


A special focus on volatility and the financial markets



Reasons to stay invested



Since the stock market began, there have always been periods of volatility and reasons not to invest.

Recession fears, corporate scandal, war, a housing crisis or some other significant event can make it difficult for investors to remain confident and focus on the long term.

We'll try to address some of your concerns about the stock market and answer five of your most important questions:

1. What kind of returns should I expect from stocks?
2. What is a bear market? How often do they occur?
3. Why should I still invest in stocks?
4. Why should I be optimistic about the future?
5. What should I be doing right now?

The performance data contained within this material represents past performance, which does not guarantee future results. Performance, especially for short time periods, should not be the sole factor in making your investment decision.

1. What kind of returns should I expect from stocks?

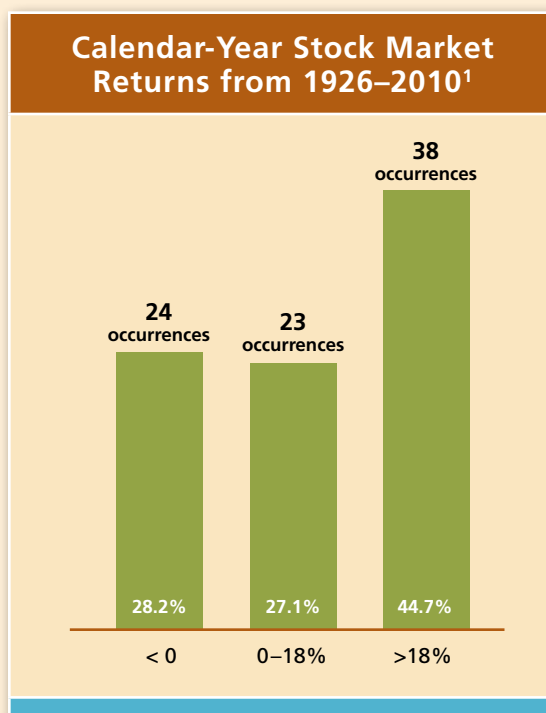
Since 1926, the long-term average return of the stock market has been 9.9%. So it's not surprising that many people expect that kind of return every year. However, many investors fail to realize that the stock market is a market of extremes, dominated by years when returns exceed 18% and years when the market declines. The reality is, returns of 8–12% in any given calendar year are extremely rare.

Long-Term Returns of Asset Classes 1926–2010 ¹	
Small company stocks	12.07%
Large company stocks	9.87%
High-quality corporate bonds	5.93%
Intermediate government bonds	5.35%
Inflation, as measured by the CPI	2.99%

A market of extremes

Interestingly enough, calendar year returns of 8–12% have occurred only five times in the 85 years since 1926. Over that time, there were 38 instances when the calendar year total return for stocks exceeded 18%, and it has been negative 24 times. The good news is that for every two years that the market has lost ground, there have been three years with returns of 18% or more — *a 3:2 ratio of great years to lousy ones!*

When it comes to the stock market, investors should expect highs and lows in the short term, but should always invest for the long term.



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For **Long-term returns of asset classes** — Small company stocks — represented by the fifth capitalization quintile of stocks on the NYSE for 1926–1981 and the performance of the Dimensional Fund Advisors (DFA) Small Company Fund thereafter; Large company stocks — S&P 500; Corporate bonds — Salomon Brothers Long-Term High-Grade Corporate Bond Index; Long-term government bonds — 20-Year U.S. Government Bond; Inflation — Consumer Price Index (CPI). Small company stocks are generally more volatile than large company stocks. Investors should consider their tolerance for such volatility. Government bonds are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and fixed principal value. It is not possible to invest directly in an index.

Calendar-year stock market returns are based on average annual percentage returns for large-capitalization stocks over 85 one-year periods from 1926–2010, assuming reinvestment of dividends and capital gains. Large-capitalization stocks are represented by the S&P 500. The S&P 500 is an unmanaged index commonly used to measure stock market performance. It is not possible to invest directly in an index. This chart does not illustrate the performance of any John Hancock fund. Past performance does not guarantee future results.

2. What is a bear market? How often do they occur?



Think **about** it!

KEY FACTS ABOUT BEAR MARKETS

The average bear market lasts for less than 1.5 years with the market dropping by 35% over that time. The longest bear market lasted for three years.

From the date the market is recognized as being in a bear market, it takes an average of 8.4 months before the market hits a bottom. However, this has taken 1.5 months or less on four occasions and more than 1.5 years on two occasions.

A *bear market* is a prolonged period when the stock market declines by 20% or more. If the period of falling stock prices is short and immediately follows a period of rising stock prices, it is instead called a *correction*. Bear markets usually occur when the economy is in a recession and unemployment is high, or when inflation is rising quickly.

