

John Hancock Hedged Equity & Income Fund
Form N-CSRS
September 01, 2015

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: June 30, 2015

ITEM 1. REPORT TO SHAREHOLDERS

John Hancock

Hedged Equity & Income Fund

Ticker: HEQ Semiannual report 6/30/15

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, which will be paid quarterly until further notice. 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 is 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 section.

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.

A message to shareholders

Dear shareholder,

Despite improving economic conditions in many developed countries and continued central bank stimulus, global market volatility crept up near the end of the period. European markets were shaken by the ongoing debt crisis in Greece, including that country's default on debt payments and initial vote to reject the terms of a bailout package from European creditors. A subsequent deal offered hope of an orderly resolution. Meanwhile, in China, the stock market rally fizzled in June, and the ensuing sell-off was stemmed only as a result of massive government intervention. In the United States, a stronger economy has increased the chances that the U.S. Federal Reserve will raise short-term interest rates this year an event investors have viewed with trepidation for some time.

We may be in for a period of rising volatility as markets adjust to the idea of more normalized monetary policy in the

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United States and as the European debt situation continues to play out. Unpleasant as they are, these periods can ultimately be beneficial to the long-term health of markets, resetting valuations and investor expectations on a more realistic trajectory. The near-term challenge for many investors will be maintaining the discipline to stick to a well-constructed long-term financial plan in the face of short-term market disruptions. As always, we recommend that your first course of action be a conversation with your financial advisor. We also believe investors can be well served by owning broadly diversified asset allocation funds or by adding alternative strategies such as absolute return funds to a diversified portfolio.

At John Hancock Investments, one of the ways we seek to maximize the value shareholders receive is by lowering expenses where possible. To that end, we were pleased to announce a sweeping package of expense reductions across a wide range of funds. Details can be found at jhinvestments.com.

On behalf of everyone at John Hancock Investments, I'd like to take this opportunity to welcome new shareholders and thank existing shareholders for the continued trust you've placed in us.

Sincerely,

Andrew G. Arnott
President and Chief Executive Officer
John Hancock Investments

This commentary reflects the CEO's views as of June 30, 2015. They are subject to change at any time. For more up-to-date information, you can visit our website at jhinvestments.com.

John Hancock
Hedged Equity & Income Fund

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Your fund at a glance

INVESTMENT OBJECTIVE

The fund seeks to provide total return with a focus on current income and gains and also consisting of long-term capital appreciation.

AVERAGE ANNUAL TOTAL RETURNS AS OF 6/30/15 (%)

The MSCI All Country World Index (gross of foreign withholding tax on dividends) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

It is not possible to invest directly in an index. Index figures do not reflect expenses or sales charges, which would result in lower values.

The fund's most recent performance and current annualized distribution rate can be found at www.jhinvestments.com.

The fund's performance at net asset value (NAV) is different from the fund's performance at closing market price because the closing market price is subject to the dynamics of secondary market trading, which could cause the fund to trade at a discount or premium to its NAV at any time.

The performance data contained within this material represents past performance, which does not guarantee future results.

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PERFORMANCE HIGHLIGHTS OVER THE LAST SIX MONTHS

Positive absolute returns

Buoyed by its equity strategy, the fund was up for the six months ending June 30, 2015.

Bonds a mixed bag

The fund held global high-yield fixed-income investments during the period, contributing to absolute performance, though they trailed equities.

Hedges hindered

The fund's hedging strategy, which is designed to reduce stock market risk using futures contracts, weighed on returns during this period of modestly rising equities.

PORTFOLIO COMPOSITION AS OF 6/30/15 (%)

A note about risks

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. There is no guarantee prior distribution levels will be maintained and distributions may include a substantial

tax return of capital. 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. Certain market conditions, including reduced trading volume, heightened volatility, and rising interest rates, may impair liquidity, the ability of the fund to sell securities or close derivative positions at advantageous prices. Foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability. The primary risks associated with the use of futures contracts and options are imperfect correlation, unanticipated market movement, and counterparty risk. Investments in higher-yielding, lower-rated securities include a higher risk of default.

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Discussion of fund performance

An interview with Portfolio Manager Kent M. Stahl, CFA, Wellington Management Company LLP

Kent M. Stahl, CFA

Portfolio Manager

Wellington Management Company LLP

What did you observe in the markets over the six months ended June 30, 2015?

The extended rally in stocks continued as global equities were generally up for the period. Still, investors endured a number of worrisome headlines along the way, including disappointing manufacturing data from China and Japan, as well as questions about Greece's future in the eurozone.

The Bank of Japan expanded its quantitative easing policy, the People's Bank of China surprised markets with its first rate cut in two years, and the European Central Bank announced a massive asset-purchase program to combat low inflation and stimulate growth. European equities benefited from the accommodative policy measures and from improving economic data, including positive trends in manufacturing, exports, and economic sentiment.

A continued boom in corporate takeovers also fueled bullish sentiment, as merger-and-acquisition deal volume remained robust. Eight of ten sectors in the fund's reference benchmark, the MSCI All Country World Index, posted positive returns, with healthcare, consumer discretionary, and telecommunication services stocks leading the way. The utilities and energy sectors declined.

Would you recap the fund's performance overall?

For the six-month period ended June 30, 2015, the fund posted total returns of 3.43% at net asset value and 2.38% at closing market price. The fund's benchmark, a proxy for the global stock markets, posted a 2.97% return. The fund's call option and equity strategies contributed to relative returns, but its market risk hedging positions, using futures contracts, weighed on results.

What drove performance in the fund's equity portfolio specifically?

The fund's equity strategy generated positive relative returns (i.e., relative to the benchmark) for the period, driven by stock selection. Favorable selection within the telecommunications services and financials sectors contributed to

relative performance. Partially offsetting results was less favorable selection within the energy and utilities sectors. Sector allocation, a byproduct of the bottom-up

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"A continued boom in corporate takeovers also fueled bullish sentiment, as merger-and-acquisition deal volume remained robust."

stock selection process, modestly detracted from relative results; underweight exposure to the consumer discretionary sector and a modest overweight allocation to utilities hindered performance.

In terms of individual holdings, top contributors to relative performance included U.S.-based manufacturer and marketer of packaged foods Kraft Foods Group Inc., Japan-based telecommunication services company Nippon Telegraph and Telephone Corp., and Japan-based pharmaceutical company Eisai Company, Ltd.

Detractors from relative performance included positions in U.S.-based semiconductor chip manufacturer Intel Corp., U.S.-based electric power and gas distribution company Duke Energy Corp., and Netherlands-based financial services provider Delta Lloyd NV.

SECTOR COMPOSITION AS OF 6/30/15 (%)

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"The fund's call option and equity strategies contributed to relative returns, but its market risk hedging and high-yield bond strategies weighed on results."

Would you comment further on the performance of the fund's options and beta hedging strategies?

On the one hand, the written calls on the S&P 500 Index contributed positively to results, generating income for the fund amid the relatively muted performance of U.S. stocks.

On the other hand, the fund's beta hedge strategy detracted from results. Designed to reduce equity market exposure by selling futures contracts on the S&P 500 Index and the MSCI EAFE Index, this strategy generally hinders performance when stocks rise, as they did during this period.

How about the fund's bond exposure?

The fund held global high-yield bonds to aid its income-generating capability. While this fixed-income allocation generated positive absolute performance, the fund might have done even better relative to its equity benchmark without those positions, as stocks outpaced bonds during this particular period.

How was the fund positioned at the end of the period?

At the end of the period, the fund's equity portfolio had overweight allocations to the financials, materials, telecommunication services, and utilities sectors, and underweight allocations to the consumer discretionary, consumer staples, healthcare, and information technology sectors. From a

TOP 10 HOLDINGS AS OF 6/30/15 (%)

| | |
|--|-------------|
| Merck & Company, Inc. | 2.0 |
| Microsoft Corp. | 1.9 |
| The PNC Financial Services Group, Inc. | 1.7 |
| Maxim Integrated Products, Inc. | 1.7 |
| British American Tobacco PLC | 1.7 |
| JPMorgan Chase & Co. | 1.6 |
| Duke Energy Corp. | 1.3 |
| Nippon Telegraph & Telephone Corp. | 1.3 |
| Intel Corp. | 1.2 |
| Bristol-Myers Squibb Company | 1.2 |
| TOTAL | 15.6 |

As a percentage of net assets.

Cash and cash equivalents are not included.

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regional standpoint, the fund was overweight equities in Japan, Europe, and North America, and underweight emerging markets.

As always, we remain vigilant about risk, and we believe that the fund's strategy, which seeks to participate in rising markets while limiting exposure to the downside and generating income, complements the more traditional stock and bond holdings that tend to dominate the portfolios of most investors.

MANAGED BY

Kent M. Stahl, CFA

On the fund since 2011

Investing since 1985

Gregg R. Thomas, CFA

On the fund since 2011

Investing since 1993

COUNTRY COMPOSITION AS OF 6/30/15 (%)

| | |
|-----------------|------|
| United States | 56.0 |
| Japan | 10.3 |
| United Kingdom | 8.1 |
| France | 3.5 |
| Germany | 3.3 |
| Switzerland | 3.3 |
| Canada | 2.1 |
| Netherlands | 2.1 |
| China | 1.7 |
| Spain | 1.4 |
| Other countries | 8.2 |

TOTAL 100.0

As a percentage of net assets.

