

John Hancock Hedged Equity & Income Fund  
Form N-CSR  
March 07, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-22441

John Hancock Hedged Equity & Income Fund  
(Exact name of registrant as specified in charter)

601 Congress Street, Boston, Massachusetts 02210  
(Address of principal executive offices) (Zip code)

Salvatore Schiavone  
Treasurer

601 Congress Street

Boston, Massachusetts 02210  
(Name and address of agent for service)

Registrant's telephone number, including area code: 617-663-4497

Date of fiscal year end: December 31

Date of reporting period: December 31, 2013

ITEM 1. REPORTS TO STOCKHOLDERS.

## Managed distribution plan

The fund has adopted a managed distribution plan (Plan). Under the Plan, the fund makes quarterly distributions of an amount equal to \$0.376 per share, based upon an annual distribution rate of 8.00% of the fund's net asset value (NAV) of \$18.80 on August 31, 2013. This amount will be paid quarterly until further notice. Prior to the December 31, 2013 distribution, the fund made quarterly distributions of an amount equal to \$0.323 per share, based upon an annualized distribution rate of 7.25% of the fund's NAV of \$17.82 on July 31, 2012. The fund may make additional distributions: (i) for purposes of not incurring federal income tax on the fund of investment company taxable income and net capital gain, if any, not included in such regular distributions; and (ii) for purposes of not incurring federal excise tax on ordinary income and capital gain net income, if any, not included in such regular distributions.

The Plan provides that the Board of Trustees of the fund may amend the terms of the Plan or terminate the Plan at any time without prior notice to the fund's shareholders. The Plan will be subject to periodic review by the fund's Board of Trustees.

You should not draw any conclusions about the fund's investment performance from the amount of the fund's distributions or from the terms of the fund's Plan. The fund's total return at NAV is presented in the Financial highlights.

With each distribution that does not consist solely of net income, the fund will issue a notice to shareholders and an accompanying press release that will provide detailed information regarding the amount and composition of the distribution and other related information. The amounts and sources of distributions reported in the notice to shareholders are only estimates and are not provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. The fund will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes. The fund may at times distribute more than its net investment income and net realized capital gains; therefore, a portion of your distribution may result in a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in the fund is paid back to you. A return of capital does not necessarily reflect the fund's investment performance and should not be confused with "yield" or "income."

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### Management's discussion of

## Fund performance

**Global equities** surged in the first quarter of 2013, largely due to solid corporate earnings and favorable global liquidity dynamics. Further monetary easing by the Bank of Japan and a steadily improving U.S. economy also fueled the extension of the global equities market rally. A variety of concerns tempered investor confidence in the second quarter, including mixed economic data from China, the ongoing European sovereign debt issues, a contentious U.S. debt ceiling battle, and concerns that the Federal Reserve Board might slow its bond-buying program sooner than expected. Political unrest in Turkey, Egypt, and Brazil contributed to declines in emerging markets. But in the third quarter, equities resumed their ascent and finished 2013 on a strong note, in part due to central bank interventions across the globe, as well as more-encouraging economic data from China and the eurozone. U.S. stocks continued to rise amid further signs of recovery in the domestic housing and labor markets.

For the 12 months ended December 31, 2013, the fund returned 20.40% at net asset value and 21.02% at closing market price. The fund's previous benchmark, the Russell 3000 Index, returned 33.55% over the one-year period, while its new benchmark, the MSCI All Country World Index, returned 23.44%. The fund's equity strategy produced solid absolute returns for the year. Top contributors included home improvement retailer Lowe's Companies, Inc., global investment manager BlackRock, Inc., and software and services giant Microsoft Corp. Notable detractors were consumer electronics company Apple, Inc., analytical data solutions firm Teradata Corp.,

and global data storage provider EMC Corp. The fund's positions in Lowe's, Teradata, and EMC were sold prior to period-end. In a broadly rising global equities market, the fund's hedging strategies—employed to mitigate capital losses in a falling market—dragged on its relative return versus its benchmark. Also, as part of the changes described below, an allocation to global high yield securities was added during the fourth quarter, which contributed positively to results.

**Note to shareholders:** The fund's Board of Trustees approved investment policy changes and a change to the fund's benchmark on September 27, 2013. The modifications to the investment policies and strategies were designed to increase the fund's overall income-generating potential, while maintaining its equity focus and downside mitigation capabilities.

Wellington Management Company, LLP is an independent investment subadvisor.

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

As is the case with all closed-end funds, shares of this fund may trade at a discount to the fund's net asset value. An investment in the fund is subject to investment and market risks, including the possible loss of the entire principal invested. Investments in higher-yielding, lower-rated securities include a higher risk of default. Foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability. There is no guarantee prior distribution levels will be maintained and distributions may include a substantial return of capital, which may increase the potential gain or reduce the potential loss of a subsequent sale. Fixed-income investments are subject to interest-rate risk; their value will normally decline as interest rates rise. An issuer of securities held by the fund may default, have its credit rating downgraded, or otherwise perform poorly, which may affect fund performance. Investing in derivative instruments involves risks different from, and in some cases greater than, the risks associated with investing directly in securities and other traditional investments. In an illiquid market, derivatives could become harder to value or sell.

## Portfolio summary

### Top 10 Holdings (18.0% of Net Assets on 12-31-13)<sup>1,2</sup>

|                             |      |                                    |      |
|-----------------------------|------|------------------------------------|------|
| Roche Holdings AG           | 2.3% | Microsoft Corp.                    | 1.8% |
| JPMorgan Chase & Company    | 2.1% | PNC Financial Services Group, Inc. | 1.6% |
| Chevron Corp.               | 2.1% | Marsh & McLennan Companies, Inc.   | 1.5% |
| Merck & Company, Inc.       | 2.0% | Johnson & Johnson                  | 1.4% |
| International Paper Company | 1.8% | British American Tobacco PLC       | 1.4% |

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

|            |       |           |      |
|------------|-------|-----------|------|
| Financials | 22.7% | Materials | 7.6% |
|------------|-------|-----------|------|

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|                        |       |                                |      |
|------------------------|-------|--------------------------------|------|
| Information Technology | 12.4% | Consumer Staples               | 5.3% |
| Industrials            | 11.0% | Telecommunication Services     | 4.9% |
| Health Care            | 10.8% | Utilities                      | 3.5% |
| Energy                 | 10.0% | Short-Term Investments & Other | 2.8% |
| Consumer Discretionary | 9.0%  |                                |      |

**Portfolio Composition<sup>1</sup>**

|                 |       |                                |      |
|-----------------|-------|--------------------------------|------|
| Common Stocks   | 87.7% | Preferred Securities           | 0.1% |
| Corporate Bonds | 8.8%  | Capital Preferred Securities   | 0.1% |
| Term Loans      | 0.5%  | Short-Term Investments & Other | 2.8% |

<sup>1</sup> As a percentage of net assets on 12-31-13.

<sup>2</sup> Cash and cash equivalents not included.

<sup>3</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.

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## Fund's investments

As of 12-31-13

|                                    | Shares | Value                |
|------------------------------------|--------|----------------------|
| <b>Common Stocks 87.7%</b>         |        | <b>\$235,174,458</b> |
| (Cost \$216,375,190)               |        |                      |
| <b>Consumer Discretionary 7.0%</b> |        | <b>18,927,034</b>    |

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**Auto Components 0.8%**

|                                    |        |         |
|------------------------------------|--------|---------|
| Delphi Automotive PLC              | 7,900  | 475,027 |
| Exedy Corp.                        | 9,700  | 284,154 |
| Keihin Corp.                       | 19,500 | 302,770 |
| NOK Corp.                          | 19,800 | 324,305 |
| The Goodyear Tire & Rubber Company | 14,800 | 352,980 |
| Tokai Rika Company, Ltd.           | 9,100  | 181,188 |
| Tokai Rubber Industries, Ltd.      | 24,600 | 240,721 |
| Toyota Boshoku Corp.               | 13,000 | 162,543 |

**Automobiles 0.5%**

|                            |        |         |
|----------------------------|--------|---------|
| Nissan Motor Company, Ltd. | 86,600 | 725,708 |
| Peugeot SA (I)             | 32,847 | 427,444 |
| Renault SA                 | 4,768  | 383,711 |

**Distributors 0.1%**

|                        |        |         |
|------------------------|--------|---------|
| Doshisha Company, Ltd. | 10,800 | 152,222 |
|------------------------|--------|---------|

**Diversified Consumer Services 0.2%**

|   |         |         |
|---|---------|---------|
| Allstar Co-Invest Block Feeder LLC (I)(R) | 236,300 | 470,237 |
|---|---------|---------|

**Household Durables 0.9%**

|                              |        |         |
|------------------------------|--------|---------|
| Alpine Electronics, Inc.     | 17,800 | 249,441 |
| Funai Electric Company, Ltd. | 21,600 | 281,238 |
| Newell Rubbermaid, Inc.      | 29,800 | 965,818 |

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|                  |        |         |
|------------------|--------|---------|
| PulteGroup, Inc. | 47,100 | 959,427 |
|------------------|--------|---------|

**Internet & Catalog Retail 0.1%**

|                       |        |         |
|-----------------------|--------|---------|
| Home Retail Group PLC | 59,764 | 190,357 |
|-----------------------|--------|---------|

**Leisure Equipment & Products 0.1%**

|              |        |         |
|--------------|--------|---------|
| Roland Corp. | 12,400 | 168,315 |
|--------------|--------|---------|

**Media 2.0%**

|   |       |         |
|---|-------|---------|
| AMC Entertainment Holdings, Inc., Class A (I) | 6,100 | 125,355 |
|---|-------|---------|

|                   |         |         |
|-------------------|---------|---------|
| Clear Media, Ltd. | 121,000 | 103,728 |
|-------------------|---------|---------|

|                     |        |        |
|---------------------|--------|--------|
| Gendai Agency, Inc. | 10,900 | 61,647 |
|---------------------|--------|--------|

|               |        |         |
|---------------|--------|---------|
| Lagardere SCA | 11,110 | 412,999 |
|---------------|--------|---------|

|                         |       |         |
|-------------------------|-------|---------|
| Metropole Television SA | 9,390 | 215,049 |
|-------------------------|-------|---------|

|                         |        |         |
|-------------------------|--------|---------|
| ProSiebenSat.1 Media AG | 19,121 | 949,470 |
|-------------------------|--------|---------|

|             |        |         |
|-------------|--------|---------|
| Proto Corp. | 11,000 | 153,628 |
|-------------|--------|---------|

See notes to financial statements

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|  | <b>Shares</b> | <b>Value</b> |
|--|---------------|--------------|
| <b>Media (continued)</b>                 |               |              |
| The Interpublic Group of Companies, Inc. | 19,400        | \$343,380    |
| Tri-Stage, Inc.                          | 5,400         | 69,307       |
| Wolters Kluwer NV                        | 8,916         | 254,591      |
| WPP PLC                                  | 117,888       | 2,700,099    |

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**Multiline Retail 0.6%**

|  |         |         |
|--|---------|---------|
| Marks & Spencer Group PLC              | 117,216 | 841,715 |
| Mothercare PLC (I)                     | 27,112  | 176,674 |
| New World Department Store China, Ltd. | 275,000 | 154,744 |
| Nordstrom, Inc.                        | 7,000   | 432,600 |

**Specialty Retail 1.4%**

|                                  |        |           |
|----------------------------------|--------|-----------|
| Adastria Holdings Company, Ltd.  | 2,400  | 86,607    |
| GNC Holdings, Inc., Class A      | 5,900  | 344,855   |
| Groupe Fnac (I)                  | 2,560  | 83,870    |
| Honeys Company, Ltd.             | 21,650 | 210,723   |
| Nishimatsuya Chain Company, Ltd. | 23,500 | 184,305   |
| Pal Company, Ltd.                | 5,000  | 122,439   |
| Ross Stores, Inc.                | 6,500  | 487,045   |
| The Home Depot, Inc.             | 26,370 | 2,171,306 |
| Xebio Company, Ltd.              | 10,300 | 197,719   |

**Textiles, Apparel & Luxury Goods 0.3%**

|                                     |         |         |
|-------------------------------------|---------|---------|
| Daphne International Holdings, Ltd. | 182,000 | 82,054  |
| Geox SpA                            | 70,681  | 255,953 |
| Hanesbrands, Inc.                   | 5,800   | 407,566 |

**Consumer Staples 5.2%**

**14,001,479**

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**Food & Staples Retailing 0.1%**

|                   |       |         |
|-------------------|-------|---------|
| Cawachi, Ltd.     | 9,500 | 178,837 |
| Delhaize Group SA | 2,994 | 178,119 |

**Food Products 2.6%**

|                         |        |           |
|-------------------------|--------|-----------|
| Ebro Foods SA           | 26,560 | 622,651   |
| Ingredion, Inc.         | 9,000  | 616,140   |
| Kraft Foods Group, Inc. | 49,660 | 2,677,667 |
| Maple Leaf Foods, Inc.  | 31,800 | 502,633   |
| Unilever NV             | 20,986 | 843,747   |
| Unilever NV — NY Shares | 40,360 | 1,623,683 |

**Household Products 0.7%**

|                              |        |           |
|------------------------------|--------|-----------|
| The Procter & Gamble Company | 22,300 | 1,815,443 |
|------------------------------|--------|-----------|

**Tobacco 1.8%**

|                                   |        |           |
|-----------------------------------|--------|-----------|
| British American Tobacco PLC      | 68,019 | 3,650,857 |
| Philip Morris International, Inc. | 14,825 | 1,291,702 |

**Energy 9.1%** **24,377,200**

**Energy Equipment & Services 0.7%**

|                              |        |         |
|------------------------------|--------|---------|
| Baker Hughes, Inc.           | 12,000 | 663,120 |
| National Oilwell Varco, Inc. | 7,700  | 612,381 |
| Trican Well Service, Ltd.    | 46,300 | 565,756 |



|   | <b>Shares</b> | <b>Value</b> |
|---|---------------|--------------|
| <b>Oil, Gas &amp; Consumable Fuels 8.4%</b> |               |              |
| BG Group PLC                                | 11,646        | \$250,603    |
| BP PLC                                      | 367,643       | 2,979,420    |
| Canadian Natural Resources, Ltd.            | 16,100        | 544,824      |
| Chevron Corp. (C)                           | 44,690        | 5,582,228    |
| Encana Corp.                                | 18,100        | 326,814      |
| Energy Resources of Australia, Ltd. (I)     | 43,879        | 49,417       |
| Eni SpA                                     | 22,456        | 542,619      |
| Exxon Mobil Corp. (C)                       | 26,040        | 2,635,248    |
| HRT Participacoes em Petroleo SA (I)        | 38,300        | 14,762       |
| Inpex Corp.                                 | 34,400        | 441,220      |
| Marathon Oil Corp.                          | 24,210        | 854,613      |
| Occidental Petroleum Corp.                  | 12,870        | 1,223,937    |
| Oil India, Ltd.                             | 19,200        | 151,602      |
| Painted Pony Petroleum, Ltd. (I)            | 27,700        | 180,972      |
| Petroleo Brasileiro SA, ADR                 | 23,000        | 316,940      |
| Saras SpA (I)                               | 52,586        | 60,131       |
| Statoil ASA                                 | 75,526        | 1,836,528    |

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|   |         |                   |
|---|---------|-------------------|
| Suncor Energy, Inc.                       | 56,555  | 1,982,253         |
| <hr/>                                     |         |                   |
| Total SA                                  | 34,922  | 2,143,492         |
| <hr/>                                     |         |                   |
| Valero Energy Corp.                       | 8,300   | 418,320           |
| <hr/>                                     |         |                   |
| <b>Financials 20.9%</b>                   |         | <b>56,178,362</b> |
| <hr/>                                     |         |                   |
| <b>Capital Markets 2.1%</b>               |         |                   |
| <hr/>                                     |         |                   |
| Ameriprise Financial, Inc.                | 3,700   | 425,685           |
| <hr/>                                     |         |                   |
| Ares Capital Corp.                        | 27,400  | 486,898           |
| <hr/>                                     |         |                   |
| BlackRock, Inc. (C)                       | 9,310   | 2,946,336         |
| <hr/>                                     |         |                   |
| Julius Baer Group, Ltd. (I)               | 5,154   | 247,681           |
| <hr/>                                     |         |                   |
| LPL Financial Holdings, Inc.              | 13,600  | 639,608           |
| <hr/>                                     |         |                   |
| Northern Trust Corp.                      | 5,200   | 321,828           |
| <hr/>                                     |         |                   |
| UBS AG (I)                                | 19,600  | 375,288           |
| <hr/>                                     |         |                   |
| Uranium Participation Corp. (I)           | 34,900  | 185,630           |
| <hr/>                                     |         |                   |
| <b>Commercial Banks 8.5%</b>              |         |                   |
| <hr/>                                     |         |                   |
| Allahabad Bank                            | 104,787 | 162,038           |
| <hr/>                                     |         |                   |
| Banca Popolare dell'Emilia Romagna SC (I) | 14,896  | 142,133           |
| <hr/>                                     |         |                   |
| Banco Bilbao Vizcaya Argentaria SA        | 119,585 | 1,479,330         |
| <hr/>                                     |         |                   |
| Banco Espirito Santo SA (I)               | 135,739 | 193,852           |
| <hr/>                                     |         |                   |
| Banco Popular Espanol SA (I)              | 37,139  | 224,325           |
| <hr/>                                     |         |                   |
| Banco Santander Brasil SA, ADR            | 37,000  | 225,700           |
| <hr/>                                     |         |                   |
| BankUnited, Inc.                          | 12,400  | 408,208           |

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|                                   |         |           |
|-----------------------------------|---------|-----------|
| Barclays PLC                      | 77,245  | 349,293   |
| BNP Paribas SA                    | 6,747   | 526,315   |
| Canara Bank                       | 35,077  | 160,770   |
| Corporation Bank                  | 21,885  | 92,611    |
| Dah Sing Financial Holdings, Ltd. | 27,600  | 158,891   |
| Eighteenth Bank, Ltd.             | 52,000  | 118,258   |
| Higashi-Nippon Bank, Ltd.         | 42,000  | 98,234    |
| HSBC Holdings PLC                 | 329,100 | 3,611,591 |
| Intesa Sanpaolo SpA               | 128,806 | 316,824   |
| KB Financial Group, Inc.          | 8,330   | 336,698   |

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|  | <b>Shares</b> | <b>Value</b> |
|--|---------------|--------------|
| <b>Commercial Banks (continued)</b>    |               |              |
| M&T Bank Corp.                         | 3,520         | \$409,798    |
| Mitsubishi UFJ Financial Group, Inc.   | 237,100       | 1,574,200    |
| Oita Bank, Ltd.                        | 47,000        | 174,320      |
| Oversea-Chinese Banking Corp., Ltd.    | 170,000       | 1,377,889    |
| PNC Financial Services Group, Inc. (C) | 56,165        | 4,357,281    |
| Shinhan Financial Group Company, Ltd.  | 4,250         | 190,803      |