Bear Markets 1946–2010²

Market peak	Date of 20% drop	Market bottom	% Loss	# of days	Years
05/29/46	09/03/46	06/13/49	-29.6%	1,111	3.0
08/02/56	10/21/57	10/22/57	-21.6	446	1.2
12/12/61	05/28/62	06/26/62	-28.0	196	0.5
02/09/66	08/29/66	10/07/66	-22.2	240	0.7
11/29/68	01/29/70	05/26/70	-36.1	543	1.5
01/11/73	11/27/73	10/03/74	-48.2	630	1.7
11/28/80	02/22/82	08/12/82	-27.1	622	1.7
08/25/87	10/19/87	12/04/87	-33.5	101	0.3
03/24/00	03/12/01	10/09/02	-49.1	929	2.5
10/09/07	07/09/08	03/09/09	-56.8	517	1.4
Average			-35.2%	534	1.5

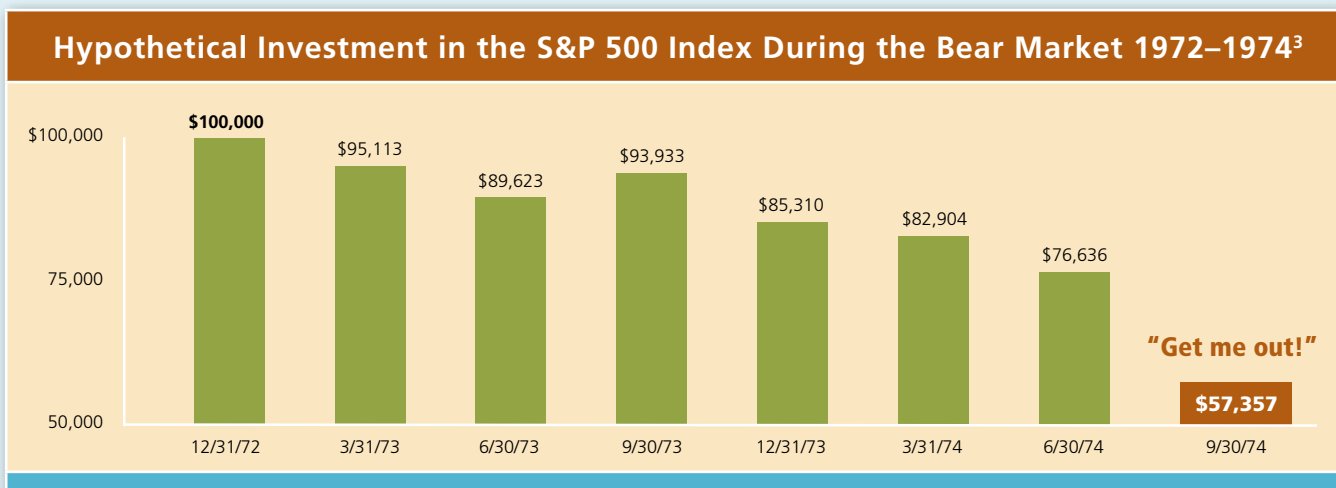
While rationally everyone knows that the market won't go up forever — irrationally, we're surprised when it goes down.

² Source: Bloomberg. Based on historic daily closing values for the S&P 500 Index. The S&P 500 is an unmanaged index which includes 500 widely traded stocks. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

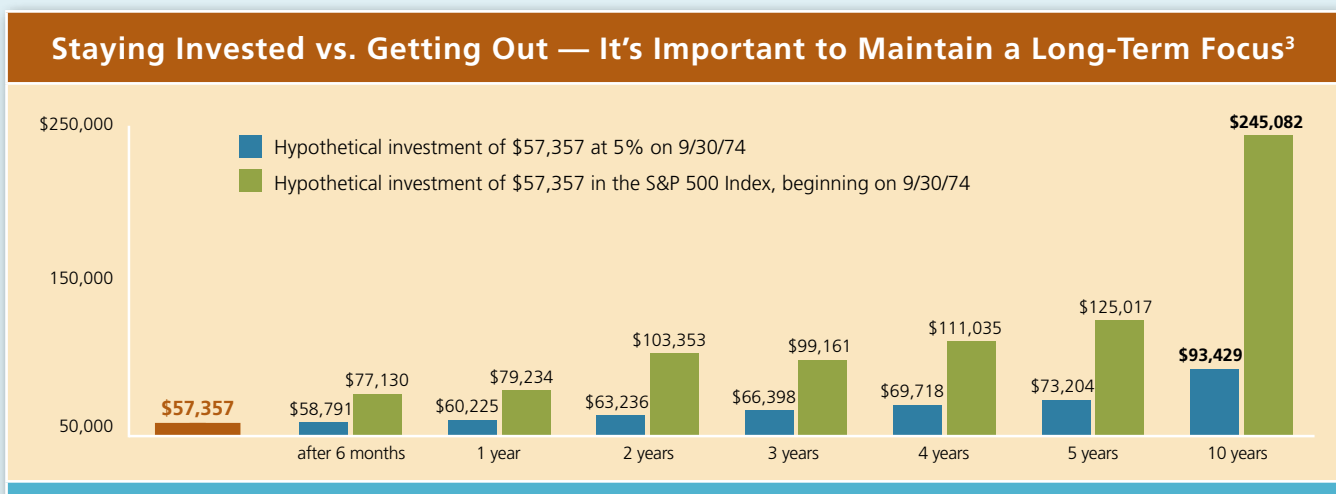
3. Why should I still invest in stocks?