The views expressed in this report are exclusively those of Kent M. Stahl, CFA, Wellington Management Company LLP, and are subject to change. They are not meant as investment advice. Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future. Current and future portfolio holdings are subject to risk.

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Fund's investments

As of 6-30-15 (unaudited)

| | Shares | Value |
|------------------------------|--------|---------------|
| Common stocks | | \$195,088,761 |
| 81.5% | | |
| (Cost \$185,029,217) | | |
| Consumer discretionary | 6.2% | 14,854,441 |
| Auto components | 0.9% | |
| Aisan Industry Company, Ltd. | 14,300 | 134,120 |
| Delphi Automotive PLC | 6,348 | 540,151 |
| Exedy Corp. | 7,600 | 189,759 |
| Keihin Corp. | 14,200 | 203,464 |
| Nissin Kogyo Company, Ltd. | 6,500 | 107,229 |
| Sumitomo Riko Company, Ltd. | 18,000 | 143,531 |
| Takata Corp. | 11,300 | 122,989 |
| Tokai Rika | 8,300 | 207,315 |

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| | | |
|--|---------|-----------|
| Company, Ltd. Toyoda Gosei Company, Ltd. Toyota Boshoku Corp. Automobiles 0.4% | 12,000 | 289,251 |
| Honda Motor Company, Ltd. Peugeot SA (I) Renault SA Diversified consumer services 0.1% | 16,300 | 274,686 |
| Allstar Co-Invest LLC (I)(R) Benesse Holdings, Inc. Hotels, restaurants and leisure 0.4% | 14,200 | 458,942 |
| McDonald's Corp. Household durables 1.3% | 11,549 | 238,161 |
| D.R. Horton, Inc. Funai Electric Company, Ltd. Newell Rubbermaid, Inc. | 2,665 | 279,418 |
| Nikon Corp. Pioneer Corp. (I) PulteGroup, Inc. Internet and catalog retail 0.1% | 236,300 | 255,204 |
| Home Retail Group PLC | 1,600 | 40,111 |
| | 10,392 | 987,967 |
| | 17,616 | 481,974 |
| | 15,200 | 169,055 |
| | 24,400 | 1,003,084 |
| | 21,100 | 243,846 |
| | 103,900 | 189,172 |
| | 46,291 | 932,764 |
| | 51,206 | 135,971 |
| | 49,556 | 73,181 |

| | | |
|--|--------|-----------|
| Qliro Group AB (I) Media 1.0% Avex Group Holdings, Inc. | 7,900 | 138,621 |
| Gendai Agency, Inc. | 5,200 | 28,931 |
| Metropole Television SA | 9,867 | 192,161 |
| ProSiebenSat.1 Media AG | 26,426 | 1,305,289 |
| Proto Corp. | 3,300 | 53,152 |
| Sky PLC | 35,530 | 578,700 |

SEE NOTES TO FINANCIAL STATEMENTS8

| | Shares | Value |
|---|---------|-----------|
| Consumer discretionary (continued) Multiline retail 0.2% Dollar General Corp. | 6,165 | \$479,267 |
| New World Department Store China, Ltd. | 202,000 | 53,661 |
| Specialty retail 1.6% Acastria Company, Ltd. | 6,700 | 239,528 |
| Honeys Company, Ltd. | 12,030 | 102,174 |
| Nishimatsuya Chain Company, Ltd. | 18,500 | 186,124 |
| Pal Company, | 4,800 | 157,618 |

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|---|---------|------------|
| Ltd. Ross Stores, Inc. | 7,993 | 388,540 |
| Shimamura Company, Ltd. | 1,900 | 199,479 |
| The Home Depot, Inc. | 21,538 | 2,393,518 |
| Xebio Company, Ltd. | 9,700 | 189,474 |
| Textiles, apparel and luxury goods 0.2% Daphne International Holdings, Ltd. | 402,000 | 100,619 |
| Ralph Lauren Corp. | 2,767 | 366,240 |
| Consumer staples 5.5% Beverages 0.7% | | 13,068,996 |
| The Coca-Cola Company | 45,135 | 1,770,646 |
| Food and staples retailing 0.2% Cawachi, Ltd. | 7,400 | 111,315 |
| J Sainsbury PLC | 79,626 | 331,461 |
| Food products 2.6% Ebro Foods SA | 27,725 | 537,153 |
| Ingredion, Inc. | 13,729 | 1,095,711 |
| Kraft Foods Group, Inc. | 29,365 | 2,500,136 |
| Pinnacle Foods, Inc. | 25,226 | 1,148,792 |
| Suedzucker AG | 13,763 | 229,235 |
| Unilever NV | 17,110 | 715,354 |
| Household products 0.2% | | |

| | | |
|------------------------------------|---------|------------|
| The Procter & Gamble Company | 6,420 | 502,301 |
| Personal products 0.1% | | |
| Oriflame Holding AG (I) | 10,701 | 172,975 |
| Tobacco 1.7% | | |
| British American Tobacco PLC | 73,435 | 3,953,917 |
| Energy 6.8% | | 16,244,389 |
| Energy equipment and services 0.3% | | |
| Ensco PLC, Class A | 14,177 | 315,722 |
| National Oilwell Varco, Inc. | 8,380 | 404,586 |
| Oil, gas and consumable fuels 6.5% | | |
| BP PLC | 121,507 | 806,402 |
| Canadian Natural Resources, Ltd. | 14,308 | 388,605 |

9SEE NOTES TO FINANCIAL STATEMENTS

| | Shares | Value |
|---|---------|-------------|
| Energy (continued) | | |
| Oil, gas and consumable fuels (continued) | | |
| Chevron Corp. | 25,251 | \$2,435,964 |
| Encana Corp. | 10,300 | 113,556 |
| Eni SpA | 26,905 | 477,876 |
| Exxon Mobil Corp. | 13,417 | 1,116,294 |
| Gazprom OAO, ADR | 42,654 | 224,787 |
| | 484,500 | 40,071 |

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| | | |
|---|---------|------------|
| Harum Energy Tbk PT HollyFrontier Corp. | 10,854 | 463,357 |
| Indo Tambangraya Megah Tbk PT Inpex Corp. | 62,200 | 59,779 |
| Japan Petroleum Exploration Company, Ltd. Lukoil OAO, ADR | 20,500 | 232,694 |
| Marathon Oil Corp. Occidental Petroleum Corp. | 7,200 | 228,960 |
| Painted Pony Petroleum, Ltd. (I) Petro Rio SA (I) PetroChina Company, Ltd., H Shares Petroleo Brasileiro SA, ADR (I) | 5,350 | 240,269 |
| Royal Dutch Shell PLC, B Shares Statoil ASA | 85,025 | 2,256,564 |
| Suncor Energy, Inc. | 14,606 | 1,135,909 |
| Total SA Financials 21.5% Banks 9.8% | 12,700 | 80,938 |
| | 2,930 | 3,864 |
| | 952,000 | 1,060,239 |
| | 25,867 | 234,096 |
| | 35,167 | 1,001,222 |
| | 3,568 | 63,807 |
| | 51,808 | 1,425,756 |
| | 29,216 | 1,433,072 |
| | 61,017 | 82,834 |
| | | 51,350,316 |

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|---|-----------|-----------|
| Allahabad Bank Alpha Bank | 264,837 | 70,270 |
| AE (I) Banca Popolare dell'Emilia Romagna SC BNP Paribas | 20,148 | 179,767 |
| SA CaixaBank SA Canara Bank | 199,288 | 927,346 |
| China Construction Bank | 20,441 | 88,818 |
| Corp., H Shares CIT Group, Inc. | 1,294,000 | 1,180,329 |
| Corp. Bank Dah Sing Financial Holdings, Ltd. | 5,882 | 273,454 |
| HSBC Holdings PLC | 63,930 | 50,566 |
| ING Groep NV JPMorgan Chase & Co. | 16,000 | 104,873 |
| KB Financial Group, Inc. | 184,029 | 1,647,871 |
| M&T Bank Corp. Mitsubishi UFJ Financial Group, Inc. | 29,858 | 495,803 |
| | 56,689 | 3,841,247 |
| | 5,862 | 193,609 |
| | 3,189 | 398,402 |
| | 286,500 | 2,061,213 |

| | | |
|---------------------------------------|---------|-----------|
| Mizuho Financial Group, Inc. | 227,200 | 491,600 |
| Nordea Bank AB | 104,942 | 1,308,810 |
| OTP Bank PLC | 9,925 | 196,158 |

SEE NOTES TO FINANCIAL STATEMENTS10

| | Shares | Value |
|--|---------|-----------|
| Financials (continued) | | |
| Banks (continued) | | |
| Piraeus Bank | 217,523 | \$73,237 |
| SA (I) | | |
| Shinhan Financial Group | 3,315 | 123,391 |
| Company, Ltd. | | |
| Societe Generale | 7,907 | 371,026 |
| SA | | |
| Standard Chartered PLC | 29,084 | 465,763 |
| Sumitomo Mitsui Financial Group, Inc. | 11,500 | 511,971 |
| Svenska Handelsbanken | 46,141 | 673,578 |
| AB, A | | |
| Shares | | |
| The Eighteenth Bank, Ltd. | 10,000 | 30,639 |
| The Oita Bank, Ltd. | 15,000 | 63,911 |
| The PNC Financial Services Group, Inc. | 43,503 | 4,161,062 |
| The Tochigi | 16,000 | 91,117 |