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|  |         |           |
|--|---------|-----------|
| Societe Generale SA                        | 9,637   | 560,396   |
| Sumitomo Mitsui Financial Group, Inc.      | 10,400  | 540,835   |
| Svenska Handelsbanken AB, Class A          | 19,287  | 948,280   |
| Tochigi Bank, Ltd.                         | 35,000  | 135,559   |
| UniCredit SpA                              | 50,450  | 372,152   |
| Unione di Banche Italiane SCPA             | 27,090  | 183,651   |
| Wells Fargo & Company (C)                  | 63,475  | 2,881,765 |
| Yamanashi Chuo Bank, Ltd.                  | 37,000  | 161,151   |
| Zions Bancorporation                       | 15,400  | 461,384   |
| <b>Consumer Finance 0.0%</b>               |         |           |
| Manappuram Finance, Ltd.                   | 356,630 | 90,127    |
| <b>Diversified Financial Services 2.6%</b> |         |           |
| ING Groep NV (I)                           | 39,916  | 557,568   |
| IntercontinentalExchange Group, Inc. (C)   | 3,000   | 674,760   |
| JPMorgan Chase & Company (C)               | 97,085  | 5,677,531 |
| <b>Insurance 5.7%</b>                      |         |           |
| ACE, Ltd.                                  | 26,860  | 2,780,816 |
| Ageas                                      | 11,242  | 479,398   |
| Allianz SE                                 | 2,721   | 489,578   |
| Argo Group International Holdings, Ltd.    | 7,000   | 325,430   |
| Catlin Group, Ltd.                         | 18,022  | 173,493   |

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|   |        |           |
|---|--------|-----------|
| Delta Lloyd NV                            | 59,032 | 1,465,990 |
| Marsh & McLennan Companies, Inc.          | 80,910 | 3,912,808 |
| Muenchener Rueckversicherungs AG          | 4,188  | 923,747   |
| Reinsurance Group of America, Inc.        | 4,300  | 332,863   |
| Storebrand ASA (I)                        | 51,344 | 321,855   |
| Swiss Re AG (I)                           | 3,978  | 366,725   |
| T&D Holdings, Inc.                        | 35,000 | 489,880   |
| The Hanover Insurance Group, Inc.         | 2,700  | 161,217   |
| Tokio Marine Holdings, Inc.               | 15,900 | 532,168   |
| Unum Group                                | 17,800 | 624,424   |
| Zurich Insurance Group AG (I)             | 6,538  | 1,896,438 |
| <b>Real Estate Investment Trusts 1.3%</b> |        |           |
| Blackstone Mortgage Trust, Inc., Class A  | 29,400 | 797,622   |
| British Land Company PLC                  | 16,235 | 169,258   |
| Equity Lifestyle Properties, Inc.         | 6,300  | 228,249   |
| Hatteras Financial Corp.                  | 9,600  | 156,864   |
| ICADE                                     | 9,469  | 881,476   |
| Plum Creek Timber Company, Inc.           | 7,000  | 325,570   |
| Two Harbors Investment Corp.              | 16,700 | 154,976   |
| Weyerhaeuser Company                      | 23,800 | 751,366   |

|  | <b>Shares</b> | <b>Value</b>      |
|--|---------------|-------------------|
| <b>Real Estate Management &amp; Development 0.7%</b> |               |                   |
| Castellum AB   | 65,576        | \$1,021,035       |
| Deutsche Annington Immobilien SE (I)                 | 4,816         | 119,338           |
| Deutsche Wohnen AG                                   | 37,925        | 732,303           |
| <b>Health Care 10.0%</b>                             |               | <b>26,729,947</b> |
| <b>Biotechnology 0.1%</b>                            |               |                   |
| Sinovac Biotech, Ltd. (I)                            | 35,900        | 219,708           |
| <b>Health Care Equipment &amp; Supplies 0.2%</b>     |               |                   |
| Covidien PLC   | 5,000         | 340,500           |
| Zimmer Holdings, Inc.                                | 3,700         | 344,803           |
| <b>Health Care Providers &amp; Services 0.5%</b>     |               |                   |
| Aetna, Inc.  | 9,600         | 658,464           |
| AmerisourceBergen Corp.                              | 5,200         | 365,612           |
| Humana, Inc.   | 2,300         | 237,406           |
| <b>Health Care Technology 0.1%</b>                   |               |                   |
| AGFA-Gevaert NV (I)                                  | 79,157        | 191,818           |
| <b>Life Sciences Tools &amp; Services 0.1%</b>       |               |                   |
| Agilent Technologies, Inc.                           | 4,600         | 263,074           |
| CMIC Holdings Company, Ltd.                          | 5,400         | 69,852            |

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**Pharmaceuticals 9.0%**

|                                  |         |           |
|----------------------------------|---------|-----------|
| Almirall SA                      | 67,494  | 1,099,976 |
| AstraZeneca PLC                  | 43,208  | 2,563,399 |
| Bristol-Myers Squibb Company     | 14,140  | 751,541   |
| Daiichi Sankyo Company, Ltd.     | 100,600 | 1,839,466 |
| Eisai Company, Ltd.              | 33,100  | 1,282,859 |
| H. Lundbeck A/S                  | 14,633  | 370,136   |
| Johnson & Johnson                | 41,145  | 3,768,471 |
| Merck & Company, Inc. (C)        | 109,387 | 5,474,819 |
| Ono Pharmaceutical Company, Ltd. | 2,800   | 245,435   |
| Roche Holdings AG                | 22,411  | 6,277,886 |
| Shionogi & Company, Ltd.         | 16,800  | 364,722   |

**Industrials 10.3%**

**27,519,377**

**Aerospace & Defense 1.3%**

|                           |        |           |
|---------------------------|--------|-----------|
| Curtiss-Wright Corp.      | 6,600  | 410,718   |
| Thales SA                 | 8,367  | 539,199   |
| United Technologies Corp. | 23,045 | 2,622,521 |

**Air Freight & Logistics 0.8%**

|                                      |        |           |
|--------------------------------------|--------|-----------|
| Deutsche Post AG                     | 26,085 | 952,754   |
| United Parcel Service, Inc., Class B | 12,275 | 1,289,857 |

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**Airlines 0.3%**

|                           |         |         |
|---------------------------|---------|---------|
| Aer Lingus Group PLC      | 113,200 | 199,691 |
| Deutsche Lufthansa AG (I) | 17,612  | 373,314 |
| Qantas Airways, Ltd. (I)  | 328,468 | 322,199 |

**Building Products 0.3%**

|                                      |        |         |
|--------------------------------------|--------|---------|
| Cie de Saint-Gobain                  | 12,267 | 675,752 |
| Fortune Brands Home & Security, Inc. | 3,600  | 164,520 |

See notes to financial statements

**Annual report** | Hedged Equity & Income Fund 13

|  | Shares | Value     |
|--|--------|-----------|
| <b>Commercial Services &amp; Supplies 0.2%</b> |        |           |
| Aeon Delight Company, Ltd.                     | 7,800  | \$149,553 |
| Platform Acquisition Holdings, Ltd. (I)        | 24,770 | 346,780   |
| <b>Construction &amp; Engineering 0.1%</b>     |        |           |
| Raubex Group, Ltd.                             | 80,039 | 166,006   |
| <b>Electrical Equipment 2.5%</b>               |        |           |
| Eaton Corp. PLC                                | 32,430 | 2,468,572 |
| Futaba Corp.                                   | 19,100 | 249,479   |
| Saft Groupe SA                                 | 5,965  | 205,123   |
| Schneider Electric SA                          | 36,104 | 3,149,767 |
| Ushio, Inc.                                    | 21,700 | 288,434   |



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|  |         |           |
|--|---------|-----------|
| Zumtobel AG                              | 12,731  | 198,820   |
| <b>Industrial Conglomerates 1.7%</b>     |         |           |
| 3M Company                               | 11,010  | 1,544,153 |
| General Electric Company                 | 38,000  | 1,065,140 |
| Koninklijke Philips NV                   | 14,764  | 543,628   |
| Rheinmetall AG                           | 5,333   | 329,017   |
| Siemens AG                               | 7,636   | 1,047,037 |
| <b>Machinery 1.3%</b>                    |         |           |
| CNH Industrial NV (I)                    | 48,302  | 551,927   |
| Dover Corp.                              | 4,500   | 434,430   |
| Fuji Machine Manufacturing Company, Ltd. | 23,000  | 190,798   |
| Hisaka Works, Ltd.                       | 19,000  | 179,064   |
| Pentair, Ltd.                            | 7,100   | 551,457   |
| Stanley Black & Decker, Inc.             | 12,000  | 968,280   |
| Star Micronics Company, Ltd.             | 11,700  | 136,519   |
| Vallourec SA                             | 7,456   | 406,771   |
| <b>Professional Services 0.5%</b>        |         |           |
| Adecco SA (I)                            | 7,280   | 577,935   |
| en-japan, Inc.                           | 5,200   | 110,928   |
| Hays PLC                                 | 123,895 | 266,863   |
| USG People NV                            | 23,037  | 307,312   |

**Trading Companies & Distributors 0.6%**

|                   |        |         |
|-------------------|--------|---------|
| Grafton Group PLC | 11,806 | 126,715 |
| Mitsubishi Corp.  | 19,700 | 378,199 |
| Rexel SA          | 31,179 | 818,249 |
| SIG PLC           | 79,563 | 279,469 |

**Transportation Infrastructure 0.7%**

|  |           |           |
|--|-----------|-----------|
| Ansaldo STS SpA                            | 14,765    | 159,201   |
| Jiangsu Expressway Company, Ltd., H Shares | 1,438,000 | 1,773,226 |

**Information Technology 11.8%**

**31,656,142**

**Communications Equipment 0.6%**

|                         |        |           |
|-------------------------|--------|-----------|
| Cisco Systems, Inc. (C) | 73,890 | 1,658,831 |
|-------------------------|--------|-----------|

**Computers & Peripherals 1.0%**

|                          |         |         |
|--------------------------|---------|---------|
| Apple, Inc. (C)          | 300     | 168,333 |
| Asustek Computer, Inc.   | 38,000  | 342,230 |
| Compal Electronics, Inc. | 363,000 | 278,350 |

|  | <b>Shares</b> | <b>Value</b> |
|--|---------------|--------------|
| <b>Computers &amp; Peripherals (continued)</b> |               |              |
| Japan Digital Laboratory Company, Ltd.         | 16,500        | \$231,800    |
| Melco Holdings, Inc.                           | 16,000        | 206,642      |

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|  |         |         |
|--|---------|---------|
| NetApp, Inc.   | 10,400  | 427,856 |
| SanDisk Corp.  | 13,200  | 931,128 |
| <b>Electronic Equipment, Instruments &amp; Components 0.7%</b> |         |         |
| Avnet, Inc.  | 20,600  | 908,666 |
| Dai-ichi Seiko Company, Ltd.                                   | 15,300  | 184,733 |
| Hosiden Corp.  | 36,000  | 194,681 |
| Kingboard Laminates Holdings, Ltd.                             | 439,500 | 186,953 |
| Mitsumi Electric Company, Ltd. (I)                             | 16,400  | 137,020 |
| Orbotech, Ltd. (I)   | 16,100  | 217,672 |
| <b>Internet Software &amp; Services 0.1%</b>                   |         |         |
| Dena Company, Ltd.   | 9,300   | 196,048 |
| Dropbox, Inc. (I)(R)   | 8,162   | 104,718 |
| <b>IT Services 1.1%</b>  |         |         |
| Alten SA   | 5,075   | 230,415 |
| Booz Allen Hamilton Holding Corp.                              | 15,000  | 287,250 |
| Cap Gemini SA  | 9,295   | 629,136 |
| Devoteam SA  | 4,920   | 89,578  |
| Fujitsu, Ltd. (I)  | 123,000 | 637,469 |
| GFI Informatique SA  | 12,613  | 82,245  |
| Groupe Steria SA   | 14,947  | 293,644 |

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|  |         |           |
|--|---------|-----------|
| Itochu Techno-Science Corp.                              | 7,700   | 312,107   |
| NET One Systems Company, Ltd.                            | 27,200  | 178,735   |
| Sopra Group SA   | 1,737   | 175,564   |
| Zuken, Inc.  | 7,900   | 64,057    |
| <b>Office Electronics 0.1%</b>                           |         |           |
| Canon, Inc.  | 12,400  | 395,664   |
| <b>Semiconductors &amp; Semiconductor Equipment 5.3%</b> |         |           |
| Analog Devices, Inc.                                     | 53,435  | 2,721,445 |
| Avago Technologies, Ltd.                                 | 11,900  | 629,391   |
| Dainippon Screen Manufacturing Company, Ltd. (I)         | 51,000  | 289,004   |
| Elmos Semiconductor AG                                   | 9,303   | 136,927   |
| Intel Corp.  | 124,305 | 3,226,958 |
| KLA-Tencor Corp.   | 5,000   | 322,300   |
| Kontron AG   | 18,835  | 135,121   |
| Maxim Integrated Products, Inc.                          | 119,550 | 3,336,641 |
| Micronas Semiconductor Holding AG (I)                    | 22,384  | 176,274   |
| Mimasu Semiconductor Industry Company, Ltd.              | 19,500  | 166,427   |
| Miraial Company, Ltd.                                    | 10,800  | 161,448   |
| Rohm Company, Ltd.                                       | 9,000   | 438,994   |
| Shinkawa, Ltd.   | 25,100  | 163,935   |
| Shinko Electric Industries Company, Ltd.                 | 16,800  | 139,807   |

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|   |        |           |
|---|--------|-----------|
| Taiwan Semiconductor Manufacturing Company, Ltd., ADR | 78,200 | 1,363,808 |
| Tokyo Electron, Ltd.                                  | 8,700  | 479,394   |
| Tokyo Seimitsu Company, Ltd.                          | 11,800 | 248,728   |

See notes to financial statements

**Annual report** | Hedged Equity & Income Fund 15

|                                   | <b>Shares</b> | <b>Value</b>      |
|-----------------------------------|---------------|-------------------|
| <b>Software 2.9%</b>              |               |                   |
| Activision Blizzard, Inc.         | 35,300        | \$629,399         |
| Alpha Systems, Inc.               | 6,200         | 88,174            |
| DTS Corp.                         | 9,000         | 158,092           |
| Microsoft Corp. (C)               | 130,640       | 4,889,855         |
| Nintendo Company, Ltd.            | 2,400         | 321,249           |
| NSD Company, Ltd.                 | 12,900        | 153,026           |
| Symantec Corp.                    | 64,810        | 1,528,220         |
| <b>Materials 6.9%</b>             |               | <b>18,486,908</b> |
| <b>Chemicals 3.6%</b>             |               |                   |
| Akzo Nobel NV                     | 13,848        | 1,073,855         |
| Cabot Corp.                       | 7,200         | 370,080           |
| E.I. du Pont de Nemours & Company | 25,500        | 1,656,735         |
| Fujimi, Inc.                      | 18,700        | 242,391           |

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|  |         |           |
|--|---------|-----------|
| Hitachi Chemical, Ltd.                 | 18,000  | 287,070   |
| <hr/>                                  |         |           |
| Israel Chemicals, Ltd.                 | 61,681  | 514,490   |
| <hr/>                                  |         |           |
| Koninklijke DSM NV                     | 13,699  | 1,078,089 |
| <hr/>                                  |         |           |
| Methanex Corp.                         | 6,800   | 402,832   |
| <hr/>                                  |         |           |
| Methanex Corp. (Toronto Exchange)      | 18,900  | 1,117,720 |
| <hr/>                                  |         |           |
| Mitsui Chemicals, Inc.                 | 90,000  | 217,621   |
| <hr/>                                  |         |           |
| PTT Global Chemical PCL                | 348,500 | 837,842   |
| <hr/>                                  |         |           |
| Shin-Etsu Polymer Company, Ltd.        | 37,500  | 135,151   |
| <hr/>                                  |         |           |
| Sumitomo Bakelite Company, Ltd.        | 76,000  | 273,391   |
| <hr/>                                  |         |           |
| The Dow Chemical Company               | 34,515  | 1,532,466 |
| <hr/>                                  |         |           |
| <b>Construction Materials 0.7%</b>     |         |           |
| <hr/>                                  |         |           |
| Buzzi Unicem SpA                       | 20,280  | 365,018   |
| <hr/>                                  |         |           |
| Ciments Francais SA                    | 3,005   | 228,440   |
| <hr/>                                  |         |           |
| CRH PLC                                | 17,484  | 443,967   |
| <hr/>                                  |         |           |
| Lafarge SA                             | 12,240  | 918,733   |
| <hr/>                                  |         |           |
| <b>Containers &amp; Packaging 0.2%</b> |         |           |
| <hr/>                                  |         |           |
| AMVIG Holdings, Ltd.                   | 314,000 | 149,587   |
| <hr/>                                  |         |           |
| Ball Corp.                             | 6,100   | 315,126   |
| <hr/>                                  |         |           |
| <b>Metals &amp; Mining 0.3%</b>        |         |           |
| <hr/>                                  |         |           |
| Barrick Gold Corp.                     | 6,900   | 121,534   |
| <hr/>                                  |         |           |
| Chubu Steel Plate Company, Ltd.        | 21,900  | 92,079    |

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|   |                                   |                  |
|---|-----------------------------------|------------------|
| Lonmin PLC (I)  | 50,579                            | 259,298          |
| Northern Dynasty Minerals, Ltd. (I)                   | 17,000                            | 22,405           |
| Salzgitter AG   | 6,800                             | 289,987          |
| <b>Paper &amp; Forest Products 2.1%</b>               |                                   |                  |
| International Paper Company (C)                       | 100,465                           | 4,925,799        |
| Norbord, Inc.   | 19,300                            | 615,202          |
| <b>Telecommunication Services 3.5%</b>                |                                   | <b>9,336,998</b> |
| <b>Diversified Telecommunication Services 2.8%</b>    |                                   |                  |
| KT Corp.  | 11,390                            | 341,219          |
| Nippon Telegraph & Telephone Corp.                    | 32,800                            | 1,766,621        |
| Orange SA   | 19,912                            | 247,210          |
| Telefonica SA   | 27,606                            | 451,379          |
| Telenor ASA   | 78,629                            | 1,878,728        |
| 16 Hedged Equity & Income Fund   <b>Annual report</b> | See notes to financial statements |                  |

|   | <b>Shares</b> | <b>Value</b> |
|---|---------------|--------------|
| <b>Diversified Telecommunication Services (continued)</b> |               |              |
| Verizon Communications, Inc.                              | 52,363        | \$2,573,118  |
| Vivendi SA  | 10,903        | 287,593      |
| <b>Wireless Telecommunication Services 0.7%</b>           |               |              |
| Vodafone Group PLC  | 454,926       | 1,791,130    |

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**Utilities 3.0%** **7,961,011**

**Electric Utilities 0.9%**

|                      |        |           |
|----------------------|--------|-----------|
| NRG Yield, Inc.      | 18,600 | 744,186   |
| The Southern Company | 11,600 | 476,876   |
| Xcel Energy, Inc.    | 38,600 | 1,078,484 |

**Gas Utilities 1.0%**

|           |        |           |
|-----------|--------|-----------|
| Snam SpA  | 89,779 | 501,806   |
| UGI Corp. | 51,925 | 2,152,811 |

**Multi-Utilities 1.1%**

|                   |         |           |
|-------------------|---------|-----------|
| E.ON SE           | 14,421  | 266,614   |
| GDF Suez          | 20,009  | 470,600   |
| National Grid PLC | 128,577 | 1,681,686 |
| PG&E Corp.        | 7,900   | 318,212   |
| RWE AG            | 7,362   | 269,736   |

**Preferred Securities 0.1%** **\$168,846**

(Cost \$168,846)

**Consumer Discretionary 0.1%** **168,846**

|                 |       |         |
|-----------------|-------|---------|
| Mobileye (I)(R) | 4,838 | 168,846 |
|-----------------|-------|---------|

|                             | Rate (%) | Maturity date | Par value^ | Value               |
|-----------------------------|----------|---------------|------------|---------------------|
| <b>Corporate Bonds 8.8%</b> |          |               |            | <b>\$23,546,480</b> |

(Cost \$23,513,711)



