayment rates. Prepayments occur when homeowners decide to pay off their mortgage loans before their due dates, often to refinance at lower rates. Investors also feared that a new government program would make refinancing easier for homeowners and further pressure returns in the segment. Prepayments, however, did not increase as much as expected, in part because many of the homeowners who could refinance had already done so. Returns on mortgage bonds, while modest, beat those on corporate issues.

Within the mortgage sector, we favored 30-year bonds, which offered a small yield advantage over 15-year issues but modestly underperformed because they were harder hit by unrealized prepayment fears. Our bias toward bonds issued by Fannie Mae and Freddie Mac also hampered results. Issues from both agencies offered a slight yield advantage over those

from Ginnie Mae, a government-owned agency. Investors, however, favored Ginnie Maes because they are backed by the full faith and credit of the U.S. government. Elsewhere, roughly 14% of assets were in asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS), bonds issued to fund large commercial projects (such as office parks, shopping malls and hotels). The Fund's ABS and CMBS holdings underperformed those in the index, modestly hampering relative results.

### **A look ahead**

We expect continued slow economic growth in the coming year. The wild card will be the ability of the European Union (EU) to solve its debt crisis and create stability in the marketplace. If the EU does not make

adequate progress in solving its debt problems, that could hurt global economic growth. However, we think the EU has every incentive to resolve these issues and create a plan to reinvigorate investor confidence. Once we get past these global macro concerns, we think fixed-income markets will do well. We believe interest rates will likely remain low and the difference between yields on corporate and Treasury securities will probably tighten. At period end, over 35% of net assets were in corporate bonds, which we expect to outperform Treasuries over the long term.

This commentary reflects the views of the portfolio managers through the end of the Fund's period discussed in this report. The managers' statements reflect their own opinions. As such, they are in no way guarantees of future events and are not intended to be used as investment advice or a recommendation regarding any specific security. They are also subject to change at any time as market and other conditions warrant.

#### **Past performance is no guarantee of future results.**

The major risk factors in this Fund's performance are interest-rate and credit risk. When interest rates rise, bond prices usually fall. Generally, an increase in the Fund's average maturity will make it more sensitive to interest-rate risk. Investments in higher-yielding, lower-rated securities involve additional risks as these securities include a higher risk of default and loss of principal. Sector investing is subject to greater risks than the market as a whole. Because the Fund may focus on particular sectors of the economy, its performance may depend on the performance of those sectors.

<sup>1</sup> As a percentage of net assets on 11-30-11.

<sup>2</sup> Figures from Morningstar, Inc. include reinvested dividends and do not take into account sales charges. Actual load-adjusted performance is lower.

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**“The Fund trailed the benchmark index because it had a sizable weight in corporate bonds, which lagged Treasuries.”**

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# A look at performance

## Total returns for the period ended November 30, 2011

	Average annual total returns (%) with maximum sales charge			Cumulative total returns (%) with maximum sales charge				SEC 30-day yield (%)	SEC 30-day yield (%) unsubsidized <sup>1</sup>
	1-year	5-year	10-year	6-months	1-year	5-year	10-year	as of 11-30-11	as of 11-30-11
Class A	-0.44	5.12	4.85	-4.21	-0.44	28.33	60.61	3.91	3.85
Class B	-1.49	4.97	4.71	-5.02	-1.49	27.42	58.50	3.34	3.28
Class C	2.51	5.29	4.56	-1.09	2.51	29.43	56.15	3.34	3.28
Class I <sup>2-3</sup>	4.69	6.46	5.76	0.46	4.69	36.73	75.11	4.41	4.38

Performance figures assume all distributions are reinvested. Figures reflect maximum sales charges on Class A shares of 4.5% and the applicable contingent deferred sales charge (CDSC) on Class B shares and Class C shares. The returns for Class C shares have been adjusted to reflect the elimination of the front-end sales charge effective 7-15-04. The Class B shares' CDSC declines annually between years 1 to 6 according to the following schedule: 5, 4, 3, 3, 2, 1%. No sales charge will be assessed after the sixth year. Class C shares held for less than one year are subject to a 1% CDSC. Sales charges are not applicable for Class I shares.

The expense ratios of the Fund, both net (including any fee waivers or expense limitations) and gross (excluding any fee waivers or expense limitations), are set forth according to the most recent publicly available prospectuses for the Fund and may differ from those disclosed in the Financial highlights tables in this report. The fee waivers and expense limitations are contractual at least until 9-30-12 for Class A, Class B, Class C and Class I shares.

Had the fee waivers and expense limitations not been in place gross expenses would apply. The expense ratios are as follows:

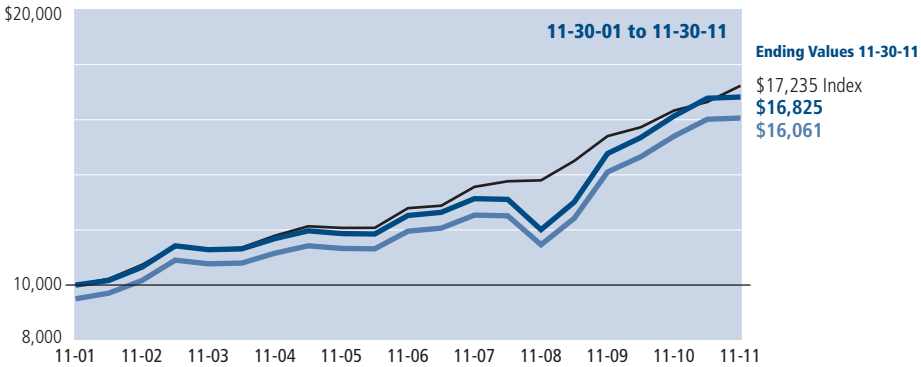
	Class A	Class B	Class C	Class I
Net (%)	0.98	1.73	1.73	0.64
Gross (%)	1.00	1.75	1.75	0.64

The returns reflect past results and should not be considered indicative of future performance. The return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Due to market volatility, the Fund's current performance may be higher or lower than the performance shown. For current to the most recent month end performance data, please call 1-800-225-5291 or visit the Fund's Web site at [www.jhfunds.com](http://www.jhfunds.com).

The performance table above and the chart on the next page do not reflect the deduction of taxes that a shareholder may pay on fund distributions or on the redemption of fund shares. The Fund's performance results reflect any applicable fee waivers or expense reductions, without which the expenses would increase and results would have been less favorable.

This chart and table show what happened to a hypothetical \$10,000 investment in John Hancock Investment Grade Bond Fund for the share classes and periods indicated, assuming all dividends were reinvested. For comparison, we've shown the same investment in the Barclays Capital U.S. Aggregate Bond Index.

- Class A without sales charge
- Class A with maximum sales charge
- Barclays Capital U.S. Aggregate Bond Index



	Start date	Without sales charge	With maximum sales charge	Index
<b>Class B<sup>4</sup></b>	11-30-01	\$15,850	\$15,850	\$17,235
<b>Class C<sup>4</sup></b>	11-30-01	15,615	15,615	17,235
<b>Class I<sup>2,3</sup></b>	11-30-01	17,511	17,511	17,235

Performance of the classes will vary based on the difference in sales charges paid by shareholders investing in the different classes and the fee structure of those classes.

The Class C shares investment with maximum sales charge has been adjusted to reflect the elimination of the front-end sales charge, effective 7-15-04.

**Barclays Capital U.S. Aggregate Bond Index** is an unmanaged index of dollar-denominated and nonconvertible investment-grade debt issues.

It is not possible to invest directly in an index. Index figures do not reflect sales charges or direct expenses, which would have resulted in lower values if they did.

<sup>1</sup> *Unsubsidized yield reflects what the yield would have been without the effect of reimbursements and waivers.*

<sup>2</sup> *For certain types of investors as described in the Fund's prospectus.*

<sup>3</sup> *12-31-91 is the inception date for the Class A shares. The inception date for Class I shares is 7-28-03. The returns prior to this date are those of Class A shares that have been recalculated to apply the fees and expenses of Class I shares.*

<sup>4</sup> *No contingent deferred sales charge is applicable.*

# Your expenses

These examples are intended to help you understand your ongoing operating expenses.

## Understanding fund expenses

As a shareholder of the Fund, you incur two types of costs:

- **Transaction costs** which include sales charges (loads) on purchases or redemptions (varies by share class), minimum account fee charge, etc.
- **Ongoing operating expenses** including management fees, distribution and service fees (if applicable), and other fund expenses.

We are going to present only your ongoing operating expenses here.

## Actual expenses/actual returns

This example is intended to provide information about the Fund's actual ongoing operating expenses, and is based on the Fund's actual return. It assumes an account value of \$1,000.00 on June 1, 2011 with the same investment held until November 30, 2011.

	Account value on 6-1-11	Ending value on 11-30-11	Expenses paid during period ended 11-30-11 <sup>1</sup>
<b>Class A</b>	\$1,000.00	\$1,002.70	\$4.91
<b>Class B</b>	1,000.00	999.00	8.65
<b>Class C</b>	1,000.00	999.00	8.65
<b>Class I</b>	1,000.00	1,004.60	3.06

Together with the value of your account, you may use this information to estimate the operating expenses that you paid over the period. Simply divide your account value at November 30, 2011, by \$1,000.00, then multiply it by the "expenses paid" for your share class from the table above. For example, for an account value of \$8,600.00, the operating expenses should be calculated as follows:

### Example

$$\left[ \frac{\text{My account value}}{\$8,600.00} / \$1,000.00 = 8.6 \right] \times \$ \left[ \begin{array}{l} \text{"expenses paid"} \\ \text{from table} \end{array} \right] = \text{My actual expenses}$$

### Hypothetical example for comparison purposes

This table allows you to compare the Fund's ongoing operating expenses with those of any other fund. It provides an example of the Fund's hypothetical account values and hypothetical expenses based on each class's actual expense ratio and an assumed 5% annualized return before expenses (which is not the Fund's actual return). It assumes an account value of \$1,000.00 on June 1, 2011, with the same investment held until November 30, 2011. Look in any other fund shareholder report to find its hypothetical example and you will be able to compare these expenses.

	Account value on 6-1-11	Ending value on 11-30-11	Expenses paid during period ended 11-30-11 <sup>1</sup>
<b>Class A</b>	\$1,000.00	\$1,020.10	\$4.95
<b>Class B</b>	1,000.00	1,016.40	8.72
<b>Class C</b>	1,000.00	1,016.40	8.72
<b>Class I</b>	1,000.00	1,022.00	3.08

Remember, these examples do not include any transaction costs, therefore, these examples will not help you to determine the relative total costs of owning different funds. If transaction costs were included, your expenses would have been higher. See the prospectus for details regarding transaction costs.

<sup>1</sup> Expenses are equal to the Fund's annualized expense ratios of 0.98%, 1.73%, 1.73% and 0.61% for Class A, Class B, Class C and Class I shares, respectively, multiplied by the average account value over the period, multiplied by 183/366 (to reflect the one-half year period).

# Portfolio summary

## Portfolio Composition<sup>1</sup>

Corporate Bonds	35.3%	Municipal Bonds	1.0%
U.S. Government Agency	31.6%	Convertible Bonds	0.3%
U.S. Government	11.5%	Foreign Government Obligations	0.1%
Collateralized Mortgage Obligations	11.3%	Preferred Securities	0.1%
Asset-Backed Securities	3.6%	Short-Term Investments & Other	3.7%
Capital Preferred Securities	1.5%		

## Sector Composition<sup>1,2</sup>

U.S. Government Agency	31.6%	Materials	2.4%
Financials	18.8%	Telecommunication Services	2.3%
U.S. Government	11.5%	Municipal Bonds	1.0%
Collateralized Mortgage Obligations	11.3%	Consumer Staples	0.9%
Asset-Backed Securities	3.6%	Health Care	0.4%
Energy	3.5%	Information Technology	0.3%
Consumer Discretionary	3.4%	Foreign Government Obligations	0.1%
Industrials	2.7%	Short-Term Investments & Other	3.7%
Utilities	2.5%		

## Quality Composition<sup>1,3</sup>

U.S. Government Agency	31.6%	BBB	26.4%
U.S. Government	11.5%	BB	3.1%
AAA	5.5%	B	1.0%
AA	4.8%	CCC & Below	1.7%
A	10.7%	Short-Term Investments & Other	3.7%

<sup>1</sup> As a percentage of net assets on 11-30-11.

<sup>2</sup> Sector investing is subject to greater risks than the market as a whole. Because the Fund may focus on particular sectors of the economy, its performance may depend on the performance of those sectors.

<sup>3</sup> Ratings are from Moody's Investors Service, Inc. If not available, we have used Standard & Poor's Corporation ratings. In the absence of ratings from these agencies, we have used Fitch, Inc. ratings. "Not Rated" securities are those with no ratings available from these agencies. All ratings are as of 11-30-11 and do not reflect subsequent downgrades or upgrades, if any.