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|---|---------|-----------|
| Bank, Ltd. The Yamanashi Chuo | 18,000 | 85,067 |
| Bank, Ltd. UniCredit SpA | 39,546 | 265,784 |
| Wells Fargo & Company | 45,013 | 2,531,531 |
| Capital markets 2.1% BlackRock, Inc. | 7,168 | 2,479,985 |
| Henderson Group PLC | 284,692 | 1,168,019 |
| Julius Baer Group, Ltd. (I) | 4,068 | 228,272 |
| LPL Financial Holdings, Inc. | 7,869 | 365,830 |
| UBS Group AG | 30,021 | 636,940 |
| Uranium Participation Corp. (I) | 31,800 | 133,158 |
| Consumer finance 0.0% Manappuram Finance, Ltd. | 221,288 | 97,396 |
| Diversified financial services 0.5% Intercontinental Exchange, Inc. | 1,857 | 415,244 |
| MSCI, Inc. | 13,146 | 809,136 |
| Insurance 6.6% ACE, Ltd. | 14,553 | 1,479,749 |
| Ageas Assicurazioni Generali SpA | 9,499 | 366,503 |
| CNO Financial Group, Inc. | 55,497 | 1,000,265 |
| | 61,685 | 1,131,920 |
| | 67,795 | 1,112,483 |

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|---|--------|-----------|
| Delta Lloyd NV FNF Group | 20,470 | 757,185 |
| Marsh & McLennan Companies, Inc. | 41,595 | 2,358,437 |
| MetLife, Inc. | 41,258 | 2,310,035 |
| Storebrand ASA (I) T&D Holdings, Inc. | 62,752 | 258,495 |
| The Dai-ichi Life Insurance Company, Ltd. | 31,600 | 471,077 |
| Tokio Marine Holdings, Inc. | 17,200 | 337,765 |
| Tongyang Life Insurance Willis Group Holdings PLC | 8,600 | 357,666 |
| Zurich Insurance Group AG (I) | 10,279 | 140,451 |
| | 34,710 | 1,627,899 |
| | 6,494 | 1,976,966 |

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| | Shares | Value |
|--|--------|-----------|
| Financials (continued) Real estate investment trusts 1.0% Blackstone Mortgage Trust, Inc., Class A ICADE | 20,470 | \$569,475 |
| | 7,720 | 552,201 |

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| | | |
|---|--------|------------|
| Weyerhaeuser Company | 36,279 | 1,142,789 |
| Real estate management and development | 1.5% | |
| Castellum AB | 52,290 | 734,871 |
| Deutsche Annington Immobilien SE | 54,791 | 1,546,090 |
| Deutsche Wohnen AG | 36,129 | 828,290 |
| The Unite Group PLC | 53,264 | 478,247 |
| Health care | 9.2% | 22,007,168 |
| Biotechnology | 0.1% | |
| Sinovac Biotech, Ltd. (I) | 23,008 | 120,792 |
| Health care equipment and supplies | 0.2% | |
| Zimmer Holdings, Inc. | 4,256 | 464,883 |
| Health care providers and services | 1.0% | |
| Aetna, Inc. | 7,422 | 946,008 |
| AmerisourceBergen Corp. | 3,367 | 358,047 |
| Quest Diagnostics, Inc. | 12,487 | 905,557 |
| Suzuken Company, Ltd. | 2,490 | 79,663 |
| Health care technology | 0.0% | |
| AGFA-Gevaert NV (I) | 36,551 | 101,985 |
| Life sciences tools and services | 0.0% | |
| CMIC Holdings Company, Ltd. | 6,600 | 92,107 |
| Pharmaceuticals | 7.9% | |
| Almirall SA | 12,394 | 245,661 |
| AstraZeneca PLC | 35,123 | 2,222,943 |

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| | | |
|---|--------|-----------|
| Bristol-Myers Squibb Company | 44,293 | 2,947,256 |
| Daiichi Sankyo Company, Ltd. | 10,700 | 197,742 |
| Eisai Company, Ltd. H. | 25,100 | 1,682,819 |
| Lundbeck A/S (I) | 12,554 | 241,545 |
| Johnson & Johnson Merck & Company, Inc. | 16,688 | 1,626,412 |
| Ono Pharmaceutical Company, Ltd. | 85,688 | 4,878,218 |
| Pfizer, Inc. | 4,000 | 436,580 |
| Roche Holding AG | 44,207 | 1,482,261 |
| Takeda Pharmaceutical Company, Ltd. | 8,757 | 2,455,388 |
| Industrials 8.6% Aerospace and defense 1.5% | 10,800 | 521,301 |
| Honeywell International, Inc. | 12,118 | 1,235,672 |
| Raytheon Company | 5,111 | 489,020 |
| Thales SA | 5,240 | 316,606 |

SEE NOTES TO FINANCIAL STATEMENTS 12

| | Shares | Value |
|--------------------------------------|--------|-------------|
| Industrials (continued) | | |
| Aerospace and defense (continued) | | |
| United Technologies Corp. | 13,712 | \$1,521,072 |

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| | | |
|--|--------|-----------|
| Air freight and logistics 0.4% | | |
| Deutsche Post AG | 20,801 | 607,790 |
| PostNL NV (I) | 78,216 | 349,149 |
| Airlines 0.3% | | |
| American Airlines Group, Inc. | 7,110 | 283,938 |
| Deutsche Lufthansa AG (I) | 23,986 | 309,468 |
| Qantas Airways, Ltd. (I) | 74,692 | 181,500 |
| Building products 0.4% | | |
| Cie de Saint-Gobain Fortune Brands Home & Security, Inc. | 11,024 | 497,639 |
| Commercial services and supplies 0.1% | | |
| Aeon Delight Company, Ltd. | 4,800 | 147,080 |
| Moshi Moshi Hotline, Inc. | 8,500 | 95,107 |
| Construction and engineering 0.1% | | |
| Raubex Group, Ltd. | 60,709 | 101,220 |
| Toyo Engineering Corp. | 54,000 | 128,267 |
| Electrical equipment 2.0% | | |
| Eaton Corp. PLC | 39,060 | 2,636,159 |
| OSRAM Licht AG | 2,648 | 126,682 |
| Schneider Electric SE | 24,577 | 1,701,687 |
| Ushio, Inc. | 15,100 | 196,551 |

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| | | |
|--|---------|---------|
| Zumtobel Group AG | 1,496 | 44,410 |
| Industrial conglomerates | 1.3% | |
| 3M Company | 5,986 | 923,640 |
| General Electric Company | 30,315 | 805,470 |
| Koninklijke Philips NV | 7,752 | 197,850 |
| Rheinmetall AG | 7,351 | 372,864 |
| Siemens AG | 8,046 | 814,025 |
| Machinery | 0.2% | |
| Fuji Machine Manufacturing Company, Ltd. | 4,600 | 48,138 |
| Hisaka Works, Ltd. | 9,200 | 83,621 |
| The Japan Steel Works, Ltd. | 54,000 | 223,151 |
| Toshiba Machine Company, Ltd. | 42,000 | 192,374 |
| Marine | 0.1% | |
| D/S Norden A/S (I) | 8,207 | 206,734 |
| Pacific Basin Shipping, Ltd. | 414,000 | 139,116 |
| Professional services | 0.4% | |
| Adecco SA (I) | 4,160 | 337,615 |
| en-japan, Inc. | 8,300 | 148,815 |
| Hays PLC | 86,846 | 222,725 |

13SEE NOTES TO FINANCIAL STATEMENTS

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| | Shares | Value |
|--|-----------|------------|
| Industrials (continued) | | |
| Professional services (continued) | | |
| USG | | |
| People NV | 10,861 | \$161,207 |
| Road and rail | 0.6% | |
| Union | | |
| Pacific Corp. | 14,200 | 1,354,254 |
| Trading companies and distributors | 0.5% | |
| Fastenal Company | 11,039 | 465,625 |
| Kuroda Electric Company, Ltd. | 11,300 | 210,295 |
| Mitsubishi Corp. | 17,300 | 380,323 |
| SIG PLC | 50,105 | 157,774 |
| Transportation infrastructure | 0.7% | |
| Hamburger Hafen und Logistik AG | 5,778 | 116,822 |
| Jiangsu Expressway Company, Ltd., H Shares | 1,146,000 | 1,503,460 |
| Information technology | 10.5% | 25,238,803 |
| Communications equipment | 1.5% | |
| Cisco Systems, Inc. | 103,812 | 2,850,678 |
| QUALCOMM, Inc. | 11,095 | 694,880 |
| Electronic equipment, instruments and components | 0.5% | |
| Avnet, Inc. | 12,916 | 530,977 |
| Hosiden Corp. | 28,000 | 171,384 |
| Kingboard Laminates Holdings, Ltd. | 334,500 | 158,911 |
| Mitsumi Electric | 9,300 | 63,060 |

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| | | |
|--|---------|-----------|
| Company, Ltd. Nichicon Corp. | 26,000 | 211,426 |
| Internet software and services 0.2% | | |
| DeNa Company, Ltd. | 14,200 | 279,069 |
| Dropbox, Inc. (I)(R) | 7,248 | 128,942 |
| Gree, Inc. IT services | 32,200 | 188,038 |
| 1.1% | | |
| Alten SA | 3,664 | 170,549 |
| Booz Allen Hamilton Holding Corp. | 43,075 | 1,087,213 |
| Cap Gemini SA | 2,722 | 241,486 |
| Devoteam SA | 1,275 | 35,921 |
| Fujitsu, Ltd. | 76,000 | 424,638 |
| GFI Informatique SA | 4,237 | 27,842 |
| Itochu Techno-Solution Corp. | 10,700 | 266,469 |
| NET One Systems Company, Ltd. | 21,200 | 148,828 |
| Sopra Steria Group | 3,577 | 322,230 |
| Semiconductors and semiconductor equipment 3.9% | | |
| Intel Corp. | 98,271 | 2,988,912 |
| Kontron AG (I) | 14,745 | 65,082 |
| Lam Research Corp. | 7,533 | 612,810 |
| Marvell Technology Group, Ltd. | 25,541 | 336,758 |
| | 117,867 | 4,075,252 |

Maxim
Integrated
Products,
Inc.

