

John Hancock

MUTUAL FUNDS

John Hancock
Preferred Income Fund



Semiannual Report
1.31.11

Ticker | **HPI**

CEO corner



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To Our Shareholders,

Stocks advanced sharply in the six months ended January 31, 2011 in a sustained rally that began in mid November and lasted through the end of the six-month period. In January alone, blue-chip stocks, as measured by the Dow Jones Industrial Average, rose 2.72%, the Dow's strongest January in 14 years and its first positive January in four years. For the six-month period, the broader S&P 500 Index returned 17.93%.

The period began in turmoil for equities, as weak economic data promoted fears of a double-dip recession and a sovereign debt crisis in Europe made matters worse. But word that the Federal Reserve was ready to stimulate the economy via a second round of quantitative easing (QE2) sparked a market rebound in the last three months of the period that was sustained by strengthening economic data and strong corporate revenue growth. A last-minute extension of expiring federal tax breaks provided further support for the economy and erased most thoughts of a return to recession.

In this environment, bonds turned in essentially flat results overall, with their best returns coming at the beginning of the period — the reverse of stocks' performance. In the first half of the six-month period, the uncertain economy sparked a flight to the relative safety of Treasuries, sending their yields (which go down as prices go up) down to levels not seen in decades. Corporate bonds benefited from stronger corporate balance sheets and a demand for higher yields. But in the second half of the period, growing confidence that the U.S. economy had turned a corner sent bond prices down and yields up as investors began to price in better economic conditions. For the six months ended January 31, 2011, the broad bond market returned 0.20%, as measured by the Barclays Capital U.S. Aggregate Bond Index.

Preferred securities, with their fixed dividend payments, often behave like bonds. That has not been the case over the past year or so as preferred securities turned in historically above average results on favorable supply and demand conditions. But in the second half of this six-month period, preferred securities reverted to their more typical behavior and suffered price declines along with a sell-off in the Treasury market.

The disparity in stock and bond results in this period supports the argument for having a well-diversified investment portfolio among asset classes, styles and managers. The goal is to mitigate risk and help bolster long-term results by having at least one asset class performing well to potentially offset the underperforming asset class of the moment. We believe a well-diversified portfolio is potentially your best defense against market volatility. The challenge is to keep in mind that asset allocation and diversification are long-term strategies — they may appear not to work over short periods, but they may work long term.

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 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. Thank you.

This commentary reflects the CEO's views as of January 31, 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.

Not part of the semiannual report

Your fund at a glance

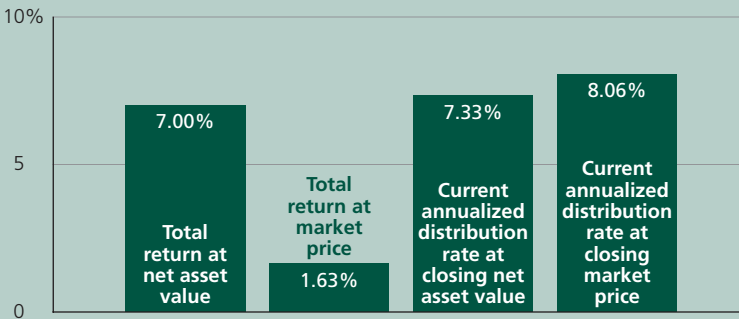
The Fund's primary investment objective is to provide a high level of current income, consistent with preservation of capital. The Fund's secondary investment objective is to provide growth of capital to the extent consistent with its primary investment objective. The Fund seeks to achieve its objectives by investing in securities that, in the opinion of the Adviser, may be undervalued relative to similar securities in the marketplace. Under normal market conditions, the Fund invests at least 80% of its assets (net assets plus borrowings for investment purposes) in preferred stocks and other preferred securities, including convertible preferred securities. The Fund may also utilize reverse repurchase agreements to obtain investment leverage either alone or in combination with other forms of investment leverage.

Over the last six months

- ▶ Equities posted strong gains, bonds struggled and preferred securities posted returns in the middle of those two divergent results.
- ▶ Throughout much of the period, preferred securities were bolstered by attractive supply and demand conditions.
- ▶ The Fund benefited from its holdings in energy and utilities preferred securities and those with certain tax advantages.

John Hancock Preferred Income Fund

Fund performance and distribution rates for the six months ended January 31, 2011.



The total returns for the Fund include all distributions reinvested. The performance data contained within this material represents past performance, which does not guarantee future results.

Current annualized distribution rate is the latest monthly dividend rate as an annualized percentage of net asset value/market price on 1-31-11. The Fund's monthly distributions may be from net investment income, capital gains or return of capital.

Managers' report

John Hancock

Preferred Income Fund

The equity and fixed-income markets posted divergent results during the six months ended January 31, 2011, with the broad S&P 500 Index gaining 17.93% and the Barclays Capital U.S. Aggregate Bond Index returning 0.20%.

Preferred securities posted returns in the middle of those two divergent results during the six-month period, producing very strong returns in the late summer and early fall of 2010 but coming under pressure along with a bond market sell-off in recent months.

Early in the period, renewed concerns about a double-dip recession and the Federal Reserve's stated commitment to keeping interest rates very low helped preferred securities. Against that macroeconomic backdrop, investor demand for preferred securities was quite strong, reflecting an appetite for higher-yielding fixed-income asset classes.

At the same time, realized and expected constraints on the supply of preferreds were also supportive. Companies eager to bolster their balance sheets were reluctant to issue new preferreds, and new regulations that are expected to dampen banks' issuance of new preferreds helped elevate the "scarcity value" of the asset class.

More recently, preferred securities have struggled amid reignited demand for riskier asset classes and a waning appetite for many types of fixed-income investments. In November, the Fed embarked on a new round of "quantitative easing," beginning an anticipated \$600 billion of new purchases of Treasury bonds to stimulate the economy and reduce the risk of deflation. Although the Fed believed the bond purchases would lower borrowing rates, stronger-than-expected economic data drove Treasury yields higher and their prices lower. This sell-off in the Treasury market weighed on most fixed-income investments, including preferreds.

TOP 10 HOLDINGS¹

Nexen, Inc., 7.350%	4.2%
Viacom, Inc., 6.850%	3.2%
MetLife, Inc., Series B, 6.500%	3.0%
Wells Fargo & Company, 8.000%	2.6%
Interstate Power & Light Company, Series B, 8.375%	2.6%
Barclays Bank PLC, Series 5, 8.125%	2.4%
SCANA Corp., 7.700%	2.4%
ING Groep NV, 7.050%	2.2%
Comcast Corp., Series B, 7.000%	2.1%
BGE Capital Trust II, 6.200%	2.1%



Portfolio Managers Gregory K. Phelps and Mark T. Maloney

John Hancock Asset Management (formerly MFC Global Investment Management (U.S.), LLC)²

Performance

For the six months ended January 31, 2011, John Hancock Preferred Income Fund returned 7.00% at net asset value (NAV) and 1.63% at market price. The difference in the Fund's NAV performance and its market performance stems from the fact that the market share price is subject to the dynamics of secondary market trading, which could cause it to trade at a discount or premium to the Fund's NAV price at any time. By comparison, the group of closed-end preferred income funds tracked by UBS Securities LLC returned an average of 8.73% at NAV and 2.08% at market price. For the same six-month period, the Barclays Capital U.S. Aggregate Bond Index returned 0.20% and the Bank of America Merrill Lynch Preferred Stock Hybrid Securities Index returned 4.86%.