It's a good question. One answer has to do with how optimistic you feel about the future — and about the world and its opportunities for growth and development. Do you really think we've peaked?

More importantly, consider what would have happened if investors in past bear markets bailed out after a significant decline and moved their money to a "safe" interest-bearing security. We'll use the tough bear market of the 1970s to illustrate our example. It was a very gloomy period in our nation's history, and some people lost a lot of money. You couldn't really blame investors for throwing their hands up and screaming, "Get me out!"



We'll assume that the investor from the previous chart now has **\$57,357** to invest. While getting out of the stock market may mean avoiding more down days, it also means missing out on the up days when the market bounces back. **Investors who stayed invested even after a long, slow market decline would have done much better in the long run.**

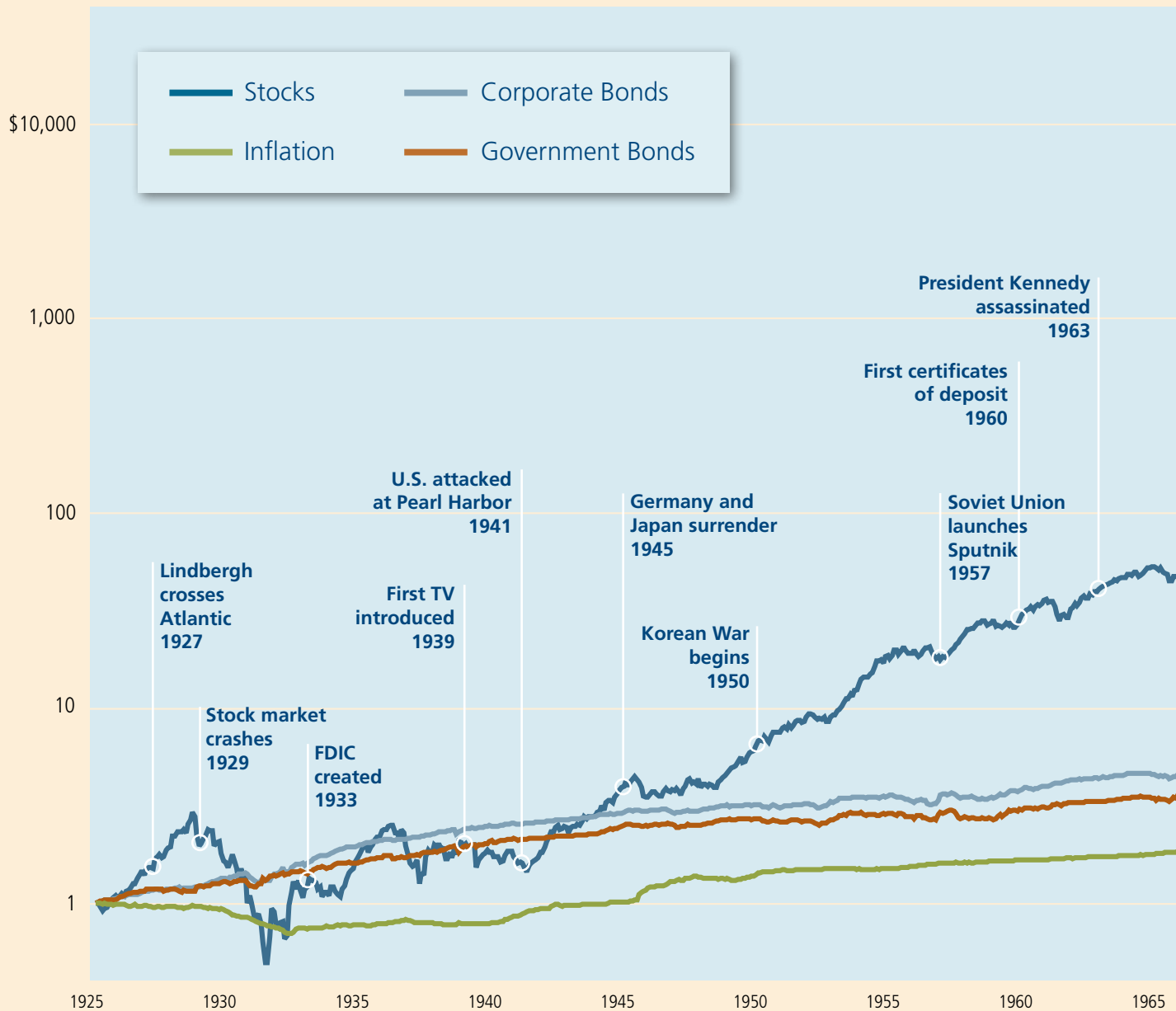


³ Source: Lipper, Inc. The S&P 500 is an unmanaged index which includes 500 widely traded stocks. It is not possible to invest directly in an index. Past performance is no guarantee of future results. This illustration does not reflect the performance of any John Hancock fund.