SEE NOTES TO FINANCIAL STATEMENTS 14

| | Shares | Value |
|--|--------|----------|
| Information technology (continued) Semiconductors and semiconductor equipment (continued) Micronas Semiconductor Holding AG (I) | 15,030 | \$86,766 |
| Mimasu Semiconductor Industry Company, Ltd. | 7,500 | 75,418 |
| Miraial Company, Ltd. | 6,500 | 73,340 |
| Rohm Company, Ltd. | 3,700 | 247,897 |
| SCREEN Holdings Company, Ltd. | 38,000 | 239,142 |
| Shinkawa, Ltd. (I) | 15,400 | 136,706 |
| Shinko Electric Industries Company, Ltd. | 33,300 | 240,110 |
| Tokyo Seimitsu Company, Ltd. | 10,600 | 232,252 |
| Software 2.2% Activision Blizzard, Inc. | 14,420 | 349,108 |
| | 1,900 | 30,427 |

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| | | |
|--|---------|------------|
| Alpha Systems, Inc. | | |
| Microsoft Corp. | 102,152 | 4,510,011 |
| Nintendo Company, Ltd. | 1,900 | 316,972 |
| Technology hardware, storage and peripherals | 1.1% | |
| Apple, Inc. | 5,975 | 749,414 |
| Canon, Inc. | 12,100 | 392,504 |
| Compal Electronics, Inc. | 145,000 | 110,293 |
| Japan Digital Laboratory Company, Ltd. | 3,800 | 53,093 |
| Melco Holdings, Inc. | 8,300 | 156,700 |
| SanDisk Corp. | 7,921 | 461,161 |
| Western Digital Corp. | 8,877 | 696,134 |
| Materials | 5.9% | 14,227,822 |
| Chemicals | 2.2% | |
| Agrium, Inc. | 3,800 | 402,727 |
| Akzo Nobel NV | 11,042 | 806,166 |
| E.I. du Pont de Nemours & Company | 15,075 | 964,046 |
| Fujimi, Inc. | 4,500 | 67,692 |
| Hitachi Chemical Company, Ltd. | 8,600 | 154,895 |
| JSR Corp. | 16,300 | 287,749 |
| Methanex Corp. | 9,633 | 536,173 |
| | 55,000 | 204,340 |

| | | |
|---|---------|-----------|
| Mitsui Chemicals, Inc. Nitto Denko | 2,600 | 213,518 |
| Corp. PTT Global Chemical PCL Sumitomo Bakelite Company, Ltd. | 220,100 | 448,200 |
| The Dow Chemical Company | 21,812 | 1,116,120 |
| Construction materials 0.3% | | |
| Buzzi Unicem SpA | 19,489 | 277,641 |
| CRH PLC | 2,913 | 81,729 |
| Holcim, Ltd. (I) | 3,147 | 232,203 |
| Lafarge SA | 3,109 | 205,558 |

15SEE NOTES TO FINANCIAL STATEMENTS

| | Shares | Value |
|--|---------|-----------|
| Materials (continued) | | |
| Containers and packaging 0.6% | | |
| AMVIG Holdings, Ltd. | 240,000 | \$123,374 |
| Bemis Company, Inc. | 7,900 | 355,579 |
| Graphic Packaging Holding Company | 26,381 | 367,487 |
| Packaging Corp. of America | 8,603 | 537,601 |
| Metals and mining 1.5% | | |
| Aichi Steel Corp. | 11,000 | 49,151 |

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| | | |
|---|-----------|---------|
| Anglo American Platinum, Ltd. (I) | 7,080 | 159,646 |
| Anglo American PLC | 19,631 | 283,598 |
| Aquarius Platinum, Ltd. (I) | 273,117 | 29,381 |
| Barrick Gold Corp. | 14,500 | 154,984 |
| BHP Billiton PLC | 24,857 | 488,730 |
| Centerra Gold, Inc. Chubu | 31,300 | 177,926 |
| Steel Plate Company, Ltd. | 9,300 | 40,988 |
| Eldorado Gold Corp. | 37,602 | 155,672 |
| G-Resources Group, Ltd. | 4,368,000 | 140,743 |
| Impala Platinum Holdings, Ltd. (I) | 36,250 | 161,758 |
| Ivanhoe Mines, Ltd., Class A (I) | 113,000 | 81,425 |
| Kinross Gold Corp. (I) | 77,610 | 180,055 |
| Kyoei Steel, Ltd. | 9,900 | 182,935 |
| Lonmin PLC (I) | 62,570 | 110,152 |
| Maruichi Steel Tube, Ltd. | 7,400 | 183,670 |
| Neturen Company, Ltd. | 6,100 | 43,977 |
| Northern Dynasty Minerals, | 16,000 | 5,444 |

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| | | |
|---|---------|-----------|
| Ltd. (I) NV Bekaert | 5,811 | 164,026 |
| SA Resolute Mining, Ltd. (I) | 255,282 | 60,592 |
| Salzgitter AG Tokyo Steel Manufacturing Company, Ltd. Yamato Kogyo Company, Ltd. Yodogawa Steel Works, Ltd. | 6,188 | 221,219 |
| | 26,600 | 195,687 |
| | 6,700 | 156,499 |
| | 27,000 | 117,756 |
| Paper and forest products International Paper Company Norbord, Inc. Telecommunication services Diversified telecommunication services Hellenic Telecommunications Organization SA KT Corp. (I) Magyar Telekom Telecommunications PLC (I) Nippon Telegraph & Telephone Corp. Orange SA Telefonica SA | 49,275 | 2,344,997 |
| | 35,100 | 736,566 |
| | | 9,437,839 |
| | 21,847 | 160,677 |
| | 11,651 | 296,883 |
| | 124,096 | 173,348 |
| | 83,200 | 3,013,149 |
| | 19,862 | 306,954 |
| | 26,706 | 380,437 |

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Telenor
 ASA 62,698 1,374,644
 Verizon
 Communications 46,086 2,148,068
 Inc.

SEE NOTES TO FINANCIAL STATEMENTS 16

| | Shares | Value | |
|--|----------|-----------|---------|
| Telecommunication services (continued) | | | |
| Wireless telecommunication services 0.6% | | | |
| Mobistar SA (I) | 10,018 | \$189,865 | |
| NTT DOCOMO, Inc. | 72,600 | 1,393,814 | |
| Utilities 3.4% | | | |
| Electric utilities 2.0% | | | |
| Duke Energy Corp. | 43,455 | 3,068,792 | |
| Edison International | 13,815 | 767,838 | |
| The Southern Company | 10,145 | 425,076 | |
| Xcel Energy, Inc. | 13,330 | 428,959 | |
| Independent power and renewable electricity producers 0.0% | | | |
| NTPC, Ltd. | 51,354 | 110,840 | |
| Multi-utilities 1.4% | | | |
| Centrica PLC | 260,436 | 1,080,674 | |
| E.ON SE | 15,914 | 212,205 | |
| GDF Suez | 18,806 | 350,137 | |
| National Grid PLC | 52,567 | 676,581 | |
| PG&E Corp. | 17,999 | 883,751 | |
| RWE AG | 8,036 | 172,841 | |
| Rate (%) Maturity date Par value^ | | Value | |
| Corporate bonds 14.9% | | | |
| (Cost \$37,509,346) | | | |
| Consumer discretionary 2.7% | | | |
| Auto components 0.1% | | | |
| ZF | | | |
| North | | | |
| American Capital, Inc. (S) | 04-29-22 | 150,000 | 147,375 |
| Automobiles 0.2% | | | |
| FCA | | | |
| US 8.250 LLC | 06-15-21 | 230,000 | 250,700 |
| General | | | |
| Moto General Company | 10-02-23 | 160,000 | 168,467 |
| General | | | |
| Moto General Company | 10-02-43 | 65,000 | 72,375 |
| Diversified consumer services 0.2% | | | |