The Fund's current annualized distribution rate was 7.33% at closing NAV and 8.06% at closing market price on January 31, 2011. That compared with the average 8.07% at NAV and 8.49% at closing market price for the UBS group of closed-end preferred income funds on January 31, 2011.

The Fund's NAV results outperformed the Barclays Capital U.S. Aggregate Bond Index because preferred stocks outpaced all major components of that benchmark. We believe the Fund lagged its UBS peer group average due to its smaller exposure to financials, one of the best-performing industry sectors among preferred stocks. Relative to the Bank of America Merrill Lynch Preferred Stock Hybrid Securities Index, the Fund's outperformance was driven primarily by its comparatively large stake in preferred securities not held in the index that had tax advantages known as the dividends-received deduction (DRD) and qualified dividend income (QDI). Those groups generally outpaced the preferred stock

“Early in the period, renewed concerns about a double-dip recession and the Federal Reserve’s stated commitment to keeping interest rates very low helped preferred securities.”

index overall. DRD tax advantages apply to corporate shareholders and QDI tax advantages are for individual shareholders.

Leaders and laggards

During the six-month period, one of the Fund's best-performing preferred holdings was oil and gas exploration and production company Apache Corp., which benefited from rising oil prices and expectations of expanding demand for oil amid an ongoing global economic recovery. Another comparatively good performer was AEGON NV, a provider of insurance and other financial products. Investments in AEGON generally held up better than the preferred market as a whole, likely due to investors' preference for tax-advantaged preferred securities of well-managed companies. Toward the end of the period, the decision in Washington, D.C. to extend Bush-era tax policy — including a 15% federal tax on qualified dividends — helped stimulate investor demand for AEGON. Likewise, certain of the Fund's holdings in ING Groep NV that carry these same tax advantages were also standouts for the Fund during the period.

Performance also was bolstered by some common stock investments, particularly UIL Holding Corp., AT&T, Inc. and Verizon Communications, Inc. Investor demand for UIL, a diversified energy delivery company serving customers in New England, was solid in response to the stock's very attractive yield and the company's acquisition of several gas distribution utilities. AT&T also was helped by its compelling yield and the company's recent decision to raise its dividend and pursue a sizable stock buyback program. Verizon's attractive yield also worked in its favor, as did investors' excitement about the company's announcement that Apple's iPhone 4 would be available on the Verizon Wireless Network in February 2011.

SECTOR COMPOSITION³

Financials.....	53%
Utilities	24%
Consumer Discretionary ...	7%
Energy.....	6%
Telecommunication Services	5%
Consumer Staples	2%
Short-Term Investments....	3%

Detracting from performance were investments in certain preferred securities issued by Goldman Sachs Group, Inc. and Royal Bank of Scotland Group PLC. Some of the Fund's holdings in Goldman that were purchased just before Treasury yields moved higher languished as later-issued securities offered higher yields. Some investments in Royal Bank of Scotland came under pressure due to some profit taking and uncertainty over the British economic recovery.

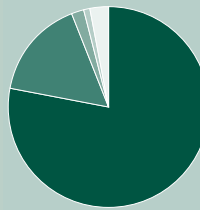
Outlook

We are optimistic about the prospects for preferred securities. Barring a significant surge in the pace of economic growth, we don't foresee short-maturity Treasury yields rising much from January 31, 2011 levels.

In our view, the unemployment rate will likely remain stubbornly high in coming months, which means the Fed will be unlikely to raise interest rates until mid-2011 at the earliest. Against that economic backdrop, we believe preferred securities potentially could benefit from favorable supply and demand factors. We expect supply to remain somewhat muted, the result of minimal new issuance and companies' ongoing efforts to redeem existing preferred shares to bolster their balance sheets. We believe demand will remain strong to the extent investors continue to seek higher-yielding alternatives to short-term U.S. government bonds. We also expect the overall corporate earnings outlook to continue to brighten in 2011, a development that likely will aid the credit profile of preferred securities.

"More recently, preferred securities have struggled amid reignited demand for riskier asset classes and a waning appetite for many types of fixed-income investments."

PORTFOLIO COMPOSITION³



78% Preferred Securities — U.S.
16% Preferred Securities — Foreign
2% Common Stocks
1% Corporate Bonds
3% Short-Term Investments

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 Fund normally will invest at least 25% of its total assets in the industries comprising the utilities sector, which includes telecommunications companies, measured at the time of purchase. When the Fund's investments focus on one or more sectors of the economy, they are far less diversified than the broad securities markets. This means that the Fund may be more volatile than other mutual funds, and the values of its investments may go up and down more rapidly. Specifically, utilities can be hurt by higher interest costs in connection with capital construction programs, costs associated with environmental and other regulations and the effects of economic declines, surplus capacity and increased competition. In addition, the Fund may invest in financial services companies, which can be hurt by economic declines, changes in interest rates, regulatory and market impacts. The Fund's international investing involves special risks such as political, economic and currency risks and differences in accounting standards and financial reporting.

¹ As a percentage of the Fund's total investments on 1-31-11. Cash and cash equivalents are not included in Top 10 Holdings.

² Manulife Asset Management (US) LLC is doing business as John Hancock Asset Management.

³ As a percentage of the Fund's total investments on 1-31-11.

Portfolio summary

Top 10 Holdings¹

Nexen, Inc., 7.350%	4.2%	Barclays Bank PLC, Series 5, 8.125%	2.4%
Viacom, Inc., 6.850%	3.2%	SCANA Corp., 7.700%	2.4%
MetLife, Inc., Series B, 6.500%	3.0%	ING Groep NV, 7.050%	2.2%
Wells Fargo & Company, 8.000%	2.6%	Comcast Corp., Series B, 7.000%	2.1%
Interstate Power & Light Company, Series B, 8.375%	2.6%	BGE Capital Trust II, 6.200%	2.1%

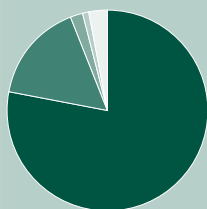
Sector Composition^{2,3}

Financials	53%	Telecommunication Services	5%
Utilities	24%	Consumer Staples	2%
Consumer Discretionary	7%	Short-Term Investments	3%
Energy	6%		

Country Composition²

United States	82%	Netherlands	4%
United Kingdom	5%	Switzerland	2%
Canada	4%	Other	3%

PORTFOLIO COMPOSITION²



78% Preferred Securities — U.S.
 16% Preferred Securities — Foreign
 2% Common Stocks
 1% Corporate Bonds
 3% Short-Term Investments

¹ As a percentage of the Fund's total investments on 1-31-11. Cash and cash equivalents are not included in Top 10 Holdings.