# Fund's investments

## As of 11-30-11 (unaudited)

	Rate (%)	Maturity date	Par value	Value
<b>U.S. Government &amp; Agency Obligations</b>	<b>43.10%</b>			<b>\$86,196,797</b>
(Cost \$85,255,484)				
<b>U.S. Government</b>	<b>11.50%</b>			<b>22,991,561</b>
U.S. Treasury				
Bond	3.750	08-15-41	\$3,010,000	3,423,875
Bond	4.375	05-15-40	185,000	232,869
Note	1.000	08-31-16	7,470,000	7,505,019
Note	1.750	05-31-16	2,000,000	2,082,188
Note	2.000	04-30-16	2,105,000	2,216,005
Note	2.000	11-15-21	6,940,000	6,890,115
U.S. Treasury Strips, PO	2.853	11-15-30	1,155,000	641,490
<b>U.S. Government Agency</b>	<b>31.60%</b>			<b>63,205,236</b>
Federal Home Loan Mortgage Corp.				
30 Yr Pass Thru	4.000	08-01-40	929,420	966,282
30 Yr Pass Thru	5.000	03-01-41	1,654,839	1,803,019
30 Yr Pass Thru	6.500	06-01-37	31,506	34,829
30 Yr Pass Thru	6.500	10-01-37	66,881	73,725
30 Yr Pass Thru	6.500	11-01-37	140,712	155,113
30 Yr Pass Thru	6.500	12-01-37	61,468	67,759
30 Yr Pass Thru	6.500	02-01-38	25,755	28,390
30 Yr Pass Thru	6.500	04-01-39	1,048,456	1,155,759
30 Yr Pass Thru	6.500	04-01-39	1,159,889	1,278,596
Federal National Mortgage Association				
15 Yr Pass Thru	4.000	01-01-24	283,984	297,892
15 Yr Pass Thru	4.000	07-01-24	2,021,874	2,120,893
30 Yr Pass Thru	4.000	TBA	2,645,000	2,755,275
30 Yr Pass Thru	4.000	10-01-40	3,644,319	3,813,339
30 Yr Pass Thru	4.000	12-01-40	5,366,954	5,634,318
30 Yr Pass Thru	4.000	09-01-41	7,895,192	8,293,439
30 Yr Pass Thru	4.000	09-01-41	1,996,911	2,090,774
30 Yr Pass Thru	4.000	10-01-41	121,611	127,328
30 Yr Pass Thru	4.000	11-01-41	122,000	127,182
30 Yr Pass Thru	4.500	07-01-41	1,670,771	1,772,237
30 Yr Pass Thru	5.000	11-01-33	1,041,110	1,118,474
30 Yr Pass Thru	5.000	09-01-40	2,678,322	2,876,929
30 Yr Pass Thru	5.000	02-01-41	1,441,310	1,548,638
30 Yr Pass Thru	5.000	03-01-41	2,970,212	3,191,391
30 Yr Pass Thru	5.000	04-01-41	608,231	665,308
30 Yr Pass Thru	5.500	09-01-34	2,190,911	2,384,273
30 Yr Pass Thru	5.500	02-01-36	2,684,712	2,919,977
30 Yr Pass Thru	5.500	12-01-36	3,385,699	3,672,341
30 Yr Pass Thru	5.500	08-01-40	673,877	731,982
30 Yr Pass Thru (P)	5.850	03-01-14	909	961
30 Yr Pass Thru (P)	5.850	06-01-14	5,357	5,665

	Rate (%)	Maturity date	Par value	Value
<b>U.S. Government Agency (continued)</b>				
Federal National Mortgage Association				
30 Yr Pass Thru	6.000	02-01-37	\$1,379,669	\$1,517,306
30 Yr Pass Thru	6.000	05-01-37	1,487,801	1,633,901
30 Yr Pass Thru	6.500	09-01-37	439,435	486,365
30 Yr Pass Thru	6.500	01-01-39	2,666,881	2,955,029
30 Yr Pass Thru	6.500	03-01-39	117,987	130,920
30 Yr Pass Thru	6.500	06-01-39	767,579	851,953
Government National Mortgage Association				
15 Yr Pass Thru	7.500	04-15-13	3,299	3,415
30 Yr Pass Thru	4.500	02-15-39	1,638,038	1,780,899
30 Yr Pass Thru	4.500	03-15-39	890,975	968,681
30 Yr Pass Thru	4.500	03-15-39	1,071,251	1,164,679

### Corporate Bonds 35.27%

**\$70,535,299**

(Cost \$69,060,918)

### Consumer Discretionary 3.38%

**6,757,555**

#### Auto Components 0.13%

BorgWarner, Inc.	5.750	11-01-16	\$230,000	254,471
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#### Automobiles 0.40%

Harley-Davidson Funding Corp. (S)	5.750	12-15-14	115,000	124,274
Hyundai Capital Services, Inc. (S)	4.375	07-27-16	185,000	187,780
Hyundai Capital Services, Inc. (S)	6.000	05-05-15	270,000	290,055
Kia Motors Corp. (S)	3.625	06-14-16	195,000	190,295

#### Hotels, Restaurants & Leisure 0.15%

Seminole Indian Tribe of Florida (S)	6.535	10-01-20	315,000	304,992
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#### Internet & Catalog Retail 0.19%

Expedia, Inc.	5.950	08-15-20	385,000	381,618
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#### Media 2.20%

CBS Corp.	7.875	07-30-30	560,000	699,240
DIRECTV Holdings LLC	6.350	03-15-40	165,000	179,638
Grupo Televisa SAB	6.625	01-15-40	205,000	221,023
NBC Universal Media LLC	3.650	04-30-15	800,000	838,731
News America, Inc.	6.150	03-01-37	110,000	115,163
News America, Inc.	6.150	02-15-41	365,000	390,750
News America, Inc.	6.400	12-15-35	95,000	102,041
News America, Inc.	9.500	07-15-24	600,000	812,195
Time Warner Cable, Inc.	6.750	07-01-18	330,000	383,429
UBM PLC (S)	5.750	11-03-20	180,000	178,999
Viacom, Inc.	6.125	10-05-17	414,000	478,762

#### Multiline Retail 0.02%

Macy's Retail Holdings, Inc.	7.875	08-15-36	39,000	40,650
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#### Specialty Retail 0.29%

Best Buy Company, Inc.	6.750	07-15-13	550,000	583,449
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### Consumer Staples 0.85%

**1,704,907**

#### Food & Staples Retailing 0.43%

CVS Caremark Corp.	4.875	09-15-14	450,000	492,888
CVS Caremark Corp. (6.302% to 6-1-12, then 3 month LIBOR + 2.065%)	6.302	06-01-37	360,000	359,100

	Rate (%)	Maturity date	Par value	Value
<b>Food Products 0.28%</b>				
Bunge Ltd. Finance Corp.	4.100	03-15-16	\$220,000	\$223,303
Bunge Ltd. Finance Corp.	8.500	06-15-19	285,000	341,785
<b>Tobacco 0.14%</b>				
Lorillard Tobacco Company	3.500	08-04-16	95,000	95,338
Lorillard Tobacco Company	6.875	05-01-20	175,000	192,493
<b>Energy 3.41%</b>				<b>6,811,083</b>
<b>Energy Equipment &amp; Services 0.05%</b>				
Weatherford International, Inc.	6.800	06-15-37	85,000	92,149
<b>Gas Utilities 0.24%</b>				
DCP Midstream LLC (S)	9.750	03-15-19	375,000	488,378
<b>Oil, Gas &amp; Consumable Fuels 3.12%</b>				
Anadarko Petroleum Corp.	5.750	06-15-14	502,000	545,633
Energy Transfer Partners LP	5.950	02-01-15	370,000	401,845
Energy Transfer Partners LP	9.700	03-15-19	315,000	381,208
Enterprise Products Operating LLC	6.500	01-31-19	475,000	545,976
Enterprise Products Operating LLC	6.650	04-15-18	565,000	658,670
Husky Energy, Inc.	5.900	06-15-14	500,000	545,035
Kerr-McGee Corp.	6.950	07-01-24	545,000	644,404
Kinder Morgan Energy Partners LP	7.750	03-15-32	115,000	138,825
Marathon Petroleum Corp.	6.500	03-01-41	320,000	349,069
NuStar Logistics LP	7.650	04-15-18	305,000	361,500
Spectra Energy Capital LLC	5.668	08-15-14	230,000	252,040
Spectra Energy Capital LLC	6.200	04-15-18	285,000	321,939
TransCanada Pipelines, Ltd. (6.350% to 5-15-17, then 3 month LIBOR + 2.210%)	6.350	05-15-67	445,000	444,252
Williams Partners LP	7.250	02-01-17	545,000	640,160
<b>Financials 17.31%</b>				<b>34,627,811</b>
<b>Capital Markets 2.51%</b>				
Credit Suisse AG (3 month LIBOR + 0.690% to 5-15-17, then 3 month LIBOR + 1.690%) (Q)	1.147	05-15-17	580,000	383,421
Credit Suisse AG	5.400	01-14-20	285,000	260,088
Credit Suisse New York	4.375	08-05-20	390,000	376,193
Jefferies Group, Inc.	6.875	04-15-21	530,000	447,850
Jefferies Group, Inc.	8.500	07-15-19	105,000	97,650
Macquarie Bank, Ltd. (S)	6.625	04-07-21	305,000	284,749
Macquarie Group, Ltd. (S)	6.000	01-14-20	225,000	212,831
Morgan Stanley	5.500	07-28-21	395,000	344,346
Morgan Stanley	5.750	01-25-21	85,000	75,898
Morgan Stanley	7.300	05-13-19	315,000	310,032
TD Ameritrade Holding Corp.	4.150	12-01-14	400,000	422,967
The Goldman Sachs Group, Inc.	3.700	08-01-15	400,000	385,830
The Goldman Sachs Group, Inc.	5.250	07-27-21	190,000	175,339
The Goldman Sachs Group, Inc.	6.150	04-01-18	520,000	519,138
The Goldman Sachs Group, Inc.	6.750	10-01-37	805,000	716,163
<b>Commercial Banks 3.35%</b>				
Abbey National Treasury Services PLC	4.000	04-27-16	430,000	383,600
Banco de Credito del Peru (S)	4.750	03-16-16	205,000	203,176

	Rate (%)	Maturity date	Par value	Value
<b>Commercial Banks (continued)</b>				
Barclays Bank PLC	5.140	10-14-20	\$205,000	\$167,932
Barclays Bank PLC	5.200	07-10-14	650,000	673,160
Barclays Bank PLC (S)	6.050	12-04-17	175,000	155,432
BBVA Bancomer SA (S)	6.500	03-10-21	435,000	424,125
BPCE SA (12.500% to 9-30-19, then 3 month LIBOR + 12.980%) (Q)(S)	12.500	09-30-19	157,000	147,556
First Tennessee Bank NA	5.050	01-15-15	245,000	242,106
ICICI Bank, Ltd. (S)	5.750	11-16-20	305,000	282,241
Key Bank NA	5.800	07-01-14	600,000	640,568
Lloyds TSB Bank PLC	6.375	01-21-21	470,000	465,003
National City Bank (P)	0.702	06-07-17	400,000	366,581
Regions Financial Corp. (P)	0.528	06-26-12	170,000	165,264
Regions Financial Corp.	7.750	11-10-14	290,000	293,625
Santander Holdings USA, Inc.	4.625	04-19-16	70,000	66,300
Santander Issuances SA (6.500% to 11-15-14, then 3 month LIBOR + 3.920%) (S)	6.500	08-11-19	300,000	273,000
The Royal Bank of Scotland PLC	4.875	03-16-15	200,000	193,914
Wachovia Bank NA	5.850	02-01-37	235,000	237,990
Wachovia Bank NA	6.600	01-15-38	445,000	485,375
Wachovia Corp.	5.250	08-01-14	500,000	527,756
Wachovia Corp.	5.750	06-15-17	280,000	315,668
<b>Consumer Finance 1.00%</b>				
American Express Company	7.000	03-19-18	250,000	292,530
Capital One Financial Corp.	6.150	09-01-16	415,000	425,798
Capital One Financial Corp.	6.250	11-15-13	520,000	556,694
Discover Bank	7.000	04-15-20	280,000	286,537
Discover Financial Services	10.250	07-15-19	375,000	443,729
<b>Diversified Financial Services 4.15%</b>				
Bank of America Corp.	5.650	05-01-18	400,000	351,913
Bank of America Corp.	6.500	08-01-16	200,000	193,252
Bank of America NA	5.300	03-15-17	95,000	83,315
Bank of America NA	6.000	10-15-36	250,000	208,160
Citigroup, Inc.	5.850	12-11-34	340,000	320,631
Citigroup, Inc.	6.125	11-21-17	610,000	634,914
General Electric Capital Corp. (P)	0.937	08-15-36	360,000	268,005
General Electric Capital Corp.	4.375	09-16-20	220,000	217,696
General Electric Capital Corp.	5.300	02-11-21	335,000	342,799
General Electric Capital Corp.	5.625	05-01-18	510,000	557,005
General Electric Capital Corp.	5.875	01-14-38	250,000	246,113
General Electric Capital Corp.	6.000	08-07-19	245,000	271,619
JPMorgan Chase & Company	3.700	01-20-15	175,000	178,487
JPMorgan Chase & Company	5.600	07-15-41	510,000	535,614
JPMorgan Chase & Company	6.000	01-15-18	710,000	779,019
JPMorgan Chase & Company (7.900% to 4-30-18, then 3 month LIBOR + 3.470%) (Q)	7.900	04-30-18	390,000	412,530
Merrill Lynch & Company, Inc.	6.220	09-15-26	125,000	100,551
Merrill Lynch & Company, Inc.	6.875	04-25-18	510,000	482,400
Merrill Lynch & Company, Inc.	7.750	05-14-38	410,000	366,330