3. Why should I still invest in stocks? [continued]

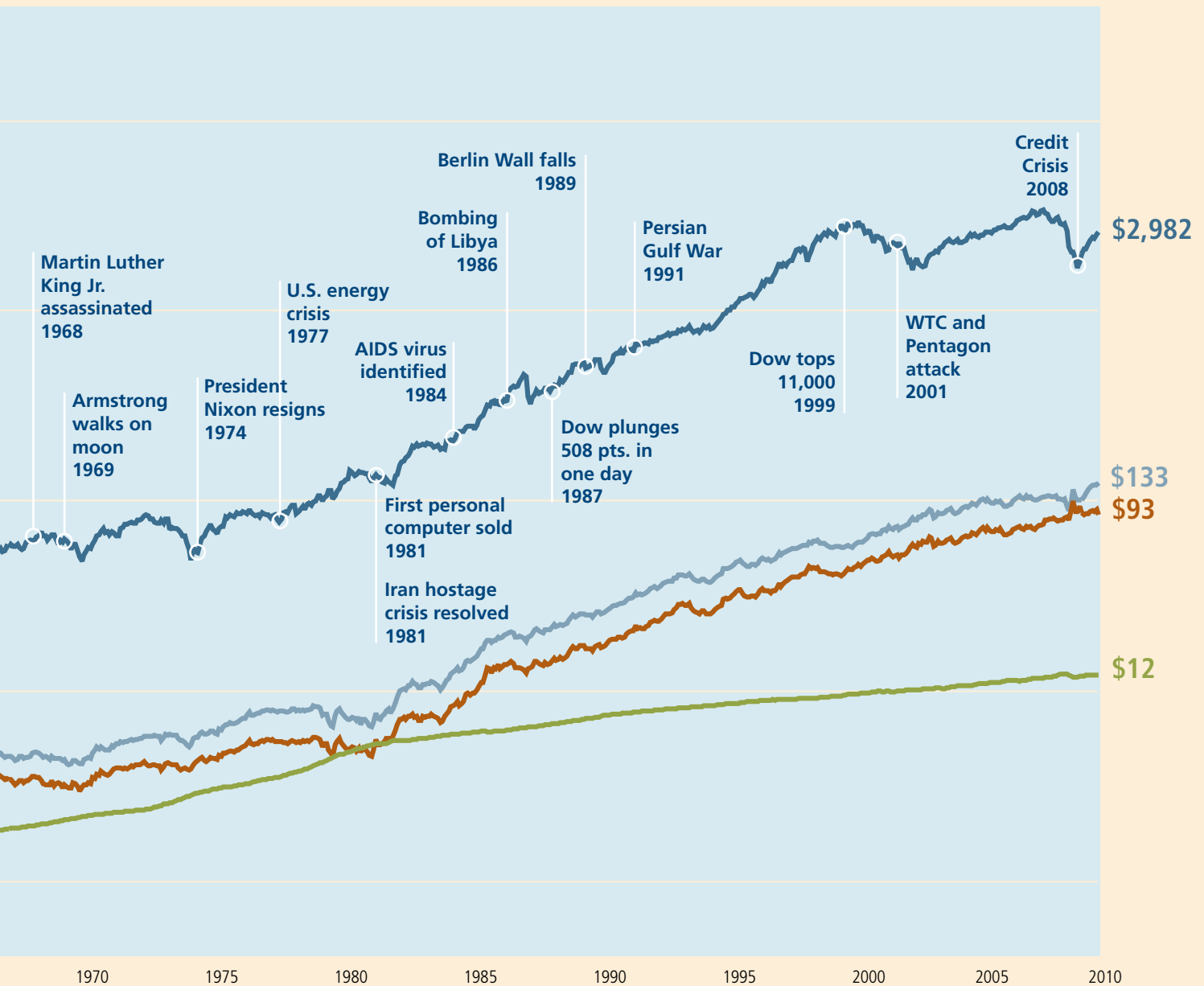
First, remind yourself of the reason you probably invested in stocks in the first place: because stocks have been the best performers over time. For many people, stocks are part of a long-term investing plan to help them achieve their financial goals. But with everything going on in the world, is now a great time to invest?