² As a percentage of the Fund's total investments on 1-31-11.

³ Investments focused in one sector may fluctuate more widely than investments diversified across sectors. Because the Fund may focus on particular sectors, its performance may depend on the performance of those sectors.

Fund's investments

As of 1-31-11 (unaudited)

	Shares	Value
Preferred Securities 140.68%		\$739,406,655
(Cost \$752,760,153)		
Consumer Discretionary 10.26%		53,908,940
Media 10.26%		
CBS Corp., 6.750% (Z)	270,000	6,790,500
Comcast Corp., 7.000% (Z)	227,000	5,729,480
Comcast Corp., Series B, 7.000% (Z)	634,000	16,230,400
Viacom, Inc., 6.850% (L)(Z)	985,065	25,158,560
Consumer Staples 3.20%		16,842,810
Food & Staples Retailing 2.13%		
Ocean Spray Cranberries, Inc., Series A, 6.250% (L)(S)(Z)	143,000	11,189,750
Food Products 1.07%		
Archer-Daniels-Midland Company, 6.250%	135,500	5,653,060
Energy 7.35%		38,653,183
Oil, Gas & Consumable Fuels 7.35%		
Apache Corp., Series D, 6.000%	85,100	5,568,944
Nexen, Inc., 7.350% (L)(Z)	1,316,000	33,084,239
Financials 78.52%		412,673,307
Capital Markets 10.45%		
Credit Suisse Guernsey, 7.900%	442,450	11,786,868
Goldman Sachs Group, Inc., 6.125%	368,500	8,917,700
Goldman Sachs Group, Inc., Series B, 6.200% (Z)	345,000	8,273,100
Lehman Brothers Holdings Capital Trust III, Series K, 6.375% (I)	150,000	3,750
Lehman Brothers Holdings, Inc., Depository Shares, Series C, 5.940% (I)	175,600	1,756
Morgan Stanley Capital Trust III, 6.250% (Z)	283,600	6,602,208
Morgan Stanley Capital Trust IV, 6.250% (Z)	318,560	7,387,406
Morgan Stanley Capital Trust V, 5.750% (Z)	419,100	9,643,491
Morgan Stanley Capital Trust VI, 6.600%	57,000	1,365,150
Morgan Stanley Capital Trust VII, 6.600%	40,000	962,000
Commercial Banks 16.11%		
Barclays Bank PLC, Series 3, 7.100%	96,000	2,356,800
Barclays Bank PLC, Series 5, 8.125% (L)(Z)	740,000	19,084,600
HSBC Holdings PLC, Series A, 6.200% (Z)	161,000	3,820,530

	Shares	Value
Commercial Banks (continued)		
Royal Bank of Scotland Group PLC, Series L, 5.750%	580,000	\$10,295,000
Santander Finance Preferred SA Unipersonal, Series 10, 10.500%	302,000	8,449,960
Santander Holdings USA, Inc., Series C, 7.300%	130,067	3,252,976
USB Capital VIII, Series 1, 6.350% (Z)	226,500	5,662,500
USB Capital X, 6.500% (Z)	92,400	2,319,240
USB Capital XI, 6.600%	236,000	5,984,960
Wells Fargo & Company, 8.000% (L)(Z)	754,500	20,680,845
Wells Fargo Capital Trust IV, 7.000% (Z)	108,100	2,742,497
Consumer Finance 5.75%		
HSBC Finance Corp., 6.000% (Z)	134,200	3,203,354
HSBC Finance Corp., 6.875% (Z)	400,000	10,024,000
HSBC Finance Corp., Depository Shares, Series B, 6.360% (Z)	297,000	6,931,980
SLM Corp., 6.000% (Z)	194,100	3,982,932
SLM Corp., Series A, 6.970% (Z)	147,391	6,091,670
Diversified Financial Services 30.00%		
Bank of America Corp., 8.200% (Z)	260,000	6,627,400
Bank of America Corp., Depository Shares, Series D, 6.204% (Z)	265,000	5,933,350
Bank of America Corp., Series MER, 8.625% (Z)	95,000	2,500,400
Citigroup Capital VII, 7.125%	200,000	4,984,000
Citigroup Capital VIII, 6.950%	610,000	14,975,500
Citigroup Capital XIII (7.875% to 10-30-15, then 3 month LIBOR + 6.370%)	23,300	622,809
Deutsche Bank Capital Funding Trust VIII, 6.375%	32,800	728,160
Deutsche Bank Capital Funding Trust X, 7.350%	86,400	2,172,096
Deutsche Bank Contingent Capital Trust II, 6.550% (Z)	237,000	5,448,630
Deutsche Bank Contingent Capital Trust III, 7.600% (Z)	496,000	12,737,280
Fleet Capital Trust VIII, 7.200% (Z)	480,000	11,932,800
General Electric Capital Corp., 6.000%	31,600	800,112
General Electric Capital Corp., 6.050%	30,000	769,800
ING Groep NV, 6.125% (Z)	61,500	1,245,990
ING Groep NV, 7.050% (Z)	755,100	16,989,750
ING Groep NV, 7.200% (Z)	100,000	2,298,000
JPMorgan Chase Capital X, Series J, 7.000% (L)(Z)	487,000	12,374,670
JPMorgan Chase Capital XI, 5.875%	46,500	1,151,340
JPMorgan Chase Capital XXIX, 6.700%	560,000	14,240,800
Merrill Lynch Preferred Capital Trust III, 7.000% (Z)	366,400	8,881,536
Merrill Lynch Preferred Capital Trust IV, 7.120% (Z)	278,752	6,809,911
Merrill Lynch Preferred Capital Trust V, 7.280% (Z)	367,000	9,101,600
RBS Capital Funding Trust V, 5.900% (Z)	620,000	8,376,200
RBS Capital Funding Trust VII, 6.080% (Z)	220,000	2,978,800
Repsol International Capital Ltd., Series A, 7.450%	120,000	3,020,400