	Rate (%)	Maturity date	Par value	Value
<b>Diversified Financial Services (continued)</b>				
Rabobank Nederland NV (11.000% to 6-30-19, then 3 month LIBOR + 10.868%) (Q)(S)	11.000	06-30-19	\$904,000	\$1,046,380
The Bear Stearns Companies LLC	7.250	02-01-18	435,000	501,183
USB Realty Corp. (6.091% to 1-15-12, then 3 month LIBOR + 1.147%) (Q)(S)	6.091	01-15-12	300,000	208,500
<b>Insurance 3.24%</b>				
Aflac, Inc.	6.900	12-17-39	145,000	152,182
Aflac, Inc.	8.500	05-15-19	285,000	343,408
AXA SA (6.379% to 12-14-36, then 3 month LIBOR + 2.256%) (Q)(S)	6.379	02-14-36	280,000	184,800
Chubb Corp. (6.375% until 4-15-17, then 3 month LIBOR + 2.250%)	6.375	03-29-67	300,000	294,000
CNA Financial Corp.	5.850	12-15-14	355,000	371,939
CNA Financial Corp.	6.500	08-15-16	165,000	176,822
CNA Financial Corp.	7.250	11-15-23	420,000	448,387
Hartford Financial Services Group, Inc.	6.300	03-15-18	280,000	286,953
Hartford Financial Services Group, Inc.	6.625	03-30-40	155,000	143,517
Liberty Mutual Group, Inc. (S)	5.000	06-01-21	345,000	326,759
Liberty Mutual Group, Inc. (S)	5.750	03-15-14	375,000	386,463
Lincoln National Corp.	8.750	07-01-19	220,000	257,246
Lincoln National Corp. (6.050% to 4-20-17, then 3 month LIBOR + 2.040%)	6.050	04-20-67	340,000	277,100
Teachers Insurance & Annuity Association of America (S)	6.850	12-16-39	585,000	712,350
The Hanover Insurance Group, Inc.	6.375	06-15-21	95,000	100,737
The Travelers Companies, Inc.	3.900	11-01-20	250,000	257,975
Unum Group	7.125	09-30-16	275,000	315,346
UnumProvident Finance Company PLC (S)	6.850	11-15-15	380,000	427,018
W.R. Berkley Corp.	5.600	05-15-15	230,000	246,342
Willis Group Holdings PLC	5.750	03-15-21	410,000	424,867
Willis North America, Inc.	7.000	09-29-19	305,000	337,189
<b>Real Estate Investment Trusts 3.06%</b>				
BioMed Realty LP	6.125	04-15-20	80,000	82,016
Boston Properties LP	3.700	11-15-18	150,000	149,905
Brandywine Operating Partnership LP	7.500	05-15-15	220,000	240,044
CommonWealth REIT	6.650	01-15-18	330,000	351,205
Dexus Property Group (S)	7.125	10-15-14	360,000	392,180
Duke Realty LP	6.750	03-15-20	455,000	484,275
Duke Realty LP	8.250	08-15-19	295,000	342,889
Goodman Funding Pty, Ltd. (S)	6.375	04-15-21	510,000	515,136
HCP, Inc.	6.300	09-15-16	215,000	234,471
Health Care REIT, Inc.	4.950	01-15-21	260,000	243,115
Health Care REIT, Inc.	6.125	04-15-20	420,000	429,465
Health Care REIT, Inc.	6.200	06-01-16	245,000	262,004
Healthcare Realty Trust, Inc.	6.500	01-17-17	345,000	368,792
Mack-Cali Realty LP	7.750	08-15-19	230,000	271,091
Post Apartment Homes LP	4.750	10-15-17	115,000	115,895
ProLogis LP	6.250	03-15-17	320,000	344,994
ProLogis LP	7.625	08-15-14	200,000	220,231

	Rate (%)	Maturity date	Par value	Value
<b>Real Estate Investment Trusts (continued)</b>				
Ventas Realty LP	4.750	06-01-21	\$435,000	\$417,962
Vornado Realty LP	4.250	04-01-15	440,000	453,229
WEA Finance LLC (S)	6.750	09-02-19	185,000	202,941
<b>Health Care 0.40%</b>				<b>805,372</b>
<b>Health Care Providers &amp; Services 0.22%</b>				
Medco Health Solutions, Inc.	7.125	03-15-18	385,000	444,708
<b>Pharmaceuticals 0.18%</b>				
Hospira, Inc.	6.050	03-30-17	320,000	360,664
<b>Industrials 2.39%</b>				<b>4,773,288</b>
<b>Aerospace &amp; Defense 0.57%</b>				
Embraer Overseas, Ltd.	6.375	01-15-20	340,000	369,750
Lockheed Martin Corp.	3.350	09-15-21	435,000	421,541
Textron, Inc.	5.600	12-01-17	340,000	354,621
<b>Airlines 1.15%</b>				
Continental Airlines 1997-4 Class A Pass Through Trust	6.900	01-02-18	267,850	274,868
Continental Airlines 1998-1 Class A Pass Through Trust	6.648	09-15-17	116,625	118,515
Continental Airlines 1999-1 Class A Pass Through Trust	6.545	02-02-19	124,946	129,469
Continental Airlines 2007-1 Class A Pass Through Trust	5.983	04-19-22	306,727	315,162
Continental Airlines 2010-1 Class A Pass Through Trust	4.750	01-12-21	105,000	104,475
Delta Air Lines 2007-1 Class A Pass Through Trust	6.821	08-10-22	385,734	392,484
Delta Air Lines 2010-1 Class A Pass Through Trust	6.200	07-02-18	150,923	156,959
Delta Air Lines 2011-1 Class A Pass Through Trust	5.300	04-15-19	270,000	270,000
Northwest Airlines 2002-1 Class G-2 Pass Through Trust	6.264	11-20-21	343,076	336,626
Northwest Airlines 2007-1 Class A Pass Through Trust	7.027	11-01-19	192,388	191,426
<b>Building Products 0.30%</b>				
Voto-Votorantim Overseas Trading Operations NV (S)	6.625	09-25-19	285,000	299,963
Voto-Votorantim, Ltd. (S)	6.750	04-05-21	285,000	299,250
<b>Commercial Services &amp; Supplies 0.11%</b>				
International Lease Finance Corp. (S)	7.125	09-01-18	220,000	224,400
<b>Industrial Conglomerates 0.11%</b>				
Odebrecht Finance, Ltd. (S)	6.000	04-05-23	210,000	210,000
<b>Machinery 0.09%</b>				
Pentair, Inc.	5.000	05-15-21	180,000	189,263
<b>Transportation Infrastructure 0.06%</b>				
Asciano Finance, Ltd. (S)	4.625	09-23-20	120,000	114,516

	Rate (%)	Maturity date	Par value	Value
<b>Information Technology 0.35%</b>				<b>\$697,643</b>
<b>Computers &amp; Peripherals 0.12%</b>				
Hewlett-Packard Company	4.375	09-15-21	\$225,000	229,932
<b>IT Services 0.23%</b>				
Fiserv, Inc.	6.800	11-20-17	400,000	467,711
<b>Materials 2.36%</b>				<b>4,720,591</b>
<b>Chemicals 0.56%</b>				
Braskem America Finance Company (S)	7.125	07-22-41	200,000	192,500
Braskem Finance, Ltd. (S)	7.000	05-07-20	655,000	687,750
Incitec Pivot Finance LLC (S)	6.000	12-10-19	215,000	232,738
<b>Metals &amp; Mining 1.10%</b>				
Alcoa, Inc.	5.400	04-15-21	400,000	380,768
Allegheny Technologies, Inc.	5.950	01-15-21	90,000	94,311
Allegheny Technologies, Inc.	9.375	06-01-19	185,000	231,361
ArcelorMittal	6.750	03-01-41	315,000	268,429
ArcelorMittal	9.850	06-01-19	240,000	260,299
Cliffs Natural Resources, Inc.	6.250	10-01-40	175,000	167,931
Gerdau Trade, Inc. (S)	5.750	01-30-21	240,000	230,400
Teck Resources, Ltd.	6.250	07-15-41	115,000	124,979
Teck Resources, Ltd.	10.750	05-15-19	151,000	185,730
Vale Overseas, Ltd.	6.875	11-10-39	245,000	268,792
<b>Paper &amp; Forest Products 0.70%</b>				
Georgia-Pacific LLC (S)	5.400	11-01-20	595,000	639,331
International Paper Company	7.950	06-15-18	360,000	428,900
International Paper Company	9.375	05-15-19	255,000	326,372
<b>Telecommunication Services 2.31%</b>				<b>4,627,618</b>
<b>Diversified Telecommunication Services 1.92%</b>				
AT&T, Inc.	5.550	08-15-41	445,000	482,403
BellSouth Corp.	6.550	06-15-34	250,000	289,252
BellSouth Telecommunications, Inc.	6.300	12-15-15	255,282	271,853
CenturyLink, Inc.	6.450	06-15-21	190,000	183,071
CenturyLink, Inc.	7.600	09-15-39	190,000	178,675
Crown Castle Towers LLC (S)	4.883	08-15-20	530,000	545,357
Crown Castle Towers LLC (S)	6.113	01-15-20	250,000	277,721
GTP Acquisition Partners I LLC (S)	4.347	06-15-16	275,000	276,919
GTP Towers Issuer LLC (S)	4.436	02-15-15	305,000	322,781
Telecom Italia Capital SA	4.950	09-30-14	250,000	231,677
Telecom Italia Capital SA	7.200	07-18-36	220,000	173,964
Telecom Italia Capital SA	7.721	06-04-38	155,000	129,186
Telefonica Emisiones SAU	2.582	04-26-13	500,000	484,850
<b>Wireless Telecommunication Services 0.39%</b>				
America Movil SAB de CV	5.000	03-30-20	455,000	485,909
SBA Tower Trust (S)	5.101	04-15-17	280,000	294,000
<b>Utilities 2.51%</b>				<b>5,009,431</b>
<b>Electric Utilities 1.46%</b>				
Beaver Valley II Funding	9.000	06-01-17	546,000	578,318
Comision Federal de Electricidad (S)	4.875	05-26-21	195,000	198,900

	Rate (%)	Maturity date	Par value	Value
<b>Electric Utilities (continued)</b>				
Commonwealth Edison Company	5.800	03-15-18	\$330,000	\$385,995
Duke Energy Corp.	6.300	02-01-14	500,000	554,137
FPL Energy National Wind LLC (S)	5.608	03-10-24	155,875	160,101
Israel Electric Corp., Ltd. (S)	7.250	01-15-19	400,000	412,016
ITC Holdings Corp. (S)	5.500	01-15-20	285,000	320,015
PNPP II Funding Corp.	9.120	05-30-16	107,000	115,627
W3A Funding Corp.	8.090	01-02-17	201,046	200,596
<b>Independent Power Producers &amp; Energy Traders 0.44%</b>				
Allegheny Energy Supply Company LLC (S)	5.750	10-15-19	380,000	415,951
Exelon Generation Company LLC	6.250	10-01-39	380,000	451,374
<b>Multi-Utilities 0.61%</b>				
Integrus Energy Group, Inc. (6.110% to 12-1-16, then 3 month LIBOR + 2.120%)	6.110	12-01-66	550,000	528,000
NiSource Finance Corp.	5.400	07-15-14	400,000	433,401
Wisconsin Energy Corp. (6.250% to 5-15-17, then 3 month LIBOR + 2.113%)	6.250	05-15-67	255,000	255,000
<b>Convertible Bonds 0.35%</b>				<b>\$699,375</b>
(Cost \$375,000)				
<b>Industrials 0.35%</b>				<b>699,375</b>
<b>Machinery 0.35%</b>				
Ingersoll-Rand Global Holding Company, Ltd.	4.500	04-15-12	\$375,000	699,375
<b>Municipal Bonds 1.00%</b>				<b>\$1,997,014</b>
(Cost \$1,802,979)				
<b>Municipal Bonds 1.00%</b>				<b>1,997,014</b>
State of California	7.600	11-01-40	\$145,000	173,920
State of Illinois	5.100	06-01-33	175,000	156,459
University of Texas	4.794	08-15-46	1,500,000	1,666,635
<b>Collateralized Mortgage Obligations 11.26%</b>				<b>\$22,515,791</b>
(Cost \$24,864,141)				
<b>Commercial &amp; Residential 9.93%</b>				<b>19,855,599</b>
American Tower Trust				
Series 2007-1A, Class D (S)	5.957	04-15-37	\$420,000	446,594
Series 2007-1A, Class C (S)	5.615	04-15-37	450,000	475,503
Banc of America Commercial Mortgage, Inc.				
Series 2005-4, Class A5A	4.933	07-10-45	1,500,000	1,637,121
Series 2006-2, Class AM (P)	5.956	05-10-45	355,000	365,717
Series 2006-4, Class AM	5.675	07-10-46	355,000	343,189
Series 2006-3, Class A4 (P)	5.889	07-10-44	620,000	670,763
Bear Stearns Alt-A Trust				
Series 2004-12 1A1 (P)	0.607	01-25-35	456,601	379,914
Bear Stearns Commercial Mortgage Securities, Inc.				
Series 2006-PW14, Class D (S)	5.412	12-11-38	320,000	137,492

	Rate (%)	Maturity date	Par value	Value
<b>Commercial &amp; Residential (continued)</b>				
Citigroup/Deutsche Bank Commercial				
Mortgage Trust				
Series 2005-CD1, Class C (P)	5.400	07-15-44	\$185,000	\$125,898
Commercial Mortgage Pass				
Through Certificates				
Series 2007-C9, Class A4 (P)	6.008	12-10-49	820,000	896,284
Countrywide Alternative Loan Trust				
Series 2006-OA12, Class X IO	5.337	09-20-46	5,799,906	359,369
First Horizon Alternative Mortgage Securities				
Series 2004-AA5, Class B1 (P)	2.326	12-25-34	753,852	85,891
GMAC Mortgage Loan Trust				
Series 2004-AR2, Class 3A (P)	3.168	08-19-34	512,504	442,436
Greenwich Capital Commercial Funding Corp.				
Series 2006-GG7, Class AM (P)	6.073	07-10-38	355,000	352,208
Series 2007-GG9, Class C (P)	5.554	03-10-39	230,000	63,250
GSR Mortgage Loan Trust				
Series 2005-AR6, Class 3A1 (P)	2.722	09-25-35	478,955	400,755
Series 2004-9, Class B1 (P)	3.101	08-25-34	297,589	109,614
Series 2006-AR1, Class 3A1 (P)	5.029	01-25-36	515,802	422,497
Harborview Mortgage Loan Trust				
Series 2005-11, Class X IO	2.070	08-19-45	1,898,473	83,695
Series 2005-2, Class X IO	2.202	05-19-35	9,199,195	455,550
Series 2005-8, Class 1X IO	2.185	09-19-35	2,329,146	110,709
IndyMac Index Mortgage Loan Trust				
Series 2004-AR13, Class B1	5.296	01-25-35	201,749	17,409
Series 2005-AR18, Class 1X IO	2.083	10-25-36	4,709,034	253,111
Series 2005-AR18, Class 2X IO	1.747	10-25-36	6,222,498	321,516
Series 2005-AR5, Class B1 (P)	2.600	05-25-35	159,047	1,566
JPMorgan Chase Commercial Mortgage				
Securities Corp.				
Series 2006-LDP7, Class AM (P)	6.072	04-15-45	515,000	527,489
Series 2007-CB18, Class A4	5.440	06-12-47	725,000	766,579
Series 2005-LDP3, Class A4B (P)	4.996	08-15-42	1,000,000	1,044,403
JPMorgan Mortgage Trust				
Series 2006-A7, Class 2A5 (P)	3.023	01-25-37	31,969	600
LB-UBS Commercial Mortgage Trust				
Series 2006-C6, Class AM	5.413	09-15-39	765,000	763,191
Series 2007-C1, Class AM	5.455	02-15-40	510,000	487,900
Series 2006-C4, Class A4 (P)	6.067	06-15-38	620,000	686,507
Series 2007-C2, Class A3	5.430	02-15-40	770,000	808,250
Merrill Lynch/Countrywide Commercial				
Mortgage Trust				
Series 2006-2, Class A4 (P)	6.097	06-12-46	735,000	814,537
MLCC Mortgage Investors, Inc.				
Series 2006-3, Class 2A1 (P)	2.377	10-25-36	492,278	441,030
Series 2007-3, Class M1 (P)	5.327	09-25-37	131,690	80,466
Series 2007-3, Class M2 (P)	5.327	09-25-37	50,670	28,418
Series 2007-3, Class M3 (P)	5.327	09-25-37	33,858	10,742
Morgan Stanley Capital I				
Series 2007-IQ13, Class A4	5.364	03-15-44	730,000	760,391
Series 2008-HQ8, Class AM (P)	5.647	03-12-44	705,000	716,182
Provident Funding Mortgage Loan Trust				
Series 2005-1, Class B1 (P)	2.644	05-25-35	195,838	29,187
Structured Asset Securities Corp.				
Series 2003-6A, Class B1 (P)	2.655	03-25-33	231,550	153,647