Growth of a Dollar Over Time



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Now take a look at this chart of the S&P 500 Index. It highlights not only market movements, but some of the crises other generations faced. Are the crises we face now so much different? Pick a time period from the chart and think of the turmoil that investors at the time lived through. If someone asked you your advice about purchasing stocks, what would you say? **If you're like most investors, you'd probably tell them to buy!**



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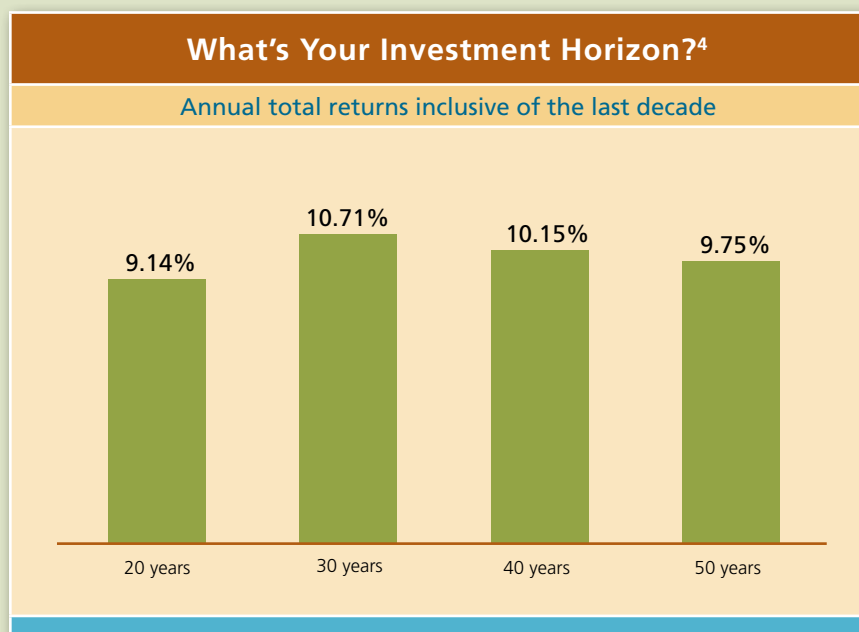
4. Why should I be optimistic about the future?

“Beware the investment activity that produces applause; the great moves are usually greeted by yawns.”

— Warren Buffet



When the market turns negative, it's difficult to remain optimistic, especially if returns have been negative for several years in a row. But it's essential to remember your investment time horizon, even though the 10-year return for stocks is now 1.4%. Investors in their 20s, 30s, 40s, 50s, even mid-60s, who have at least a 20-year investment time horizon, should look at the 20-, 30-, 40-, and 50-year returns for the S&P 500 Index, INCLUSIVE of the most recent 10-years.



Historically, long-term investment periods — including the last decade — have produced positive returns. When investing in the stock market, it's important to consider your investment time horizon to put your portfolio's performance in perspective.

6 ⁴ Calculated by John Hancock Funds, LLC using information and data presented in ENCORN Software, ©2010 Morningstar, Inc. All rights reserved. Used with permission. This information container herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The S&P 500 Index is unmanaged and cannot be invested in directly. Past performance does not guarantee future results.

There is another reason to be optimistic and stay invested. Although bear markets have traditionally been short lived, **bull markets typically start with a bang and last for an average of 5 years!**

Past Bull Markets Started with a Bang⁵

Total Returns				
Start	1 Month	3 Months	6 Months	12 Months
6/13/49	9.1%	16.2%	22.8%	42.1%
10/22/57	4.8	5.7	9.8	31.0
6/26/62	8.5	7.3	20.5	32.7
10/7/66	10.3	12.3	22.1	32.9
5/26/70	6.0	17.2	22.8	43.7
10/3/74	18.6	13.5	30.9	38.0
8/12/82	18.1	36.2	44.1	58.3
12/4/87	14.3	19.4	19.0	21.4
10/9/02	15.2	19.4	11.5	33.7
3/9/09	10.3	21.3	33.0	68.6
Average (Post-WWII)	11.5%	16.9%	23.7%	40.2%
Minimum	4.8%	5.7%	9.8%	21.4%
Maximum	18.6%	36.2%	44.1%	68.6%

Past Bull Markets Ran for an Average of 5 Years⁵

Start	End	Number of days	Percent change	Years
6/13/49	8/2/56	2,607	267.1%	7.1
10/22/57	12/12/61	1,512	86.4	4.1
6/26/62	2/9/66	1,324	79.8	3.6
10/7/66	11/29/68	784	48.0	2.1
5/26/70	1/11/73	961	73.5	2.6
10/3/74	11/28/80	2,248	125.6	6.2
8/12/82	8/25/87	1,839	228.8	5.0
12/4/87	3/24/00	4,494	582.1	12.3
10/9/02	10/9/07	1,826	101.5	5.0
3/9/09	?	?	?	?
Average (Post-WWII)		1,955	177.0%	5.3
Minimum		784	48.0%	2.1
Maximum		4,494	582.1%	12.3

⁵ Source: Bloomberg. The S&P 500 Stock Composite Index is unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.



Think about it!

KEY FACTS ABOUT BULL MARKETS

The average bull market lasts for 5 years, with average cumulative returns of 177% over that time frame.

A bull market often experiences a longer run than a bear market. The shortest bull market lasted just over 2 years, while the longest was over 12 years.