	Shares	Value
Insurance 11.79%		
Aegon NV, 6.375% (Z)	450,900	\$9,712,386
Aegon NV, 6.500% (Z)	123,000	2,648,190
American Financial Group, Inc., 7.000%	288,483	7,154,378
MetLife, Inc., Series B, 6.500% (L)(Z)	931,900	23,101,801
PLC Capital Trust IV, 7.250% (Z)	251,000	6,254,920
PLC Capital Trust V, 6.125% (Z)	256,000	5,888,000
Prudential PLC, 6.500% (Z)	154,500	3,751,260
RenaissanceRe Holdings Ltd., Series C, 6.080% (Z)	147,500	3,442,650
Real Estate Investment Trusts 2.51%		
Duke Realty Corp., Depository Shares, Series J, 6.625% (Z)	66,525	1,538,723
Duke Realty Corp., Depository Shares, Series K, 6.500% (Z)	110,000	2,525,600
Duke Realty Corp., Depository Shares, Series L, 6.600% (Z)	109,840	2,538,402
Public Storage, 6.500%	53,500	1,340,175
Wachovia Preferred Funding Corp., Series A, 7.250% (Z)	205,000	5,231,600
Thriffs & Mortgage Finance 1.91%		
Federal National Mortgage Association, Series S, 7.750% (I)	80,000	127,200
Sovereign Capital Trust V, 7.750% (Z)	391,350	9,889,415
		33,226,997
Telecommunication Services 6.32%		
Wireless Telecommunication Services 6.32%		
Telephone & Data Systems, Inc., 6.625% (Z)	233,000	5,720,150
Telephone & Data Systems, Inc., 6.875%	45,800	1,130,802
Telephone & Data Systems, Inc., Series A, 7.600%	461,357	11,663,105
United States Cellular Corp., 7.500% (Z)	582,460	14,712,940
		184,101,418
Utilities 35.03%		
Electric Utilities 19.37%		
Duquesne Light Company, 6.500% (Z)	73,650	3,583,537
Entergy Arkansas, Inc., 5.750%	47,500	1,188,925
Entergy Louisiana LLC, 5.875%	249,100	6,249,919
Entergy Louisiana LLC, 6.000%	200,000	5,106,000
Entergy Mississippi, Inc., 6.200%	83,500	2,171,000
Entergy Texas, Inc., 7.875%	50,200	1,441,242
FPC Capital I, Series A, 7.100% (L)(Z)	542,200	13,864,054
FPL Group Capital Trust I, 5.875% (L)(Z)	353,600	8,840,000
Georgia Power Capital Trust VII, 5.875% (Z)	250,600	6,270,012
HECO Capital Trust III, 6.500% (Z)	379,850	9,576,019
NSTAR Electric Company, 4.780% (Z)	15,143	1,259,708
PPL Corp., 9.500%	144,000	7,819,200
PPL Electric Utilities Corp., Depository Shares, 6.250% (Z)	230,000	5,715,500
PPL Energy Supply, LLC, 7.000% (Z)	554,610	14,042,725
Southern California Edison Company, 6.125% (Z)	119,000	11,654,563
Westar Energy, Inc., 6.100% (Z)	117,977	3,006,054

	Shares	Value
Multi-Utilities 15.66%		
Baltimore Gas & Electric Company, Series 1995, 6.990% (Z)	40,000	\$4,038,752
BGE Capital Trust II, 6.200% (Z)	650,600	16,108,856
Dominion Resources, Inc., Series A, 8.375% (Z)	385,400	11,053,272
DTE Energy Trust I, 7.800% (Z)	110,000	2,959,000
Interstate Power & Light Company, Series B, 8.375% (Z)	713,350	20,401,810
SCANA Corp., 7.700% (Z)	681,500	18,863,920
Xcel Energy, Inc., 7.600% (Z)	331,000	8,887,350

Common Stocks 2.71%	\$14,223,737
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(Cost \$12,478,731)

Telecommunication Services 1.62%	8,483,337
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Diversified Telecommunication Services 1.62%

AT&T, Inc.	130,000	3,577,600
Frontier Communications Corp.	30,004	275,137
Verizon Communications, Inc. (Z)	130,000	4,630,600

Utilities 1.09%	5,740,400
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Electric Utilities 1.09%

FirstEnergy Corp.	85,000	3,325,200
UIL Holding Corp.	80,000	2,415,200

	Rate (%)	Maturity date	Par value	Value
Corporate Bonds 1.57%				
\$8,272,000				

(Cost \$8,789,210)

Energy 1.57%	8,272,000
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Oil, Gas & Consumable Fuels 1.57%
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Southern Union Company (7.200% to 11-01-11, then 3 month LIBOR + 3.018%) (L)(Z)	7.200	11-01-66	\$8,800,000	8,272,000
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	Yield (%)*	Maturity date	Par value	Value
Short-Term Investments 3.79%				
\$19,900,000				

(Cost \$19,900,000)

Short-Term Securities 3.79%	19,900,000
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Federal Home Loan Bank Discount Notes	0.100	02-01-11	\$19,900,000	19,900,000
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Total investments (Cost \$793,928,094)† 148.75%	\$781,802,392
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Other assets and liabilities, net (48.75%)	(\$256,206,855)
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Total net assets 100.00%	\$525,595,537
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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

- (I) Non-income producing security.
- (L) All or a portion of this security is on loan as of 1-31-11. Total value of securities on loan at 1-31-11 was \$151,441,435 (see Note 8).
- (S) This security is 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.
- (Z) All or a portion of this security is segregated as collateral pursuant to the Committed Facility Agreement. Total collateral value at 1-31-11 was \$559,873,350 (see Note 8).

* Yield represents the annualized yield at the date of purchase.

† At 1-31-11, the aggregate cost of investment securities for federal income tax purposes was \$793,945,556. Net unrealized depreciation aggregated \$12,143,164, of which \$29,749,245 related to appreciated investment securities and \$41,892,409 related to depreciated investment securities.

The Fund had the following country concentration as a percentage of total investments on 1-31-11:

United States	82%
United Kingdom	5%
Canada	4%
Netherlands	4%
Switzerland	2%
Other	3%

Financial statements

Statement of assets and liabilities 1-31-11 (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 for each common share.

Assets	
Investments, at value (Cost \$793,928,094)	\$781,802,392
Cash	52,608
Dividends and interest receivable	1,672,774
Other receivables and prepaid expenses	57,081
Total assets	783,584,855
Liabilities	
Committed facility agreement payable (Note 8)	255,000,000
Payable for investments purchased	2,814,400
Interest payable (Note 8)	31,459
Payable to affiliates	
Accounting and legal services fees	14,470
Trustees' fees	35,382
Other liabilities and accrued expenses	93,607
Total liabilities	257,989,318
Net assets	
Capital paid-in	\$609,269,688
Undistributed net investment income	3,096,869
Accumulated net realized loss on investments and swap agreements	(74,645,318)
Net unrealized appreciation (depreciation) on investments	(12,125,702)
Net assets	\$525,595,537
Net asset value per share	
Based on 25,901,361 shares of beneficial interest outstanding — unlimited number of shares authorized with no par value	\$20.29

Statement of operations For the six-month period ended 1-31-11

(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.