**Consumer Discretionary 1.8%****4,769,430****Diversified Consumer Services 0.1%**


---

|                             |       |          |         |         |
|-----------------------------|-------|----------|---------|---------|
| Service Corp. International | 7.625 | 10-01-18 | 125,000 | 143,750 |
| <hr/>                       |       |          |         |         |
| The ServiceMaster Company   | 7.000 | 08-15-20 | 200,000 | 198,250 |

**Hotels, Restaurants & Leisure 0.1%**


---

|                                 |       |          |             |         |
|---------------------------------|-------|----------|-------------|---------|
| Isle of Capri Casinos, Inc.     | 7.750 | 03-15-19 | 75,000      | 81,188  |
| <hr/>                           |       |          |             |         |
| NH Hoteles SA (S)               | 6.875 | 11-15-19 | EUR 135,000 | 196,045 |
| <hr/>                           |       |          |             |         |
| PC Nextco Holdings LLC, PIK (S) | 8.750 | 08-15-19 | 150,000     | 153,938 |

**Household Durables 0.2%**


---

|                                   |       |          |         |         |
|-----------------------------------|-------|----------|---------|---------|
| Arcelik AS                        | 5.000 | 04-03-23 | 210,000 | 181,230 |
| <hr/>                             |       |          |         |         |
| K Hovnanian Enterprises, Inc. (S) | 9.125 | 11-15-20 | 125,000 | 137,188 |
| <hr/>                             |       |          |         |         |
| KB Home                           | 7.000 | 12-15-21 | 135,000 | 140,738 |
| <hr/>                             |       |          |         |         |
| Lennar Corp.                      | 4.750 | 11-15-22 | 125,000 | 115,938 |

**Leisure Equipment & Products 0.1%**


---

|                     |       |          |             |         |
|---------------------|-------|----------|-------------|---------|
| Carlson Wagonlit BV | 7.500 | 06-15-19 | EUR 100,000 | 148,576 |
|---------------------|-------|----------|-------------|---------|

**Media 1.2%**


---

|                         |       |          |         |         |
|-------------------------|-------|----------|---------|---------|
| AMC Entertainment, Inc. | 9.750 | 12-01-20 | 315,000 | 360,281 |
| <hr/>                   |       |          |         |         |
| CCO Holdings LLC        | 7.375 | 06-01-20 | 165,000 | 178,613 |

See notes to financial statements

**Annual report** | Hedged Equity & Income Fund 17

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|  | Rate (%) | Maturity date | Par value^  | Value          |
|--|----------|---------------|-------------|----------------|
| <b>Media (continued)</b>                       |          |               |             |                |
| DISH DBS Corp.                                 | 6.750    | 06-01-21      | 170,000     | \$180,200      |
| DISH DBS Corp.                                 | 7.875    | 09-01-19      | 240,000     | 274,800        |
| Gannett Company, Inc. (S)                      | 5.125    | 10-15-19      | 270,000     | 280,800        |
| Gray Television, Inc.                          | 7.500    | 10-01-20      | 350,000     | 371,875        |
| Harron Communications LP (S)                   | 9.125    | 04-01-20      | 90,000      | 99,675         |
| Nara Cable Funding, Ltd.                       | 8.875    | 12-01-18      | EUR 180,000 | 268,446        |
| Nexstar Broadcasting, Inc.                     | 6.875    | 11-15-20      | 100,000     | 107,000        |
| Sirius XM Radio, Inc. (S)                      | 4.250    | 05-15-20      | 100,000     | 94,500         |
| TVN Finance Corp. III AB                       | 7.375    | 12-15-20      | EUR 260,000 | 385,402        |
| Unitymedia Hessen Gmbh & Company KG            | 5.500    | 09-15-22      | EUR 160,000 | 226,191        |
| Unitymedia Hessen Gmbh & Company KG            | 5.750    | 01-15-23      | EUR 125,000 | 177,156        |
| Univision Communications, Inc. (S)             | 6.750    | 09-15-22      | 120,000     | 131,400        |
| <b>Specialty Retail 0.1%</b>                   |          |               |             |                |
| GRD Holdings III Corp. (S)                     | 10.750   | 06-01-19      | 125,000     | 136,250        |
| <b>Consumer Staples 0.1%</b>                   |          |               |             | <b>324,750</b> |
| <b>Commercial Services &amp; Supplies 0.0%</b> |          |               |             |                |
| ARAMARK Corp. (S)                              | 5.750    | 03-15-20      | 150,000     | 156,750        |
| <b>Personal Products 0.1%</b>                  |          |               |             |                |
| Hypermarcas SA                                 | 6.500    | 04-20-21      | 160,000     | 168,000        |

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**Energy 0.8%** **2,065,126**

**Oil, Gas & Consumable Fuels 0.8%**

|                                |        |          |         |         |
|--------------------------------|--------|----------|---------|---------|
| Antero Resources Finance Corp. | 6.000  | 12-01-20 | 200,000 | 210,000 |
| Bonanza Creek Energy, Inc.     | 6.750  | 04-15-21 | 100,000 | 104,750 |
| Borets Finance, Ltd.           | 7.625  | 09-26-18 | 200,000 | 198,000 |
| Diamondback Energy, Inc. (S)   | 7.625  | 10-01-21 | 120,000 | 126,600 |
| El Paso LLC                    | 7.250  | 06-01-18 | 320,000 | 365,163 |
| Endeavour International Corp.  | 12.000 | 03-01-18 | 125,000 | 128,438 |
| Energy Transfer Equity LP      | 7.500  | 10-15-20 | 130,000 | 145,925 |
| EP Energy LLC                  | 9.375  | 05-01-20 | 180,000 | 207,675 |
| Harvest Operations Corp.       | 6.875  | 10-01-17 | 170,000 | 186,150 |
| Petroleos de Venezuela SA      | 8.500  | 11-02-17 | 80,000  | 66,600  |
| Petroleos de Venezuela SA      | 9.000  | 11-17-21 | 90,000  | 66,825  |
| Rosetta Resources, Inc.        | 5.625  | 05-01-21 | 190,000 | 189,525 |
| Rosetta Resources, Inc.        | 5.875  | 06-01-22 | 70,000  | 69,475  |

**Financials 1.6%** **4,187,896**

**Capital Markets 0.1%**

|  |       |          |         |         |
|--|-------|----------|---------|---------|
| Credit Suisse Group AG (7.500% to 12-11-23,<br>then 5 year U.S. Swap Rate + 4.598%) (Q)(S) | 7.500 | 12-11-23 | 200,000 | 211,250 |
|--|-------|----------|---------|---------|

**Commercial Banks 0.5%**

|                         |       |          |             |         |
|-------------------------|-------|----------|-------------|---------|
| Banco Espirito Santo SA | 5.875 | 11-09-15 | EUR 100,000 | 144,314 |
|-------------------------|-------|----------|-------------|---------|

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|   |       |          |            |         |
|---|-------|----------|------------|---------|
| Barclays PLC (8.250% to 12-15-18, then 5 year U.S. Swap Rate + 6.705%) (Q)            | 8.250 | 12-15-18 | 200,000    | 206,500 |
| BBVA International Preferred SAU (5.919% to 4-18-17, then 3 month LIBOR + 0.820%) (Q) | 5.919 | 04-18-17 | 270,000    | 259,875 |
| BPCE SA (6.117% to 10-30-17, then 3 month EURIBOR + 2.370%) (Q)                       | 6.117 | 10-30-17 | EUR 50,000 | 72,661  |
| CIT Group, Inc.   | 5.375 | 05-15-20 | 95,000     | 100,938 |

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See notes to financial statements

|   | Rate (%) | Maturity date | Par value <sup>^</sup> | Value    |
|---|----------|---------------|------------------------|----------|
| <b>Commercial Banks (continued)</b>   |          |               |                        |          |
| Royal Bank of Scotland Group PLC (7.640% to 9-30-17, then 3 month LIBOR + 2.320%) (Q) | 7.640    | 09-30-17      | 100,000                | \$97,500 |
| Royal Bank of Scotland PLC  | 4.350    | 01-23-17      | EUR 100,000            | 143,745  |
| Societe Generale SA (6.999% to 12-19-17, then 3 month EURIBOR + 3.350%) (Q)           | 6.999    | 12-19-17      | EUR 100,000            | 149,367  |
| Societe Generale SA (7.875% to 12-18-23, then 5 year U.S. Swap Rate + 4.979%) (Q)(S)  | 7.875    | 12-18-23      | 205,000                | 206,538  |
| <b>Consumer Finance 0.1%</b>  |          |               |                        |          |
| SLM Corp.   | 8.450    | 06-15-18      | 235,000                | 273,775  |
| <b>Diversified Financial Services 0.6%</b>  |          |               |                        |          |
| Community Choice Financial, Inc.  | 10.750   | 05-01-19      | 195,000                | 163,313  |
| Nationstar Mortgage LLC   | 6.500    | 08-01-18      | 260,000                | 264,550  |

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|                                     |       |          |         |         |
|-------------------------------------|-------|----------|---------|---------|
| Nuveen Investments, Inc. (S)        | 9.125 | 10-15-17 | 310,000 | 310,000 |
| Provident Funding Associates LP (S) | 6.750 | 06-15-21 | 275,000 | 273,625 |
| TMX Finance LLC (S)                 | 8.500 | 09-15-18 | 290,000 | 308,850 |
| UBS AG                              | 7.625 | 08-17-22 | 250,000 | 285,950 |

**Insurance 0.1%**

|  |       |          |         |         |
|--|-------|----------|---------|---------|
| Hartford Financial Services Group, Inc.,<br>(8.125% to 6-15-18, then 3 month LIBOR<br>+ 4.6025%) | 8.125 | 06-15-38 | 290,000 | 337,995 |
|--|-------|----------|---------|---------|

**Real Estate Investment Trusts 0.2%**

|   |       |          |         |         |
|---|-------|----------|---------|---------|
| Country Garden Holdings Company, Ltd. (S) | 7.250 | 04-04-21 | 380,000 | 377,150 |
|---|-------|----------|---------|---------|

**Health Care 0.8%**

**2,145,085**

**Health Care Equipment & Supplies 0.2%**

|              |       |          |             |         |
|--------------|-------|----------|-------------|---------|
| Alere, Inc.  | 6.500 | 06-15-20 | 100,000     | 102,250 |
| Biomet, Inc. | 6.500 | 08-01-20 | 120,000     | 126,000 |
| Ontex IV SA  | 9.000 | 04-15-19 | EUR 200,000 | 298,527 |

**Health Care Providers & Services 0.4%**

|                                |       |          |         |         |
|--------------------------------|-------|----------|---------|---------|
| Community Health Systems, Inc. | 7.125 | 07-15-20 | 175,000 | 181,563 |
| HCA Holdings, Inc.             | 6.250 | 02-15-21 | 260,000 | 272,025 |
| HCA, Inc.                      | 6.500 | 02-15-20 | 250,000 | 274,688 |
| Tenet Healthcare Corp.         | 8.125 | 04-01-22 | 170,000 | 183,175 |
| WellCare Health Plans, Inc.    | 5.750 | 11-15-20 | 95,000  | 97,138  |

**Health Care Technology 0.1%**

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|   |       |   |             |                  |
|---|-------|---|-------------|------------------|
| Cegedim SA                                      | 6.750 | 04-01-20  | EUR 100,000 | 141,381          |
| <b>Pharmaceuticals 0.1%</b>                     |       |   |             |                  |
| Pinnacle Merger Sub, Inc. (S)                   | 9.500 | 10-01-23  | 120,000     | 127,800          |
| Salix Pharmaceuticals, Ltd. (S)                 | 6.000 | 01-15-21  | 150,000     | 153,750          |
| Valeant Pharmaceuticals International, Inc. (S) | 6.750 | 08-15-18  | 170,000     | 186,788          |
| <b>Industrials 0.6%</b>                         |       |   |             | <b>1,611,362</b> |
| <b>Building Products 0.1%</b>                   |       |   |             |                  |
| Associated Materials LLC                        | 9.125 | 11-01-17  | 175,000     | 186,813          |
| <b>Commercial Services &amp; Supplies 0.0%</b>  |       |   |             |                  |
| Casella Waste Systems, Inc.                     | 7.750 | 02-15-19  | 110,000     | 112,750          |
| <b>Construction &amp; Engineering 0.1%</b>      |       |   |             |                  |
| Aguila 3 SA (S)                                 | 7.875 | 01-31-18  | 195,000     | 206,700          |
| See notes to financial statements               |       | <b>Annual report</b>   Hedged Equity & Income Fund 19 |             |                  |

|                                      | Rate (%) | Maturity date | Par value <sup>^</sup> | Value     |
|--------------------------------------|----------|---------------|------------------------|-----------|
| <b>Electrical Equipment 0.1%</b>     |          |               |                        |           |
| CeramTec Group GmbH                  | 8.250    | 08-15-21      | EUR 175,000            | \$261,211 |
| <b>Industrial Conglomerates 0.1%</b> |          |               |                        |           |
| Tenedora Nemak SA de CV              | 5.500    | 02-28-23      | 200,000                | 196,000   |
| <b>Machinery 0.1%</b>                |          |               |                        |           |
| Case New Holland, Inc.               | 7.875    | 12-01-17      | 150,000                | 177,000   |

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**Trading Companies & Distributors 0.1%**

|                                   |       |          |         |         |
|-----------------------------------|-------|----------|---------|---------|
| International Lease Finance Corp. | 6.250 | 05-15-19 | 435,000 | 470,888 |
|-----------------------------------|-------|----------|---------|---------|

**Information Technology 0.6%**

**1,715,203**

**Electronic Equipment, Instruments & Components 0.1%**

|         |       |          |         |         |
|---------|-------|----------|---------|---------|
| CDW LLC | 8.500 | 04-01-19 | 170,000 | 187,850 |
|---------|-------|----------|---------|---------|

**Semiconductors & Semiconductor Equipment 0.1%**

|                                   |       |          |        |        |
|-----------------------------------|-------|----------|--------|--------|
| Freescale Semiconductor, Inc. (S) | 6.000 | 01-15-22 | 95,000 | 96,188 |
|-----------------------------------|-------|----------|--------|--------|

|                               |       |          |        |        |
|-------------------------------|-------|----------|--------|--------|
| Freescale Semiconductor, Inc. | 8.050 | 02-01-20 | 90,000 | 96,750 |
|-------------------------------|-------|----------|--------|--------|

**Software 0.4%**

|                               |       |          |         |         |
|-------------------------------|-------|----------|---------|---------|
| Activision Blizzard, Inc. (S) | 5.625 | 09-15-21 | 350,000 | 362,250 |
|-------------------------------|-------|----------|---------|---------|

|              |        |          |        |        |
|--------------|--------|----------|--------|--------|
| Emdeon, Inc. | 11.000 | 12-31-19 | 75,000 | 86,625 |
|--------------|--------|----------|--------|--------|

|                      |       |          |         |         |
|----------------------|-------|----------|---------|---------|
| First Data Corp. (S) | 7.375 | 06-15-19 | 170,000 | 181,475 |
|----------------------|-------|----------|---------|---------|

|                      |       |          |         |         |
|----------------------|-------|----------|---------|---------|
| First Data Corp. (S) | 8.250 | 01-15-21 | 340,000 | 361,675 |
|----------------------|-------|----------|---------|---------|

|                |        |          |             |         |
|----------------|--------|----------|-------------|---------|
| Infor US, Inc. | 10.000 | 04-01-19 | EUR 100,000 | 153,390 |
|----------------|--------|----------|-------------|---------|

|                            |       |          |         |         |
|----------------------------|-------|----------|---------|---------|
| SunGard Data Systems, Inc. | 6.625 | 11-01-19 | 180,000 | 189,000 |
|----------------------------|-------|----------|---------|---------|

**Materials 0.7%**

**2,008,490**

**Chemicals 0.2%**

|                         |       |          |        |        |
|-------------------------|-------|----------|--------|--------|
| Hexion US Finance Corp. | 6.625 | 04-15-20 | 50,000 | 51,250 |
|-------------------------|-------|----------|--------|--------|

|                         |       |          |        |        |
|-------------------------|-------|----------|--------|--------|
| Hexion US Finance Corp. | 9.000 | 11-15-20 | 50,000 | 49,875 |
|-------------------------|-------|----------|--------|--------|

|                       |       |          |        |        |
|-----------------------|-------|----------|--------|--------|
| Ineos Finance PLC (S) | 7.500 | 05-01-20 | 75,000 | 82,219 |
|-----------------------|-------|----------|--------|--------|

|                         |       |          |             |         |
|-------------------------|-------|----------|-------------|---------|
| INEOS Group Holdings SA | 6.500 | 08-15-18 | EUR 270,000 | 380,725 |
|-------------------------|-------|----------|-------------|---------|

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**Construction Materials 0.1%**

|                             |       |          |             |         |
|-----------------------------|-------|----------|-------------|---------|
| Cemex SAB de CV             | 5.875 | 03-25-19 | 260,000     | 260,650 |
| HeidelbergCement Finance SA | 8.500 | 10-31-19 | EUR 110,000 | 192,564 |

**Containers & Packaging 0.2%**

|   |       |          |             |         |
|---|-------|----------|-------------|---------|
| Ardagh Packaging Finance PLC (S)        | 5.000 | 11-15-22 | EUR 135,000 | 184,791 |
| Ardagh Packaging Finance PLC            | 9.250 | 10-15-20 | EUR 100,000 | 149,607 |
| BOE Intermediate Holding Corp., PIK (S) | 9.000 | 11-01-17 | 125,000     | 130,313 |

**Metals & Mining 0.1%**

|                   |       |          |         |         |
|-------------------|-------|----------|---------|---------|
| AK Steel Corp.    | 7.625 | 05-15-20 | 5,000   | 4,988   |
| AK Steel Corp.    | 8.375 | 04-01-22 | 15,000  | 15,038  |
| ALROSA Finance SA | 7.750 | 11-03-20 | 200,000 | 221,700 |

**Paper & Forest Products 0.1%**

|                            |       |          |             |         |
|----------------------------|-------|----------|-------------|---------|
| Smurfit Kappa Acquisitions | 4.125 | 01-30-20 | EUR 200,000 | 284,770 |
|----------------------------|-------|----------|-------------|---------|

**Telecommunication Services 1.4%**

**3,761,541**

**Diversified Telecommunication Services 0.8%**

|                                  |       |          |             |         |
|----------------------------------|-------|----------|-------------|---------|
| Alcatel-Lucent USA, Inc.         | 6.450 | 03-15-29 | 130,000     | 115,050 |
| Altice Financing SA (S)          | 6.500 | 01-15-22 | EUR 100,000 | 138,602 |
| Intelsat Jackson Holdings SA (S) | 6.625 | 12-15-22 | 80,000      | 82,400  |
| Intelsat Jackson Holdings SA     | 7.250 | 04-01-19 | 195,000     | 210,600 |



|   | Rate (%) | Maturity date | Par value^  | Value     |
|---|----------|---------------|-------------|-----------|
| <b>Diversified Telecommunication Services (continued)</b> |          |               |             |           |
| Intelsat Luxembourg SA (S)                                | 7.750    | 06-01-21      | 255,000     | \$273,488 |
| Level 3 Financing, Inc. (S)                               | 6.125    | 01-15-21      | 200,000     | 202,000   |
| Level 3 Financing, Inc.                                   | 8.625    | 07-15-20      | 75,000      | 84,000    |
| NII International Telecom SCA (S)                         | 7.875    | 08-15-19      | 75,000      | 56,625    |
| T-Mobile USA, Inc.  | 6.464    | 04-28-19      | 135,000     | 143,438   |
| T-Mobile USA, Inc.  | 6.731    | 04-28-22      | 90,000      | 93,825    |
| UPCB Finance III, Ltd.                                    | 6.625    | 07-01-20      | 175,000     | 185,938   |
| Wind Acquisition Finance SA                               | 7.375    | 02-15-18      | EUR 220,000 | 319,911   |
| Wind Acquisition Finance SA (S)                           | 11.750   | 07-15-17      | 130,000     | 138,288   |
| Windstream Corp.  | 7.875    | 11-01-17      | 165,000     | 188,513   |
| <b>Wireless Telecommunication Services 0.6%</b>           |          |               |             |           |
| MetroPCS Wireless, Inc.                                   | 6.625    | 11-15-20      | 235,000     | 249,100   |
| NII Capital Corp.   | 7.625    | 04-01-21      | 205,000     | 84,050    |
| SoftBank Corp. (S)  | 4.500    | 04-15-20      | 200,000     | 195,000   |
| Sprint Communications, Inc. (S)                           | 9.000    | 11-15-18      | 175,000     | 210,875   |
| Sprint Corp. (S)  | 7.250    | 09-15-21      | 280,000     | 300,650   |
| Sprint Corp. (S)  | 7.875    | 09-15-23      | 180,000     | 193,500   |
| Syniverse Holdings, Inc.                                  | 9.125    | 01-15-19      | 75,000      | 81,938    |