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| | | | | |
|---|-------|----------|-------------|---------|
| Service Corp | 7.625 | 10-01-18 | 125,000 | 142,500 |
| International The ServiceMaster Company LLC | 7.000 | 08-15-20 | 321,000 | 339,056 |
| Hotels, restaurants and leisure CEC | 8.000 | 02-15-22 | 130,000 | 129,025 |
| Enter | 5.875 | 05-15-23 | EUR 115,000 | 123,733 |
| Cirsa Funding Luxembourg SA (S) | 5.875 | 05-15-23 | EUR 100,000 | 107,594 |
| Cirsa Funding Luxembourg SA NH | 6.875 | 11-15-19 | EUR 235,000 | 285,896 |
| Hotel Group SA (S) | 7.125 | 03-15-23 | 105,000 | 109,988 |
| Household durables Argos Merger Sub, Inc. (S) | 8.000 | 11-01-19 | 150,000 | 138,750 |
| K Hovnanian Enterprises, Inc. (S) | 7.000 | 12-15-21 | 375,000 | 387,188 |
| KB Home Lennar Corp. | 4.750 | 11-15-22 | 125,000 | 122,813 |

17SEE NOTES TO FINANCIAL STATEMENTS

| Rate (%) | Maturity date | Par value^ | Value |
|------------------------------------|---------------|-------------|-----------|
| Consumer discretionary (continued) | | | |
| Media 1.3% | | | |
| Altice Financial | 01-15-22 | EUR 100,000 | \$118,453 |
| SA (S) | | | |
| Altice Financial | 06-15-23 | EUR 100,000 | 125,889 |
| SA (S) | | | |
| 5.125 | 02-15-23 | 5,000 | 4,875 |

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| | | | | |
|--|----------|---------|---------|--|
| CCO Holdings LLC | | | | |
| CCO Holdings LLC | 09-30-22 | 5,000 | 4,925 | |
| CCO Holdings LLC | 09-01-23 | 35,000 | 35,066 | |
| CCO Holdings LLC | 06-01-20 | 255,000 | 269,344 | |
| Cequel Communications Holdings I LLC (S) | 12-15-21 | 285,000 | 258,816 | |
| Cequel Communications Holdings I LLC (S) | 12-15-21 | 55,000 | 49,947 | |
| DISH DBS Corp. | 06-01-21 | 170,000 | 177,225 | |
| DISH DBS Corp. | 09-01-19 | 395,000 | 438,450 | |
| Gannett Company Inc. (S) | 09-15-21 | 115,000 | 114,138 | |
| Gannett Company Inc. | 10-15-19 | 345,000 | 355,350 | |
| Gannett Company Inc. (S) | 09-15-24 | 20,000 | 19,800 | |
| Gannett Company Inc. | 10-15-23 | 55,000 | 57,269 | |
| Getty Images Inc. (S) | 10-15-20 | 140,000 | 63,700 | |
| Gray Television Inc. | 10-01-20 | 75,000 | 79,500 | |
| Harron Communications LP (S) | 04-01-20 | 90,000 | 97,313 | |
| Sirius XM | 05-15-20 | 100,000 | 99,500 | |

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| | | | | |
|--|-------|----------|-------------|---------|
| Radio, Inc. (S) Tribune Media Company (S) | 5.875 | 07-15-22 | 165,000 | 166,238 |
| TVN Finance Corp. III AB Unitymedia Hessen GmbH & Company KG Unitymedia Hessen GmbH & Company KG | 7.375 | 12-15-20 | EUR 130,000 | 158,409 |
| Unitymedia Hessen GmbH & Company KG | 5.500 | 09-15-22 | EUR 324,000 | 384,690 |
| Unitymedia Hessen GmbH & Company KG | 5.750 | 01-15-23 | EUR 112,500 | 134,827 |
| Multiline retail Family Tree Escrow LLC (S) | 0.0% | | | |
| Family Tree Escrow LLC (S) | 5.250 | 03-01-20 | 20,000 | 20,925 |
| Family Tree Escrow LLC (S) | 5.750 | 03-01-23 | 75,000 | 78,375 |
| Specialty retail Chinos Intermediate Holdings A, Inc., PIK (S) | 0.3% | | | |
| Intermediate Holdings A, Inc., PIK (S) | 7.750 | 05-01-19 | 130,000 | 104,650 |
| Michaels Stores Inc. (S) | 5.875 | 12-15-20 | 195,000 | 203,775 |
| New Look Securities Issuer PLC (S) | 6.500 | 07-01-22 | GBP 180,000 | 274,340 |
| Party City Holdings, Inc. | 8.875 | 08-01-20 | 117,000 | 124,898 |
| Consumer staples | 0.4% | | | 972,083 |

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| | | | |
|-------------------------------------|----------|---------|-----------|
| Food and staples retailing 0.2% | | | |
| Albertsons Holdings LLC (S) | 10-15-22 | 64,000 | 68,000 |
| Aramark Services Inc. | 03-15-20 | 280,000 | 292,320 |
| Household products 0.1% | | | |
| The Sun Products Corp. (S) | 03-15-21 | 315,000 | 286,650 |
| Personal products 0.1% | | | |
| Hypermecas SA | 04-20-21 | 310,000 | 325,113 |
| Energy 1.4% | | | 3,209,165 |
| Energy equipment and services 0.1% | | | |
| Paragon Offshore PLC (S) | 07-15-22 | 280,000 | 92,400 |

SEE NOTES TO FINANCIAL STATEMENTS 18

| | Rate (%) | Maturity date | Par value^ | Value |
|---|----------|---------------|------------|-----------|
| Energy (continued) | | | | |
| Energy equipment and services (continued) | | | | |
| Seadrill Ltd. (S) | 6.125 | 09-15-17 | 200,000 | \$175,500 |
| Oil, gas and consumable fuels 1.3% | | | | |
| Antero Resources Corp. (S) | 6.25 | 06-01-23 | 25,000 | 24,156 |
| Antero Resources Corp. | 6.000 | 12-01-20 | 185,000 | 186,850 |
| Blue Racer Midstream LLC (S) | 6.125 | 11-15-22 | 95,000 | 97,850 |
| Bonanza Creek Energy, Inc. | 6.750 | 04-15-21 | 100,000 | 94,750 |
| Borets Financial Ltd. | 7.625 | 09-26-18 | 200,000 | 176,000 |
| Concho Resources Inc. | 6.500 | 10-01-22 | 70,000 | 69,650 |

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| | | | | |
|-----------------------------------|-------|----------|---------|---------|
| Diamondback Energy Inc. | 7.625 | 10-01-21 | 120,000 | 128,400 |
| Energy Transfer Equity LP | 3.500 | 06-01-27 | 350,000 | 347,375 |
| Energy LLC | 9.375 | 05-01-20 | 180,000 | 192,825 |
| Gazprom OAO | 4.950 | 07-19-22 | 200,000 | 184,250 |
| Kinder Morgan Inc. | 7.250 | 06-01-18 | 60,000 | 67,634 |
| Laredo Petroleum Inc. | 5.625 | 01-15-22 | 55,000 | 54,450 |
| Laredo Petroleum Inc. | 6.250 | 03-15-23 | 85,000 | 86,488 |
| Laredo Petroleum Inc. | 7.175 | 05-01-22 | 45,000 | 47,363 |
| Matador Resources Company (S) MEG | 6.875 | 04-15-23 | 30,000 | 30,638 |
| Energy Corp. (S) | 7.000 | 03-31-24 | 140,000 | 134,225 |
| Petroleos de Venezuela SA | 6.000 | 11-15-26 | 330,000 | 116,325 |
| QEP Resources Inc. | 5.375 | 10-01-22 | 15,000 | 14,486 |
| QEP Resources Inc. | 6.800 | 03-01-20 | 25,000 | 25,781 |
| Range Resources Corp. | 5.000 | 08-15-22 | 35,000 | 34,300 |
| Rice Energy Inc. (S) | 7.250 | 05-01-23 | 40,000 | 41,000 |
| Rosetta Resources Inc. | 6.250 | 05-01-21 | 200,000 | 212,500 |
| Rosetta Resources, | 7.875 | 06-01-22 | 70,000 | 74,669 |

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| | | | | |
|--|---------|----------|-------------|-----------|
| Inc. Tullow Oil | 6.250 | 04-15-22 | 350,000 | 309,750 |
| PLC (S) WPX Energy | 5.250 | 09-15-24 | 120,000 | 110,550 |
| Inc. WPX Energy | 6.000 | 01-15-22 | 80,000 | 79,000 |
| Inc. Financials | 1.7% | | | 4,081,545 |
| Banks | 1.1% | | | |
| Banco Bilbao Vizcaya Argentaria SA | (7.000% | | | |
| to 2-19-19 then | 7.000 | 02-19-19 | EUR 400,000 | 446,497 |
| 5 year Euro Swap Rate | | | | |
| + | | | | |
| 6.155%) (Q) Banco Santander SA | (6.250% | | | |
| to 3-12-19, then | 6.250 | 03-12-19 | EUR 100,000 | 109,255 |
| 5 year Euro Swap Rate | | | | |
| + | | | | |
| 5.410%) (Q) Bank of Ireland | 10.000 | 07-30-16 | EUR 140,000 | 165,834 |
| Barclays PLC | 6.500 | 09-15-19 | EUR 200,000 | 222,167 |
| (6.500% | | | | |
| to 9-15-19, then | | | | |