	Rate (%)	Maturity date	Par value	Value
<b>Commercial &amp; Residential (continued)</b>				
Thornburg Mortgage Securities Trust				
Series 2004-1, Class II2A (P)	1.747	03-25-44	\$534,359	\$449,591
WaMu Mortgage Pass Through Certificates				
Series 2004-AR13, Class X IO	1.417	11-25-34	7,236,957	332,304
Series 2005-AR1, Class X IO	Zero	01-25-45	11,392,731	505,917
Series 2005-AR12, Class 1A2 (P)	2.485	10-25-35	153,217	143,159
Series 2005-AR19, Class B1 (P)	0.957	12-25-45	281,765	37,222
Series 2005-AR4, Class B1 (P)	2.580	04-25-35	915,954	188,255
Series 2005-AR8, Class X IO	Zero	07-25-45	9,553,872	471,611
Series 2006-AR4, Class 1A1B (P)	1.158	05-25-46	263,390	126,970
Series 2005-AR13, Class B1 (P)	0.857	10-25-45	485,213	70,133
Series 2005-AR6, Class B1 (P)	0.857	04-25-45	543,755	67,172
Wells Fargo Mortgage Backed Securities Trust				
Series 2005-AR5, Class 1A1 (P)	5.115	04-25-35	378,938	319,631
Series 2006-AR15, Class A3 (P)	5.302	10-25-36	305,153	66,064
<b>U.S. Government Agency 1.33%</b>				<b>2,660,192</b>

Federal Home Loan Mortgage Corp.				
Series 3581, Class IO	6.000	10-15-39	380,883	56,319
Series 3623, Class LI IO	4.500	01-15-25	361,332	31,263
Series 3630, Class BI IO	4.000	05-15-27	245,677	15,961
Series 3794, Class PI IO	4.500	02-15-38	684,648	86,058
Series 3833, Class LI IO	2.053	10-15-40	3,136,511	180,823
Federal National Mortgage Association				
Series 2009-109, Class IW IO	4.500	04-25-38	582,860	59,053
Series 2009-50, Class GI IO	5.000	05-25-39	1,008,707	155,037
Series 2009-78, Class IB IO	5.000	06-25-39	1,381,869	194,089
Series 2010-14, Class AI IO	4.000	08-25-27	725,931	57,832
Series 2010-3, Class LI IO	5.000	02-25-25	4,920,266	486,167
Series 2010-36, Class BI IO	4.000	03-25-28	735,953	58,774
Series 2010-68, Class CI IO	5.000	11-25-38	847,528	117,657
Series 398, Class C3 IO	4.500	05-25-39	796,712	112,540
Series 401, Class C2 IO	4.500	06-25-39	533,023	59,974
Series 402, Class 3 IO	4.000	11-25-39	642,784	95,171
Series 402, Class 4 IO	4.000	10-25-39	1,115,139	173,251
Series 402, Class 7 IO	4.500	11-25-39	1,032,836	140,603
Series 407, Class 15 IO	5.000	01-25-40	879,150	140,706
Series 407, Class 16 IO	5.000	01-25-40	220,083	30,965
Series 407, Class 17 IO	5.000	01-25-40	186,386	26,591
Series 407, Class 21 IO	5.000	01-25-39	775,820	90,938
Series 407, Class 7 IO	5.000	03-25-41	605,373	106,838
Series 407, Class 8 IO	5.000	03-25-41	282,577	50,377
Government National Mortgage Association				
Series 2010-78, Class AI IO	4.500	04-20-39	1,108,727	133,205

### Asset Backed Securities 3.59%

**\$7,187,383**

(Cost \$7,610,803)

### Asset Backed Securities 3.59%

**7,187,383**

Aegis Asset Backed Securities Trust				
Series 2004-3, Class A1 (P)	0.617	09-25-34	\$277,339	250,177
Asset Backed Funding Certificates				
Series 2005-HE1, Class M1 (P)	0.677	03-25-35	297,046	229,426
Bayview Financial Acquisition Trust				
Series 2006-A, Class 2A3 (P)	0.607	02-28-41	235,204	204,423
Bravo Mortgage Asset Trust				
Series 2006-1A, Class A2 (P)(S)	0.497	07-25-36	390,460	301,292

	Rate (%)	Maturity date	Par value	Value
<b>Asset Backed Securities (continued)</b>				
Carrington Mortgage Loan Trust				
Series 2005-OPT2, Class M2 (P)	0.707	05-25-35	\$260,000	\$229,866
Series 2006-NC4, Class A5 (P)	0.317	10-25-36	91,948	71,068
Citigroup Mortgage Loan Trust				
Series 2006-WFH3, Class A3 (P)	0.407	10-25-36	401,746	363,053
Credit-Based Asset Servicing and Securitization LLC				
Series 2005-CB2, Class M1 (P)	0.697	04-25-36	463,941	404,281
Dominos Pizza Master Issuer LLC				
Series 2007-1, Class A2 (S)	5.261	04-25-37	500,000	503,435
FUEL Trust				
Series 2011-1 (S)	4.207	04-15-16	475,000	467,198
Home Equity Asset Trust				
Series 2005-5, Class M1 (P)	0.737	11-25-35	355,000	267,545
Leaf Capital Funding SPE A LLC				
Series 2010-A, Class C (P)(S)	7.249	12-15-20	63,000	63,000
Series 2010-A, Class D (P)(S)	10.249	12-15-20	48,000	48,000
Leaf II Receivables Funding LLC				
Series 2011-1, Class A (S)	1.700	12-20-18	213,686	209,455
Master Asset Backed Securities Trust				
Series 2007-HE2, Class A2 (P)	0.957	08-25-37	377,983	329,492
Merrill Lynch Mortgage Investors, Inc.				
Series 2005-HE2, Class A2C (P)	0.627	09-25-36	415,000	357,494
Series 2005-WMC1, Class M1 (P)	1.007	09-25-35	177,544	163,416
New Century Home Equity Loan Trust				
Series 2005-1, Class M1 (P)	0.707	03-25-35	240,000	161,955
Series 2005-3, Class M1 (P)	0.737	07-25-35	195,000	166,712
Novastar Home Equity Loan				
Series 2004-4, Class M3 (P)	1.337	03-25-35	480,000	428,243
Park Place Securities, Inc.				
Series 2004-WHQ2, Class M2 (P)	0.887	02-25-35	550,000	422,117
Series 2005-WCH1, Class M2 (P)	0.777	01-25-36	620,000	529,871
Renaissance Home Equity Loan Trust				
Series 2005-2, Class AF3	4.499	08-25-35	61,560	59,751
Series 2005-2, Class AF4	4.934	08-25-35	420,000	322,009
Residential Asset Securities Corp.				
Series 2005-KS4, Class M1 (P)	0.667	05-25-35	289,970	257,452
Sonic Capital LLC				
Series 2011-1A, Class A2 (S)	5.438	05-20-41	369,375	376,652

### Foreign Government Obligations 0.11%

**\$221,737**

(Cost \$219,055)

### South Korea 0.11%

**221,737**

Korea Development Bank	4.000	09-09-16	\$220,000	221,737
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	Rate (%)	Maturity date	Par value	Value
<b>Capital Preferred Securities 1.52%</b>				<b>\$3,037,356</b>
(Cost \$3,128,430)				
<b>Financials 1.52%</b>				<b>3,037,356</b>
<b>Capital Markets 0.51%</b>				
State Street Capital Trust III (P)(Q)	5.337	12-15-11	\$565,000	550,440
State Street Capital Trust IV	1.347	06-15-37	695,000	473,592
<b>Commercial Banks 0.65%</b>				
Allfirst Preferred Capital Trust (P)	1.903	07-15-29	205,000	153,453
Fifth Third Capital Trust IV (6.500% to 4-15-17 then 3 month LIBOR + 1.368%)	6.500	04-15-37	495,000	477,675
PNC Financial Services Group, Inc. (P)(Q)	6.750	08-01-21	135,000	131,081
PNC Preferred Funding Trust III (8.700% to 3-15-13, then 3 month LIBOR + 5.226%) (Q)(S)	8.700	03-15-13	530,000	539,217
<b>Insurance 0.36%</b>				
Aon Corp.	8.205	01-01-27	205,000	230,985
MetLife Capital Trust X (9.250% to 4-8-38, then 3 month LIBOR + 5.540%) (S)	9.250	04-08-38	250,000	279,063
ZFS Finance USA Trust II (6.450% to 6-15-16, then 3 month LIBOR + 2.000%) (S)	6.450	12-15-65	220,000	201,850
			<b>Shares</b>	<b>Value</b>
<b>Preferred Securities 0.09%</b>				<b>\$187,192</b>
(Cost \$164,550)				
<b>Energy 0.09%</b>				<b>187,192</b>
<b>Oil, Gas &amp; Consumable Fuels 0.09%</b>				
Apache Corp., Series D, 6.000% (L)			3,291	187,192
	<b>Yield (%)</b>		<b>Shares</b>	<b>Value</b>
<b>Securities Lending Collateral 0.06%</b>				<b>\$111,150</b>
(Cost \$111,160)				
John Hancock Collateral Investment Trust (W)	0.3328 (Y)		11,107	111,150
			<b>Par value</b>	<b>Value</b>
<b>Short-Term Investments 0.19%</b>				<b>\$385,000</b>
(Cost \$385,000)				
<b>Repurchase Agreement 0.19%</b>				<b>385,000</b>
Repurchase Agreement with State Street Corp. dated 11-30-11 at 0.010% to be repurchased at \$385,000 on 12-1-11, collateralized by \$385,000 Federal Home Loan Mortgage Corp., 1.750% due 12-14-12 (valued at \$394,144, including interest)			\$385,000	385,000
<b>Total investments (Cost \$192,977,520)† 96.54%</b>				<b>\$193,074,094</b>
<b>Other assets and liabilities, net 3.46%</b>				<b>\$6,919,666</b>
<b>Total net assets 100.00%</b>				<b>\$199,993,760</b>

The percentage shown for each investment category is the total value of that category as a percentage of the net assets of the Fund.

## Notes to Schedule of Investments

IO Interest Only Security — Interest Tranche of Stripped Mortgage Pool. Rate shown is the annualized yield at the end of the period.

LIBOR London Interbank Offered Rate

PO Principal-Only Security — Principal Tranche of Stripped Mortgage Pool. Rate shown is the annualized yield on date of purchase.

TBA To Be Announced

(L) All or a portion of this security is on loan as of 11-30-11.

(P) Variable rate obligation. The coupon rate shown represents the rate at period end.

(Q) Perpetual bonds have no stated maturity date. Date shown is next call date.

(S) These securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold, normally to qualified institutional buyers, in transactions exempt from registration.

(W) Investment is an affiliate of the Fund, the adviser and/or subadviser. Also, it represents the investment of securities lending collateral received.

(Y) The rate shown is the annualized seven-day yield as of 11-30-11.

† At 11-30-11, the aggregate cost of investment securities for federal income tax purposes was \$193,371,883. Net unrealized depreciation aggregated \$297,789, of which \$6,696,254 related to appreciated investment securities and \$6,994,043 related to depreciated investment securities.

# Financial statements

## Statement of assets and liabilities 11-30-11 (unaudited)

This Statement of assets and liabilities is the Fund's balance sheet. It shows the value of what the Fund owns, is due and owes. You'll also find the net asset value and the maximum offering price per share.

### Assets

Investments in unaffiliated issuers, at value (Cost \$192,866,360) including \$108,800 of securities loaned (Note 2)	\$192,962,944
Investments in affiliated issuers, at value (Cost \$111,160) (Note 2)	111,150
<b>Total investments, at value (Cost \$192,977,520)</b>	<b>193,074,094</b>
Cash	6,105,073
Cash held at broker for futures contracts	51,315
Receivable for investments sold	131,703
Receivable for fund shares sold	2,589,500
Dividends and interest receivable	1,700,301
Receivable due from adviser	613
Other receivables and prepaid expenses	51,802
<b>Total assets</b>	<b>203,704,401</b>

### Liabilities

Payable for investments purchased	160,601
Payable for delayed delivery securities purchased	2,752,866
Payable for fund shares repurchased	419,306
Payable upon return of securities loaned (Note 2)	111,000
Payable for futures variation margin (Note 3)	22,953
Distributions payable	104,887
Payable to affiliates	
Accounting and legal services fees	3,356
Transfer agent fees	34,107
Distribution and service fees	34,358
Trustees' fees	12,276
Other liabilities and accrued expenses	54,931
<b>Total liabilities</b>	<b>3,710,641</b>

### Net assets

Paid-in capital	\$199,120,058
Accumulated distributions in excess of net investment income	(112,883)
Accumulated net realized gain on investments and futures contracts	920,599
Net unrealized appreciation (depreciation) on investments, futures contracts and translation of assets and liabilities in foreign currencies	65,986
<b>Net assets</b>	<b>\$199,993,760</b>

## Statement of assets and liabilities (continued)

### Net asset value per share

Based on net asset values and shares outstanding — the Fund has an unlimited number of shares authorized with no par value

Class A (\$144,880,525 ÷ 14,050,111 shares)	\$10.31
Class B (\$9,217,471 ÷ 893,722 shares) <sup>1</sup>	\$10.31
Class C (\$35,457,425 ÷ 3,437,897 shares) <sup>1</sup>	\$10.31
Class I (\$10,438,339 ÷ 1,012,130 shares)	\$10.31

### Maximum offering price per share

Class A (net asset value per share ÷ 95.5%) <sup>2</sup>	\$10.80
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<sup>1</sup> Redemption price is equal to net asset value less any applicable contingent deferred sales charge.