Investment income	
Dividends	\$26,265,063
Interest	379,629
Total investment income	26,644,692
Expenses	
Investment management fees (Note 5)	2,955,599
Accounting and legal services fees (Note 5)	39,837
Transfer agent fees	12,810
Trustees' fees (Note 5)	44,797
Printing and postage	76,342
Professional fees	45,680
Custodian fees	51,520
Interest expense (Note 8)	1,447,599
Stock exchange listing fees	11,915
Other	22,485
Total expenses	4,708,584
Less expense reductions (Note 5)	(27,586)
Net expenses	4,680,998
Net investment income	21,963,694
Realized and unrealized gain (loss)	
Net realized loss on	
Investments	(1,233,544)
Swap contracts (Note 3)	(2,549,690)
	(3,783,234)
Change in net unrealized appreciation (depreciation) of	
Investments	13,812,339
Swap contracts (Note 3)	2,522,341
	16,334,680
Net realized and unrealized gain	12,551,446
Increase in net assets from operations	\$34,515,140

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 1-31-11 (unaudited)	Year ended 7-31-10
Increase (decrease) in net assets		
From operations		
Net investment income	\$21,963,694	\$44,133,279
Net realized loss	(3,783,234)	(6,317,188)
Change in net unrealized appreciation (depreciation)	16,334,680	88,436,750
Increase in net assets resulting from operations	34,515,140	126,252,841
Distributions to shareholders		
From net investment income	(19,270,613)	(38,541,225)
Total increase	15,244,527	87,711,616
Net assets		
Beginning of period	510,351,010	422,639,394
End of period	\$525,595,537	\$510,351,010
Undistributed net investment income	\$3,096,869	\$403,788

Statement of cash flows 1-31-11 (unaudited)

This Statement of Cash Flows shows cash flow from operating and financing activities for the period stated.

	For the six-month period ended 1-31-11
Cash flows from operating activities	
Net increase in net assets from operations	\$ 34,515,140
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Long-term investments purchased	(59,676,878)
Long-term investments sold	42,439,735
Decrease in short-term investments	7,897,320
Net amortization of premium (discount)	466
Increase in dividends and interest receivable	(241,833)
Increase in payable for investments purchased	2,814,400
Decrease in receivable for investments sold	1,000,339
Increase in other receivables and prepaid expenses	(8,455)
Decrease in unrealized depreciation of swap contracts	(2,522,341)
Increase in payable to affiliates	12,437
Increase interest in payable	7,134
Decrease in other liabilities and accrued expenses	(53,933)
Net change in unrealized (appreciation) depreciation on investments	(13,812,339)
Net realized loss on investments	1,233,544
Net cash provided by operating activities	\$13,604,736
Cash flows from financing activities	
Borrowings from committed facility agreement payable	5,700,000
Distributions to shareholders	(19,270,613)
Net cash used in financing activities	(\$13,570,613)
Net increase in cash	\$34,123
Cash at beginning of period	\$18,485
Cash at end of period	\$52,608
Supplemental disclosure of cash flow information	
Cash paid for interest	\$1,440,465

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.

COMMON SHARES Period ended	1-31-11 ¹	7-31-10	7-31-09	7-31-08	7-31-07	7-31-06
Per share operating performance						
Net asset value, beginning of period	\$19.70	\$16.32	\$18.28	\$23.11	\$23.85	\$25.78
Net investment income ²	0.85	1.70	1.61	2.04	2.13	2.24
Net realized and unrealized gain (loss) on investments	0.48	3.17	(1.86)	(4.44)	(0.25)	(1.66)
Distributions to Auction Preferred Shares (APS)	—	—	—	(0.42)	(0.55)	(0.45)
Total from investment operations	1.33	4.87	(0.25)	(2.82)	1.33	0.13
Less distributions to common shareholders						
From net investment income	(0.74)	(1.49)	(1.56)	(1.86)	(1.86)	(1.86)
From net realized gain	—	—	—	(0.15)	(0.21)	(0.20)
From tax return of capital	—	—	(0.15)	—	—	—
Total distributions	(0.74)	(1.49)	(1.71)	(2.01)	(2.07)	(2.06)
Net asset value, end of period	\$20.29	\$19.70	\$16.32	\$18.28	\$23.11	\$23.85
Per share market value, end of period	\$18.47	\$18.88	\$15.89	\$17.35	\$22.70	\$23.63
Total return at net asset value (%) ^{3,4}	7.00 ⁵	31.63	1.58	(12.70)	5.46	1.37
Total return at market value (%) ⁴	1.63 ⁵	29.56	4.21	(15.64)	4.56	10.37
Ratios and supplemental data						
Net assets applicable to common shares, end of period (in millions)	\$526	\$510	\$423	\$472	\$597	\$614
Ratios (as a percentage of average net assets):						
Expenses before reductions (excluding interest expense)	1.23 ⁶	1.27	1.35	1.39	1.02	1.01
Interest expense (Note 8)	0.54 ⁶	0.60	1.18	0.30	—	—
Expenses before reductions (including interest expense)	1.77 ⁶	1.87	2.53	1.69	1.32 ⁷	1.31 ⁷
Expenses net of fee waivers (excluding interest expense)	1.22 ⁶	1.19	1.19	1.16	1.03	1.03
Expenses net of fee waivers including interest expense	1.76 ⁶	1.79	2.37	1.46	1.03 ⁸	1.03 ⁸
Net investment income	8.27 ⁶	9.46	12.10	9.67	8.77 ⁹	9.14 ⁹
Portfolio turnover (%)	6	11	14	10	15	18
Senior securities						
Total value of APS outstanding (in millions)	—	—	—	— ¹⁰	\$280	\$280
Involuntary liquidation preference per unit (in thousands)	—	—	—	—	\$25	\$25
Average market value per unit (in thousands)	—	—	—	—	\$25	\$25
Asset coverage per unit ¹¹	—	—	—	—	\$78,080	\$79,097
Total debt outstanding end of period (in millions) (Note 8)	\$255	\$249	\$209	\$223	—	—
Asset coverage per \$1,000 of APS ¹²	—	—	—	—	\$3,130	\$3,191
Asset coverage per \$1,000 of debt ¹³	\$3,061	\$3,047	\$3,024	\$3,117	—	—

¹ Semiannual period from 8-1-10 to 1-31-11. Unaudited.

² Based on the average daily shares outstanding.

³ Total returns would have been lower had certain expenses not been reduced during the periods shown.

⁴ Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value. Each figure assumes that dividend and capital gain distributions, if any, were reinvested. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares traded during the period.

⁵ Not annualized.

⁶ Annualized.

⁷ Ratios calculated on the basis of gross expenses relative to the average net assets of common shares that does not take into consideration expense reductions during the periods shown. Without the exclusion of preferred shares, the annualized ratio of expenses would have been 0.91% for the years ended 7-31-07 and 7-31-06.

⁸ Ratios calculated on the basis of net expenses relative to the average net assets of common shares. Without the exclusion of preferred shares, the annualized ratios of expenses would have been 0.71% for the years ended 7-31-07 and 7-31-06.

⁹ Ratios calculated on the basis of net investment income relative to the average net assets of common shares. Without the exclusion of preferred shares, the annualized ratio of net investment income would have been 6.08% and 6.33% for the years ended 7-31-07 and 7-31-06, respectively.

¹⁰ In May 2008, the Fund entered into a Committed Facility Agreement with a third-party financial institution in order to redeem the APS. The redemption of all APS was completed on 5-28-08.

¹¹ Calculated by subtracting the Fund's total liabilities from the Fund's total assets and dividing that amount by the number of APS outstanding, as of the applicable 1940 Act Evaluation Date, which may differ from the financial reporting date.

¹² Asset coverage equals the total net assets plus APS divided by the APS of the Fund outstanding at period end.

¹³ Asset coverage equals the total net assets plus borrowings divided by the borrowings of the Fund outstanding at period end (Note 8).