5
year
Euro
Swap
Rate
+
5.875%) (Q)
Barclays
PLC
(8.250%
to
12-15-18,
then
5 8.250 12-15-18 200,000 211,192
year
U.S.
Swap
Rate
+
6.705%) (Q)
BPCE
SA
(6.117%
to
10-30-17,
then 6.117 10-30-17 EUR 50,000 60,202
3
month
EURIBOR
+
2.370%) (Q)
Intesa
Sanpaolo
SpA
(8.375%
to
10-14-19,
then 8.375 10-14-19 EUR 100,000 130,995
3
month
EURIBOR
+
6.871%) (Q)
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Rate (%) Maturity date Par value^ Value
Financials (continued)
Banks (continued)

| | | | |
|---|----------|------------|-----------|
| Lloyds Banking Group PLC (6.375% to 6-27-20, then 6.375 5 year Euro Swap Rate + 5.290%) (Q) | 06-27-20 | EUR200,000 | \$229,659 |
| Royal Bank of Scotland Group PLC (7.640% to 7.640 9-30-17, then 3 month LIBOR + 2.320%) (Q) | 09-30-17 | 300,000 | 320,550 |
| Royal Bank of Scotland PLC Sberbank of Russia (S) Societe Generale SA (8.250% to 11-29-18, then 5 year U.S. Swap Rate + | 01-23-17 | EUR100,000 | 115,807 |
| | 10-29-22 | 200,000 | 171,300 |
| | 11-29-18 | 270,000 | 283,109 |

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| | | | | |
|--------------------------------|-------|----------|-------------|---------|
| 6.394% (Q) | | | | |
| VTB | | | | |
| Bank | 6.875 | 05-29-18 | 200,000 | 202,254 |
| OJSC (S) | | | | |
| Capital markets | 0.1% | | | |
| Credit | | | | |
| Suisse | | | | |
| Group | | | | |
| AG | | | | |
| (7.500% | | | | |
| to | | | | |
| 12-11-23, | | | | |
| then | 7.500 | 12-11-23 | 200,000 | 208,240 |
| 5 | | | | |
| year | | | | |
| U.S. | | | | |
| Swap | | | | |
| Rate | | | | |
| + | | | | |
| 4.598% (Q)(S) | | | | |
| Diversified financial services | 0.4% | | | |
| International | | | | |
| Lease | 6.250 | 05-15-19 | 490,000 | 529,813 |
| Finance | | | | |
| Corp. | | | | |
| MSCI | 5.250 | 11-15-24 | 145,000 | 146,813 |
| Inc. (S) | | | | |
| Nationstar | | | | |
| Mortgage | 6.500 | 08-01-18 | 235,000 | 235,000 |
| LLC | | | | |
| Insurance | 0.1% | | | |
| CNO | | | | |
| Financial | 4.500 | 05-30-20 | 30,000 | 30,450 |
| Group, | | | | |
| Inc. | | | | |
| CNO | | | | |
| Financial | 5.250 | 05-30-25 | 75,000 | 76,215 |
| Group, | | | | |
| Inc. | | | | |
| Nationstar | 6.875 | 06-20-19 | GBP 120,000 | 186,193 |
| Building | | | | |
| Society | | | | |
| (6.875% | | | | |
| to | | | | |
| 6-20-19, | | | | |
| then | | | | |
| 5 | | | | |
| year | | | | |
| British | | | | |
| Pound | | | | |
| Swap | | | | |

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| | | | | |
|---|-------|----------|-----------|---------|
| Rate | | | | |
| + | | | | |
| 4.880% (Q) | | | | |
| Health care 1.9% | | | 4,489,134 | |
| Health care equipment and supplies 0.2% | | | | |
| Alere Inc. (S) | 6.375 | 07-01-23 | 150,000 | 152,625 |
| Alere Inc. | 6.500 | 06-15-20 | 256,000 | 264,960 |
| Alere Inc. | 7.250 | 07-01-18 | 100,000 | 104,750 |
| Hologic Inc. (S) | 5.250 | 07-15-22 | 55,000 | 56,169 |
| Health care providers and services 1.2% | | | | |
| Amsurg Corp. | 5.625 | 07-15-22 | 275,000 | 277,406 |
| Community Health Systems, Inc. | 6.875 | 02-01-22 | 345,000 | 364,406 |
| Community Health Systems, Inc. | 7.125 | 07-15-20 | 275,000 | 291,363 |
| Envision Health Corp. (S) | 5.125 | 07-01-22 | 85,000 | 85,638 |
| HCA Holdings Inc. | 6.250 | 02-15-21 | 370,000 | 398,675 |
| HCA Inc. | 6.500 | 02-15-20 | 360,000 | 402,300 |
| HCA Inc. | 7.500 | 11-15-95 | 125,000 | 123,750 |
| inVentiv Health Inc. (S) | 9.000 | 01-15-18 | 50,000 | 52,125 |
| MPH Acquisition Holdings LLC (S) | 6.625 | 04-01-22 | 140,000 | 142,975 |
| Tenet Health Corp. (S) | 5.000 | 03-01-19 | 195,000 | 195,000 |
| Tenet Health Corp. (S) | 6.750 | 06-15-23 | 50,000 | 51,031 |
| Tenet Health Corp. | 8.125 | 04-01-22 | 275,000 | 301,125 |
| | 5.750 | 11-15-20 | 135,000 | 140,400 |

WellCare
Health
Plans,
Inc.

SEE NOTES TO FINANCIAL STATEMENTS20

| | Rate (%) | Maturity date | Par value^ | Value |
|-----------------------------|----------|---------------|-------------|-----------|
| Health care (continued) | | | | |
| Health care technology 0.2% | | | | |
| IMS | | | | |
| Health | 4.125 | 04-01-23 | EUR 235,000 | \$253,082 |
| Inc. (S) | | | | |
| Sterigenics-Nordion | | | | |
| Holdings | 6.500 | 05-15-23 | 250,000 | 251,250 |
| LLC (S) | | | | |
| Pharmaceuticals 0.3% | | | | |
| PRA | | | | |
| Holdings | 6.500 | 10-01-23 | 150,000 | 167,625 |
| Inc. (S) | | | | |
| Quintiles | | | | |
| Transnational | 4.875 | 05-15-23 | 75,000 | 75,375 |
| Corp. (S) | | | | |
| Valeant | | | | |
| Pharmaceuticals | 4.500 | 05-15-23 | EUR 125,000 | 134,953 |
| International, Inc. (S) | | | | |
| Valeant | | | | |
| Pharmaceuticals | 4.500 | 05-15-23 | EUR 130,000 | 140,351 |
| International, Inc. | | | | |
| Valeant | | | | |
| Pharmaceuticals | 6.125 | 04-15-25 | 60,000 | 61,800 |
| International, Inc. (S) | | | | |
| Industrials 1.2% | | | | |
| Aerospace and defense 0.1% | | | | |
| TA | | | | |
| Manufacturing | 4.625 | 04-15-23 | EUR 180,000 | 195,242 |
| Ltd. (S) | | | | |
| Airlines 0.1% | | | | |
| AerCap | | | | |
| Ireland | 4.500 | 05-15-21 | 150,000 | 150,750 |
| Capital, Ltd. (S) | | | | |
| Building products 0.2% | | | | |
| Associated | | | | |
| Mateo | 4.125 | 11-01-17 | 175,000 | 145,250 |
| LLC | | | | |

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| | | | | |
|-----------------------------------|-------|----------|-------------|-----------|
| Kerneos Corp | 6.750 | 03-01-21 | EUR 145,000 | 164,951 |
| SAS (S) Ply Gem Industries, Inc. | 6.500 | 02-01-22 | 330,000 | 325,875 |
| Commercial services and supplies | 0.1% | | | |
| Quad/Graphics, Inc. | 7.000 | 05-01-22 | 190,000 | 184,775 |
| Construction and engineering | 0.2% | | | |
| Abengoa Financ SAU | 6.000 | 03-31-21 | EUR 100,000 | 103,126 |
| Abengoa Financ SAU (S) | 7.750 | 02-01-20 | 155,000 | 153,450 |
| Abengoa Greenfield SA (S) | 6.750 | 10-01-19 | EUR 100,000 | 102,566 |
| Aguila 3 SA (S) | 7.875 | 01-31-18 | 185,000 | 183,150 |
| Electrical equipment | 0.2% | | | |
| CeramTec Group GmbH | 8.250 | 08-15-21 | EUR 275,000 | 334,176 |
| Sensata Technologies BV (S) | 5.000 | 10-01-25 | 100,000 | 97,375 |
| Sensata Technologies BV (S) | 6.025 | 11-01-24 | 70,000 | 72,100 |
| Industrial conglomerates | 0.1% | | | |
| Tenedora Nemak SA de CV | 5.500 | 02-28-23 | 200,000 | 205,250 |
| Machinery | 0.2% | | | |
| Case New Holland Industrial, Inc. | 7.875 | 12-01-17 | 240,000 | 262,800 |
| Crown European Holdings SA (S) | 3.375 | 05-15-25 | EUR 170,000 | 174,362 |
| Information technology | 1.9% | | | 4,482,783 |
| Communications equipment | 0.2% | | | |