<sup>2</sup> On single retail sales of less than \$50,000. On sales of \$50,000 or more and on group sales the offering price is reduced.

## Statement of operations For the six-month period ended 11-30-11

(unaudited)

This Statement of operations summarizes the Fund's investment income earned and expenses incurred in operating the Fund. It also shows net gains (losses) for the period stated.

<b>Investment income</b>	
Interest	\$3,916,672
Dividends	4,937
Securities lending	579
<b>Total investment income</b>	<b>3,922,188</b>
<b>Expenses</b>	
Investment management fees (Note 5)	360,329
Distribution and service fees (Note 5)	351,072
Accounting and legal services fees (Note 5)	13,738
Transfer agent fees (Note 5)	179,283
Trustees' fees (Note 5)	6,283
State registration fees	44,086
Printing and postage	14,599
Professional fees	20,516
Custodian fees	14,629
Registration and filing fees	12,993
Other	6,364
<b>Total expenses</b>	<b>1,023,892</b>
Less expense reductions (Note 5)	(20,187)
<b>Net expenses</b>	<b>1,003,705</b>
<b>Net investment income</b>	<b>2,918,483</b>
<b>Realized and unrealized gain (loss)</b>	
<b>Net realized gain (loss) on</b>	
Investments in unaffiliated issuers	2,716,625
Investments in affiliated issuers	131
Futures contracts (Note 3)	(103,527)
	<b>2,613,229</b>
<b>Change in net unrealized appreciation (depreciation) of</b>	
Investments in unaffiliated issuers	(5,277,622)
Investments in affiliated issuers	(90)
Futures contracts (Note 3)	(1,486)
Translation of assets and liabilities in foreign currencies	15
	<b>(5,279,183)</b>
<b>Net realized and unrealized loss</b>	<b>(2,665,954)</b>
<b>Increase in net assets from operations</b>	<b>\$252,529</b>

## Statements of changes in net assets

These Statements of changes in net assets show how the value of the Fund's net assets has changed during the last two periods. The difference reflects earnings less expenses, any investment gains and losses, distributions, if any, paid to shareholders and the net of Fund share transactions.

	Six months ended 11-30-11 (Unaudited)	Year ended 5-31-11
<b>Increase (decrease) in net assets</b>		
<b>From operations</b>		
Net investment income	\$2,918,483	\$5,880,991
Net realized gain	2,613,229	3,932,324
Change in net unrealized appreciation (depreciation)	(5,279,183)	4,064,680
<b>Increase in net assets resulting from operations</b>	<b>252,529</b>	<b>13,877,995</b>
<b>Distributions to shareholders</b>		
From net investment income		
Class A	(2,581,635)	(5,303,909)
Class B	(126,136)	(287,216)
Class C	(430,145)	(864,633)
Class I	(174,016)	(209,313)
<b>Total distributions</b>	<b>(3,311,932)</b>	<b>(6,665,071)</b>
<b>From Fund share transactions (Note 6)</b>	<b>44,841,746</b>	<b>(3,635,669)</b>
<b>Total increase</b>	<b>41,782,343</b>	<b>3,577,255</b>
<b>Net assets</b>		
Beginning of period	158,211,417	154,634,162
<b>End of period</b>	<b>\$199,993,760</b>	<b>\$158,211,417</b>
<b>(Accumulated distributions in excess of)/undistributed net investment income</b>	<b>(\$112,883)</b>	<b>\$280,566</b>

# Financial highlights

The Financial highlights show how the Fund's net asset value for a share has changed since the end of the previous period.

<b>CLASS A SHARES</b> Period ended	11-30-11 <sup>1</sup>	5-31-11	5-31-10	5-31-09	5-31-08	5-31-07
<b>Per share operating performance</b>						
<b>Net asset value, beginning of period</b>	<b>\$10.48</b>	<b>\$10.01</b>	<b>\$8.95</b>	<b>\$9.53</b>	<b>\$9.67</b>	<b>\$9.52</b>
Net investment income <sup>2</sup>	0.18	0.39	0.51	0.49	0.49	0.46
Net realized and unrealized gain (loss) on investments	(0.15)	0.52	1.07	(0.58)	(0.13)	0.16
<b>Total from investment operations</b>	<b>0.03</b>	<b>0.91</b>	<b>1.58</b>	<b>(0.09)</b>	<b>0.36</b>	<b>0.62</b>
<b>Less distributions</b>						
From net investment income	(0.20)	(0.44)	(0.52)	(0.49)	(0.50)	(0.47)
<b>Net asset value, end of period</b>	<b>\$10.31</b>	<b>\$10.48</b>	<b>\$10.01</b>	<b>\$8.95</b>	<b>\$9.53</b>	<b>\$9.67</b>
<b>Total return (%)<sup>3</sup></b>	<b>0.27<sup>4,5</sup></b>	<b>9.29<sup>5</sup></b>	<b>17.99<sup>5</sup></b>	<b>(0.73)</b>	<b>3.72<sup>5</sup></b>	<b>6.63<sup>5</sup></b>
<b>Ratios and supplemental data</b>						
Net assets, end of period (in millions)	\$145	\$123	\$121	\$99	\$102	\$108
Ratios (as a percentage of average net assets):						
Expenses before reductions	1.00 <sup>6</sup>	0.97	1.08	1.20 <sup>7</sup>	0.99	1.06
Expenses net of fee waivers	0.98 <sup>6</sup>	0.96	1.08	1.20 <sup>7</sup>	0.99	0.97
Expenses net of fee waivers and credits	0.98 <sup>6</sup>	0.96	1.07	1.20 <sup>7</sup>	0.98	0.97
Net investment income	3.37 <sup>6</sup>	3.82	5.22	5.53	5.08	4.76
Portfolio turnover (%)	39	105	87	109	99	105

<sup>1</sup> Semiannual period from 6-1-11 to 11-30-11. Unaudited.

<sup>2</sup> Based on the average daily shares outstanding.

<sup>3</sup> Does not reflect the effect of sales charges, if any.

<sup>4</sup> Not annualized.

<sup>5</sup> Total returns would have been lower had certain expenses not been reduced during the periods shown.

<sup>6</sup> Annualized.

<sup>7</sup> Includes the impact of proxy expenses, which amounted to 0.04% of average net assets.

<b>CLASS B SHARES</b> Period ended	11-30-11 <sup>1</sup>	5-31-11	5-31-10	5-31-09	5-31-08	5-31-07
<b>Per share operating performance</b>						
<b>Net asset value, beginning of period</b>	<b>\$10.48</b>	<b>\$10.01</b>	<b>\$8.95</b>	<b>\$9.53</b>	<b>\$9.67</b>	<b>\$9.52</b>
Net investment income <sup>2</sup>	0.14	0.32	0.44	0.42	0.42	0.39
Net realized and unrealized gain (loss) on investments	(0.15)	0.52	1.07	(0.58)	(0.14)	0.16
<b>Total from investment operations</b>	<b>(0.01)</b>	<b>0.84</b>	<b>1.51</b>	<b>(0.16)</b>	<b>0.28</b>	<b>0.55</b>
<b>Less distributions</b>						
From net investment income	(0.16)	(0.37)	(0.45)	(0.42)	(0.42)	(0.40)
<b>Net asset value, end of period</b>	<b>\$10.31</b>	<b>\$10.48</b>	<b>\$10.01</b>	<b>\$8.95</b>	<b>\$9.53</b>	<b>\$9.67</b>
<b>Total return (%)</b> <sup>3</sup>	<b>(0.10)</b> <sup>4,5</sup>	<b>8.48</b> <sup>5</sup>	<b>17.12</b> <sup>5</sup>	<b>(1.47)</b>	<b>2.95</b> <sup>5</sup>	<b>5.84</b> <sup>5</sup>
<b>Ratios and supplemental data</b>						
Net assets, end of period (in millions)	\$9	\$8	\$8	\$6	\$7	\$8
Ratios (as a percentage of average net assets):						
Expenses before reductions	1.75 <sup>6</sup>	1.72	1.83	1.95 <sup>7</sup>	1.74	1.81
Expenses net of fee waivers	1.73 <sup>6</sup>	1.71	1.83	1.95 <sup>7</sup>	1.74	1.72
Expenses net of fee waivers and credits	1.73 <sup>6</sup>	1.71	1.82	1.95 <sup>7</sup>	1.73	1.72
Net investment income	2.61 <sup>6</sup>	3.07	4.52	4.79	4.33	4.01
Portfolio turnover (%)	39	105	87	109	99	105

<sup>1</sup> Semiannual period from 6-1-11 to 11-30-11. Unaudited.

<sup>2</sup> Based on the average daily shares outstanding.

<sup>3</sup> Does not reflect the effect of sales charges, if any.

<sup>4</sup> Not annualized.

<sup>5</sup> Total returns would have been lower had certain expenses not been reduced during the periods shown.

<sup>6</sup> Annualized.

<sup>7</sup> Includes the impact of proxy expenses, which amounted to 0.04% of average net assets.

<b>CLASS C SHARES</b> Period ended	11-30-11 <sup>1</sup>	5-31-11	5-31-10	5-31-09	5-31-08	5-31-07
<b>Per share operating performance</b>						
<b>Net asset value, beginning of period</b>	<b>\$10.48</b>	<b>\$10.01</b>	<b>\$8.95</b>	<b>\$9.53</b>	<b>\$9.67</b>	<b>\$9.52</b>
Net investment income <sup>2</sup>	0.14	0.31	0.43	0.43	0.42	0.39
Net realized and unrealized gain (loss) on investments	(0.15)	0.53	1.08	(0.59)	(0.14)	0.16
<b>Total from investment operations</b>	<b>(0.01)</b>	<b>0.84</b>	<b>1.51</b>	<b>(0.16)</b>	<b>0.28</b>	<b>0.55</b>
<b>Less distributions</b>						
From net investment income	(0.16)	(0.37)	(0.45)	(0.42)	(0.42)	(0.40)
<b>Net asset value, end of period</b>	<b>\$10.31</b>	<b>\$10.48</b>	<b>\$10.01</b>	<b>\$8.95</b>	<b>\$9.53</b>	<b>\$9.67</b>
<b>Total return (%)</b> <sup>3</sup>	<b>(0.10)</b> <sup>4,5</sup>	<b>8.48</b> <sup>5</sup>	<b>17.13</b> <sup>5</sup>	<b>(1.47)</b>	<b>2.95</b> <sup>5</sup>	<b>5.84</b> <sup>5</sup>
<b>Ratios and supplemental data</b>						
Net assets, end of period (in millions)	\$35	\$24	\$21	\$12	\$8	\$6
Ratios (as a percentage of average net assets):						
Expenses before reductions	1.75 <sup>6</sup>	1.72	1.83	1.95 <sup>7</sup>	1.73	1.81
Expenses net of fee waivers	1.73 <sup>6</sup>	1.71	1.83	1.95 <sup>7</sup>	1.73	1.72
Expenses net of fee waivers and credits	1.73 <sup>6</sup>	1.71	1.82	1.95 <sup>7</sup>	1.73	1.72
Net investment income	2.63 <sup>6</sup>	3.06	4.44	4.87	4.34	4.01
Portfolio turnover (%)	39	105	87	109	99	105

<sup>1</sup> Semiannual period from 6-1-11 to 11-30-11. Unaudited.

<sup>2</sup> Based on the average daily shares outstanding.

<sup>3</sup> Does not reflect the effect of sales charges, if any.

<sup>4</sup> Not annualized.

<sup>5</sup> Total returns would have been lower had certain expenses not been reduced during the periods shown.

<sup>6</sup> Annualized.

<sup>7</sup> Includes the impact of proxy expenses, which amounted to 0.04% of average net assets.

<b>CLASS I SHARES</b> Period ended	11-30-11 <sup>1</sup>	5-31-11	5-31-10	5-31-09	5-31-08	5-31-07
<b>Per share operating performance</b>						
<b>Net asset value, beginning of period</b>	<b>\$10.48</b>	<b>\$10.01</b>	<b>\$8.95</b>	<b>\$9.53</b>	<b>\$9.67</b>	<b>\$9.52</b>
Net investment income <sup>2</sup>	0.19	0.43	0.49	0.52	0.53	0.50
Net realized and unrealized gain (loss) on investments	(0.14)	0.52	1.13	(0.58)	(0.14)	0.16
<b>Total from investment operations</b>	<b>0.05</b>	<b>0.95</b>	<b>1.62</b>	<b>(0.06)</b>	<b>0.39</b>	<b>0.66</b>
<b>Less distributions</b>						
From net investment income	(0.22)	(0.48)	(0.56)	(0.52)	(0.53)	(0.51)
<b>Net asset value, end of period</b>	<b>\$10.31</b>	<b>\$10.48</b>	<b>\$10.01</b>	<b>\$8.95</b>	<b>\$9.53</b>	<b>\$9.67</b>
<b>Total return (%)</b>	<b>0.46<sup>3,4</sup></b>	<b>9.71<sup>4</sup></b>	<b>18.45</b>	<b>(0.45)</b>	<b>4.08</b>	<b>7.00</b>
<b>Ratios and supplemental data</b>						
Net assets, end of period (in millions)	\$10	\$3	\$4	\$2	— <sup>5</sup>	— <sup>5</sup>
Ratios (as a percentage of average net assets):						
Expenses before reductions	0.66 <sup>6</sup>	0.60	0.68	1.12 <sup>7</sup>	0.63	0.62
Expenses net of fee waivers	0.61 <sup>6</sup>	0.57	0.68	1.12 <sup>7</sup>	0.63	0.62
Expenses net of fee waivers and credits	0.61 <sup>6</sup>	0.57	0.68	1.12 <sup>7</sup>	0.63	0.62
Net investment income	3.73 <sup>6</sup>	4.18	5.03	6.09	5.45	5.10
Portfolio turnover (%)	39	105	87	109	99	105

<sup>1</sup> Semiannual period from 6-1-11 to 11-30-11. Unaudited.