Notes to financial statements

(unaudited)

Note 1 — Organization

John Hancock Preferred Income Fund (the Fund) is a closed-end diversified management investment company organized as a Massachusetts business trust and registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund began operations August 27, 2002.

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 risk associated with investing in those securities.

The following is a summary of the values by input classification of the Fund's investments as of January 31, 2011, by major security category or type:

	TOTAL MARKET VALUE AT 1-31-11	LEVEL 1 QUOTED PRICE	LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
Preferred Securities				
Consumer Discretionary	\$53,908,940	\$53,908,940	—	—
Consumer Staples	16,842,810	5,653,060	\$11,189,750	—
Energy	38,653,183	38,653,183	—	—
Financials	412,673,307	412,671,551	1,756	—
Telecommunication				
Services	33,226,997	33,226,997	—	—
Utilities	184,101,418	163,564,858	20,536,560	—
Common Stocks				
Telecommunication				
Services	8,483,337	8,483,337	—	—
Utilities	5,740,400	5,740,400	—	—
Corporate Bonds				
Energy	8,272,000	—	8,272,000	—
Short-Term Investments				
	19,900,000	—	19,900,000	—
Total Investments in				
Securities	\$781,802,392	\$721,902,326	\$59,900,066	—

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. During the six-month period ended January 31, 2011, there were no significant transfers in or out of Level 1 and Level 2 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. 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. Certain short-term securities are valued at amortized cost.

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. Generally, trading in non-U.S. securities is substantially completed each day at various times prior to the close of trading on the NYSE. Significant market events that affect the values of non-U.S. securities may occur between the time when the valuation of the securities is generally determined and the close of the NYSE. During significant market events, these securities will be valued at fair value, as determined in good faith, following procedures established by the Board of Trustees. The Fund may use a fair valuation model to value non-U.S. securities in order to adjust for events which may occur between the close of foreign exchanges and the close of the NYSE.

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. Gains and losses on securities sold are determined on the basis of identified cost and may include proceeds from litigation. 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. 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.

Overdrafts. Pursuant to the custodian agreement, the Fund's custodian may, in its discretion, advance funds to the Fund to make properly authorized payments. When such payments result in an overdraft, the Fund is obligated to repay the custodian for any overdraft, including any costs or expenses associated with the overdraft. 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 to the extent of any overdraft.

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 assets. Expense estimates are accrued in the period to which they relate and adjustments are made when actual amounts are known.

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 \$70,274,290 available to offset future net realized capital gains. The following table details the capital loss carryforward available as of July 31, 2010:

CAPITAL LOSS CARRYFORWARD EXPIRING AT JULY 31		
2016	2017	2018
\$895,650	\$57,644,425	\$11,734,215

Under the recently enacted 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 July 31, 2010, the Fund had no uncertain tax positions that would require financial statement recognition, de-recognition or disclosure. The Fund's federal tax return is 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 and pays dividends monthly and capital gain distributions, if any, annually.

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 will reverse in a subsequent period. Permanent book-tax differences are primarily attributable to derivative transactions.

Statement of cash flows. Information on financial transactions that have been settled through the receipt and disbursement of cash is presented in the Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows is the amount included in the Fund's Statement of Assets and Liabilities and represents the cash on hand at its custodian and does not include any short-term investments.

Note 3 — Derivative instruments

The Fund may invest in derivatives in order to meet its investment objectives. The use of derivatives may involve risks different from, or potentially greater than, the risks associated with investing directly in securities. Specifically, derivatives expose the Fund 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.

Interest rate swaps. Interest rate swaps represent an agreement between a Fund and counterparty to exchange cash flows based on the difference between two interest rates applied to a notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The Fund settles accrued net interest receivable or payable under the swap contracts on a periodic basis. Swaps are marked-to-market daily based upon values from third party vendors or broker quotations, and the change in value is recorded as unrealized appreciation/depreciation of swap contracts.

Entering into swap agreements involves, to varying degrees, elements of credit, market and documentation risk that may amount to values that are in excess of the amounts recognized on the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for the swap, that a counterparty may default on its obligation or delay payment under the swap terms. The counterparty may disagree or contest the terms of the swap. Market risks may also accompany the swap, including interest rate risk. The Fund may also suffer losses if it is unable to terminate or assign outstanding swaps or reduce its exposure through offsetting transactions.

There were no open interest rate swap contracts at January 31, 2011.

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 month period ended January 31, 2011:

RISK	STATEMENT OF OPERATIONS LOCATION	SWAP CONTRACTS
Interest rate contracts	Net realized loss	(\$2,549,690)

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 month period ended January 31, 2011:

RISK	STATEMENT OF OPERATIONS LOCATION	SWAP CONTRACTS
Interest rate contracts	Change in unrealized appreciation (depreciation)	\$2,522,341

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. The Adviser is an indirect wholly owned subsidiary 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 0.75% of the Fund's average daily managed assets including any assets attributable to the Committed Facility Agreement (see Note 8) (collectively, managed assets). The Adviser has a subadvisory agreement with John Hancock Asset Management a division of Manulife Asset Management (US) LLC (formerly, MFC Global Investment Management (U.S.), LLC), an indirect

owned subsidiary of MFC and an affiliate of the Adviser. The Fund is not responsible for payment of the subadvisory fees.

At inception of the Fund, the Adviser contractually agreed to waive a portion of its advisory fee. The Adviser agreed that, until the fifth anniversary of the investment advisory agreement, the Adviser would limit its advisory fee to 0.55% of average daily managed assets, in the sixth year to 0.60% of average daily managed assets, in the seventh year to 0.65% of average daily managed assets, and in the eighth year to 0.70% of average daily managed assets. After the eighth year, the Adviser would no longer waive a portion of its advisory fee. Effective August 27, 2010, the limitation expired. Accordingly, the expense reductions for the six-month period ended January 31, 2011 amounted to \$27,586.

The investment management fees incurred for the six months ended January 31, 2011 were equivalent to an annual effective rate of 0.74% of the Fund's average daily managed 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 of the Fund, including the preparation of all tax returns, periodic reports to shareholders and regulatory reports, among other services. These accounting and legal services fees incurred for the six months ended January 31, 2011 amounted to an annual rate of 0.01% of the Fund's average daily managed assets.

Trustees 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

The Fund is authorized to issue an unlimited number of common shares with no par value. There were no share transactions for the six months ended January 31, 2011 or for the year ended July 31, 2010.

Note 7 — Leverage risk

The Fund utilizes a Committed Facility Agreement (CFA) to increase its assets available for investment. When the Fund leverages its assets, common shareholders bear the fees associated with the facility and have the potential to benefit or be disadvantaged from the use of leverage. The Adviser's fee is also increased in dollar terms from the use of leverage. Consequently, the Fund and the Adviser may have differing interests in determining whether to leverage the Fund's assets. Leverage creates risks that may adversely affect the return for the holders of common shares, including:

- the likelihood of greater volatility of net asset value and market price of common shares
- fluctuations in the interest rate paid for the use of the credit facility
- increased operating costs, which may reduce the Fund's total return
- the potential for a decline in the value of an investment acquired through leverage, while the Fund's obligations under such leverage remains fixed
- the Fund is more likely to have to sell securities in a volatile market in order to meet asset coverage or other debt compliance requirements

To the extent the income or capital appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage, the Fund's return will be greater than if leverage had not been used, conversely, returns would be lower if the cost of the leverage exceeds the income or capital appreciation derived.