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|  |       |          |             |                  |
|--|-------|----------|-------------|------------------|
| VimpelCom Holdings BV  | 6.255 | 03-01-17 | 200,000     | 213,750          |
| <b>Utilities 0.4%</b>  |       |          |             | <b>957,597</b>   |
| <b>Electric Utilities 0.2%</b>   |       |          |             |                  |
| Israel Electric Corp., Ltd.  | 7.250 | 01-15-19 | 330,000     | 366,532          |
| Techem GmbH  | 6.125 | 10-01-19 | EUR 100,000 | 149,882          |
| <b>Gas Utilities 0.1%</b>  |       |          |             |                  |
| AmeriGas Finance LLC   | 6.750 | 05-20-20 | 100,000     | 109,250          |
| <b>Independent Power Producers &amp; Energy Traders 0.0%</b>                                 |       |          |             |                  |
| Calpine Corp. (S)  | 7.500 | 02-15-21 | 62,000      | 67,658           |
| <b>Multi-Utilities 0.1%</b>  |       |          |             |                  |
| Ferrellgas LP  | 6.500 | 05-01-21 | 75,000      | 76,500           |
| Ferrellgas LP (S)  | 6.750 | 01-15-22 | 185,000     | 187,775          |
| <b>Capital Preferred Securities 0.1%</b>   |       |          |             | <b>\$140,528</b> |
| (Cost \$134,996)   |       |          |             |                  |
| <b>Financials 0.1%</b>   |       |          |             | <b>140,528</b>   |
| Deutsche Postbank Funding Trust IV<br>(5.983% 6-29-17, then 3 month EURIBOR<br>+ 2.070%) (Q) | 5.983 | 06-29-17 | EUR 100,000 | 140,528          |
| <b>Convertible Bonds 0.0%</b>  |       |          |             | <b>\$99,269</b>  |
| (Cost \$96,156)  |       |          |             |                  |
| <b>Consumer Discretionary 0.0%</b>   |       |          |             | <b>44,300</b>    |
| <b>Household Durables 0.0%</b>   |       |          |             |                  |

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|                 |       |          |        |        |
|-----------------|-------|----------|--------|--------|
| M/I Homes, Inc. | 3.000 | 03-01-18 | 40,000 | 44,300 |
|-----------------|-------|----------|--------|--------|

See notes to financial statements

**Annual report** | Hedged Equity & Income Fund 21

|  | <b>Rate (%)</b> | <b>Maturity date</b> | <b>Par value<sup>^</sup></b> | <b>Value</b>       |
|--|-----------------|----------------------|------------------------------|--------------------|
| <b>Information Technology 0.0%</b>                       |                 |                      |                              | <b>\$54,969</b>    |
| <b>Semiconductors &amp; Semiconductor Equipment 0.0%</b> |                 |                      |                              |                    |
| ON Semiconductor Corp.                                   | 2.625           | 12-15-26             | 50,000                       | 54,969             |
| <b>Term Loans (M) 0.5%</b>                               |                 |                      |                              | <b>\$1,334,188</b> |
| (Cost \$1,341,416)                                       |                 |                      |                              |                    |
| <b>Consumer Discretionary 0.1%</b>                       |                 |                      |                              | <b>398,773</b>     |
| <b>Diversified Consumer Services 0.0%</b>                |                 |                      |                              |                    |
| Pacific Industrial Services BidCo Pty, Ltd.              | 5.000           | 10-02-18             | 99,750                       | 101,059            |
| <b>Multiline Retail 0.1%</b>                             |                 |                      |                              |                    |
| JC Penney Corp., Inc.                                    | 6.000           | 05-22-18             | 149,624                      | 145,946            |
| Neiman Marcus Group, Inc.                                | 5.000           | 10-26-20             | 150,000                      | 151,768            |
| <b>Energy 0.1%</b>                                       |                 |                      |                              | <b>147,788</b>     |
| <b>Oil, Gas &amp; Consumable Fuels 0.1%</b>              |                 |                      |                              |                    |
| Arch Coal, Inc. (T)                                      | TBD             | 05-16-18             | 150,000                      | 147,788            |
| <b>Financials 0.1%</b>                                   |                 |                      |                              | <b>196,125</b>     |
| <b>Insurance 0.1%</b>                                    |                 |                      |                              |                    |
| Asurion LLC (T)  | TBD             | 07-08-20             | 200,000                      | 196,125            |

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**Industrials 0.1%** **385,402**

**Construction & Engineering 0.1%**

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|             |       |          |         |         |
|-------------|-------|----------|---------|---------|
| Rexnord LLC | 4.003 | 08-21-20 | 200,000 | 200,248 |
|-------------|-------|----------|---------|---------|

**Machinery 0.0%**

---

|                        |       |          |         |         |
|------------------------|-------|----------|---------|---------|
| Crosby Worldwide, Ltd. | 4.000 | 11-18-20 | 185,000 | 185,154 |
|------------------------|-------|----------|---------|---------|

**Utilities 0.1%** **206,100**

**Electric Utilities 0.1%**

---

|  |       |          |         |         |
|--|-------|----------|---------|---------|
| Texas Competitive Electric Holdings<br>Company LLC | 4.730 | 10-10-17 | 300,000 | 206,100 |
|--|-------|----------|---------|---------|

**Shares                      Value**

**Warrants 0.0%** **\$9,125**

(Cost \$110)

**Industrials 0.0%** **9,125**

Platform Acquisition Holdings, Ltd. (3 for 1; Expiration Date: 7-31-20;  
Strike Price: \$11.50) (I) 10,950                      9,125

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**Par value                      Value**

**Short-Term Investments 2.4%** **\$6,500,000**

(Cost \$6,500,000)

**Repurchase Agreement 2.4%** **6,500,000**

Goldman Sachs Tri-Party Repurchase Agreement dated 12-31-13  
at 0.010% to be repurchased at \$6,500,004 on 1-2-14,  
collateralized by \$1,764,500 Federal Home Loan Mortgage Corp.,

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4.500% due 12-1-40 to 7-1-41 (valued at \$1,889,671, including interest) and \$4,410,815 Federal National Mortgage Association, 3.453%—5.000% due 5-1-26 to 1-1-42 (valued at \$4,740,329, including interest) \$6,500,000 6,500,000

**Total investments (Cost \$248,130,425)†99.6% \$266,972,894**

---

**Other assets and liabilities, net 0.4% \$1,021,542**

---

**Total net assets 100.0% \$267,994,436**

---

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

^ All par values are denominated in U.S. dollars unless otherwise indicated.

EUR Euro

ADR American Depositary Receipts

EURIBOR Euro Interbank Offered Rate

LIBOR London Interbank Offered Rate

PIK Paid-in-kind

TBD To Be Determined

(C) A portion of this security is pledged as collateral for options. Total collateral value at 12-31-13 was \$34,498,359.

(I) Non-income producing security.

(M) Term loans are variable rate obligations. The coupon rate shown represents the rate at period end.

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

(R) Direct placement securities are restricted to resale and the fund has limited rights to registration under the Securities Act of 1933. Holdings in direct placement securities as of 12-31-13 were as follows:

| Issuer, Description | Acquisition date | Acquisition cost | Beginning share amount | Ending share amount | Value as a percentage of fund's net assets | Value as of 12-31-13 |
|---------------------|------------------|------------------|------------------------|---------------------|--|----------------------|
| Allstar Co-Invest   | 8-1-11           | \$240,553        | 236,300                | 236,300             | 0.18%                                      | \$470,237            |
| Block Feeder LLC    |                  |                  |                        |                     |  |                      |

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|                  |         |           |       |       |       |                  |
|------------------|---------|-----------|-------|-------|-------|------------------|
| Dropbox, Inc.    | 5-1-12  | \$77,258  | 8,535 | 8,162 | 0.04% | \$104,718        |
| Sold: 373 shares |         |           |       |       |       |                  |
| Mobileye         | 8-13-13 | \$168,846 | —     | 4,838 | 0.06% | \$168,846        |
| Purchased:       |         |           |       |       |       |                  |
| 4,838 shares     |         |           |       |       |       |                  |
| <b>\$486,657</b> |         |           |       |       |       | <b>\$743,801</b> |

(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.

(T) This position represents an unsettled loan commitment at period end. Certain details associated with this purchase are not known prior to the settlement date, including coupon rate.

† At 12-31-13, the aggregate cost of investment securities for federal income tax purposes was \$248,582,281. Net unrealized appreciation aggregated \$18,390,613, of which \$20,624,701 related to appreciated investment securities and \$2,234,088 related to depreciated investment securities.

See notes to financial statements

**Annual report** | Hedged Equity & Income Fund 23

### Notes to Schedule of Investments

The fund had the following country concentration as a percentage of total net assets on 12-31-13:

|                 |        |
|-----------------|--------|
| United States   | 49.9%  |
| Japan           | 8.5%   |
| United Kingdom  | 8.5%   |
| France          | 5.8%   |
| Switzerland     | 5.0%   |
| Netherlands     | 3.3%   |
| Germany         | 2.9%   |
| Canada          | 2.5%   |
| Ireland         | 1.8%   |
| Spain           | 1.6%   |
| Other Countries | 10.2%  |
| Total           |        |
|                 | 100.0% |

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See notes to financial statements

## FINANCIAL STATEMENTS

# Financial statements

## Statement of assets and liabilities 12-31-13

**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 \$248,130,425)                 | \$266,972,894      |
| Foreign currency, at value (Cost \$5,389)                  | 5,393              |
| Cash held at broker for futures contracts                  | 2,029,500          |
| Receivable for investments sold                            | 4,910,810          |
| Receivable for delayed delivery securities sold            | 351,753            |
| Receivable for forward foreign currency exchange contracts | 147,426            |
| Dividends and interest receivable                          | 695,384            |
| Other receivables and prepaid expenses                     | 877                |
| <b>Total assets</b>  | <b>275,114,037</b> |

### Liabilities

---

|   |                  |
|---|------------------|
| Due to custodian  | 5,051,854        |
| Payable for investments purchased                       | 381,248          |
| Payable for delayed delivery securities purchased       | 65,223           |
| Payable for forward foreign currency exchange contracts | 1,029            |
| Written options, at value (Premiums received \$445,867) | 1,426,350        |
| Payable for futures variation margin                    | 144,000          |
| Payable to affiliates                                   |                  |
| Accounting and legal services fees                      | 8,468            |
| Trustees' fees  | 724              |
| Other liabilities and accrued expenses                  | 40,705           |
| <b>Total liabilities</b>                                | <b>7,119,601</b> |

**Net assets** **\$267,994,436**

### Net assets consist of

---

|   |               |
|---|---------------|
| Paid-in capital   | \$239,322,057 |
| Accumulated distributions in excess of net investment income  | (492,786)     |
| Accumulated net realized gain (loss) on investments, futures contracts, written options and foreign currency transactions | 12,789,783    |

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Net unrealized appreciation (depreciation) on investments, futures contracts, written options and translation of assets and liabilities in foreign currencies 16,375,382

**Net assets** **\$267,994,436**

### Net asset value per share

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Based on 13,732,375 shares of beneficial interest outstanding — unlimited number of shares authorized with \$0.01 par value \$19.52

See notes to financial statements

**Annual report** | Hedged Equity & Income Fund 25

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## FINANCIAL STATEMENTS

### Statement of operations For the year ended 12-31-13

**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 \$4,705,462

Interest 183,863

Less foreign taxes withheld (66,422)

**Total investment income** **4,822,903**

#### Expenses

---

Investment management fees 2,592,037

Accounting and legal services fees 45,030

Transfer agent fees 20,484

Trustees' fees 42,177

Printing and postage 47,261

Professional fees 118,294

Custodian fees 53,800

Stock exchange listing fees 14,256

Other 23,114

**Total expenses** **2,956,453**



|   |                     |
|---|---------------------|
| <b>Net investment income</b>  | <b>1,866,450</b>    |
| <b>Realized and unrealized gain (loss)</b>  |                     |
| <hr/>   |                     |
| <b>Net realized gain (loss) on</b>  |                     |
| Investments   | 34,842,464          |
| Realized loss on investments not meeting investment restrictions                            | (28,444)            |
| Payment from investment advisor for loss on investments not meeting investment restrictions | 28,444              |
| Futures contracts   | 633,063             |
| Written options   | 391,091             |
| Foreign currency transactions   | (64,291)            |
|   | <b>35,802,327</b>   |
| <b>Change in net unrealized appreciation (depreciation) of</b>                              |                     |
| Investments   | 19,282,593          |
| Futures contracts   | (1,636,682)         |
| Written options   | (9,828,736)         |
| Translation of assets and liabilities in foreign currencies                                 | 150,054             |
|   | <b>7,967,229</b>    |
| <b>Net realized and unrealized gain</b>   | <b>43,769,556</b>   |
| <b>Increase in net assets from operations</b>   | <b>\$45,636,006</b> |

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See notes to financial statements

## FINANCIAL STATEMENTS

## 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 three 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.**

|  | Year<br>ended | Period<br>ended       | Year<br>ended |
|--|---------------|-----------------------|---------------|
|  | 12-31-13      | 12-31-12 <sup>1</sup> | 10-31-12      |
| <b>Increase (decrease) in net assets</b> |               |                       |               |

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**From operations**

|  |             |           |             |
|--|-------------|-----------|-------------|
| Net investment income                                | \$1,866,450 | \$722,268 | \$1,870,855 |
| Net realized gain                                    | 35,802,327  | 686,750   | 1,100,927   |
| Change in net unrealized appreciation (depreciation) | 7,967,229   | 1,690,216 | 23,301,290  |

**Increase in net assets resulting from operations**

|                   |                  |                   |
|-------------------|------------------|-------------------|
| <b>45,636,006</b> | <b>3,099,234</b> | <b>26,273,072</b> |
|-------------------|------------------|-------------------|

**Distributions to shareholders**

|                            |              |             |              |
|----------------------------|--------------|-------------|--------------|
| From net investment income | (2,356,116)  | (728,343)   | (1,850,217)  |
| From net realized gain     | (16,114,441) | —           | —            |
| From tax return of capital | —            | (3,723,566) | (16,575,845) |

**Total distributions**

|                     |                    |                     |
|---------------------|--------------------|---------------------|
| <b>(18,470,557)</b> | <b>(4,451,909)</b> | <b>(18,426,062)</b> |
|---------------------|--------------------|---------------------|

**From fund share transactions**

|             |          |             |              |
|-------------|----------|-------------|--------------|
| Repurchased | (13,545) | (3,098,607) | (10,945,445) |
|-------------|----------|-------------|--------------|

**Total increase (decrease)**

|                   |                    |                    |
|-------------------|--------------------|--------------------|
| <b>27,151,904</b> | <b>(4,451,282)</b> | <b>(3,098,435)</b> |
|-------------------|--------------------|--------------------|

**Net assets**

---

|                     |             |             |             |
|---------------------|-------------|-------------|-------------|
| Beginning of period | 240,842,532 | 245,293,814 | 248,392,249 |
|---------------------|-------------|-------------|-------------|

**End of period**

|                      |                      |                      |
|----------------------|----------------------|----------------------|
| <b>\$267,994,436</b> | <b>\$240,842,532</b> | <b>\$245,293,814</b> |
|----------------------|----------------------|----------------------|

**Accumulated distributions in excess of net investment income**

|                    |          |                |
|--------------------|----------|----------------|
| <b>(\$492,786)</b> | <b>—</b> | <b>(\$615)</b> |
|--------------------|----------|----------------|

**Share activity**

**Shares outstanding**

|                     |            |            |            |
|---------------------|------------|------------|------------|
| Beginning of period | 13,733,169 | 13,934,006 | 14,620,236 |
| Shares repurchased  | (794)      | (200,837)  | (686,230)  |

**End of period**

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| <b>13,732,375</b> | <b>13,733,169</b> | <b>13,934,006</b> |
|-------------------|-------------------|-------------------|

<sup>1</sup> For the two-month period ended 12-31-12. The fund changed its fiscal year end from October 31 to December 31.

See notes to financial statements

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# Financial highlights

The Financial highlights show how the fund's net asset value for a share has changed during the period.

| <b>COMMON SHARES</b> Period ended                      | <b>12-31-13</b> | <b>12-31-12<sup>1</sup></b> | <b>10-31-12</b>   | <b>10-31-11<sup>2</sup></b> |
|--|-----------------|-----------------------------|-------------------|-----------------------------|
| <b>Per share operating performance</b>                 |                 |                             |                   |                             |
| <b>Net asset value, beginning of period</b>            | <b>\$17.54</b>  | <b>\$17.60</b>              | <b>\$16.99</b>    | <b>\$19.10<sup>3</sup></b>  |
| Net investment income <sup>4</sup>                     | 0.14            | 0.05                        | 0.13              | 0.02                        |
| Net realized and unrealized gain (loss) on investments | 3.19            | 0.18                        | 1.68              | (1.73)                      |
| <b>Total from investment operations</b>                | <b>3.33</b>     | <b>0.23</b>                 | <b>1.81</b>       | <b>(1.71)</b>               |
| <b>Less distributions to common shareholders</b>       |                 |                             |                   |                             |
| From net investment income                             | (0.18)          | (0.05)                      | (0.13)            | (0.02)                      |
| From net realized gain                                 | (1.17)          | —                           | —                 | —                           |
| From tax return of capital                             | —               | (0.27)                      | (1.16)            | (0.34)                      |
| <b>Total distributions</b>                             | <b>(1.35)</b>   | <b>(0.32)</b>               | <b>(1.29)</b>     | <b>(0.36)</b>               |
| Anti-dilutive impact of repurchase plan                | 5.6             | 0.03 <sup>6</sup>           | 0.09 <sup>6</sup> | —                           |
| Offering costs related to common shares                | —               | —                           | —                 | (0.04)                      |
| <b>Net asset value, end of period</b>                  | <b>\$19.52</b>  | <b>\$17.54</b>              | <b>\$17.60</b>    | <b>\$16.99</b>              |
| <b>Per share market value, end of period</b>           | <b>\$17.07</b>  | <b>\$15.26</b>              | <b>\$16.14</b>    | <b>\$15.18</b>              |
| <b>Total return at net asset value (%)<sup>7</sup></b> | <b>20.40</b>    | <b>1.71<sup>8</sup></b>     | <b>12.17</b>      | <b>(8.98)<sup>8</sup></b>   |
| <b>Total return at market value (%)<sup>7</sup></b>    | <b>21.02</b>    | <b>(3.51)<sup>8</sup></b>   | <b>15.14</b>      | <b>(22.33)<sup>8</sup></b>  |

## Ratios and supplemental data

|  |                   |                   |       |                   |
|--|-------------------|-------------------|-------|-------------------|
| Net assets applicable to common shares, end of period<br>(in millions) | \$268             | \$241             | \$245 | \$248             |
| Ratios (as a percentage of average net assets):                        |                   |                   |       |                   |
| Expenses   | 1.14              | 0.22 <sup>8</sup> | 1.14  | 1.15 <sup>9</sup> |
| Net investment income  | 0.72              | 0.30 <sup>8</sup> | 0.74  | 0.31 <sup>9</sup> |
| Portfolio turnover (%)   | 142 <sup>10</sup> | 11                | 76    | 38                |

<sup>1</sup> For the two-month period ended 12-31-12. The fund changed its fiscal year end from October 31 to December 31.