Source: Bloomberg, 2008.

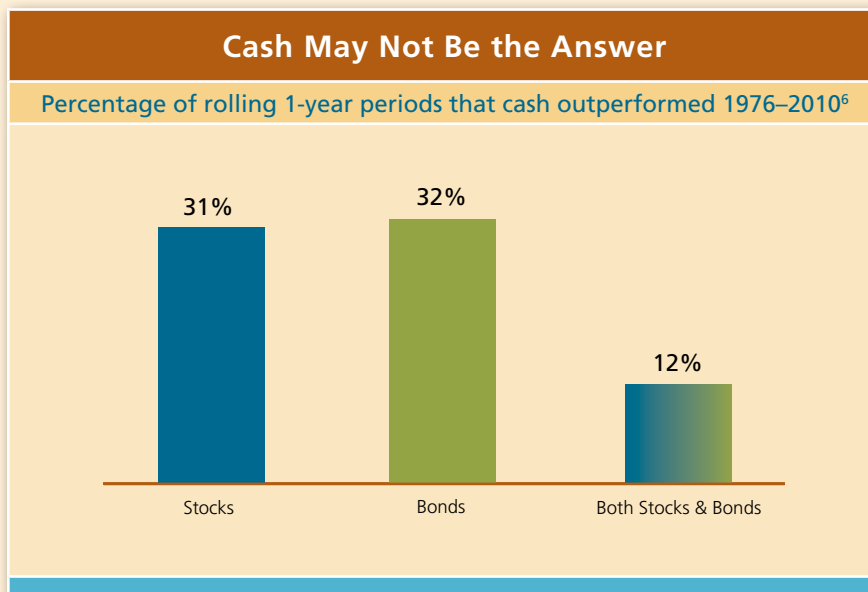
“Be fearful when others are greedy, be greedy when others are fearful...”

— Warren Buffet

5. What should I be doing right now? [continued]



When volatility hits, many investors consider selling their stocks. However, moving your investments from stocks to all cash could be a losing bet. According to the chart below, since 1976, cash has only outperformed stocks and bonds, on a rolling one-year period, 12% of the time. So how do you decide where to invest?



A well-diversified portfolio can actually be your best defense against market volatility. It's important not to be overly concentrated in one sector or style. Even an S&P 500 Index fund, which may sound like a great alternative during volatile times, cannot provide the benefit of a fully diversified portfolio.

A well-diversified portfolio is your best defense against market volatility.

⁶ Source: Lipper, Inc., as of 12/31/10. Stocks are represented by the S&P 500 Index, an unmanaged index that includes 500 widely traded stocks. Bonds are represented by the Barclays Capital U.S. Aggregate Bond Index, an unmanaged index of dollar-denominated and nonconvertible investment-grade debt issues. Cash is represented by the U.S. 3-month treasury bill published by the Federal Reserve. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

In any given year, no one can predict which sector or style will be the best performer. In just the past 10 years, five different sectors have led in at least one calendar year. Asset allocation and diversification can help smooth the ride over the long term.

Annual Returns of Asset Classes and a Diversified Portfolio 2001–2010⁷

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Small/Mid Cap Value	9.74	Bond 10.25	Small/Mid Cap Growth 46.31	Small/Mid Cap Value 21.58	International 14.02	International 26.86	Large Cap Growth 11.81	Bond 5.24	Small/Mid Cap Growth 41.66%	Small/Mid Cap Growth 28.86%
Bond	8.44	Cash 1.61	Small/Mid Cap Value 44.93	International 20.70	Small/Mid Cap Growth 8.17	Large Cap Value 22.25	International 11.63	Cash 1.40	Large Cap Growth 37.21%	Small/Mid Cap Value 24.82%
Cash	3.48	Small/Mid Cap Value -9.87	International 39.17	Large Cap Value 16.49	Small/Mid Cap Value 7.74	Small/Mid Cap Value 20.18	Small/Mid Cap Growth 9.69	Diversified Portfolio -31.10	International 32.46%	Diversified Portfolio 16.77%
Large Cap Value	-5.59	Diversified Portfolio -14.63	Diversified Portfolio 32.38	Small/Mid Cap Growth 14.59	Diversified Portfolio 7.45	Diversified Portfolio 15.83	Bond 6.97	Small/Mid Cap Value -31.99	Small/Mid Cap Value 27.68%	Large Cap Growth 16.71%
Diversified Portfolio	-6.64	Large Cap Value -15.52	Large Cap Value 30.03	Diversified Portfolio 14.00	Large Cap Value 7.05	Small/Mid Cap Growth 12.26	Diversified Portfolio 5.44	Large Cap Value -36.85	Diversified Portfolio 27.44%	Large Cap Value 15.51%
Small/Mid Cap Growth	-10.83	International -15.66	Large Cap Growth 29.75	Large Cap Growth 6.30	Large Cap Growth 5.26	Large Cap Growth 9.07	Cash 4.40	Large Cap Growth -38.44	Large Cap Value 19.69%	International 8.21%
Large Cap Growth	-20.42	Large Cap Growth -27.88	Bond 4.10	Bond 4.34	Cash 3.07	Cash 4.67	Large Cap Value -0.17	Small/Mid Cap Growth -41.50	Bond 5.93%	Bond 6.54%
International	-21.21	Small/Mid Cap Growth -29.09	Cash 1.03	Cash 1.38	Bond 2.43	Bond 4.33	Small/Mid Cap Value -7.27	International -43.06	Cash 0.15%	Cash 0.14%