Note 8 — Committed Facility Agreement

The Fund has entered into a CFA with a subsidiary of BNP Paribas (BNP) that allows it to borrow up to \$255 million and to invest the borrowings in accordance with its investment practices. Borrowings under the CFA are secured by the assets of the Fund as disclosed in the Fund's investments. Interest charged is at the rate of one month LIBOR (reset daily) plus 0.85%. The Fund also pays a commitment fee of 0.60% per annum on the unused portion of the facility. Commitment fee for the six months ended January 31, 2011 totaled \$190 and is included in the interest expense in the Statement of Operations. As of January 31, 2011, the Fund had borrowings of \$255,000,000 at an interest rate of 1.1100%, which are reflected on the Statement of Asset and Liabilities. During the six months ended January 31, 2011, the average borrowing under the CFA and the effective average interest rate were \$254,938,043 and 1.1264%, respectively.

The Fund may terminate the CFA with 270 days' notice and, if the Board of Trustees determines that the elimination of all indebtedness leveraging the Fund's investments is in the best interests of the Fund's shareholders, the Fund may terminate the agreement with 60 days' notice. In addition, if certain asset coverage and collateral requirements, minimum net assets or other covenants are not met, the CFA could be deemed in default and result in termination.

The Fund has an agreement with BNP that allows BNP to borrow a portion of the pledged collateral (Lent Securities) in an amount not to exceed the lesser of: (i) outstanding borrowings owed by the Fund to BNP and (ii) thirty three and one third percent of the Fund's total assets. The Fund can designate any security within the pledged collateral as ineligible to be a Lent Security and can recall any of the Lent Securities. The Fund also has the right to apply and set-off an amount equal to one hundred percent (100%) of the then-current fair market value of such Lent Securities against the current borrowings under the CFA in the event that BNP fails to timely return the Lent Securities and in certain other circumstances. Income earned from Lent Securities is recorded as a component of interest income on the Statement of Operations. During the six months ended January 31, 2011, the Fund recorded \$31,272 in income on Lent Securities.

Note 9 — Purchase and sale of securities

Purchases and sales of securities, other than short-term securities, aggregated \$59,676,878 and \$42,439,735, respectively, for the six months ended January 31, 2011.

Additional information

Unaudited

Investment objective and policy

The Fund's primary investment objective is to provide a high level of current income, consistent with preservation of capital. The Fund's secondary investment objective is to provide growth of capital to the extent consistent with its primary investment objective. The Fund seeks to achieve its objectives by investing in securities that, in the opinion of the Adviser, may be undervalued relative to similar securities in the marketplace.

Under normal market conditions, the Fund invests at least 80% of its assets (net assets plus borrowings for investment purposes) in preferred stocks and other preferred securities, including convertible preferred securities. In addition, the Fund invests 25% or more of its total assets in the industries comprising the utilities sector, and at least 80% of its total assets in preferred securities and other fixed-income securities, that are rated investment grade or higher by Moody's or Standard & Poor's at the time of investment or in unrated securities determined by the Adviser to be of comparable credit quality.

Effective March 9, 2011, the Board of Trustees amended the Fund's investment policy regarding the use of reverse repurchase agreement transactions. The new policy provides the following:

Reverse Repurchase Agreements. The Fund may engage in reverse repurchase agreement transactions to the extent permitted under the Investment Company Act of 1940, as amended (the "1940 Act"), and related guidance of the Securities and Exchange Commission (the "SEC") and its staff. The Fund intends to use reverse repurchase agreements to obtain investment leverage either alone and/or in combination with other forms of investment leverage. The Fund may also use reverse repurchase agreement transactions for temporary or emergency purposes. In a reverse repurchase agreement transaction, the Fund temporarily transfers possession of a portfolio instrument to another party in return for cash. At the same time, the Fund agrees to repurchase the instrument at an agreed upon time and price, which reflects an interest payment. Subsequent to entering into a reverse repurchase agreement transaction, the value of the portfolio securities transferred may substantially exceed the purchase price received by the Fund under the reverse repurchase agreement transaction and, during the life of the reverse repurchase agreement transaction, the Fund may be required to transfer additional securities if the market value of those securities initially transferred declines. In engaging in a reverse repurchase transaction, the Fund may transfer ("sell") any of its portfolio securities to a broker-dealer, bank or another financial institution counterparty as determined by the Adviser to be appropriate. In accordance with guidance from the SEC and its staff from time to time in effect, the Fund will earmark or segregate liquid assets equal to repayment obligations under the reverse repurchase agreements.

Reverse Repurchase Agreement Risks. Reverse repurchase agreement transactions involve the risk that the market value of the securities that the Fund is obligated to repurchase under such agreements may decline below the repurchase price. Any fluctuations in the market value of either the securities transferred to the other party or the securities in which the proceeds may be invested would affect the market value of the Fund's assets, thereby potentially increasing fluctuations in the market value of the Fund's assets. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund's use of proceeds received under the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligation to repurchase the securities. In addition, reverse repurchase agreement transactions are techniques involving leverage, and accordingly, segregation requirements apply. To the extent that the amount of cash and liquid securities required to be

segregated increases, the Fund may be required to sell portfolio securities at prices that may be disadvantageous to the Fund. For additional information regarding leverage risk, see Note 7 to the financial statements.

Dividends and distributions

During the six-month period ended January 31, 2011, dividends from net investment income totaling \$0.7440 per share were paid to shareholders. The dates of payments and amounts per share are as follows:

PAYMENT DATE	INCOME DIVIDEND
August 31, 2010	\$0.1240
September 30, 2010	0.1240
October 29, 2010	0.1240
November 30, 2010	0.1240
December 31, 2010	0.1240
January 31, 2011	0.1240
Total	\$0.7440

Dividend reinvestment plan

The Fund offers its shareholders a Dividend Reinvestment Plan (the Plan), which offers the opportunity to earn compounded yields. Each shareholder will automatically have all distributions of dividends and capital gains reinvested by Mellon Bank, N.A., as Plan Agent (the Plan Agent), unless an election is made to receive cash. Holders of common shares who elect not to participate in the Plan will receive all distributions in cash, paid by check and mailed directly to the shareholder of record (or, if the common shares are held in street or other nominee name, then to the nominee) by the Plan Agent, as dividend-disbursing agent. Shareholders whose shares are held in the name of a broker or a nominee should contact the broker or nominee to determine whether and how they may participate in the Plan.