<sup>2</sup> Period from 5-26-11 (commencement of operations) to 10-31-11.

<sup>3</sup> Reflects the deduction of a \$0.90 per share sales load.

<sup>4</sup> Based on the average daily shares outstanding.

<sup>5</sup> Less than \$0.005 per share.

<sup>6</sup> The repurchase plan was completed at an average repurchase price of \$17.06, \$15.43 and \$15.95 for 794 shares, 200,837 shares and 686,230 shares for the year ended 12-31-13, two-month period ended 12-31-12 and the year ended 10-31-12, respectively.

<sup>7</sup> 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 distributions from income, capital gains and return of capital, 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.

<sup>8</sup> Not annualized.

<sup>9</sup> Annualized.

<sup>10</sup> Increase in portfolio turnover rate resulted from repositioning of the portfolio in accordance with investment policy changes approved by the Board of Trustees during the year ended December 31, 2013.

## Notes to financial statements

### Note 1 — Organization

John Hancock Hedged Equity & Income Fund (the fund) is a closed-end management investment company organized as a Massachusetts business trust and registered under the Investment Company Act of 1940, as amended (the 1940 Act).

### 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 as of the date of the financial statements. Actual results could differ from those estimates and those differences could be significant. 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 (ET). 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 exchange where the security was acquired or most likely will be sold. In the event there were no sales during the day or closing prices are not available, the securities are valued using the last available bid price. Debt obligations are valued based on the evaluated prices provided by an independent pricing vendor or from broker-dealers. Independent pricing vendors utilize matrix pricing which takes 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, as well as broker supplied prices. Options listed on an exchange are valued at the mean of the most recent bid and ask prices from the exchange where the option was acquired or most likely will be sold. Unlisted options are valued using evaluated prices obtained from an independent pricing vendor. Futures contracts are valued at settlement prices which are the official closing prices published by the exchange on which they trade. Foreign securities and currencies, including forward foreign currency contracts, are valued in U.S. dollars, based on foreign currency exchange rates supplied by an independent pricing vendor. Securities that trade only in the over-the-counter (OTC) market are valued using bid prices. Certain short-term securities with maturities of 60 days or less at the time of purchase are valued at amortized cost.

Other portfolio securities and assets, for which reliable 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. The frequency with which these fair valuation procedures are used cannot be predicted and fair value of securities may differ significantly from the value that would have been used had a ready market for such securities existed. Trading in foreign securities may be completed before the daily close of trading on the NYSE. Significant events at the issuer or market level may affect the values of securities between the time when the valuation of the securities is generally determined and the close of the NYSE. If a significant event occurs, these securities may be fair valued, as determined in good faith by the fund's Pricing Committee, following procedures established by the Board of Trustees. The fund uses fair value adjustment factors provided by an

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independent pricing vendor to value certain foreign securities in order to adjust for events that may occur between the close of foreign exchanges or markets and the close of the NYSE.

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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 other 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 or trends, 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. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

The following is a summary of the values by input classification of the fund's investments as of December 31, 2013, by major security category or type:

|                             | TOTAL MARKET<br>VALUE AT 12-31-13 | LEVEL 1<br>QUOTED PRICE | LEVEL 2<br>SIGNIFICANT<br>OBSERVABLE INPUTS | LEVEL 3<br>SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS |
|-----------------------------|-----------------------------------|-------------------------|---|--|
| <b>Common Stocks</b>        |                                   |                         |   |  |
| Consumer Discretionary      | \$18,927,034                      | \$7,065,359             | \$11,391,438                                | \$470,237  |
| Consumer Staples            | 14,001,479                        | 8,527,268               | 5,474,211                                   | —  |
| Energy                      | 24,377,200                        | 15,907,406              | 8,469,794                                   | —  |
| Financials                  | 56,178,362                        | 30,654,617              | 25,523,745                                  | —  |
| Health Care                 | 26,729,947                        | 12,424,398              | 14,305,549                                  | —  |
| Industrials                 | 27,519,377                        | 11,519,648              | 15,999,729                                  | —  |
| Information Technology      | 31,656,142                        | 23,247,753              | 8,303,671                                   | 104,718  |
| Materials                   | 18,486,908                        | 11,079,899              | 7,407,009                                   | —  |
| Telecommunication           |                                   |                         |   |  |
| Services                    | 9,336,998                         | 2,573,118               | 6,763,880                                   | —  |
| Utilities                   | 7,961,011                         | 4,770,569               | 3,190,442                                   | —  |
| <b>Preferred Securities</b> | <b>168,846</b>                    | —                       | —   | 168,846  |
| <b>Corporate Bonds</b>      |                                   |                         |   |  |
| Consumer Discretionary      | 4,769,430                         | —                       | 4,769,430                                   | —  |
| Consumer Staples            | 324,750                           | —                       | 324,750                                     | —  |
| Energy                      | 2,065,126                         | —                       | 2,065,126                                   | —  |
| Financials                  | 4,187,896                         | —                       | 4,187,896                                   | —  |
| Health Care                 | 2,145,085                         | —                       | 2,145,085                                   | —  |
| Industrials                 | 1,611,362                         | —                       | 1,611,362                                   | —  |

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|                          |                  |   |           |   |
|--------------------------|------------------|---|-----------|---|
| Information Technology   | <b>1,715,203</b> | — | 1,715,203 | — |
| Materials                | <b>2,008,490</b> | — | 2,008,490 | — |
| Telecommunication        |                  |   |           |   |
| Services                 | <b>3,761,541</b> | — | 3,761,541 | — |
| Utilities                | <b>957,597</b>   | — | 957,597   | — |
| <b>Capital Preferred</b> |                  |   |           |   |
| <b>Securities</b>        | <b>140,528</b>   | — | 140,528   | — |
| <b>Convertible Bonds</b> |                  |   |           |   |
| Consumer Discretionary   | <b>44,300</b>    | — | 44,300    | — |
| Information Technology   | <b>54,969</b>    | — | 54,969    | — |

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|                               | TOTAL MARKET<br>VALUE AT 12-31-13 | LEVEL 1<br>QUOTED PRICE | LEVEL 2<br>SIGNIFICANT<br>OBSERVABLE INPUTS | LEVEL 3<br>SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS |
|-------------------------------|-----------------------------------|-------------------------|---|--|
| <b>Term Loans</b>             |                                   |                         |   |  |
| Consumer Discretionary        | <b>\$398,773</b>                  | —                       | \$398,773                                   | —  |
| Energy                        | <b>147,788</b>                    | —                       | 147,788                                     | —  |
| Financials                    | <b>196,125</b>                    | —                       | 196,125                                     | —  |
| Industrials                   | <b>385,402</b>                    | —                       | 385,402                                     | —  |
| Utilities                     | <b>206,100</b>                    | —                       | 206,100                                     | —  |
| <b>Warrants</b>               | <b>9,125</b>                      | —                       | 9,125                                       | —  |
| <b>Short-Term Investments</b> | <b>6,500,000</b>                  | —                       | 6,500,000                                   | —  |
| <b>Total Investments in</b>   |                                   |                         |   |  |
| <b>Securities</b>             | <b>\$266,972,894</b>              | <b>\$127,770,035</b>    | <b>\$138,459,058</b>                        | <b>\$743,801</b>                                 |
| <b>Other Financial</b>        |                                   |                         |   |  |
| <b>Instruments:</b>           |                                   |                         |   |  |
| Futures                       | <b>(\$1,636,682)</b>              | <b>(\$1,636,682)</b>    | —   | —  |
| Forward Foreign Currency      |                                   |                         |   |  |
| Contracts                     | <b>\$146,397</b>                  | —                       | \$146,397                                   | —  |
| Written Options               | <b>(\$1,426,350)</b>              | (\$1,426,350)           | —   | —  |

**Repurchase agreements.** The fund may enter into repurchase agreements. When the fund enters into a repurchase agreement, it receives collateral that is held in a segregated account by the fund's custodian. The collateral amount is marked-to-market and monitored on a daily basis to ensure that the collateral held is in an amount not less than the principal amount of the repurchase agreement plus any accrued interest. Collateral for certain tri-party repurchase agreements is held at a third-party custodian bank in a segregated account for the

benefit of the fund.

Repurchase agreements are typically governed by the terms and conditions of the Master Repurchase Agreement and/or Global Master Repurchase Agreement (collectively, MRA). Upon an event of default, the non-defaulting party may close out all transactions traded under the MRA and net amounts owed. Absent an event of default, the MRA does not result in an offset of the reported amounts of assets and liabilities in the Statement of assets and liabilities. In the event of a default by the counterparty, realization of the collateral proceeds could be delayed, during which time the collateral value may decline or the counterparty may have insufficient assets to pay back claims resulting from close-out of the transactions. Collateral received by the fund for repurchase agreements is disclosed in the Fund's investments as part of the caption related to the repurchase agreement.

**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, net of withholding taxes, is recorded when the fund becomes aware of the dividends. Foreign taxes are provided for based on the fund's understanding of the tax rules and rates that exist in the foreign markets in which it invests. Gains and losses on securities sold are determined on the basis of identified cost and may include proceeds from litigation.

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**Foreign currency translation.** Assets, including investments and liabilities denominated in foreign currencies, are translated into U.S. dollar values each day at the prevailing exchange rate. Purchases and sales of securities, income and expenses are translated into U.S. dollars at the prevailing exchange rate on the date of the transaction. The effect of changes in foreign currency exchange rates on the value of securities is reflected as a component of the realized and unrealized gains (losses) on investments.

Funds that invest internationally generally carry more risk than funds that invest strictly in U.S. securities. These risks are heightened for investments in emerging markets. Risks can result from differences in economic and political conditions, regulations, market practices (including higher transaction costs), accounting standards and other factors. Foreign investments are also subject to a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency.

**Foreign taxes.** The fund may be subject to withholding tax on income and/or capital gains or repatriation taxes imposed by certain countries in which the fund invests. Taxes are accrued based upon investment income, realized gains or unrealized appreciation.

**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 may have a lien, security interest or security entitlement in any fund property that is not otherwise segregated or pledged, to the maximum extent permitted by law, to the extent of any overdraft.

**Expenses.** Within the John Hancock funds complex, expenses that are directly attributable to an individual fund are allocated to such 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.

**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

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taxable income that is distributed to shareholders. Therefore, no federal income tax provision is required.

As of December 31, 2013, 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.

**Managed distribution plan.** In September 2013, the Board of Trustees amended the managed distribution plan (the Distribution Plan), increasing the quarterly distribution amount from \$0.323 to \$0.376 per share, effective with the December 31, 2013 distribution. Under the current Distribution Plan, the fund makes quarterly distributions of an amount equal to \$0.376 per share based upon an annualized distribution rate of 8.00% of the fund's net asset value of \$18.80 on August 31, 2013. This amount will be paid quarterly until further notice. Prior to the December 31, 2013 distribution, the fund made quarterly distributions of an amount equal to \$0.323 per share, based upon an annualized distribution rate of 7.25% of the fund's net asset value of \$17.82 on July 31, 2012.

Distributions under the Distribution Plan may consist of net investment income, net realized capital gains and, to the extent necessary, return of capital. Return of capital distributions may be necessary when the fund's net investment income and net capital gains are insufficient to meet the minimum

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percentage dividend. In addition, the fund may also make additional distributions for purposes of not incurring federal income and excise taxes.

The Board of Trustees may terminate or reduce the amount paid under the Distribution Plan at any time. The termination or reduction may have an adverse effect on the market price of the fund's shares.

**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 declares and pays distributions quarterly pursuant to its Distribution Plan described above. The tax character of distributions for the year ended December 31, 2013, the two-month period ended December 31, 2012 and the year ended October 31, 2012 was as follows:

|                         | DECEMBER 31, 2013   | DECEMBER 31, 2012  | OCTOBER 31, 2012    |
|-------------------------|---------------------|--------------------|---------------------|
| Ordinary Income         | \$4,605,482         | \$728,343          | \$1,850,217         |
| Long-term Capital Gains | \$13,865,075        | —                  | —                   |
| Tax Return of Capital   | —                   | \$3,723,566        | \$16,575,845        |
| <b>Total</b>            | <b>\$18,470,557</b> | <b>\$4,451,909</b> | <b>\$18,426,062</b> |

As of December 31, 2013, the components of distributable earnings on a tax basis consisted of \$10,278,254 of undistributed long-term capital gain.

Such distributions and distributable earnings, 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. Material distributions in excess of tax basis earnings and profits, if any, are reported in the fund's financial statements as a return of capital.

Capital accounts within the 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 foreign currency transactions, passive foreign investment companies, wash sale loss deferrals and derivative transactions.

### Note 3 — Derivative instruments



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The fund may invest in derivatives in order to meet its investment objectives. Derivatives include a variety of different instruments that may be traded in the over-the-counter market, on a regulated exchange or through a clearing facility. The risks in using derivatives vary depending upon the structure of the instruments, including the use of leverage, optionality, the liquidity or lack of liquidity of the contract, the creditworthiness of the counterparty or clearing organization and the volatility of the position. Some derivatives involve risks that are potentially greater than the risks associated with investing directly in the referenced securities or other referenced underlying instrument. Specifically, the fund is exposed to the risk that the counterparty to an 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.

Forward foreign currency contracts are typically traded through the OTC market. Non-deliverable forwards are regulated by the Commodity Futures Trading Commission (the CFTC) as swaps. Derivative counterparty risk is managed through an ongoing evaluation of the creditworthiness of all potential counterparties and, if applicable, designated clearing organizations. The fund attempts to reduce its exposure to counterparty risk for derivatives traded in the OTC market, whenever possible, by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement with each of its OTC counterparties. The ISDA gives each party to the agreement the right to terminate all transactions traded under the agreement if there is certain deterioration in

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the credit quality or contractual default of the other party, as defined in the ISDA. Upon an event of default or a termination of the ISDA, the non-defaulting party has the right to close out all transactions and to net amounts owed.

Futures and certain options are traded or cleared on an exchange or central clearinghouse. Exchange-traded or cleared transactions generally present less counterparty risk to the fund than OTC transactions. The exchange or clearinghouse stands between the fund and the broker to the contract and therefore, credit risk is generally limited to the failure of the exchange or clearinghouse and the clearing member. Securities pledged by the fund for exchange-traded and cleared transactions, if any, are identified in the Fund's investments.

**Futures.** A futures contract is a contractual agreement to buy or sell a particular 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 the underlying financial instrument and potential losses in excess of the amounts recognized on the Statement of assets and liabilities. Use of long futures contracts subjects the fund to the risk of loss up to the notional value of the futures contracts. Use of short futures contracts subjects the fund to unlimited risk of loss.

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 margin receivable/payable is included on the Statement of assets and liabilities. Futures contracts are marked-to-market daily and an appropriate payable or receivable for the change in value (variation margin) and unrealized gain or loss is recorded by the fund. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

During the year ended December 31, 2013, the fund used futures contracts to manage against anticipated changes in securities markets. During the year ended December 31, 2013, the fund held futures contracts with notional values ranging up to \$41.4 million as measured at each quarter end. The following table summarizes the contracts held at December 31, 2013.

| OPEN      | NUMBER OF |          |                 |                |                | UNREALIZED     |
|-----------|-----------|----------|-----------------|----------------|----------------|----------------|
| CONTRACTS | CONTRACTS | POSITION | EXPIRATION DATE | NOTIONAL BASIS | NOTIONAL VALUE | APPRECIATION   |
|           |           |          |                 |                |                | (DEPRECIATION) |

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|                |     |       |          |                |                |                      |
|----------------|-----|-------|----------|----------------|----------------|----------------------|
| S&P 500 Index  | 450 | Short | Mar 2014 | (\$39,788,068) | (\$41,424,750) | (\$1,636,682)        |
| E-Mini Futures |     |       |          |                |                | <b>(\$1,636,682)</b> |

**Forward foreign currency contracts.** A forward foreign currency contract is an agreement between two parties to buy and sell specific currencies at a price that is set on the date of the contract. The forward contract calls for delivery of the currencies on a future date that is specified in the contract. Risks related to the use of forwards include the possible failure of counterparties to meet the terms of the forward agreement, the failure of the counterparties to timely post collateral if applicable, the risk that currency movements will not favor the fund thereby reducing the fund's total return, and the potential for losses in excess of the amounts recognized on the Statement of assets and liabilities.

The market value of a forward foreign currency contract fluctuates with changes in foreign currency exchange rates. Forward foreign currency contracts are marked-to-market daily and the change in value is recorded by the fund as an unrealized gain or loss. Realized gains or losses,

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equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed, are recorded upon delivery or receipt of the currency or settlement with the counterparty.