<sup>2</sup> Based on the average daily shares outstanding.

<sup>3</sup> Not annualized.

<sup>4</sup> Total returns would have been lower had certain expenses not been reduced during the periods shown.

<sup>5</sup> Less than \$500,000.

<sup>6</sup> Annualized.

<sup>7</sup> Includes the impact of proxy expenses, which amounted to 0.04% of average net assets.

# Notes to financial statements

(unaudited)

## Note 1 — Organization

John Hancock Investment Grade Bond Fund (the Fund) is a diversified series of John Hancock Bond Trust (the Trust), an open-end management investment company organized as a Massachusetts business trust and registered under the Investment Company Act of 1940, as amended (the 1940 Act). The investment objective of the Fund is to seek a high level of current income consistent with preservation of capital and maintenance of liquidity.

The Fund may offer multiple classes of shares. The shares currently offered are detailed in the Statement of assets and liabilities. Class A, Class B and Class C shares are offered to all investors. Class I shares are offered to institutions and certain investors. Shareholders of each class have exclusive voting rights to matters that affect that class. The distribution and service fees, if any, and transfer agent fees for each class may differ. Class B shares convert to Class A shares eight years after purchase.

## Note 2 — Significant accounting policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates. Events or transactions occurring after the end of the fiscal period through the date that the financial statements were issued have been evaluated in the preparation of the financial statements. The following summarizes the significant accounting policies of the Fund:

**Security valuation.** Investments are stated at value as of the close of regular trading on the New York Stock Exchange (NYSE), normally at 4:00 P.M., Eastern Time. The Fund uses a three-tier hierarchy to prioritize the pricing assumptions, referred to as inputs, used in valuation techniques to measure fair value. Level 1 includes securities valued using quoted prices in active markets for identical securities. Level 2 includes securities valued using significant observable inputs. Observable inputs may include quoted prices for similar securities, interest rates, prepayment speeds and credit risk. Prices for securities valued using these inputs are received from independent pricing vendors and brokers and are based on an evaluation of the inputs described. Level 3 includes securities valued using significant unobservable inputs when market prices are not readily available or reliable, including the Fund's own assumptions in determining the fair value of investments. Factors used in determining value may include market or issuer specific events, changes in interest rates and credit quality. The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

The following is a summary of the values by input classification of the Fund's investments as of November 30, 2011, by major security category or type:

INVESTMENTS IN SECURITIES	TOTAL MARKET VALUE AT 11-30-11	LEVEL 1 QUOTED PRICE	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
U.S. Government & Agency Obligations	<b>\$86,196,797</b>	—	\$86,196,797	—
Corporate Bonds	<b>70,535,299</b>	—	70,535,299	—
Convertible Bonds	<b>699,375</b>	—	699,375	—
Municipal Bonds	<b>1,997,014</b>	—	1,997,014	—
Collateralized Mortgage Obligations	<b>22,515,791</b>	—	22,515,791	—
Asset Backed Securities	<b>7,187,383</b>	—	7,076,383	\$111,000
Foreign Government Obligations	<b>221,737</b>	—	221,737	—
Capital Preferred Securities	<b>3,037,356</b>	—	3,037,356	—
Preferred Securities	<b>187,192</b>	\$187,192	—	—
Securities Lending Collateral	<b>111,150</b>	111,150	—	—
<b>Short-Term Investments</b>	<b>385,000</b>	—	385,000	—
<b>Total Investments in Securities</b>	<b>\$193,074,094</b>	<b>\$298,342</b>	<b>\$192,664,752</b>	<b>\$111,000</b>
<b>Other Financial Instruments</b>				
<b>Futures</b>	<b>(\$30,603)</b>	<b>(\$30,603)</b>	—	—

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. During the six months ended November 30, 2011, there were no significant transfers into or out of Level 1, Level 2 or Level 3 assets.

In order to value the securities, the Fund uses the following valuation techniques. Equity securities held by the Fund are valued at the last sale price or official closing price on the principal securities exchange on which they trade. In the event there were no sales during the day or closing prices are not available, then securities are valued using the last quoted bid or evaluated price. Investments by the Fund in open-end mutual funds, including John Hancock Collateral Investment Trust (JHCIT), are valued at their respective net asset values each business day. Debt obligations are valued based on the evaluated prices provided by an independent pricing service, which utilizes both dealer-supplied and electronic data processing techniques, taking into account factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rates supplied by an independent pricing service. Certain securities traded only in the over-the-counter market are valued at the last bid price quoted by brokers making markets in the securities at the close of trading. Other portfolio securities and assets, where market quotations are not readily available, are valued at fair value, as determined in good faith by the Fund's Pricing Committee, following procedures established by the Board of Trustees.

**Security transactions and related investment income.** Investment security transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is accrued as earned. Interest income includes coupon interest and amortization/accretion of premiums/discounts on debt securities. Debt obligations may be placed in a non-accrual status and related interest income may be reduced by stopping current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful. Dividend income

is recorded on the ex-date, except for dividends of foreign securities where the dividend may not be known until after the ex-date. In those cases, dividend income is recorded when the Fund becomes aware of the dividends. Gains and losses on securities sold are determined on the basis of identified cost and may include proceeds from litigation.

**Securities lending.** The Fund may lend its securities to earn additional income. It receives cash collateral from the borrower in an amount not less than the market value of the loaned securities. The Fund will invest its collateral in JHCIT, an affiliate of the Fund, and as a result, the Fund will receive the benefit of any gains and bear any losses generated by JHCIT. Although risk of the loss of the securities lent is mitigated by holding the collateral, the Fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities or if collateral investments decline in value. The Fund may receive compensation for lending its securities by retaining a portion of the return on the investment of the collateral and compensation from fees earned from borrowers of the securities. Net income received from JHCIT is a component of securities lending income as recorded on the Statement of operations.

**Stripped securities.** Stripped mortgage-backed securities are financial instruments structured to separate principal and interest cash flows so that one class receives the entire principal from the underlying mortgage-assets (PO or principal only), while the other class receives the interest cash flows (IO or interest only). Both PO and IO investments represent an interest in the cash flows of an underlying stripped mortgage-backed security. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Fund may fail to fully recover its initial investment in an IO security. The market value of these securities can be extremely volatile in response to changes in interest rates. In addition, these securities present additional credit risk such that the Fund may not receive all or part of its principal or interest payments because the borrower or issuer has defaulted on its obligation.

**Line of credit.** The Fund may borrow from banks for temporary or emergency purposes, including meeting redemption requests that otherwise might require the untimely sale of securities. Pursuant to the custodian agreement, the custodian may loan money to the Fund to make properly authorized payments. The Fund is obligated to repay the custodian for any overdraft, including any related costs or expenses. The custodian has a lien, security interest or security entitlement in any Fund property that is not segregated, to the maximum extent permitted by law for any overdraft.

In addition, the Fund and other affiliated funds have entered into an agreement with Citibank N.A. which enables them to participate in a \$100 million unsecured committed line of credit. A commitment fee, payable at the end of each calendar quarter, based on the average daily unused portion of the line of credit, is charged to each participating fund on a pro rata basis and is reflected in other expenses on the Statement of operations. For the six months ended November 30, 2011, the Fund had no borrowings under the line of credit.

**Expenses.** The majority of expenses are directly attributable to an individual fund. Expenses that are not readily attributable to a specific fund are allocated among all funds in an equitable manner, taking into consideration, among other things, the nature and type of expense and the fund's relative net assets. Expense estimates are accrued in the period to which they relate and adjustments are made when actual amounts are known.

**Class allocations.** Income, common expenses and realized and unrealized gains (losses) are determined at the fund level and allocated daily to each class of shares based on the net assets of the class. Class-specific expenses, such as distribution and service fees, if any, and transfer agent fees, are calculated daily for each class, based on the net asset value of the class and the applicable specific expense rates.

**Federal income taxes.** The Fund intends to continue to qualify as a regulated investment company by complying with the applicable provisions of the Internal Revenue Code and will not be subject to federal income tax on taxable income that is distributed to shareholders. Therefore, no federal income tax provision is required.

For federal income tax purposes, the Fund has a capital loss carryforward of \$973,340 available to offset future net realized capital gains as of May 31, 2011. The loss carryforward expires as follows: May 31, 2015 — \$973,340.

Under the Regulated Investment Company Modernization Act of 2010, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

As of May 31, 2011, the Fund had no uncertain tax positions that would require financial statement recognition, derecognition or disclosure. The Fund's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years.

**Distribution of income and gains.** Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-date. The Fund generally declares dividends daily and pays them monthly. Capital gain distributions, if any, are distributed annually.

Distributions paid by the Fund with respect to each class of shares are calculated in the same manner, at the same time and in the same amount, except for the effect of class level expenses that may be applied differently to each class.

Such distributions, on a tax basis, are determined in conformity with income tax regulations, which may differ from accounting principles generally accepted in the United States of America.

Capital accounts within financial statements are adjusted for permanent book-tax differences. These adjustments have no impact on net assets or the results of operations. Temporary book-tax differences, if any, will reverse in a subsequent period. Book-tax differences are primarily attributable to amortization and accretion on debt securities and distributions payable.

**New accounting pronouncement.** In May 2011, Accounting Standards Update 2011-04 (ASU 2011-04), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, was issued and is effective during interim and annual periods beginning after December 15, 2011. ASU 2011-04 amends Financial Accounting Standards Board (FASB) Topic 820, *Fair Value Measurement*. The amendments are the result of the work by the FASB and the International Accounting Standards Board to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP. Management is currently evaluating the application of ASU 2011-04 and its impact, if any, on the Fund's financial statement disclosure.

### **Note 3 — Derivative instruments**

The Fund may invest in derivatives in order to meet its investment objective. The use of derivatives may involve risks different from, or potentially greater than, the risks associated with investing directly in securities. Specifically, the Fund is exposed to the risk that the counterparty to an over-the-counter (OTC) derivatives contract will be unable or unwilling to make timely settlement

payments or otherwise honor its obligations. OTC derivatives transactions typically can only be closed out with the other party to the transaction. If the counterparty defaults, the Fund will have contractual remedies, but there is no assurance that the counterparty will meet its contractual obligations or that the Fund will succeed in enforcing them.

**Futures.** A futures contract is a contractual agreement to buy or sell a particular commodity, currency or financial instrument at a pre-determined price in the future. Risks related to the use of futures contracts include possible illiquidity of the futures markets, contract prices that can be highly volatile and imperfectly correlated to movements in hedged security values and/or interest rates and potential losses in excess of the amounts recognized on the Statement of assets and liabilities. Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade.

Upon entering into a futures contract, the Fund is required to deposit initial margin with the broker in the form of cash or securities. The amount of required margin is generally based on a percentage of the contract value; this amount is the initial margin for the trade. The margin deposit must then be maintained at the established level over the life of the contract. Futures contracts are marked-to-market daily and an appropriate payable or receivable for the change in value (variation margin) is recorded by the Fund.

During the six months ended November 30, 2011, the Fund used futures contracts to manage duration of the portfolio. The following table summarizes the contracts held at November 30, 2011. During the six months ended November 30, 2011, the Fund held futures contracts with USD absolute notional values ranging from \$5.5 million to \$5.7 million as measured at each quarter end.

OPEN CONTRACTS	NUMBER OF CONTRACTS	POSITION	EXPIRATION DATE	NOTIONAL VALUE	UNREALIZED APPRECIATION (DEPRECIATION)
U.S. Treasury Ultra Long Bond Futures	7	Long	Mar 2012	\$1,088,063	(\$25,942)
U.S. Treasury 10-Year Bond Futures	6	Long	Mar 2012	848,250	(13,798)
U.S. Treasury 10-Year Note Futures	13	Short	Mar 2012	(1,681,469)	7,682
U.S. Treasury 5-Year Note Futures	16	Short	Mar 2012	(1,962,250)	1,455
					<b>(\$30,603)</b>

#### Fair value of derivative instruments by risk category

The table below summarizes the fair value of derivatives held by the Fund at November 30, 2011 by risk category:

RISK	STATEMENT OF ASSETS AND LIABILITIES LOCATION	FINANCIAL INSTRUMENTS LOCATION	ASSET DERIVATIVES FAIR VALUE	LIABILITY DERIVATIVES FAIR VALUE
Interest rate contracts	Payable for futures variation margin	Futures*	\$9,137	(\$39,740)

\*Reflects cumulative appreciation/depreciation on futures as disclosed in Note 3. Only the year-end variation margin is separately disclosed on the Statement of assets and liabilities.

### Effect of derivative instruments on the Statement of operations

The table below summarizes the net realized gain (loss) included in the net increase (decrease) in net assets from operations, classified by derivative instrument and risk category, for the six months ended November 30, 2011:

RISK	STATEMENT OF OPERATIONS LOCATION	FUTURES CONTRACTS
Interest rate contracts	Net realized gain (loss) on	(\$103,527)

The table below summarizes the net change in unrealized appreciation (depreciation) included in the net increase (decrease) in net assets from operations, classified by derivative instrument and risk category, for the six months ended November 30, 2011:

RISK	STATEMENT OF OPERATIONS LOCATION	FUTURES CONTRACTS
Interest rate contracts	Change in unrealized appreciation (depreciation) of	(\$1,486)

### Note 4 — Guarantees and indemnifications

Under the Fund's organizational documents, its Officers and Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss from such claims is considered remote.