If the Fund declares a dividend payable either in common shares or in cash, non-participants will receive cash and participants in the Plan will receive the equivalent in common shares. If the market price of the common shares on the payment date of the dividend is equal to, or exceeds, their net asset value as determined on the payment date, participants will be issued common shares (out of authorized but unissued shares) at a value equal to the higher of net asset value or 95% of the market price. If the net asset value exceeds the market price of the common shares at such time, or if the Board of Trustees declares a dividend payable only in cash, the Plan Agent will, as agent for Plan participants, buy shares in the open market, on the New York Stock Exchange or elsewhere, for the participants' accounts. Such purchases will be made promptly after the payable date for such dividend and, in any event, prior to the next ex-dividend date after such date, except where necessary to comply with federal securities laws. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of the common shares, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the common shares, resulting in the acquisition of fewer shares than if the dividend had been paid in shares issued by the Fund.

Each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. The cost per share of the shares purchased for each participant's account will be the average cost, including brokerage commissions, of any shares purchased on the open market, plus the cost of any shares issued by the Fund. There will be no brokerage charges with respect

to common shares issued directly by the Fund. There are no other charges to participants for reinvesting dividends or capital gain distributions.

Participants in the Plan may withdraw from the Plan at any time by contacting the Plan Agent by telephone, in writing or by visiting the Plan Agent's Web site at www.bnymellon.com/shareowner/isd. Such withdrawal will be effective immediately if received prior to a dividend record date; otherwise, it will be effective for all subsequent dividend record dates.

When a participant withdraws from the Plan or upon termination of the Plan, as provided below, certificates for whole common shares credited to his or her account under the Plan will be issued, and a cash payment will be made for any fraction of a share credited to such account. The Plan Agent maintains each shareholder's account in the Plan and furnishes monthly written confirmations of all transactions in the accounts, including information needed by the shareholders for personal and tax records. The Plan Agent will hold common shares in the account of each Plan participant in non-certificated form in the name of the participant. Proxy material relating to the shareholders' meetings of the Fund will include those shares purchased, as well as shares held pursuant to the Plan.

The reinvestment of dividends and distributions will not relieve participants of any federal income tax that may be payable or required to be withheld on such dividends or distributions. Participants under the Plan will receive tax information annually. The amount of dividends to be reported on the 1099-DIV should be: (1) in the case of shares issued by the Fund, the fair market value of such shares on the dividend payment date and (2) in the case of shares purchased by the Plan Agent in the open market, the amount of cash used by the Plan Agent to purchase shares in the open market, including the amount of cash allocated to brokerage commissions paid on such purchases.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan as applied to any dividend or distribution paid subsequent to written notice of the change sent to all shareholders of the Fund at least 90 days before the record date for the dividend or distribution. The Plan may be amended or terminated by the Plan Agent after at least 90 days' written notice to all shareholders of the Fund. All correspondence or additional information concerning the Plan should be directed to the Plan Agent, Mellon Bank, N.A., c/o Mellon Investor Services, P.O. Box 358015, Pittsburgh, PA 15252-8015 (Telephone: 1-800-852-0218).

The Fund's Board of Trustees has approved changes to the Plan. When these changes become effective: (a) participating shareholders must hold at least one full share of the Fund; (b) shareholders terminating their participation in the Plan will not be entitled to receive share certificates; (c) shareholders will be able to acquire additional shares of the Fund other than through dividend reinvestment; and (d) shareholders will be able to have all their Fund shares held in safekeeping with the Plan Agent. The Fund expects to notify shareholders in writing about these changes in greater detail on or about April 1, 2011. These changes will become effective 90 days after this notice is delivered to the Fund's shareholders.

Shareholder communication and assistance

If you have any questions concerning the Fund, we will be pleased to assist you. If you hold shares in your own name and not with a brokerage firm, please address all notices, correspondence, questions or other communications regarding the Fund to the transfer agent at:

Mellon Investor Services
Newport Office Center VII
480 Washington Boulevard
Jersey City, NJ 07310
Telephone: 1-800-852-0218

If your shares are held with a brokerage firm, you should contact that firm, bank or other nominee for assistance.

Shareholder meeting

The Fund held its Annual Meeting of Shareholders on January 21, 2011. The following proposal was considered by the shareholders:

Proposal: Election of three (3) Trustees to serve for a three-year term ending at the Annual Meeting of Shareholders in 2014. The votes cast with respect to each Trustee are set forth below.

THE PROPOSAL PASSED ON JANUARY 21, 2011.

	TOTAL VOTES FOR THE NOMINEE	TOTAL VOTES WITHHELD FROM THE NOMINEE
James F. Carlin	23,015,271	695,169
William H. Cunningham	22,962,647	747,793
Gregory A. Russo	23,022,786	687,654

The following eight Trustees were not up for election and remain in office: Deborah C. Jackson, Charles L. Ladner, Stanley Martin, Patti McGill Peterson, Hugh McHaffie, John A. Moore, Steven R. Pruchansky and John G. Vrysen.

More information

Trustees

Steven R. Pruchansky,
Chairperson
James F. Carlin
William H. Cunningham
Deborah C. Jackson*
Charles L. Ladner*
Stanley Martin*
Hugh McHaffie
Dr. John A. Moore
Patti McGill Peterson*
Gregory A. Russo
John G. Vrysen

*Member of the
Audit Committee

Officers

Keith F. Hartstein
*President and
Chief Executive Officer*
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

Investment adviser

John Hancock Advisers, LLC

Subadviser

John Hancock Asset
Management (formerly
MFC Global Investment
Management (U.S.), LLC)

Custodian

State Street Bank and
Trust Company

Transfer agent

Mellon Investor Services

Legal counsel

K&L Gates LLP

Stock symbol

Listed New York Stock
Exchange: HPI

For shareholder assistance refer to page 26

You can also contact us:

1-800-852-0218
jhfunds.com

Regular mail:
Mellon Investor Services
Newport Office Center VII
480 Washington Boulevard
Jersey City, NJ 07310

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 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, 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 www.jhfunds.com or by calling 1-800-852-0218.

The report is certified under the Sarbanes-Oxley Act, which requires mutual funds and other public companies to affirm that, to the best of their knowledge, the information in their financial reports is fairly and accurately stated in all material respects.

The Fund is listed for trading on the NYSE and has filed with the NYSE its chief executive officer certification regarding compliance with the NYSE's listing standards. The Fund also files with the SEC the certification of its chief executive officer and chief financial officer required by Section 302 of the Sarbanes-Oxley Act.

DOMESTIC EQUITY

Balanced Fund
 Classic Value Fund
 Classic Value Mega Cap Fund
 Disciplined Value Fund
 Disciplined Value Mid Cap Fund
 Growth Opportunities 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. Core 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

RETIREMENT INCOME

Retirement Distribution Portfolio
 Retirement Rising Distribution Portfolio

GLOBAL/INTERNATIONAL EQUITY

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

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
 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. Please read the prospectus carefully before investing or sending money.

Not part of the semiannual report



1-800-852-0218
1-800-231-5469 TDD
1-800-843-0090 EASI-Line
www.jhfunds.com

PRESORTED
STANDARD
U.S. POSTAGE
PAID
MIS

P80SA 1/11
3/11