During the year ended December 31, 2013, the fund used forward foreign currency contracts to manage against anticipated currency exchange rate changes. During the year ended December 31, 2013, the fund held forward foreign currency contracts with U.S. dollar notional values ranging up to \$8.0 million, as measured at each quarter end. The following table summarizes the contracts held at December 31, 2013.

|     | CONTRACT |               | CONTRACT COUNTERPARTY               | CONTRACTUAL     |                         |                         | NET UNREALIZED APPRECIATION/ (DEPRECIATION) |
|-----|----------|---------------|-------------------------------------|-----------------|-------------------------|-------------------------|---|
|     | TO BUY   | TO SELL       |                                     | SETTLEMENT DATE | UNREALIZED APPRECIATION | UNREALIZED DEPRECIATION |   |
| CAD | 175,000  | USD 164,350   | Royal Bank of Canada                | 1-22-2014       | \$317                   | —                       | \$317                                       |
| EUR | 762,000  | USD 1,046,421 | Credit Suisse International         | 1-22-2014       | 1,848                   | —                       | 1,848                                       |
| EUR | 40,000   | USD 55,119    | UBS AG                              | 1-22-2014       | —                       | (\$92)                  | (92)  |
| EUR | 50,000   | USD 68,776    | Goldman Sachs International         | 3-19-2014       | 6                       | —                       | 6   |
| EUR | 32,700   | USD 45,015    | State Street Bank and Trust Company | 3-19-2014       | —                       | (32)                    | (32)  |
| GBP | 580,000  | USD 950,921   | Credit Suisse International         | 1-22-2014       | 9,406                   | —                       | 9,406                                       |
| USD | 344,389  | CAD 366,000   | State Street Bank and Trust Company | 3-19-2014       | 472                     | —                       | 472   |

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|     |           |     |            |  |           |                  |                  |                  |
|-----|-----------|-----|------------|--|-----------|------------------|------------------|------------------|
| USD | 158,674   | EUR | 116,000    | Credit Suisse International              | 1-22-2014 | —                | (905)            | (905)            |
| USD | 138,959   | EUR | 101,000    | JPMorgan Chase Bank N.A.                 | 1-22-2014 | 16               | —                | 16               |
| USD | 590,224   | EUR | 428,000    | National Australia Bank Limited          | 1-22-2014 | 1,433            | —                | 1,433            |
| USD | 149,964   | EUR | 109,000    | UBS AG                                   | 1-22-2014 | 15               | —                | 15               |
| USD | 1,978,607 | EUR | 1,436,000  | Morgan Stanley and Co. International PLC | 3-19-2014 | 3,197            | —                | 3,197            |
| USD | 24,841    | GBP | 15,000     | UBS AG                                   | 1-22-2014 | 5                | —                | 5                |
| USD | 527,234   | JPY | 51,943,000 | BNP Paribas SA                           | 1-10-2014 | 33,988           | —                | 33,988           |
| USD | 31,255    | JPY | 3,125,000  | HSBC Bank USA                            | 1-10-2014 | 1,580            | —                | 1,580            |
| USD | 736,464   | JPY | 72,542,000 | BNP Paribas SA                           | 2-14-2014 | 47,489           | —                | 47,489           |
| USD | 40,194    | JPY | 4,018,000  | HSBC Bank USA                            | 2-14-2014 | 2,032            | —                | 2,032            |
| USD | 711,524   | JPY | 70,739,000 | Bank of America N.A.                     | 3-17-2014 | 39,559           | —                | 39,559           |
| USD | 40,201    | JPY | 4,018,000  | HSBC Bank USA                            | 3-17-2014 | 2,033            | —                | 2,033            |
| USD | 199,260   | JPY | 20,552,000 | BNP Paribas SA                           | 3-19-2014 | 4,030            | —                | 4,030            |
|     |           |     |            |  |           | <b>\$147,426</b> | <b>(\$1,029)</b> | <b>\$146,397</b> |

**Currency Abbreviation**

|     |                 |
|-----|-----------------|
| CAD | Canadian Dollar |
| EUR | Euro            |
| GBP | Pound Sterling  |
| JPY | Japanese Yen    |
| USD | U.S. Dollar     |

**Options.** There are two types of options, put options and call options. Options are traded either over-the-counter or on an exchange. A call option gives the purchaser of the option the right to buy (and the seller the obligation to sell) the underlying instrument at the exercise price. A put option gives the purchaser of the option the right to sell (and the writer the obligation to buy) the underlying instrument at the exercise price. Writing puts and buying calls may increase the fund's exposure to changes in the value of the underlying instrument. Buying puts and writing calls may decrease the fund's exposure to such changes. Risks related to the use of options include the loss of premiums, possible illiquidity of the options markets, trading restrictions imposed by an exchange and movements in underlying security values, and for written options, potential losses in excess of the amounts recognized on the Statement of assets and liabilities. In addition, over-the-counter options are subject to the risks of all over-the-counter derivatives contracts.

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When the fund purchases an option, the premium paid by the fund is included in the portfolio of investments and subsequently "marked-to-market" to reflect current market value. If the purchased option expires, the fund realizes a loss equal to the cost of the option. If the fund exercises a call option, the cost of the securities acquired by exercising the call is increased by the premium paid to buy the call. If the fund exercises a put option, it realizes a gain or loss from the sale of the underlying security and the proceeds from such sale are decreased by the premium paid. If the fund enters into a closing sale transaction, the fund realizes a gain or loss, depending on whether proceeds from the closing sale are greater or less than the original cost. When the fund writes an option, the premium received is included as a liability and subsequently "marked-to-market" to reflect the current market value of the option written. Premiums received from writing options that expire unexercised are recorded as realized gains. Premiums received from writing options which are exercised or are closed are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option on a security is exercised, the premium received reduces the cost basis of the securities purchased by the fund.

During the year ended December 31, 2013, the fund used purchased options to hedge against changes in securities markets. During the year ended December 31, 2013, the fund held purchased options with market values ranging up to \$11.3 million, as measured at each quarter end. As of December 31, 2013, the fund did not hold purchased options.

During the year ended December 31, 2013, the fund wrote option contracts to manage against anticipated changes in securities markets and generate income. The following table summarizes the fund's written options activities during the year ended December 31, 2013.

|                                   | NUMBER OF<br>CONTRACTS | PREMIUMS<br>RECEIVED<br>(PAID) |
|-----------------------------------|------------------------|--------------------------------|
| Outstanding, beginning of period  | 1,900                  | \$11,204,253                   |
| Options written                   | 12,920                 | 20,424,892                     |
| Option closed                     | (14,450)               | (31,183,278)                   |
| Options exercised                 | —                      | —                              |
| Options expired                   | —                      | —                              |
| <b>Outstanding, end of period</b> | <b>370</b>             | <b>\$445,867</b>               |

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The following table summarizes the contracts held at December 31, 2013.

| NAME OF ISSUER   | EXERCISE<br>PRICE | EXPIRATION<br>DATE | NUMBER OF<br>CONTRACTS | PREMIUM          | VALUE                |
|--|-------------------|--------------------|------------------------|------------------|----------------------|
| <b>CALLS</b>   |                   |                    |                        |                  |                      |
| S&P 500 Index  | \$1,820           | Jan 2014           | 370                    | \$445,867        | (\$1,426,350)        |
| <b>Total</b>   |                   |                    | <b>370</b>             | <b>\$445,867</b> | <b>(\$1,426,350)</b> |
| <b>Fair value of derivative instruments by risk category</b> |                   |                    |                        |                  |                      |

The table below summarizes the fair value of derivatives held by the fund at December 31, 2013 by risk category:

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| RISK                       | STATEMENT OF ASSETS AND  | FINANCIAL                          | ASSET            | LIABILITY            |
|----------------------------|--|------------------------------------|------------------|----------------------|
|                            | LIABILITIES LOCATION   | INSTRUMENTS                        | DERIVATIVES      | DERIVATIVES          |
|                            |  | LOCATION                           | FAIR VALUE       | FAIR VALUE           |
| Equity contracts           | Receivable/payable for futures                                     | Futures <sup>†</sup>               | —                | (\$1,636,682)        |
| Equity contracts           | Written options, at value  | Written options                    | —                | (1,426,350)          |
| Foreign exchange contracts | Receivable/payable for forward foreign currency exchange contracts | Forward foreign currency contracts | \$147,426        | (1,029)              |
| <b>Total</b>               |  |                                    | <b>\$147,426</b> | <b>(\$3,064,061)</b> |

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

For financial reporting purposes, the fund does not offset OTC derivative assets or liabilities that are subject to master netting arrangements, as defined by the ISDAs, in the Statement of assets and liabilities. In the event of default by the counterparty or a termination of the agreement, the ISDA allows an offset of amounts across the various transactions between the fund and the applicable counterparty.

**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 year ended December 31, 2013:

| RISK                       | STATEMENT OF             | INVESTMENTS         | FOREIGN          |                  |                   | TOTAL               |
|----------------------------|--------------------------|---------------------|------------------|------------------|-------------------|---------------------|
|                            | OPERATIONS               | (PURCHASED          | WRITTEN          | FUTURES          | CURRENCY          |                     |
|                            | LOCATION                 | OPTIONS)            | OPTIONS          | CONTRACTS        | TRANSACTIONS*     |                     |
| Equity contracts           | Net realized gain (loss) | (\$26,993,859)      | \$391,091        | \$633,063        | —                 | (\$25,969,705)      |
| Foreign exchange contracts | Net realized gain (loss) | —                   | —                | —                | (\$65,091)        | (65,091)            |
| <b>Total</b>               |                          | <b>(26,993,859)</b> | <b>\$391,091</b> | <b>\$633,063</b> | <b>(\$65,091)</b> | <b>(26,034,796)</b> |

\* Realized gain/loss associated with forward foreign currency contracts is included in this caption on the Statement of operations.

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 year ended December 31, 2013:

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| RISK                             | STATEMENT OF<br>OPERATIONS<br>LOCATION                    | TRANSLATION<br>OF ASSETS<br>AND LIABILITIES<br>IN FOREIGN<br>CURRENCIES* |                      |                      |                  | TOTAL            |
|----------------------------------|---|--|----------------------|----------------------|------------------|------------------|
|                                  |   | INVESTMENTS<br>(PURCHASED<br>OPTIONS)                                    | FUTURES<br>CONTRACTS | WRITTEN<br>OPTIONS   |                  |                  |
| Equity<br>contracts              | Change in<br>unrealized<br>appreciation<br>(depreciation) | \$11,947,247   | (\$1,636,682)        | (9,828,736)          | —                | \$481,829        |
| Foreign<br>exchange<br>contracts | Change in<br>unrealized<br>appreciation<br>(depreciation) | —  | —                    | —                    | \$146,397        | \$146,397        |
| <b>Total</b>                     |   | <b>\$11,947,247</b>  | <b>(\$1,636,682)</b> | <b>(\$9,828,736)</b> | <b>\$146,397</b> | <b>\$628,226</b> |

\* Change in unrealized appreciation/depreciation associated with forward foreign currency contracts is included in this caption on the Statement of operations.

**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 Advisor) serves as investment advisor for the fund. The Advisor is an indirect, wholly owned subsidiary of Manulife Financial Corporation.

**Management fee.** The fund has an investment management agreement with the Advisor under which the fund pays a daily management fee to the Advisor equivalent, on an annual basis, to 1.00% of the fund's average daily gross assets. The Advisor has a subadvisory agreement with Wellington Management Company, LLP. The fund is not responsible for payment of the subadvisory fees.

**Accounting and legal services.** Pursuant to a service agreement, the fund reimburses the Advisor 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 accounting and legal services fees incurred for the year ended December 31, 2013 amounted to an annual rate of 0.02% of the fund's average daily net assets.

**Trustee expenses.** The fund compensates each Trustee who is not an employee of the Advisor or its affiliates. The costs of paying Trustee compensation and expenses are allocated to each fund based on its net assets relative to other funds within the John Hancock funds complex.

## **Note 6 — Fund share transactions**

On December 6, 2011, the Board of Trustees approved a share repurchase plan, pursuant to which the fund was authorized to purchase, in the open market, up to 10% of its outstanding common shares between January 1, 2012 and December 31, 2012 (based on common shares outstanding as of December 31, 2011). The fund's share repurchase plan was renewed on December 12, 2012, pursuant to which the fund was authorized to purchase in the open market, up to 10% of its outstanding common shares between January 1, 2013 and December 31, 2013 (based on common shares outstanding as of December 31, 2012). During the year ended December 31, 2013, the two-month period ended December 31, 2012 and the year ended October 31, 2012, the fund repurchased 0.01%, 1.37% and 4.69%, respectively, of shares outstanding. The weighted average discount per share on these repurchases amounted to 11.09%, 12.25% and 10.66% for the year ended December 31, 2013, the two-month period ended December 31, 2012 and the year ended October 31, 2012, respectively. Shares repurchased and corresponding dollar amounts are included in the Statement of changes in net assets. The anti-dilutive impact of these share repurchases is included on the Financial highlights. On December 18, 2013, the Board renewed the share repurchase plan. As renewed, the fund may purchase in the open market, between January 1, 2014 and December 31, 2014, up to an additional 10% of its outstanding common shares (based on common shares outstanding as of December 31, 2013).

## **Note 7 — Purchase and sale of securities**

Purchases and sales of securities, other than short-term securities, amounted to \$352,617,201 and \$390,358,795, respectively, for the year ended December 31, 2013.

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## Auditor's report

### **Report of Independent Registered Public Accounting Firm**

#### **To the Board of Trustees and Shareholders of John Hancock Hedged Equity & Income Fund:**

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of John Hancock Hedged Equity & Income Fund (the "Fund") at December 31, 2013, and the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the custodian and brokers and the application of alternative auditing procedures where securities purchased confirmations had not been received, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Boston, Massachusetts  
February 25, 2014

## Tax information

### Unaudited

For federal income tax purposes, the following information is furnished with respect to the distributions of the fund, if any, paid during its taxable year ended December 31, 2013.

The fund reports the maximum amount allowable of its net taxable income as eligible for the corporate dividends-received deduction.

The fund reports the maximum amount allowable of its net taxable income as qualified dividend income as provided in the Jobs and Growth Tax Relief Reconciliation Act of 2003.

The fund paid \$13,865,075 in capital gain dividends.

Eligible shareholders will be mailed a 2013 Form 1099-DIV in early 2014. This will reflect the tax character of all distributions paid in calendar year 2013.

**Please consult a tax advisor regarding the tax consequences of your investment in the fund.**

## Additional information

### Unaudited

#### Investment objective and policy

The fund is a diversified, closed-end management investment company, common shares of which were initially offered to the public on May 26, 2011 and are publicly traded on the NYSE. The fund's investment objective is to provide total return with a focus on current income and gains and also consisting of long-term capital appreciation. The fund uses an equity strategy (the "equity strategy") and an actively managed option strategy (the "option overlay strategy") to pursue its investment objective.

#### Investment Policy Changes

On September 27, 2013, the Board of Trustees of the fund approved the following investment policy changes:

- i. Investment policy stating that the fund may invest up to 30% of its total assets in the securities of foreign issuers and foreign-currency securities was revised to provide that the fund may invest in foreign issuers and foreign-currency securities without any limitation. These securities include securities of issuers located in emerging markets and foreign currency forward contracts, the entirety of which may be invested in companies that conduct their principal business activities in emerging markets or whose securities are traded principally on exchanges in emerging markets.
- ii. Investment strategy regarding the fund's use of put option spread transactions was eliminated and replaced with the use of a hedging strategy through increased utilization of futures.



iii. Investment strategy regarding the utilization of call writing was amended to provide that the fund typically will limit the notional exposure of the index call options from 0% to 50% of the value of the fund's portfolio securities; under the prior investment policy, the fund's use of index call options typically ranged from 40% to 60% of the value of the portfolio securities, with the ability to write up to 100% of the value of the portfolio.

In addition, the fund's benchmark was changed from the Russell 3000 Index to the MSCI All Country World Index in order to reflect the increased flexibility to invest in foreign securities.

On December 18, 2013, the Board of Trustees of the fund approved changes to the fund's investment policies regarding the minimum percentage of the fund's assets that must be invested in equity and equity-related securities and the maximum percentage of the fund's assets that may be invested in fixed-income securities. The revised investment policies provide that the fund's investments in equity and equity-related securities and fixed-income securities will be measured based on the fund's "net assets plus borrowings for investment purposes," rather than its "total assets." In addition, the fund's investment policy with respect to the maximum percentage of the fund's assets that may be invested in fixed-income securities will no longer include "cash and cash equivalents". These investment policy changes are summarized below:

i. Investment policy stating that the "Under normal market conditions, the fund invests at the time of purchase at least 80% of its total assets in equity and equity-related securities, including common stock, preferred stock, depositary receipts (including American Depositary Receipts ("ADRs") and Global Depositary Receipts), index-related securities (including exchange traded funds ("ETFs")), options on equity securities and equity indexes, real estate investment structures (including real estate investment trusts ("REITs")), convertible securities, private placements, convertible preferred stock, rights, warrants, derivatives linked to equity securities or indexes and other similar equity equivalents." was amended to state that: "Under normal circumstances, the fund invests at the time of purchase

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at least 80% of its net assets (plus borrowings for investment purposes) in equity and equity-related securities, including common stock, preferred stock, depositary receipts (including American Depositary Receipts ("ADRs") and Global Depositary Receipts), index-related securities (including exchange traded funds ("ETFs")), options on equity securities and equity indexes, real estate investment structures (including real estate investment trusts ("REITs")), convertible securities, private placements, convertible preferred stock, rights, warrants, derivatives linked to equity securities or indexes and other similar equity equivalents."

ii. Investment policy stating that "The fund may also invest up to 20% of its total assets in fixed-income securities, fixed-income related instruments, and cash and cash equivalents. These fixed-income securities may include non-investment grade ("high yield" or "junk bond") instruments." was replaced with the following investment policy: "The fund may also invest up to 20% of its net assets (plus borrowings for investment purposes) in fixed-income securities and fixed-income related instruments. These fixed-income securities may include non-investment grade ("high yield" or "junk bond") instruments."

#### Risks Related to Investment Policy Changes

**Foreign securities risk.** The fund may invest in the securities of foreign issuers and foreign currency securities, including foreign currency forward contracts, the entirety of which may be invested in companies that conduct their principal business activities in emerging markets or whose securities are traded principally on exchanges in emerging markets. Funds that invest in securities of companies located in foreign countries or in securities traded principally in securities markets outside the United States are subject to additional and more varied risks, as the value of foreign securities may change more rapidly and extremely than the value of U.S. securities. The securities markets of many foreign countries are relatively small, with a limited number of companies representing a small number of industries. Additionally, issuers of foreign securities may not be subject to the same degree of regulation as U.S. issuers. There are generally higher commission rates on foreign portfolio transactions, transfer taxes, higher custodial costs and the possibility that foreign taxes will be charged on dividends and interest payable on foreign securities. Reporting, accounting, and auditing standards of foreign countries differ, in some cases significantly, from U.S. standards. Also, for lesser developed countries,

nationalization, expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations (which may include suspension of the ability to transfer currency from a country), political changes or diplomatic developments could adversely affect the fund's investments.

**Emerging markets.** The fund may invest in securities of issuers located in emerging markets. The risks of foreign investments described above apply to an even greater extent to investments in emerging markets. The securities markets of emerging market countries are generally smaller, less developed, less liquid and more volatile than the securities markets of the United States and developed foreign markets. These risks include: high currency exchange-rate fluctuations; increased risk of default (including both government and private issuers); greater social, economic, and political uncertainty and instability (including the risk of war); more substantial governmental involvement in the economy; less governmental supervision and regulation of the securities markets and participants in those markets; controls on foreign investment and limitations on repatriation of invested capital and on a fund's ability to exchange local currencies for U.S. dollars; unavailability of currency hedging techniques in certain emerging-market countries; the fact that companies in emerging-market countries may be newly organized, smaller, and less seasoned; the difference in, or lack of, auditing and financial reporting standards, which may result in the unavailability of material information about issuers; different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions; difficulties in obtaining and/or enforcing legal judgments in foreign jurisdictions; and significantly smaller market capitalizations of emerging-market issuers.

**Futures risk.** The fund may engage in transactions in futures contracts and options on futures contracts. Futures are standardized, exchange-traded contracts that obligate a purchaser to take delivery, and a seller to make delivery, of a specific amount of an asset at a specified future date at a specified price. If an offsetting purchase price is less than the original sale price, the fund realizes a gain, or if it is more, the fund realizes a loss. The primary risks associated with the use of futures contracts and options are imperfect correlation, liquidity, unanticipated market movement and counterparty risk.

**High yield debt securities risk.** An investment in below investment grade securities involves substantial risk of loss. Below investment grade (high yield) debt securities or comparable unrated securities are commonly referred to as "junk bonds" or "high yield securities" and are considered predominantly speculative with respect to the issuer's ability to pay interest and principal and are susceptible to default or decline in market value due to adverse economic and business developments. The market values for high yield securities tend to be very volatile, and these securities are less liquid than investment grade debt securities.

**Options risk.** The use of options involves the exercise of skill and judgment, therefore its success is dependent upon the investment skills and analytical abilities of the subadviser implementing the strategy. When the fund writes a call option, the fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. There are several risks associated with transactions in options such as imperfect correlation, counterparty risk and an insufficient liquid secondary market for particular options. The value of options written by the fund will be affected by many factors, including changes in the value of underlying securities or indices, changes in the dividend rates of underlying securities (or in the case of indices, the securities comprising such indices), changes in interest rates, changes in the actual or perceived volatility of the stock market and underlying securities, and the remaining time to an option's expiration.