### Note 5 — Fees and transactions with affiliates

John Hancock Advisers, LLC (the Adviser) serves as investment adviser for the Fund. John Hancock Funds, LLC (the Distributor), an affiliate of the Adviser, serves as principal underwriter of the Fund. The Adviser and the Distributor are indirect wholly owned subsidiaries of Manulife Financial Corporation (MFC).

**Management fee.** The Fund has an investment management contract with the Adviser under which the Fund pays a daily management fee to the Adviser equivalent, on an annual basis, to the sum of: (a) 0.400% of the first \$1,500,000,000 of the Fund's average daily net assets and (b) 0.385% of the Fund's average daily net assets in excess of \$1,500,000,000. The Adviser has a subadvisory agreement with John Hancock Asset Management a division of Manulife Asset Management (US) LLC, an indirectly owned subsidiary of MFC and an affiliate of the Adviser. The Fund is not responsible for payment of the subadvisory fees.

The Adviser has contractually agreed to waive fees and/or reimburse certain expenses for each share class of the Fund. This agreement excludes taxes, portfolio brokerage commissions, interest, litigation, short dividend expense, acquired fund fee expenses paid indirectly and extraordinary expenses not incurred in the ordinary course of the Fund's business. The fee waivers and/or expense reimbursements are such that these expenses would not exceed 0.98%, 1.73%, 1.73% and 0.67% (previously, 0.57% until expiration on September 30, 2011) for Class A, Class B, Class C and Class I shares, respectively. The fee waivers and/or expense reimbursements will continue in effect until September 30, 2012.

Accordingly, these expense reductions amounted to \$14,328, \$829, \$3,140 and \$1,890 for Class A, Class B, Class C and Class I shares, respectively, for the six months ended November 30, 2011.

The investment management fees incurred for the six months ended November 30, 2011 were equivalent to an annual effective rate of 0.380% of the Fund's average daily net assets.

**Accounting and legal services.** Pursuant to a service agreement, the Fund reimburses the Adviser for all expenses associated with providing the administrative, financial, legal, accounting and recordkeeping services to the Fund, including the preparation of all tax returns, periodic reports to shareholders and regulatory reports, among other services. These expenses are allocated to each share class based on its relative net assets at the time the expense was incurred. These accounting and legal services fees incurred for the six months ended November 30, 2011, amounted to an annual rate of 0.02% of the Fund's average daily net assets.

**Distribution and service plans.** The Fund has a distribution agreement with the Distributor. The Fund has adopted distribution and service plans with respect to Class A, Class B and Class C shares pursuant to Rule 12b-1 under the 1940 Act, to pay the Distributor for services provided as the distributor of shares of the Fund. The Fund may pay up to the following contractual rates of distribution and service fees under these arrangements, expressed as an annual percentage of average daily net assets for each class of the Fund's shares.

CLASS	12b-1 FEE
A	0.25%
B	1.00%
C	1.00%

**Sales charges.** Class A shares are assessed up-front sales charges, which resulted in payments to the Distributor amounting to \$139,068 for the six months ended November 30, 2011. Of this amount, \$504 was retained and used for printing prospectuses, advertising, sales literature and other purposes, \$134,553 was paid as sales commissions to broker-dealers and \$4,011 was paid as sales commissions to sales personnel of Signator Investors, Inc., a broker-dealer affiliate of the Adviser.

Class B and Class C shares are subject to contingent deferred sales charges (CDSCs). Class B shares that are redeemed within six years of purchase are subject to CDSCs, at declining rates, beginning at 5.00% of the lesser of the current market value at the time of redemption or the original purchase cost of the shares being redeemed. Class C shares that are redeemed within one year of purchase are subject to a 1.00% CDSC on the lesser of the current market value at the time of redemption or the original purchase cost of the shares being redeemed. Proceeds from CDSCs are used to compensate the Distributor for providing distribution-related services in connection with the sale of these shares. During the six months ended November 30, 2011, CDSCs received by the Distributor amounted to \$7,055 and \$4,221 for Class B and Class C shares, respectively.

**Transfer agent fees.** The Fund has a transfer agent agreement with John Hancock Signature Services, Inc. (Signature Services), an affiliate of the Adviser. The transfer agent fees paid to Signature Services are determined based on the cost to Signature Services (Signature Services Cost) of providing recordkeeping services. The Signature Services Cost includes a component of allocated John Hancock corporate overhead for providing transfer agent services to the Fund and to all other John Hancock affiliated funds. It also includes out-of-pocket expenses that are comprised of payments made to third-parties for recordkeeping services provided to their clients who invest in one or more John Hancock funds. In addition, Signature Services Cost may be reduced by certain fees that Signature Services receives in connection with retirement and small accounts. Signature Services Cost is calculated monthly and allocated, as applicable, to four categories of share classes: Institutional Share Classes, Retirement Share Classes, Municipal Bond Classes and all other Retail Share Classes. Within each of these categories, the applicable costs are allocated to the affected John Hancock affiliated funds and/or classes, based on the relative average daily net assets.

**Class level expenses.** Class level expenses for the six months ended November 30, 2011 were:

CLASS	DISTRIBUTION AND SERVICE FEES	TRANSFER AGENT FEES
A	\$169,207	\$137,440
B	41,349	8,392
C	140,516	28,730
I	—	4,721
<b>Total</b>	<b>\$351,072</b>	<b>\$179,283</b>

**Trustee expenses.** The Fund compensates each Trustee who is not an employee of the Adviser or its affiliates. These Trustees may, for tax purposes, elect to defer receipt of this compensation under the John Hancock Group of Funds Deferred Compensation Plan (the Plan). Deferred amounts are invested in various John Hancock funds and remain in the funds until distributed in accordance with the Plan. The investment of deferred amounts and the offsetting liability are included within Other receivables and prepaid expenses and Payable to affiliates — Trustees' fees, respectively, in the accompanying Statement of assets and liabilities.

### Note 6 — Fund share transactions

Transactions in Fund shares for the six months ended November 30, 2011 and for the year ended May 31, 2011 were as follows:

	Six months ended 11-30-11		Year ended 5-31-11	
	Shares	Amount	Shares	Amount
<b>Class A shares</b>				
Sold	3,296,301	\$34,370,862	2,394,134	\$24,576,255
Distributions reinvested	213,772	2,220,585	431,806	4,453,982
Repurchased	(1,183,212)	(12,308,417)	(3,227,402)	(33,099,573)
<b>Net increase (decrease)</b>	<b>2,326,861</b>	<b>\$24,283,030</b>	<b>(401,462)</b>	<b>(\$4,069,336)</b>
<b>Class B shares</b>				
Sold	274,366	\$2,857,281	254,667	\$2,615,512
Distributions reinvested	8,827	91,688	19,313	199,189
Repurchased	(132,766)	(1,381,787)	(318,017)	(3,265,263)
<b>Net increase (decrease)</b>	<b>150,427</b>	<b>\$1,567,182</b>	<b>(44,037)</b>	<b>(\$450,562)</b>
<b>Class C shares</b>				
Sold	1,752,749	\$18,251,082	1,082,044	\$11,099,665
Distributions reinvested	26,461	274,783	52,201	538,459
Repurchased	(644,421)	(6,714,030)	(932,754)	(9,587,939)
<b>Net increase</b>	<b>1,134,789</b>	<b>\$11,811,835</b>	<b>201,491</b>	<b>\$2,050,185</b>
<b>Class I shares</b>				
Sold	1,319,776	\$13,767,760	464,708	\$4,724,517
Distributions reinvested	11,554	119,968	12,562	129,459
Repurchased	(647,084)	(6,708,029)	(583,724)	(6,019,932)
<b>Net increase (decrease)</b>	<b>684,246</b>	<b>\$7,179,699</b>	<b>(106,454)</b>	<b>(\$1,165,956)</b>
<b>Net increase (decrease)</b>	<b>4,296,323</b>	<b>\$44,841,746</b>	<b>(350,462)</b>	<b>(\$3,635,669)</b>

### Note 7 — Purchase and sale of securities

Purchases and sales of securities, other than short-term securities and U.S. Treasury obligations, aggregated \$68,569,797 and \$32,570,447, respectively, for the six months ended November 30, 2011. Purchases and sales of U.S. Treasury obligations aggregated \$41,053,334 and \$35,904,947, respectively, for the six months ended November 30, 2011.

## **Board Consideration of and Continuation of Investment Advisory Agreement and Subadvisory Agreement**

The Board of Trustees (the Board, the members of which are referred to as Trustees) of John Hancock Investment Grade Bond Fund (the Fund), a series of John Hancock Bond Trust (the Trust), met in-person on May 1–3 and June 5–7, 2011 to consider the approval of the Fund's investment advisory agreement (the Advisory Agreement) with John Hancock Advisers, LLC (the Adviser), the Fund's investment adviser. The Board also considered the approval of the investment subadvisory agreement (the Subadvisory Agreement) among the Adviser, Manulife Asset Management (US) LLC (the Subadviser) and the Trust on behalf of the Fund. The Advisory Agreement and the Subadvisory Agreement are referred to as the Agreements.

### **Activities and composition of the Board**

The Board consists of eleven individuals, nine of whom are Independent Trustees. Independent Trustees are generally those individuals who are not employed by or have any significant business or professional relationship with the Adviser or the Subadviser. The Trustees are responsible for the oversight of operations of the Fund and perform various duties required of directors of investment companies by the Investment Company Act of 1940, as amended (the 1940 Act). The Independent Trustees have hired independent legal counsel to assist them in connection with their duties. The Board has appointed an Independent Trustee as Chairperson. The Board has established four standing committees that are composed entirely of Independent Trustees: the Audit Committee; the Compliance Committee; the Nominating, Governance and Administration Committee; and the Contracts/Operations Committee. Additionally, Investment Performance Committee A is a standing committee of the Board that is composed of Independent Trustees and one Trustee who is affiliated with the Adviser. Investment Performance Committee A oversees and monitors matters relating to the investment performance of the Fund. The Board has also designated an Independent Trustee as Vice Chairperson to serve in the absence of the Chairperson. The Board also designates working groups or ad hoc committees as it deems appropriate.

### **The approval process**

Under the 1940 Act, the Board is required to consider the continuation of the Agreements each year. Throughout the year, the Board, acting directly and through its committees, regularly reviews and assesses the quality of the services that the Fund receives under these Agreements. The Board reviews reports of the Adviser at least quarterly, which include Fund performance reports and compliance reports. In addition, the Board meets with portfolio managers and senior investment officers at various times throughout the year. The Board considers at each of its meetings factors that are relevant to its annual consideration of the renewal of the Agreements, including the services and support provided by the Adviser and Subadviser to the Fund and its shareholders.

Prior to the May 1–3, 2011 meeting, the Board requested and received materials specifically relating to the Agreements. The materials provided in connection with the May meeting included information compiled and prepared by Morningstar, Inc. (Morningstar) on Fund fees and expenses, and the investment performance of the Fund. This Fund information is assembled in a format that permits comparison with similar information from a Category and a subset of the Category referred to as the Peer Group, each as determined by Morningstar, and with the Fund's benchmark index. The Category includes all funds that invest similarly to the way the Fund invests. The Peer Group represents funds of similar size, excluding passively managed funds and funds-of-funds. The Fund's benchmark index is an unmanaged index of securities that is provided as a basis for comparison with the Fund's performance. Other material provided for the Fund review included (a) information on the profitability of the Agreements to the Adviser and a discussion of any additional benefits to the Adviser or Subadviser or their affiliates that result from being the Adviser or Subadviser to the Fund; (b) a general analysis provided by the Adviser and the Subadviser concerning investment advisory fees charged to other clients, such as institutional clients and other investment companies, having similar investment mandates, as well as the performance of those other clients and a

comparison of the services provided to those other clients and the services provided to the Fund; (c) the impact of economies of scale; (d) a summary of aggregate amounts paid by the Fund to the Adviser; and (e) sales and redemption data regarding the Fund's shares.

At an in-person meeting held on May 1–3, 2011, the Board reviewed materials relevant to its consideration of the Agreements. As a result of the discussions that occurred during the May 1–3, 2011 meeting, the Board asked the Adviser for additional information on certain matters. The Adviser provided the additional information and the Board also considered this information as part of its consideration of the Agreements.

At an in-person meeting held on June 5–7, 2011, the Board, including the Independent Trustees, formally considered the continuation of the Advisory Agreement between the Adviser and the Fund and the Subadvisory Agreement among the Fund, the Adviser and the Subadviser, each for an additional one-year term. The Board considered what it believed were key relevant factors that are described under separate headings presented below.

The Board also considered other matters important to the approval process, such as payments made to and by the Adviser or its affiliates relating to the distribution of Fund shares and other services. The Board reviewed services related to the valuation and pricing of Fund portfolio holdings. Other important matters considered by the Board were the direct and indirect benefits to the Adviser, the Subadviser and their affiliates from their relationship with the Fund and advice from independent legal counsel with respect to the review process and materials submitted for the Board's review.

#### **Nature, extent and quality of services**

The Board reviewed the nature, extent and quality of services provided by the Adviser and the Subadviser, including the investment advisory services and the resulting performance of the Fund.

The Board considered the ability of the Adviser and the Subadviser, based on their resources, reputation and other attributes, to attract and retain qualified investment professionals, including research, advisory and supervisory personnel. It considered the background and experience of senior management and investment professionals responsible for managing the Fund. The Board considered the investment philosophy, research and investment decision-making processes of the Adviser and the Subadviser responsible for the daily investment activities of the Fund, including, among other things, portfolio trading capabilities, use of technology, commitment to compliance and approach to training and retaining portfolio managers and other research, advisory and management personnel.

The Board considered the Subadviser's history and experience providing investment services to the Fund. The Board considered the Adviser's execution of its oversight responsibilities. The Board further considered the culture of compliance, resources dedicated to compliance, compliance programs, record of compliance with applicable laws and regulation, with the Fund's investment policies and restrictions and with the applicable Code of Ethics, and the responsibilities of the Adviser's and Subadviser's compliance departments.