⁷ Source: Lipper, Inc. as of 12/31/10. Annual returns are based on calendar years. Indexes are unmanaged and do not take transaction costs or fees into consideration. It is not possible to invest directly in an index. Performance figures assume reinvestment of dividends and capital gains. This chart is for illustrative purposes only and does not represent the performance of any John Hancock fund. Diversification does not guarantee against a loss. Past performance is no guarantee of future results.

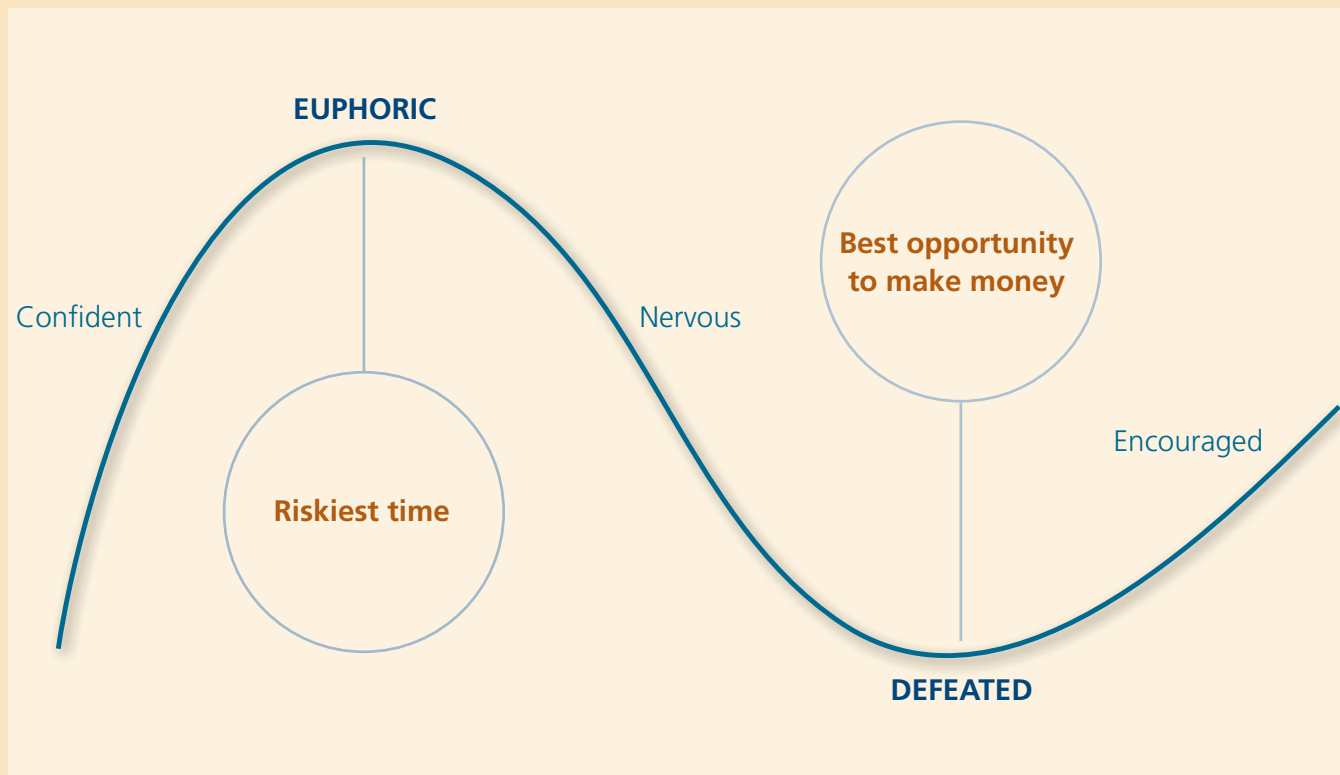
Large growth stocks are represented by the Russell 1000 Growth Index, a market capitalization-weighted index of securities in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. **Large value** stocks are represented by the Russell 1000 Value Index, a market capitalization-weighted index of securities in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. **Small/Mid growth** is represented by the Russell 2500 Growth Index which measures the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values. **Small/Mid value** is represented by the Russell 2500 Value Index which measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. **International** is measured by the MSCI EAFE Index, a market value-weighted, arithmetic average of the performance of more than 900 securities listed in several developed world markets, excluding the United States. **Bonds** are measured by the Barclays Capital U.S. Aggregate Bond Index, which includes U.S. government, corporate and mortgage-backed securities with maturities up to 30 years. **Cash** represents the performance of the 3-month T-bill, published by the Federal Reserve. **Diversified** is represented by the average return of the six indexes above, excluding cash. It does not represent any specific index. You cannot invest directly in an index.