### **Amended and Restated By-laws**

Effective September 27, 2013, the Board of Trustees of the fund amended and restated in its entirety the By-laws of the fund (the "Amended and Restated By-laws"). The Amended and Restated By-laws include, among other changes, provisions that: (i) require a shareholder to give written advance notice and other information to the fund of the shareholder's nominees for Trustees and proposals for other business to be considered at shareholders' meetings; (ii) require any such notice by a shareholder to be accompanied by certain information as provided in the By-laws; (iii) prohibit shareholders from nominating Trustees or proposing other business at a special meeting

of shareholders or, except in limited circumstances set forth in the By-laws and Declaration of Trust, from acting by written consent or requiring that the fund call a special meeting of shareholders; and (iv) reserve to the Trustees the exclusive power to adopt, alter, amend or repeal any provision of the By-laws or to make new By-laws, except where the Declaration of Trust, By-laws or applicable law would additionally require a shareholder vote to effect such adoption, alteration, amendment or repeal. The foregoing description of the By-laws is qualified in its entirety by the full text of the Amended and Restated By-laws effective as of September 27, 2013, which are available by writing to the Secretary of the fund at 601 Congress Street, 11th Floor, Boston, Massachusetts 02210.

### **Dividends and distributions**

During the year ended December 31, 2013, distributions from net investment income totaling \$0.1716 per share and distributions from net realized gain totaling \$1.1734 per share were paid to shareholders. The dates of payments and the amounts per share were as follows:

| PAYMENT DATE       | DISTRIBUTIONS   |
|--------------------|-----------------|
| March 28, 2013     | \$0.3230        |
| June 28, 2013      | \$0.3230        |
| September 30, 2013 | \$0.3230        |
| December 31, 2013  | \$0.3760        |
|                    | <b>\$1.3450</b> |

### **Dividend reinvestment plan**

The fund's Dividend Reinvestment Plan (the Plan) provides that distributions by the fund are automatically reinvested in common shares of the fund by Computershare Trust Company, N.A. (the Plan Agent). Every shareholder holding at least one full share of the fund will be automatically enrolled in the Plan. Shareholders may withdraw from the Plan at any time and shareholders who do not participate in the Plan will receive all distributions in cash.

If the fund declares a distribution payable either in cash or in common shares of the fund and the market price of shares on the payment date for the distribution or dividend equals or exceeds the fund's net asset value per share (NAV), the fund will issue common shares to participants at a value equal to the higher of NAV or 95% of the market price. The number of additional shares to be credited to each participant's account will be determined by dividing the dollar amount of the distribution by the higher of NAV or 95% of the market price. If the market price is lower than NAV, or if distributions are payable only in cash, then participants will receive shares purchased by the Plan Agent on participants' behalf on the NYSE or otherwise on the open market. If the market price exceeds NAV before the Plan Agent has completed its purchases, the average per share purchase price may exceed NAV, resulting in fewer shares being acquired than if the fund had issued new shares.

There are no brokerage charges with respect to common shares issued directly by the fund. However, whenever shares are purchased or sold on the NYSE or otherwise on the open market, each participant will pay a pro rata portion of brokerage trading fees, currently \$0.05 per share purchased or sold. Brokerage trading fees will be deducted from amounts to be invested.

The reinvestment of fund distributions does not relieve participants of any income tax that may be payable on such distributions.

Shareholders participating in the Plan may buy additional shares of the fund through the Plan at any time in amounts of at least \$50 per investment, up to a maximum of \$10,000, with a total calendar year limit of \$100,000. Shareholders will be charged a \$5 transaction fee plus \$0.05 per share brokerage trading fee for each order.

Purchases of additional shares of the fund will be made on the open market. Shareholders who elect to utilize monthly electronic fund transfers to buy additional shares of the fund will be charged a \$2 transaction fee plus \$0.05 per share brokerage trading fee for each automatic purchase. Shareholders can also sell fund shares held in the Plan account at any time by contacting the Plan Agent by telephone, in writing, or by visiting the Plan Agent's website at [www.computershare.com/investor](http://www.computershare.com/investor). The Plan Agent will mail a check (less applicable brokerage trading fees) on the settlement date, which is three business days after the shares have been sold. If shareholders choose to sell shares through their stockbroker, they will need to request that the Plan Agent electronically transfer those shares to their stockbroker through the Direct Registration System.

Shareholders participating in the Plan may withdraw from the Plan and elect to receive distributions in cash at any time by contacting the Plan Agent by telephone, in writing, or by visiting the Plan Agent's website at [www.computershare.com/investor](http://www.computershare.com/investor). Such termination will be effective immediately if the notice is received by the Plan Agent prior to any distribution record date; otherwise, such termination will be effective on the first trading day after the payment date for such distribution, with respect to any subsequent dividend or distribution. If shareholders withdraw from the Plan, their shares will be credited to their account, or, if they wish, the Plan Agent will sell their full and fractional shares and send the shareholders the proceeds, less a transaction fee of \$5.00 and less brokerage trading fees of \$0.05 per share. If a shareholder does not maintain at least one whole share of common stock in the Plan account, the Plan Agent may terminate such shareholder's participation in the Plan after written notice. Upon termination, shareholders will be sent a check for the cash value of any fractional share in the Plan account, less any applicable broker commissions and taxes.

Shareholders who hold at least one full share of the fund may join the Plan by notifying the Plan Agent by telephone, in writing, or by visiting the Plan Agent's website at [www.computershare.com/investor](http://www.computershare.com/investor). If received in proper form by the Plan Agent before the record date of a fund distribution, the election will be effective with respect to all distributions paid after such record date. If shareholders wish to participate in the Plan and their shares are held in the name of a brokerage firm, bank, or other nominee, shareholders should contact their nominee to see if it will participate in the Plan. If shareholders wish to participate in the Plan, but their brokerage firm, bank, or other nominee is unable to participate on their behalf, they will need to request that their shares be re-registered in their own name, or they will not be able to participate. The Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by shareholders as representing the total amount registered in their name and held for their account by their nominee.

Effective July 1, 2013, the Plan was revised to reflect an updated definition of "market price." Under the revised Plan, the "market price" is defined as "the last sale price for the fund's shares in the market on that date as of the close of regular trading on the NYSE, or, if there is no sale in the market on that date or sale prices are not available, then the mean between the closing bid and asked quotations for such shares on such date." This definition replaces the previous definition, stating that "market price" is "the last sale price for the fund's shares on the NYSE on that date, or, if there is no sale on the NYSE on that date, then the mean between the closing bid and asked quotations for such shares on the NYSE on such date."

Effective November 1, 2013, the Plan was revised with respect to mail loss insurance coverage. Prior to that date, when shareholders mailed their certificates to the fund's administrator, they could request Computershare Trust Company, N.A. to reimburse them for the cost of mail loss insurance coverage on certificates valued at up to \$100,000. Effective November 1, 2013, Computershare no longer reimburses this expense.

Experience under the Plan may indicate that changes are desirable. Accordingly, the fund and the Plan Agent reserve the right to amend or terminate the Plan. Participants generally will receive written notice at least 90 days before the effective date of any amendment. In the case of termination, participants will receive written notice at least 90 days before the record date for the payment of any distribution by the fund.

All correspondence or requests for additional information about the Plan should be directed to Computershare Trust Company, N.A., at the address stated below or by calling 800-852-0218, 201-680-6578 (For International Telephone Inquiries) and 800-952-9245 (For the Hearing Impaired (TDD)).

**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:

**Computershare**  
**P.O. Box 30170**  
**College Station, TX 77842-3170**  
**Telephone: 800-852-0218**

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

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# Trustees and Officers

**This chart provides information about the Trustees and Officers who oversee your John Hancock fund. Officers elected by the Trustees manage the day-to-day operations of the fund and execute policies formulated by the Trustees.**

**Independent Trustees**

| <b>Name, year of birth</b><br><b>Position(s) held with fund</b><br><b>Principal occupation(s) and other</b><br><b>directorships during past 5 years</b> | <b>Trustee</b><br><b>of the</b><br><b>Trust</b><br><b>since<sup>1</sup></b> | <b>Number of John</b><br><b>Hancock funds</b><br><b>overseen by</b><br><b>Trustee</b> |
|---|---|---|
| <b>James M. Oates</b> , Born: 1946  | 2012  | 233   |

Managing Director, Wydown Group (financial consulting firm) (since 1994); Chairman and Director, Emerson Investment Management, Inc. (since 2000); Independent Chairman, Hudson Castle Group, Inc. (formerly IBEX Capital Markets, Inc.) (financial services company) (1997–2011); Director, Stifel Financial (since 1996); Director, Investor Financial Services Corporation (1995–2007); Director, Connecticut River Bancorp (since 1998); Director, Virtus Funds (formerly Phoenix Mutual Funds) (since 1988).

Trustee and Chairperson of the Board, John Hancock retail funds<sup>3</sup> (since 2012); Trustee (2005–2006 and since 2012) and Chairperson of the Board (since 2012), John Hancock Funds III; Trustee (since 2004) and Chairperson of the Board (since 2005), John Hancock Variable Insurance Trust; Trustee and Chairperson of the Board, John Hancock Funds II (since 2005).

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**Charles L. Bardelis,**<sup>2</sup> Born: 1941 2012 233

Director, Island Commuter Corp. (marine transport).

Trustee, John Hancock retail funds<sup>3</sup> (since 2012); Trustee, John Hancock Funds III (2005–2006 and since 2012); Trustee, John Hancock Variable Insurance Trust (since 1988); Trustee, John Hancock Funds II (since 2005).

**Peter S. Burgess,**<sup>2</sup> Born: 1942 2012 233

Consultant (financial, accounting, and auditing matters) (since 1999); Certified Public Accountant; Partner, Arthur Andersen (independent public accounting firm) (prior to 1999); Director, Lincoln Educational Services Corporation (since 2004); Director, Symetra Financial Corporation (since 2010); Director, PMA Capital Corporation (2004–2010).

Trustee, John Hancock retail funds<sup>3</sup> (since 2012); Trustee, John Hancock Funds III (2005–2006 and since 2012); Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2005).

**William H. Cunningham,** Born: 1944 2011 233

Professor, University of Texas, Austin, Texas (since 1971); former Chancellor, University of Texas System and former President of the University of Texas, Austin, Texas; Director, LIN Television (since 2009); Chairman (since 2009) and Director (since 2006), Lincoln National Corporation (insurance); Director, Resolute Energy Corporation (since 2009); Director, Southwest Airlines (since 2000); former Director, Introgen (manufacturer of biopharmaceuticals) (until 2008); former Director, Hicks Acquisition Company I, Inc. (until 2007); former Director, Texas Exchange Bank, SSB (formerly Bank of Crowley) (until 2009); former Advisory Director, JP Morgan Chase Bank (formerly Texas Commerce Bank–Austin) (until 2009). Trustee, John Hancock retail funds<sup>3</sup> (since 1986); Trustee, John Hancock Variable Insurance Trust (since 2012); Trustee, John Hancock Funds II (since 2012 and 2005–2006).

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**Independent Trustees** (continued)

| <b>Name, year of birth</b><br><b>Position(s) held with fund</b><br><b>Principal occupation(s) and other</b><br><b>directorships during past 5 years</b> | <b>Trustee</b><br><b>of the</b><br><b>Trust</b><br><b>since</b> <sup>1</sup> | <b>Number of John</b><br><b>Hancock funds</b><br><b>overseen by</b><br><b>Trustee</b> |
|---|--|---|
| <b>Grace K. Fey,</b> Born: 1946   | 2012   | 233   |

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Chief Executive Officer, Grace Fey Advisors (since 2007); Director and Executive Vice President, Frontier Capital Management Company (1988–2007); Director, Fiduciary Trust (since 2009).

Trustee, John Hancock retail funds<sup>3</sup> (since 2012); Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2008).

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|   |      |     |
|---|------|-----|
| <b>Theron S. Hoffman,</b> <sup>2</sup> Born: 1947 | 2012 | 233 |
|---|------|-----|

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Chief Executive Officer, T. Hoffman Associates, LLC (consulting firm) (since 2003); Director, The Todd Organization (consulting firm) (2003–2010); President, Westport Resources Management (investment management consulting firm) (2006–2008); Senior Managing Director, Partner, and Operating Head, Putnam Investments (2000–2003); Executive Vice President, The Thomson Corp. (financial and legal information publishing) (1997–2000).

Trustee, John Hancock retail funds<sup>3</sup> (since 2012); Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2008).

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|                                       |      |     |
|---------------------------------------|------|-----|
| <b>Deborah C. Jackson,</b> Born: 1952 | 2011 | 233 |
|---------------------------------------|------|-----|

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President, Cambridge College, Cambridge, Massachusetts (since 2011); Chief Executive Officer, American Red Cross of Massachusetts Bay (2002–2011); Board of Directors of Eastern Bank Corporation (since 2001); Board of Directors of Eastern Bank Charitable Foundation (since 2001); Board of Directors of American Student Assistance Corporation (1996–2009); Board of Directors of Boston Stock Exchange (2002–2008); Board of Directors of Harvard Pilgrim Healthcare (health benefits company) (2007–2011). Trustee, John Hancock retail funds<sup>3</sup> (since 2008); Trustee of John Hancock Variable Insurance Trust and John Hancock Funds II (since 2012).

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|   |      |     |
|---|------|-----|
| <b>Hassell H. McClellan,</b> Born: 1945 | 2012 | 233 |
|---|------|-----|

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Trustee, Virtus Variable Insurance Trust (formerly Phoenix Edge Series Funds) (since 2008); Director, The Barnes Group (since 2010); Associate Professor, The Wallace E. Carroll School of Management, Boston College (retired 2013).

Trustee, John Hancock retail funds<sup>3</sup> (since 2012); Trustee, John Hancock Funds III (2005–2006 and since 2012); Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2005).

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|   |      |     |
|---|------|-----|
| <b>Steven R. Pruchansky,</b> Born: 1944 | 2011 | 233 |
|---|------|-----|

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Chairman and Chief Executive Officer, Greenscapes of Southwest Florida, Inc. (since 2000); Director and President, Greenscapes of Southwest Florida, Inc. (until 2000); Member, Board of Advisors, First American Bank (until 2010); Managing Director, Jon James, LLC (real estate) (since 2000); Director, First Signature Bank & Trust Company (until 1991); Director, Mast Realty Trust (until 1994); President, Maxwell Building Corp. (until 1991).

Trustee (since 1992) and Chairperson of the Board (2011–2012), John Hancock retail funds<sup>3</sup>; Trustee and

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Vice Chairperson of the Board, John Hancock retail funds<sup>3</sup>, John Hancock Variable Insurance Trust, and John Hancock Funds II (since 2012).

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### Independent Trustees (continued)

| Name, year of birth<br><i>Position(s) held with fund</i><br>Principal occupation(s) and other<br>directorships during past 5 years | Trustee<br>of the<br>Trust<br>since <sup>1</sup> | Number of John<br>Hancock funds<br>overseen by<br>Trustee |
|--|--|---|
| <b>Gregory A. Russo</b> , Born: 1949   | 2011   | 233   |

Director and Audit Committee Chairman (since 2012), and Member, Audit Committee and Finance Committee (since 2011), NCH Healthcare System, Inc. (holding company for multi-entity healthcare system); Director and Member of Finance Committee, The Moorings, Inc. (nonprofit continuing care community) (since 2012); Vice Chairman, Risk & Regulatory Matters, KPMG LLP (KPMG) (2002–2006); Vice Chairman, Industrial Markets, KPMG (1998–2002); Chairman and Treasurer, Westchester County, New York, Chamber of Commerce (1986–1992); Director, Treasurer, and Chairman of Audit and Finance Committees, Putnam Hospital Center (1989–1995); Director and Chairman of Fundraising Campaign, United Way of Westchester and Putnam Counties, New York (1990–1995).  
Trustee, John Hancock retail funds<sup>3</sup> (since 2008); Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2012).

### Non-Independent Trustees<sup>4</sup>

| Name, year of birth<br><i>Position(s) held with fund</i><br>Principal occupation(s) and other<br>directorships during past 5 years | Trustee<br>of the<br>Trust<br>since <sup>1</sup> | Number of John<br>Hancock funds<br>overseen by<br>Trustee |
|--|--|---|
| <b>Craig Bromley</b> , Born: 1966  | 2012   | 233   |

President, John Hancock Financial Services (since 2012); Senior Executive Vice President and General Manager, U.S. Division, John Hancock Financial Services (since 2012); President and Chief Executive Officer, Manulife Insurance Company (Manulife Japan) (2005–2012, including prior positions).  
Trustee, John Hancock retail funds<sup>3</sup>, John Hancock Variable Insurance Trust, and John Hancock Funds II (since 2012).



**Warren A. Thomson**, Born: 1955

2012

233

Senior Executive Vice President and Chief Investment Officer, Manulife Financial Corporation and The Manufacturers Life Insurance Company (since 2009); Chairman and Chief Executive Officer, Manulife Asset Management (since 2001, including prior positions); Director (since 2006), and President and Chief Executive Officer (since 2013), Manulife Asset Management Limited; Director and Chairman, Hancock Natural Resources Group, Inc. (since 2013).  
Trustee, John Hancock retail funds<sup>3</sup>, John Hancock Variable Insurance Trust, and John Hancock Funds II (since 2012).

**Principal officers who are not Trustees**

| <b>Name, year of birth</b>               | <b>Officer</b> |
|--|----------------|
| <b>Position(s) held with fund</b>        | <b>of the</b>  |
| <b>Principal occupation(s) and other</b> | <b>Trust</b>   |
| <b>directorships during past 5 years</b> | <b>since</b>   |

**Hugh McHaffie**, Born: 1959

2012

*President*

Executive Vice President, John Hancock Financial Services (since 2006, including prior positions); Chairman and Director, John Hancock Advisers, LLC, John Hancock Investment Management Services, LLC, and John Hancock Funds, LLC (since 2010); President, John Hancock Advisers, LLC (since 2012); President, John Hancock Investment Management Services, LLC (since 2010); President (since 2012) and former Trustee (2010–2012), John Hancock retail funds<sup>3</sup>, President, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2009).

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| <b>Name, year of birth</b>               | <b>Officer</b> |
|--|----------------|
| <b>Position(s) held with fund</b>        | <b>of the</b>  |
| <b>Principal occupation(s) and other</b> | <b>Trust</b>   |
| <b>directorships during past 5 years</b> | <b>since</b>   |

**Andrew G. Arnott**, Born: 1971

2011

*Executive Vice President*

Senior Vice President, John Hancock Financial Services (since 2009); Director and Executive Vice President, John Hancock Advisers, LLC (since 2005, including prior positions); Director and Executive Vice President, John Hancock Investment Management Services, LLC (since 2006, including prior positions); President, John Hancock Funds, LLC (since 2004, including prior positions); Executive Vice President, John Hancock retail funds<sup>3</sup>, John Hancock Variable Insurance Trust, and John Hancock Funds II (since 2007, including prior positions).

**Thomas M. Kinzler**, Born: 1955

2011

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*Secretary and Chief Legal Officer*

Vice President, John Hancock Financial Services (since 2006); Secretary and Chief Legal Counsel, John Hancock Funds, LLC (since 2007); Secretary and Chief Legal Officer, John Hancock retail funds<sup>3</sup>, John Hancock Variable Insurance Trust, and John Hancock Funds II (since 2006).

**Francis V. Knox, Jr.**, Born: 1947

2011

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*Chief Compliance Officer*

Vice President, John Hancock Financial Services (since 2005); Chief Compliance Officer, John Hancock retail funds<sup>3</sup>, John Hancock Variable Insurance Trust, John Hancock Funds II, John Hancock Advisers, LLC, and John Hancock Investment Management Services, LLC (since 2005).