In addition to advisory services, the Board considered the quality of the administrative and non-investment advisory services provided to the Fund by the Adviser under a separate agreement. The Board noted that the Adviser and its affiliates provide the Fund with certain administrative, transfer agency, shareholder and other services (in addition to any such services provided to the Fund by third parties) and officers and other personnel as are necessary for the operations of the Fund. The Board reviewed the structure and duties of the Adviser's administration, accounting, legal and compliance departments and its affiliate's transfer agency operations and considered the Adviser's and its affiliate's policies and procedures for assuring compliance with applicable laws and regulations.

The Board also received information about the nature, extent and quality of services provided by and fee rates charged by the Adviser and Subadviser to their other clients, including other registered investment companies, institutional investors and separate accounts. The Board reviewed a general analysis provided by the Adviser and the Subadviser concerning investment advisory fees charged to other clients having similar investment mandates, the services provided to those other clients as compared to the services provided to the Fund, the performance of those other clients as compared to the performance by the Fund and other factors relating to those other clients. The Board considered the significant differences between the Adviser's and Subadviser's services to the Fund and the services they provide to other clients. For other clients that are not mutual funds, the differences in services relate to the greater share purchase and redemption activity in a mutual fund, the generally higher turnover of mutual fund portfolio holdings, the more burdensome regulatory and legal obligations of mutual funds and the higher marketing costs for mutual funds. When compared to all clients including mutual funds, the Adviser has greater oversight and supervisory responsibility for the Fund and undertakes greater entrepreneurial risk as the sponsor of the Fund.

### Fund performance

The Board was provided with reports, independently prepared by Morningstar, which included a comprehensive analysis of the Fund's performance. The Board also examined materials provided by the Fund's portfolio management team discussing Fund performance and the Fund's investment objective, strategies and outlook. The Board also reviewed a narrative and statistical analysis of the Morningstar data that was prepared by the Adviser, which analyzed various factors that may affect the Morningstar rankings. The Board reviewed information regarding the investment performance of the Fund as compared to its Morningstar Category as well as its benchmark index (see chart below). The Board was provided with a description of the methodology used by Morningstar to select the funds in the Category. The Board also considered updated performance information provided by the Adviser at its May and June 2011 meetings. The Board regularly reviews the performance of the Fund throughout the year and attaches more importance to performance over relatively longer periods of time, typically three to five years.

Set forth below is the performance of the Fund over certain time periods ended December 31, 2010 and that of its Category and benchmark index over the same periods:

	1 YEAR	3 YEAR	5 YEAR	10 YEAR
<b>Investment Grade Bond Fund Class A</b>	<b>10.08%</b>	<b>6.99%</b>	<b>6.13%</b>	<b>5.70%</b>
Intermediate-Term Bond Category Average	7.85%	5.91%	5.42%	5.50%
BarCap US Agg Bond TR Index	6.54%	5.90%	5.80%	5.84%

The Board noted that the Fund's performance compared favorably to the average performance of its Category for all periods shown and its benchmark index's performance over multiple periods shown.

### Expenses and fees

The Board, including the Independent Trustees, reviewed the Fund's contractual advisory fee rate payable by the Fund to the Adviser as compared with the other funds in its Peer Group. The Board also received information about the investment subadvisory fee rate payable by the Adviser to the Subadviser for investment subadvisory services. The Board considered the services provided and the fees charged by the Adviser and the Subadviser to other clients with similar investment mandates, including separately managed institutional accounts.

In addition, the Board considered the cost of the services provided to the Fund by the Adviser. The Board received and considered expense information regarding the Fund's various components, including advisory fees, distribution fees and fees other than advisory and distribution fees, including transfer agent fees, custodian fees, administration fees and other miscellaneous fees (e.g., fees for accounting and legal services). The Board considered comparisons of these expenses

to the Peer Group median. The Board also considered expense information regarding the Fund's total operating expense ratio (Gross Expense Ratio) and total operating expense ratio after taking the Adviser's contractual fee waiver/expense reimbursement agreement into account (Net Expense Ratio). The Board considered information comparing the Gross Expense Ratio and Net Expense Ratio of the Fund to that of the Peer Group median. As part of its analysis, the Board reviewed the Adviser's methodology in allocating its costs to the management of the Fund and the Fund complex.

The Board noted that the Fund's advisory fee ratio was ten basis points below the Peer Group median advisory fee ratio. The Board noted the following information about the Fund's Gross and Net Expense Ratios for Class A shares contained in the Fund's financial statements in relation with the Fund's Peer Group median provided by Morningstar in April 2011:

	FUND (CLASS A)	PEER GROUP MEDIAN
Advisory Fee Ratio	0.40%	0.50%
Gross Expense Ratio	0.94%	1.04%
Net Expense Ratio	0.94%	0.90%

The Board viewed favorably the Adviser's contractual agreement to waive all or a portion of its advisory fees and to reimburse or pay operating expenses to the extent necessary to maintain the Fund's Net Expense Ratio at 0.98% for Class A shares, excluding certain expenses such as taxes, brokerage commissions, interest, litigation and extraordinary expenses, until September 30, 2012. The Board favorably considered the impact of this contractual agreement towards ultimately lowering the Fund's Gross Expense Ratio. The Board also received and considered information relating to the Fund's Gross Expense Ratio and Net Expense Ratio that reflected the new methodology for calculating transfer agent fees that was approved by the Trustees at the June 2010 meeting.

The Board received and reviewed statements relating to the Adviser's financial condition and was also provided with a profitability analysis that detailed the revenues earned and the expenses incurred by the Adviser for services under the Advisory Agreement, as well as from other relationships between the Fund and the Adviser and its affiliates. The Board reviewed the Adviser's profitability with respect to the Fund and other funds the Board currently oversees for the year ended December 31, 2010 compared to available aggregate profitability data provided for the year ended December 31, 2009. The Board reviewed the Adviser's profitability with respect to other fund complexes managed by the Adviser and/or its affiliates. The Board reviewed the Adviser's assumptions and methodology of allocating expenses in the profitability analysis, noting the inherent limitations in allocating costs among various advisory products.

The Board also considered a comparison of the Adviser's profitability to that of other similar investment advisers whose profitability information is publicly available. The Board recognized that profitability may be affected by numerous factors including, among other things, fee waivers and expense reimbursements by the Adviser, the types of funds managed, expense allocations and business mix, and therefore comparability of profitability is somewhat limited.

The Board considered the profitability information with respect to the Subadviser, which is affiliated with the Adviser. In addition, as noted above, the Board considered the assumptions and methodology for allocating expenses in the Subadviser's profitability analysis.

### **Economies of scale**

The Board, including the Independent Trustees, considered the extent to which economies of scale might be realized as the assets of the Fund increase. Possible changes in the advisory fee rate or structure in order to enable the Fund to participate in these economies of scale (e.g., through the use of breakpoints in the advisory fee at higher asset levels) are periodically discussed. The Board

also considered the Adviser's overall operations and its ongoing investment in its business in order to expand the scale of, and improve the quality of, its operations that benefit the Fund.

The Board recognized the inherent limitations of any analysis of economies of scale, stemming largely from the Board's understanding that most of the Adviser's costs are not specific to individual funds, but rather are incurred across a variety of products and services. To ensure that any economies are reasonably shared with the Fund as its assets increase, the Adviser and the Board agreed to continue the existing breakpoints to the contractual advisory fee rate.

#### **Other benefits to the Adviser and the Subadviser**

The Board understands that the Adviser, the Subadviser or their affiliates may derive other ancillary benefits from their relationship with the Fund, both tangible and intangible, such as their ability to leverage investment professionals who manage other portfolios, an increase in their profile in the investment advisory community and the engagement of their affiliates and/or significant shareholders as service providers to the Fund, including for administrative, transfer agency and distribution services. The Board believes that certain of these benefits are difficult to quantify. The Board also was informed that the Subadviser may use third-party research obtained by soft dollars generated by certain mutual fund transactions to assist itself in managing all or a number of its other client accounts.

#### **Board determination**

The Board unanimously approved the continuation of the Advisory Agreement between the Adviser and the Fund for an additional one-year term. The Subadvisory Agreement among the Fund, the Adviser and the Subadviser was also approved for an additional one-year term. Based upon its evaluation of relevant factors in their totality, the Board was satisfied that the terms of the Agreements, including the advisory and subadvisory fee rates, were fair and reasonable and in the best interest of the Fund and its shareholders. In arriving at its decision to approve the Agreements, the Board did not identify any single factor or any group of factors as all-important or controlling, but considered all factors together. Different Trustees may have attributed different weights to the various factors considered. The Independent Trustees were also assisted by independent legal counsel in making this determination. The Trustees' conclusions may be based in part on their consideration of these arrangements in prior years and on their ongoing regular review of Fund performance and operations throughout the year.

# More information

## Trustees

Steven R. Pruchansky, *Chairman*

James F. Carlin\*

William H. Cunningham

Deborah C. Jackson

Charles L. Ladner,\* *Vice Chairman*#

Stanley Martin\*

Hugh McHaffie†

Dr. John A. Moore,\* *Vice Chairman*^

Patti McGill Peterson\*

Gregory A. Russo

John G. Vrsent

## Officers

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Andrew G. Arnott

*Senior Vice President and Chief Operating Officer*

Thomas M. Kinzler

*Secretary and Chief Legal Officer*

Francis V. Knox, Jr.

*Chief Compliance Officer*

Charles A. Rizzo

*Chief Financial Officer*

Salvatore Schiavone

*Treasurer*

\*Member of the Audit Committee

†Non-Independent Trustee

#Retired, effective 12-31-11

^Effective 1-1-12

## Investment adviser

John Hancock Advisers, LLC

## Subadviser

John Hancock Asset Management a division of  
Manulife Asset Management (US) LLC

## Principal distributor

John Hancock Funds, LLC

## Custodian

State Street Bank and Trust Company

## Transfer agent

John Hancock Signature Services, Inc.

## Legal counsel

K&L Gates LLP

The Fund's proxy voting policies and procedures, as well as the Fund's proxy voting record for the most recent twelve-month period ended June 30, are available free of charge on the Securities and Exchange Commission (SEC) Web site at [www.sec.gov](http://www.sec.gov) or on our Web site.

The Fund's complete list of portfolio holdings, for the first and third fiscal quarters, is filed with the SEC on Form N-Q. The Fund's Form N-Q is available on our Web site and the SEC's Web site, [www.sec.gov](http://www.sec.gov), and can be reviewed and copied (for a fee) at the SEC's Public Reference Room in Washington, DC. Call 1-800-SEC-0330 to receive information on the operation of the SEC's Public Reference Room.

We make this information on your fund, as well as **monthly portfolio holdings**, and other fund details available on our Web site at [www.jhfunds.com](http://www.jhfunds.com) or by calling 1-800-225-5291.

You can also contact us:

**1-800-225-5291**

**[jhfunds.com](http://jhfunds.com)**

### Regular mail:

John Hancock Signature Services, Inc.

P.O. Box 55913

Boston, MA 02205-5913

### Express mail:

John Hancock Signature Services, Inc.

Mutual Fund Image Operations

30 Dan Road

Canton, MA 02021

**DOMESTIC EQUITY**

Balanced Fund  
 Classic Value Fund  
 Disciplined Value Fund  
 Disciplined Value Mid Cap Fund  
 Fundamental All Cap Core Fund  
 Fundamental Large Cap Core Fund  
 Fundamental Large Cap Value Fund  
 Large Cap Equity Fund  
 Mid Cap Equity Fund  
 Rainier Growth Fund  
 Small Cap Equity Fund  
 Small Cap Intrinsic Value Fund  
 Small Company Fund  
 Sovereign Investors Fund  
 U.S. Equity Fund  
 U.S. Global Leaders Growth Fund

**ASSET ALLOCATION****TARGET RISK**

Lifestyle Aggressive Portfolio  
 Lifestyle Balanced Portfolio  
 Lifestyle Conservative Portfolio  
 Lifestyle Growth Portfolio  
 Lifestyle Moderate Portfolio

**TARGET DATE**

Lifecycle 2045 Portfolio  
 Lifecycle 2040 Portfolio  
 Lifecycle 2035 Portfolio  
 Lifecycle 2030 Portfolio  
 Lifecycle 2025 Portfolio  
 Lifecycle 2020 Portfolio  
 Lifecycle 2015 Portfolio  
 Lifecycle 2010 Portfolio

**GLOBAL/INTERNATIONAL EQUITY**

Emerging Markets Fund  
 Global Opportunities Fund  
 Global Shareholder Yield Fund  
 Greater China Opportunities Fund  
 International Allocation Portfolio  
 International Core Fund  
 International Growth Fund  
 International Value Equity Fund

**ALTERNATIVE/SPECIALTY**

Alternative Asset Allocation Fund  
 Currency Strategies Fund  
 Financial Industries Fund  
 Natural Resources Fund  
 Regional Bank Fund  
 Technical Opportunities Fund

**INCOME**

Bond Fund  
 Floating Rate Income Fund  
 Government Income Fund  
 High Yield Fund  
 Investment Grade Bond Fund  
 Strategic Income Fund  
 Strategic Income Opportunities Fund

**TAX-FREE INCOME**

California Tax-Free Income Fund  
 High Yield Municipal Bond Fund  
 Massachusetts Tax-Free Income Fund  
 New York Tax-Free Income Fund  
 Tax-Free Bond Fund

**MONEY MARKET**

Money Market Fund

**CLOSED-END**

Bank and Thrift Opportunity Fund  
 Hedged Equity & Income Fund  
 Income Securities Trust  
 Investors Trust  
 Preferred Income Fund  
 Preferred Income Fund II  
 Preferred Income Fund III  
 Premium Dividend Fund  
 Tax-Advantaged Dividend Income Fund  
 Tax-Advantaged Global Shareholder Yield Fund

The Fund's investment objectives, risks, charges and expenses are included in the prospectus and should be considered carefully before investing. For a prospectus, call your financial professional, call John Hancock Funds at 1-800-225-5291 or visit the Fund's Web site at [www.jhfunds.com](http://www.jhfunds.com). Please read the prospectus carefully before investing or sending money.

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1-800-225-5291

1-800-554-6713 TDD

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