Small company stocks may be more volatile than stocks of larger, more established companies. Foreign investments involve greater risks, including political and economic risks and the risk of currency fluctuations, all of which are magnified in emerging markets. Bonds, if held to maturity, provide a fixed rate of return and a fixed principal value. Bonds will fluctuate and, when redeemed, may be worth more or less than their original cost.

Get off the emotional rollercoaster

Market cycles depend as much on people's emotions as they do on market fundamentals. When a stock or fund you purchased goes up, you feel euphoric. When it goes down, you feel defeated. But making an investment decision based on emotional reasons instead of analytical ones can lead to costly mistakes. As they say about roller coasters, you only get hurt if you jump off in the middle of the ride.

Emotional Rollercoaster



This hypothetical scenario is for illustration purposes only and is not a prediction of future market conditions.

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Talk to your financial professional

He or she can answer any other questions you may have about the market, your portfolio or next steps. Buy low, sell high is still the best way to accumulate wealth, and a volatile market could provide an unprecedented opportunity to buy low now.

Work with your financial professional to remove emotion from investing decisions and to make the best choices possible with the information available. That's one thing we've learned from the past that can help us in the future, too.

**Here's to successful investing
this year and for years to come!**



Family of funds

DOMESTIC EQUITY	CLASS A	ASSET ALLOCATION	CLASS A	SPECIALTY	CLASS A
Balanced Fund	SVBAX	TARGET RISK		Alternative Asset Allocation Fund	JAAAX
Classic Value Fund	PZFXV	Lifestyle Aggressive Portfolio	JALAX	Currency Strategies Fund	JCUAX
Classic Value Mega Cap Fund	JMEAX	Lifestyle Balanced Portfolio	JALBX	Financial Industries Fund	FIDAX
Disciplined Value Fund	JVLAX	Lifestyle Conservative Portfolio	JALRX	Natural Resources Fund	JNRAX
Disciplined Value Mid Cap Fund	JVMAX	Lifestyle Growth Portfolio	JALGX	Regional Bank Fund	FRBAX
Large Cap Equity Fund	TAGRX	Lifestyle Moderate Portfolio	JALMX	Technical Opportunities Fund	JTCAX
Mid Cap Equity Fund	JCEAX				
Rainier Growth Fund	RGROX	TARGET DATE			
Small Cap Equity Fund	SPVAX	Lifecycle 2045 Portfolio	JLJAX	INCOME	CLASS A
Small Cap Intrinsic Value Fund	JHIAX	Lifecycle 2040 Portfolio	JLIAX	Bond Fund	JHNBX
Small Company Fund	JCSAX	Lifecycle 2035 Portfolio	JLHAX	Floating Rate Income Fund	JFIAX
Sovereign Investors Fund	SOVIX	Lifecycle 2030 Portfolio	JLFAX	Government Income Fund	JHGIX
U.S. Core Fund	GOCGX	Lifecycle 2025 Portfolio	JLEAX	High Yield Fund	JHHBX
U.S. Global Leaders Growth Fund	USGLX	Lifecycle 2020 Portfolio	JLDAX	Investment Grade Bond Fund	TAUSX
		Lifecycle 2015 Portfolio	JLBAX	Strategic Income Fund	JHFIX
		Lifecycle 2010 Portfolio	JLAXX	Strategic Income Opportunities Fund	JIPAX
GLOBAL/INTERNATIONAL EQUITY	CLASS A	RETIREMENT INCOME		TAX-FREE INCOME	CLASS A
Global Opportunities Fund	JGPAX	Retirement Distribution Portfolio	JRDAX	California Tax-Free Income Fund	TACAX
Global Shareholder Yield Fund	JGYAX	Retirement Rising Distribution Portfolio	JRRAX	High Yield Municipal Bond Fund	JHTFX
Greater China Opportunities Fund	JCOAX			Massachusetts Tax-Free Income Fund	JHMAX
International Allocation Portfolio	JAIAX			New York Tax-Free Income Fund	JHNYX
International Core Fund	GIDEX			Tax-Free Bond Fund	TAMBX
International Growth Fund	GOIGX			MONEY MARKET	CLASS A
				Money Market	JHMXX

All funds may not be available for sale at all firms.

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- In 2010, kasina ranked the John Hancock Mutual Funds Web site as **one of the Top 10 Websites** for Financial Intermediaries, for the fifth consecutive year.
- John Hancock Signature Services, Inc., the transfer and shareholder services agent for John Hancock Mutual Funds, attained the 2010 "Support Team of the Year" from the American Business Awards.



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