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| | | | | |
|--|-------|----------|---------|---------|
| Alcatel-Lucent USA | 6.450 | 03-15-29 | 226,000 | 233,345 |
| Inc. | | | | |
| Alcatel-Lucent USA | 6.750 | 11-15-20 | 200,000 | 211,500 |
| Inc. (S) | | | | |
| Electronic equipment, instruments and components | 0.2% | | | |
| CDW LLC | 5.000 | 09-01-23 | 35,000 | 34,388 |
| CDW LLC | 5.500 | 12-01-24 | 105,000 | 103,950 |

21SEE NOTES TO FINANCIAL STATEMENTS

| | Rate (%) | Maturity date | Par value^ | Value |
|---|----------|---------------|------------|-----------|
| Information technology (continued) | | | | |
| Electronic equipment, instruments and components (continued) | | | | |
| CDW LLC | 6.000 | 08-15-22 | 290,000 | \$299,425 |
| Internet software and services | 0.1% | | | |
| Zayo Group LLC (S) | 6.000 | 04-01-23 | 190,000 | 187,663 |
| Zayo Group LLC (S) | 6.375 | 05-15-25 | 110,000 | 106,700 |
| Semiconductors and semiconductor equipment | 0.3% | | | |
| Entegris Inc. (S) | 6.000 | 04-01-22 | 210,000 | 215,775 |
| Freescale Semiconductor Inc. (S) | 6.000 | 01-15-22 | 465,000 | 492,900 |
| Software | 1.1% | | | |
| Activision Blizzard Inc. (S) | 5.625 | 09-15-21 | 405,000 | 424,238 |
| Activision Blizzard Inc. (S) | 6.125 | 09-15-23 | 130,000 | 139,425 |
| Audatex North America, Inc. (S) | 6.000 | 06-15-21 | 276,000 | 283,590 |
| Emdeon Inc. | 11.000 | 12-31-19 | 180,000 | 195,300 |
| First Data Corp. (S) | 7.375 | 06-15-19 | 185,000 | 192,308 |

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| | | | |
|--|----------|-------------|-----------|
| First Data 8.250 Corp. (S) | 01-15-21 | 480,000 | 506,400 |
| Infor Software Parent LLC, PIK (S) | 05-01-21 | 320,000 | 321,200 |
| Infor US, 5.750 Inc. (S) | 05-15-22 | EUR 100,000 | 112,600 |
| Infor US, 6.500 Inc. (S) | 05-15-22 | 50,000 | 51,000 |
| SS&C Technologies Holdings, Inc. (S) | 07-15-23 | 25,000 | 25,188 |
| SunGard Data Systems, Inc. | 11-01-19 | 335,000 | 345,888 |
| Materials 1.7% | | | 4,091,332 |
| Building materials 0.1% | | | |
| Building Materials Corp 5.375 | 11-15-24 | 365,000 | 358,375 |
| of America (S) | | | |
| Chemicals 0.2% | | | |
| INEOS Group Holdings SA | 02-15-19 | EUR 100,000 | 112,600 |
| INEOS Group Holdings SA | 08-15-18 | EUR 310,000 | 352,861 |
| Construction materials 0.3% | | | |
| Cemex SAB de CV | 03-25-19 | 550,000 | 563,585 |
| HeidelbergCement Finance Luxembourg SA | 10-31-19 | EUR 115,000 | 162,824 |
| Containers and packaging 0.2% | | | |
| Ardagh Packaging Finance | 06-30-21 | 200,000 | 200,500 |

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| | | | | |
|-------------------|-------|----------|------------|---------|
| PLC (S) | | | | |
| Ardagh | | | | |
| Packaging | | | | |
| Finance | 9.25% | 10-15-20 | EUR200,000 | 236,348 |
| PLC | | | | |
| Metals and mining | 0.7% | | | |
| AK | | | | |
| Steel | 7.625 | 05-15-20 | 195,000 | 162,338 |
| Corp. | | | | |
| AK | | | | |
| Steel | 7.625 | 10-01-21 | 170,000 | 138,550 |
| Corp. | | | | |
| AK | | | | |
| Steel | 8.375 | 04-01-22 | 95,000 | 77,900 |
| Corp. | | | | |
| Arce | 7.50% | 03-01-41 | 65,000 | 63,700 |
| Arce | 7.75% | 10-15-39 | 115,000 | 114,425 |
| Constellium | | | | |
| NV | 4.625 | 05-15-21 | EUR250,000 | 255,022 |
| FMG | | | | |
| Resources | | | | |
| August | | | | |
| 2006 | 6.875 | 04-01-22 | 540,000 | 378,675 |
| Pty, | | | | |
| Ltd. (S) | | | | |
| FMG | | | | |
| Resources | | | | |
| August | | | | |
| 2006 | 9.750 | 03-01-22 | 10,000 | 10,325 |
| Pty, | | | | |
| Ltd. (S) | | | | |
| Steel | | | | |
| Dyna | 5.125 | 10-01-21 | 85,000 | 85,170 |
| Inc. | | | | |

SEE NOTES TO FINANCIAL STATEMENTS22

| | Rate (%) | Maturity date | Par value^ | Value |
|-------------------------------|----------|---------------|------------|----------|
| Materials (continued) | | | | |
| Metals and mining (continued) | | | | |
| Steel | | | | |
| Dyna | 5.50% | 10-01-24 | 95,000 | \$95,000 |
| Inc. | | | | |
| United | | | | |
| States | | | | |
| Steel | 7.375 | 04-01-20 | 240,000 | 251,400 |
| Corp. | | | | |
| Paper and forest products | 0.2% | | | |
| | 4.125 | 01-30-20 | EUR145,000 | 172,484 |

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| | | | | |
|--|-------|----------|-------------|-----------|
| Smurfit Kappa Acquisitions Tembec Industries Inc. (S) | 9.000 | 12-15-19 | 315,000 | 299,250 |
| Telecommunication services | 1.6% | | | 3,806,851 |
| Diversified telecommunication services | 0.5% | | | |
| Intelsat Jackson Holdings SA | 6.625 | 12-15-22 | 80,000 | 73,300 |
| Intelsat Jackson Holdings SA | 7.250 | 04-01-19 | 85,000 | 86,275 |
| Intelsat Jackson Holdings SA | 7.250 | 10-15-20 | 85,000 | 84,044 |
| Level 3 Financing, Inc. (S) | 5.125 | 05-01-23 | 15,000 | 14,747 |
| Level 3 Financing, Inc. | 5.375 | 08-15-22 | 205,000 | 207,050 |
| Level 3 Financing, Inc. | 6.125 | 01-15-21 | 200,000 | 209,740 |
| Level 3 Financing, Inc. | 8.625 | 07-15-20 | 165,000 | 176,336 |
| Wind Acquisition Finance SA (S) | 4.000 | 07-15-20 | EUR 310,000 | 344,739 |
| Windstream Corp. | 7.750 | 10-15-20 | 90,000 | 88,088 |
| Wireless telecommunication services | 1.1% | | | |
| Matterhorn Telecom SA (S) | 3.875 | 05-01-22 | EUR 116,000 | 122,533 |
| SoftBank Corp. (S) | 4.500 | 04-15-20 | 200,000 | 200,750 |
| Sprint Communications Inc. (S) | 9.000 | 11-15-18 | 100,000 | 112,926 |

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| | | | | |
|---|-------|----------|-------------|-----------|
| Sprint Corp. | 7.250 | 09-15-21 | 580,000 | 570,938 |
| Sprint Corp. | 7.875 | 09-15-23 | 180,000 | 175,500 |
| Syniverse Holdings Inc. | 9.125 | 01-15-19 | 225,000 | 198,000 |
| T-Mobile USA Inc. | 6.464 | 04-28-19 | 135,000 | 139,050 |
| T-Mobile USA Inc. | 6.625 | 11-15-20 | 345,000 | 358,800 |
| T-Mobile USA Inc. | 6.731 | 04-28-22 | 220,000 | 229,350 |
| VimpelCom Holdings BV | 7.200 | 02-13-19 | 220,000 | 209,935 |
| VimpelCom Holdings BV | 7.255 | 03-01-17 | 200,000 | 204,750 |
| Utilities | 0.4% | | | 1,047,234 |
| Electric utilities | 0.2% | | | |
| DPL Inc. | 7.250 | 10-15-21 | 230,000 | 242,650 |
| Techem GmbH | 6.125 | 10-01-19 | EUR 200,000 | 232,446 |
| Independent power and renewable electricity producers | 0.2% | | | |
| Dynergy Inc. | 5.875 | 06-01-23 | 170,000 | 166,175 |
| Dynergy Inc. (S) | 7.375 | 11-01-22 | 75,000 | 78,563 |
| Dynergy Inc. (S) | 7.625 | 11-01-24 | 35,000 | 37,100 |
| GenOn Americas Generation LLC | 9.125 | 05-01-31 | 210,000 | 195,300 |
| GenOn Americas Generation LLC | 8.500 | 10-01-21 | 100,000 | 95,000 |