**Charles A. Rizzo**, Born: 1957

2011

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*Chief Financial Officer*

Vice President, John Hancock Financial Services (since 2007); Senior Vice President, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2007); Treasurer, John Hancock retail funds<sup>3</sup> (since 2007, including prior positions); Treasurer, John Hancock Variable Insurance Trust and John Hancock Funds II (2007–2009 and since 2010, including prior positions).

**Salvatore Schiavone**, Born: 1965

2011

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*Treasurer*

Assistant Vice President, John Hancock Financial Services (since 2007); Vice President, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2007); Treasurer, John Hancock retail funds<sup>3</sup> (since 2007, including prior positions); Treasurer, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2010 and 2007–2009, including prior positions). The business address for all Trustees and Officers is 601 Congress Street, Boston, Massachusetts 02210-2805.

<sup>1</sup> Mr. Bardelis, Mr. Burgess, Mr. Hoffman, and Mr. Thomson serve as Trustees for a term expiring in 2015; Mr. Bromley, Ms. Jackson, Mr. Oates, and Mr. Pruchansky serve as Trustees for a term expiring in 2016; and Mr. Cunningham, Ms. Fey, Mr.

McClellan, and Mr. Russo serve as Trustees for a term expiring in 2017.

<sup>2</sup> Member of the Audit Committee.

<sup>3</sup> “John Hancock retail funds” comprises John Hancock Funds III and 34 other John Hancock funds consisting of 24 series of other John Hancock trusts and 10 closed-end funds.

<sup>4</sup> The Trustee is a Non-Independent Trustee due to current or former positions with the Advisor and certain of its affiliates.

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## More information

### Trustees

James M. Oates,  
*Chairperson*

Steven R. Pruchansky,  
*Vice Chairperson*

Charles L. Bardelis\*

Craig Bromley†

Peter S. Burgess\*

William H. Cunningham

Grace K. Fey

Theron S. Hoffman\*

Deborah C. Jackson

Hassell H. McClellan

Gregory A. Russo

Warren A. Thomson†

\*Member of the  
Audit Committee

†Non-Independent Trustee

### Officers

Hugh McHaffie  
*President*

Andrew G. Arnott  
*Executive Vice President*

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 advisor

John Hancock Advisers, LLC

### Subadvisor

Wellington Management  
Company, LLP

### Custodian

State Street Bank and  
Trust Company

### Transfer agent

Computershare Shareowner  
Services, LLC

### Legal counsel

K&L Gates LLP

### Independent registered public accounting firm

PricewaterhouseCoopers LLP

### Stock symbol

Listed New York Stock  
Exchange: HEQ

For shareholder assistance refer to page 47

## Edgar Filing: John Hancock Hedged Equity & Income Fund - Form N-CSR

You can also contact us:

**800-852-0218**  
**jhinvestments.com**

**Regular mail:**  
Computershare  
P.O. Box 30170  
College Station, TX 77842-3170

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) website at [sec.gov](http://sec.gov) or on our website.

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 website and the SEC's website, [sec.gov](http://sec.gov), and can be reviewed and copied (for a fee) at the SEC's Public Reference Room in Washington, DC. Call 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 website at [jhinvestments.com](http://jhinvestments.com) or by calling 800-852-0218.

*The report is certified under the Sarbanes-Oxley Act, which requires closed-end 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.*

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800-852-0218  
800-231-5469 TDD  
800-843-0090 EASI-Line  
[jhinvestments.com](http://jhinvestments.com)

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### ITEM 2. CODE OF ETHICS.

As of the end of the period, December 31, 2013, the registrant has adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its Chief Executive Officer, Chief Financial Officer and Treasurer (respectively, the principal executive officer, the principal financial officer and the principal accounting officer, the [Senior Financial Officers]). A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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Peter S. Burgess is the audit committee financial expert and is independent, pursuant to general instructions on Form N-CSR Item 3.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

#### (a) Audit Fees

The aggregate fees billed for professional services rendered by the principal accountant(s) for the audit of the registrant's annual financial statements or services that are normally provided by the accountant(s) in connection with statutory and regulatory filings or engagements amounted to \$36,266 for the year ended December 31, 2013, \$25,988 for the fiscal period ended December 31, 2012 (the fiscal year end for the John Hancock Hedged Equity & Income Fund changed from October 31 to December 31) and \$37,141 for the fiscal period ended October 31, 2012.

#### (b) Audit-Related Services

The audit-related fees were \$0 for the year ended December 31, 2013, \$0 for the fiscal period ended December 31, 2012 and \$0 for the fiscal period ended October 31, 2012 billed to the registrant or to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant ("control affiliates").

#### (c) Tax Fees

The aggregate fees billed for professional services rendered by the principal accountant(s) for the tax compliance, tax advice and tax planning (tax fees) amounted to \$3,492 for the year ended December 31, 2013, \$0 for the fiscal period ended December 31, 2012 and \$3,492 for the fiscal period ended October 31, 2012. The nature of the services comprising the tax fees was the review of the registrant's tax returns and tax distribution requirements. These fees were billed to the registrant and were approved by the registrant's audit committee.

#### (d) All Other Fees

The all other fees billed to the registrant for products and services provided by the principal accountant were \$285 for the year ended December 31, 2013, \$0 for the fiscal period ended December 31, 2012 and \$419 for the fiscal period ended October 31, 2012 billed to control affiliates for products and services provided by the principal accountant. The nature of the services comprising the all other fees consisted mainly of performance of agreed upon procedures required for the initial and secondary public offerings of shares and review of foreign tax withholding rates. These fees were approved by the registrant's audit committee.

#### (e)(1) Audit Committee Pre-Approval Policies and Procedures:

The trust's Audit Committee must pre-approve all audit and non-audit services provided by the independent registered public accounting firm (the Auditor) relating to the operations or financial reporting of the funds. Prior to the commencement of any audit or non-audit services to a fund, the Audit Committee reviews the services to determine whether they are appropriate and permissible under applicable law.

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The trust's Audit Committee has adopted policies and procedures to, among other purposes, provide a framework for the Committee's consideration of audit-related and non-audit services by the Auditor. The policies and procedures require that any audit-related and non-audit service provided by the Auditor and any non-audit service provided by the Auditor to a fund service provider that relates directly to the operations and financial reporting of a fund are subject to approval by the Audit Committee before such service is provided. Audit-related services provided by the Auditor that are expected to exceed \$25,000 per instance/per fund are subject to specific pre-approval by the Audit Committee. Tax services provided by the Auditor that are expected to exceed \$30,000 per instance/per fund are subject to specific pre-approval by the Audit Committee.

All audit services, as well as the audit-related and non-audit services that are expected to exceed the amounts stated above, must be approved in advance of provision of the service by formal resolution of the Audit Committee. At the regularly scheduled Audit Committee meetings, the Committee reviews a report summarizing

the services, including fees, provided by the Auditor.

(e)(2) Services approved pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X:

Audit-Related Fees, Tax Fees and All Other Fees:

There were no amounts that were approved by the Audit Committee pursuant to the de minimis exception under Rule 2-01 of Regulation S-X.

(f) According to the registrant's principal accountant, for the fiscal period ended December 31, 2013, the percentage of hours spent on the audit of the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons who were not full-time, permanent employees of principal accountant was less than 50%.

(g) The aggregate non-audit fees billed by the registrant's accountant(s) for services rendered to the registrant and rendered to the registrant's control affiliates of the registrant were \$5,952,421 for the year ended December 31, 2013, \$317,180 for the fiscal period ended December 31, 2012 and \$3,659,845 for the fiscal period ended October 31, 2012.

(h) The audit committee of the registrant has considered the non-audit services provided by the registrant's principal accountant(s) to the control affiliates and has determined that the services that were not pre-approved are compatible with maintaining the principal accountant(s)' independence.

#### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant has a separately-designated standing audit committee comprised of independent trustees. The members of the audit committee are as follows:

Peter S. Burgess - Chairman  
Charles L. Bardelis  
Theron S. Hoffman

#### ITEM 6. SCHEDULE OF INVESTMENTS.

(a) Not applicable.  
(b) Not applicable.

#### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

See attached exhibit "Proxy Voting Policies and Procedures".

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#### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

### **Information about the Wellington Management portfolio managers Management Biographies**

Below is a list of the portfolio managers who share joint responsibility for the day-to-day investment management of the Fund. It provides a brief summary of their business careers over the past five years. Information is provided as of February 15, 2014.

#### **Kent M. Stahl, CFA**

Senior Vice President and Director of Investments and Risk Management,  
Wellington Management Company, LLP since 1998

Joined Fund team since its inception (2011)

**Gregg R. Thomas, CFA**

Senior Vice President and Director of Risk Management,  
Wellington Management Company, LLP since 2002  
Joined Fund team since its inception (2011)

**Other Accounts the Portfolio Managers are Managing**

The table below indicates for each portfolio manager information about the accounts over which the portfolio manager has day-to-day investment responsibility. All information on the number of accounts and total assets in the table is as of December 31, 2013. For purposes of the table, “Other Pooled Investment Vehicles” may include investment partnerships and group trusts, and “Other Accounts” may include separate accounts for institutions or individuals, insurance company general or separate accounts, pension funds and other similar institutional accounts.

| <b>PORTFOLIO<br/>MANAGER NAME</b> | <b>OTHER ACCOUNTS MANAGED BY THE PORTFOLIO<br/>MANAGER</b>  |
|-----------------------------------|---|
| Kent M. Stahl, CFA                | <p>Other Registered Investment Companies: Eight (8) accounts with total net assets of approximately \$26,118 million</p> <p>Other Pooled Investment Vehicles: Two (2) accounts with total net assets of approximately \$662.1 million</p> <p>Other Accounts: One (1) account with total assets of approximately \$206.6 million</p> |
| Gregg R. Thomas, CFA              | <p>Other Registered Investment Companies: Eight (8) accounts with total net assets of approximately \$26,118 million</p> <p>Other Pooled Investment Vehicles: Two (2) accounts with total net assets of approximately \$662.1 million</p> <p>Other Accounts: None</p>   |

The Subadviser does not receive a fee based upon the investment performance of any of the accounts included under “Other Accounts Managed by the Portfolio Managers” in the table above.

**Conflicts of Interest.** Individual investment professionals at Wellington Management manage multiple accounts for multiple clients. These accounts may include mutual funds,

separate accounts (assets managed on behalf of institutions, such as pension funds, insurance companies, foundations, or separately managed account programs sponsored by financial intermediaries), bank common trust accounts, and hedge funds. The Fund's managers listed in the prospectus who are primarily responsible for the day-to-day management of the Fund ("Investment Professionals") generally manage accounts in several different investment styles. These accounts may have investment objectives, strategies, time horizons, tax considerations and risk profiles that differ from those of the Fund. The Investment Professionals make investment decisions for each account, including the Fund, based on the investment objectives, policies, practices, benchmarks, cash flows, tax and other relevant investment considerations applicable to that account. Consequently, Investment Professionals may purchase or sell securities, including IPOs, for one account and not another account, and the performance of securities purchased for one account may vary from the performance of securities purchased for other accounts. Alternatively, these accounts may be managed in a similar fashion to the Fund and thus the accounts may have similar, and in some cases nearly identical, objectives, strategies and/or holdings to that of the Fund.

An Investment Professional or other investment professionals at Wellington Management may place transactions on behalf of other accounts that are directly or indirectly contrary to investment decisions made on behalf of the Fund, or make investment decisions that are similar to those made for the Fund, both of which have the potential to adversely impact the Fund depending on market conditions. For example, an investment professional may purchase a security in one account while appropriately selling that same security in another account. Similarly, an Investment Professional may purchase the same security for the Fund and one or more other accounts at or about the same time. In those instances the other accounts will have access to their respective holdings prior to the public disclosure of the Fund's holdings. In addition, some of these accounts have fee structures, including performance fees, which are or have the potential to be higher, in some cases significantly higher, than the fees Wellington Management receives for managing the Fund. Because incentive payments paid by Wellington Management to the Investment Professionals are tied to revenues earned by Wellington Management and, where noted, to the performance achieved by the manager in each account, the incentives associated with any given account may be significantly higher or lower than those associated with other accounts managed by an Investment Professional. Finally, the Investment Professionals may hold shares or investments in the other pooled investment vehicles and/or other accounts identified above.

Wellington Management's goal is to meet its fiduciary obligation to treat all clients fairly and provide high quality investment services to all of its clients. Wellington Management has adopted and implemented policies and procedures, including brokerage and trade allocation policies and procedures, which it believes address the conflicts associated with managing multiple accounts for multiple clients. In addition, Wellington Management monitors a variety of areas, including compliance with primary account guidelines, the allocation of IPOs, and compliance with the firm's Code of Ethics, and places additional investment restrictions on investment professionals who manage hedge funds and certain other accounts. Furthermore, senior investment and business personnel at Wellington Management periodically review the performance of Wellington Management's

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investment professionals. Although Wellington Management does not track the time an investment professional spends on a single account, Wellington Management does periodically assess whether an investment professional has adequate time and resources to



effectively manage the investment professional's various client mandates.

**Compensation** Wellington Management receives a fee based on the assets under management of the Fund as set forth in the Subadvisory Agreement between Wellington Management and the Adviser on behalf of the Fund. Wellington Management pays its investment professionals out of its total revenues, including the advisory fees earned with respect to the Fund. The following information relates to the fiscal year ended December 31, 2013. Wellington Management's compensation structure is designed to attract and retain high-caliber investment professionals necessary to deliver high quality investment management services to its clients. Wellington Management's compensation of the Fund's managers listed in the Prospectus who are primarily responsible for the day-to-day management of the Fund (the "Investment Professionals") includes a base salary. The Investment Professionals are not eligible for an incentive payment based on Fund performance. The base salary for each Investment Professional who is a partner of Wellington Management is generally a fixed amount that is determined by the Managing Partners of the firm. The Investment Professionals may also be eligible for bonus payments based on their overall contribution to Wellington Management's business operations. Senior management at Wellington Management may reward individuals as it deems appropriate based on other factors. Each partner of Wellington Management is eligible to participate in a partner-funded tax qualified retirement plan, the contributions to which are made pursuant to an actuarial formula. Messrs. Stahl and Thomas are partners of the firm.

**Share Ownership by Portfolio Managers.** The following table indicates as of December 31, 2013 the value, within the indicated range, of shares beneficially owned by the portfolio managers in the Fund.

| <b>Portfolio Manager</b> | <b>Range of Beneficial Ownership</b> |
|--------------------------|--------------------------------------|
| Kent M. Stahl, CFA       | None                                 |
| Gregg R. Thomas, CFA     | None                                 |

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

(a) Not applicable.

(b) **REGISTRANT PURCHASES OF EQUITY SECURITIES**

| <b>Total Number of Shares Purchased as</b> | <b>Maximum Number of</b> |
|--|--------------------------|
|--|--------------------------|

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| <b>Period</b> | <b>Total<br/>Number of Shares<br/>Purchased</b> | <b>Average Price<br/>per Share</b> | <b>Part of Publicly<br/>Announced<br/>Plans*</b> | <b>Shares that May Yet<br/>Be Purchased Under<br/>the Plans</b> |
|---------------|---|------------------------------------|--|---|
| 12-Dec        | -   | -                                  | -  | 1,373,317*  |
| 13-Jan        | -   | -                                  | -  | 1,373,317   |
| 13-Feb        | -   | -                                  | -  | 1,373,317   |
| 13-Mar        | -   | -                                  | -  | 1,373,317   |
| 13-Apr        | -   | -                                  | -  | 1,373,317   |
| 13-May        | -   | -                                  | -  | 1,373,317   |
| 13-Jun        | -   | -                                  | -  | 1,373,317   |
| 13-Jul        | 594   | \$16.985                           | 594  | 1,372,723   |
| 13-Aug        | 200   | \$17.200                           | 794  | 1,372,523   |
| 13-Sep        | -   | -                                  | 794  | 1,372,523   |
| 13-Oct        | -   | -                                  | 794  | 1,372,523   |
| 13-Nov        | -   | -                                  | 794  | 1,372,523   |
| 12-Dec        | -   | -                                  | 794  | 1,372,523   |
| <b>Total</b>  | <b>794</b>                                      | <b>\$17.059</b>                    |  | <b>-</b>  |

\*On December 6, 2011, the Board of Trustees approved a share repurchase plan (the Repurchase Plan). Under the Repurchase Plan, the Fund was authorized to purchase, in the open market, up to 10% of its outstanding common shares between January 1, 2012 and December 31, 2012 (based on common shares outstanding as of December 31, 2011). On December 12, 2012, the Board renewed the share repurchase plan. As renewed, the Fund may purchase in the open market, between January 1, 2013 and December 31, 2013, up to an additional 10% of its outstanding common shares (based on common shares outstanding as of December 31, 2012). On December 18, 2013, the Board renewed the share repurchase plan. As renewed, the Fund may purchase in the open market, between January 1, 2014 and December 31, 2014, up to an additional 10% of its outstanding common shares (based on common shares outstanding as of December 31, 2013).

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Revisions to the Governance Committee Charter were as follows.

Effective September 27, 2013, the Board of Trustees of the fund amended and restated in its entirety the By-laws of the fund (the "Amended and Restated By-laws"). The Amended and Restated By-laws include, among other changes, provisions that: (i) require a shareholder to give written advance notice and other information to the fund of the shareholder's nominees for Trustees and proposals for other business to be considered at shareholders' meetings; (ii) require any such notice by a shareholder to be accompanied by certain information as provided in the Bylaws; (iii) prohibit shareholders from nominating Trustees or proposing other business at a special meeting of shareholders or, except in limited circumstances set forth in the By-laws and

Declaration of Trust, from acting by written consent or requiring that the fund call a special meeting of shareholders; and (iv) reserve to the Trustees the exclusive power to adopt, alter, amend or repeal any provision of the By-laws or to make new By-laws, except where the Declaration of Trust, By-laws or applicable law would additionally require a shareholder vote to effect such adoption, alteration, amendment or repeal. The foregoing description of the By-laws is qualified in its entirety by the full text of the Amended and Restated By-laws effective as of September 27, 2013, which are available by writing to the Secretary of the fund at 601 Congress Street, 11<sup>th</sup> Floor, Boston, Massachusetts 02210.

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### ITEM 11. CONTROLS AND PROCEDURES.

(a) Based upon their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this Form N-CSR, the registrant's principal executive officer and principal financial officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

(a)(1) Code of Ethics for Senior Financial Officers is attached.

(a)(2) Separate certifications for the registrant's principal executive officer and principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the Investment Company Act of 1940, are attached.

(b)(1) Separate certifications for the registrant's principal executive officer and principal financial officer, as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and Rule 30a-2(b) under the Investment Company Act of 1940, are attached. The certifications furnished pursuant to this paragraph are not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certifications are not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates them by reference.

(c)(1) Proxy Voting Policies and Procedures are attached.

(c)(2) Submission of Matters to a Vote of Security Holders is attached. See attached "John Hancock Funds - Governance Committee Charter".

(c)(3) Contact person at the registrant.

(C)(4) Registrant's notice to shareholders pursuant to Registrant's exemptive order granting an exemption from Section 19(b) of the Investment Company Act of 1940, as amended and Rule 19b-1 thereunder regarding distributions made pursuant to the Registrant's Managed Distribution Plan.

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### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

John Hancock Hedged Equity & Income Fund

By: /s/ Hugh McHaffie  
Hugh McHaffie

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President

Date: February 19, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Hugh McHaffie  
Hugh McHaffie  
President

Date: February 19, 2014

By: /s/ Charles A. Rizzo  
Charles A. Rizzo  
Chief Financial Officer

Date: February 19, 2014