23SEE NOTES TO FINANCIAL STATEMENTS

| Rate (%) | Maturity date | Par value^ | Value |
|-------------------|---------------|------------|-----------|
| Convertible bonds | 0.1% | | \$135,631 |
| (Cost \$160,432) | | | |

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| | | | |
|------------------------------------|----------|-----------|-------------|
| Consumer discretionary 0.0% | | | 39,675 |
| Household durables 0.0% | | | |
| M/I | | | |
| Home's000 | 03-01-18 | 40,000 | 39,675 |
| Inc. | | | |
| Energy 0.1% | | | 95,956 |
| Oil, gas and consumable fuels 0.1% | | | |
| Cobalt | | | |
| International | | | |
| Energy, | 12-01-19 | 130,000 | 95,956 |
| Inc. | | | |
| Term loans (M) 0.4% | | | \$1,008,624 |
| (Cost \$1,234,312) | | | |
| Consumer discretionary 0.1% | | | 348,191 |
| Multiline retail 0.1% | | | |
| Lands' | | | |
| End, 4.250 | 04-04-21 | 108,625 | 103,556 |
| Inc. | | | |
| Neiman | | | |
| Marcus | | | |
| Group, | 10-25-20 | 246,258 | 244,635 |
| Ltd. | | | |
| LLC | | | |
| Energy 0.1% | | | 201,753 |
| Oil, gas and consumable fuels 0.1% | | | |
| Arch | | | |
| Coal,6.250 | 05-16-18 | 295,069 | 201,753 |
| Inc. | | | |
| Industrials 0.1% | | | 172,430 |
| Machinery 0.1% | | | |
| Crosby | | | |
| US | | | |
| Acquisition | 11-23-20 | 182,225 | 172,430 |
| Corp. | | | |
| Utilities 0.1% | | | 286,250 |
| Electric utilities 0.1% | | | |
| Texas | | | |
| Competitive | | | |
| Electric | | | |
| Holdings | 10-10-17 | 500,000 | 286,250 |
| Company | | | |
| LLC (H) | | | |
| | | Par value | Value |
| Short-term investments 2.3% | | | \$5,500,000 |
| (Cost \$5,500,000) | | | |
| Repurchase agreement 2.3% | | | 5,500,000 |
| Goldman | | 5,500,000 | 5,500,000 |
| Sachs | | | |
| Tri-Party | | | |
| Repurchase | | | |
| Agreement | | | |

dated 6-30-15
 at 0.130% to
 be
 repurchased at
 \$5,500,020 on
 7-1-15,
 collateralized
 by \$4,003,051
 Federal Home
 Loan
 Mortgage
 Corp.,
 3.500% -
 6.500% due
 11-1-19 to
 5-1-48
 (valued at
 \$4,347,328,
 including
 interest) and
 \$1,156,260
 Federal
 National
 Mortgage
 Association,
 4.000% -
 6.500% due
 10-1-31 to
 12-1-44
 (valued at
 \$1,262,672,
 including
 interest)

| | |
|---|----------------------|
| Total investments (Cost \$229,433,307) | \$237,314,488 |
| 99.2% | |
| Other assets and liabilities, net 0.8% | \$1,830,271 |
| Total net assets 100.0% | \$239,144,759 |

SEE NOTES TO FINANCIAL STATEMENTS24

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

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

Key to Currency

Abbreviations

EUR Euro

GBP Pound Sterling

Key to Security

Abbreviations and

Legend

ADR American
Depository
Receipts

EURIBOR Euro Interbank
Offered Rate
London

LIBOR Interbank
Offered Rate

PIK Payment-in-kind
Non-income
producing -

(H) Issuer is in
default.
Non-income
producing
security.

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

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

(Q) Direct
placement
securities are
restricted as to
resale, and the
fund has limited
rights to
registration
under the
Securities Act of
1933. For more
information on
this security
refer to the

Notes to
financial
statements.

(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. At 6-30-15, the aggregate cost of investment securities for federal income tax purposes was \$230,007,496. Net unrealized appreciation aggregated \$7,306,992, of which \$21,302,502 related to appreciated investment securities and \$13,995,510 related to depreciated investment securities.

25SEE NOTES TO FINANCIAL STATEMENTS

Financial statements

STATEMENT OF ASSETS AND LIABILITIES 6-30-15 (unaudited)

| | |
|--|----------------------|
| Assets | |
| Investments, at value (Cost \$229,433,307) | \$237,314,488 |
| Foreign currency, at value (Cost \$485,148) | 484,674 |
| Cash held at broker for futures contracts | 1,636,028 |
| Receivable for investments sold | 694,055 |
| Receivable for forward foreign currency exchange contracts | 2,996 |
| Dividends and interest receivable | 1,067,207 |
| Other receivables and prepaid expenses | 17,826 |
| Total assets | 241,217,274 |
| Liabilities | |
| Due to custodian | 150,081 |
| Payable for investments purchased | 1,308,033 |
| Payable for forward foreign currency exchange contracts | 21,240 |
| Payable for fund shares repurchased | 483,688 |
| Payable for futures variation margin | 11,700 |
| Payable to affiliates | |
| Accounting and legal services fees | 11,881 |
| Trustees' fees | 487 |
| Other liabilities and accrued expenses | 85,405 |
| Total liabilities | 2,072,515 |
| Net assets | \$239,144,759 |
| Net assets consist of | |
| Paid-in capital | \$231,795,746 |
| Accumulated distributions in excess of net investment income | (6,473,960) |
| Accumulated net realized gain (loss) on investments, futures contracts, written options and foreign currency transactions | 5,458,556 |
| Net unrealized appreciation (depreciation) on investments, futures contracts and translation of assets and liabilities in foreign currencies | 8,364,417 |
| Net assets | \$239,144,759 |
| Net asset value per share | |
| Based on 13,282,845 shares of beneficial interest outstanding unlimited number of shares authorized with \$0.01 par value | \$18.00 |
| SEE NOTES TO FINANCIAL STATEMENTS ²⁶ | |

STATEMENT OF OPERATIONS For the six months ended 6-30-15 (unaudited)**Investment
income**

Dividends \$3,630,176
Interest 1,113,681

Less
 foreign taxes withheld (169,396)
Total investment income **1,574,461**
Expenses
 Investment management fees 239,591
 Accounting and legal services fees 21,311
 Transfer agent fees 9,493
 Trustees' fees 17,698
 Printing and postage 32,813
 Professional fees 42,341
 Custodian fees 29,712
 Stock exchange listing fees 11,778
 Other 26,954
Total expenses **1,431,691**
 Less expense reductions (9,608)
Net expenses **1,422,083**
Net investment income **1,152,378**
Realized and unrealized gain (loss)
Net realized gain

(loss)
on
Investments
and
foreign 6,532,594 ¹
currency
transactions
Futures (2,435,542)
contracts
Written 1,068,253
options
5,165,305

Change
in
net
unrealized
appreciation
(depreciation)
of
Investments
and
translation
of
assets (2,772,338)²
and
liabilities
in
foreign
currencies
Futures 1,244,806
contracts
Written (94,005)
options
(1,621,537)

Net
realized
and 3,543,768
unrealized
gain
Increase
in
net
assets \$6,696,146
from
operations

Net of
1 foreign
taxes of \$84.

2

Net of
\$1,738
decrease in
deferred
foreign
withholding
taxes.

27SEE NOTES TO FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN NET ASSETS

| | Six months ended 6-30-15 (unaudited) | Year ended 12-31-14 |
|--|---|------------------------|
| Increase (decrease) in net assets From operations | | |
| Net investment income | \$3,152,378 | \$6,264,754 |
| Net realized gain | 5,165,305 | 2,771,634 |
| Change in net unrealized appreciation (depreciation) | (1,621,537) | (6,389,428) |
| Increase in net assets resulting from operations | 6,696,146 | 2,646,960 |
| Distributions to shareholders | | |
| From net investment income | (10,137,459) ¹ | (6,125,164) |
| | | (14,403,849) |

| | | | |
|---------------------------------|----------------------|----------|----------------------|
| From net realized gain | | | |
| Total | | | |
| distributions | (10,137,459 |) | (20,529,013) |
| From | | | |
| fund | | | |
| share | | | |
| transactions | | | |
| Repurchases | 6,877,076 |) | (1,649,235) |
| Total | | | |
| decrease | (9,318,389 |) | (19,531,288) |
| Net | | | |
| assets | | | |
| Beginning | | | |
| of | 248,463,148 | | 267,994,436 |
| period | | | |
| End | | | |
| of | \$239,144,759 | | \$248,463,148 |
| period | | | |
| Undistributed | | | |
| (accumulated | | | |
| distributions | | | |
| in | | | |
| excess | (\$6,473,960 |) | \$511,121 |
| of) | | | |
| net | | | |
| investment | | | |
| income | | | |
| Share | | | |
| activity | | | |
| Shares | | | |
| outstanding | | | |
| Beginning | | | |
| of | 13,637,509 | | 13,732,375 |
| year | | | |
| Shares | | | |
| repurchased | (354,664 |) | (94,866) |
| End | | | |
| of | 13,282,845 | | 13,637,509 |
| year | | | |

1 A portion of
the
distributions
may be
deemed a tax
return of
capital or

capital gain
distribution
at year end.

SEE NOTES TO FINANCIAL STATEMENTS28

Financial highlights

| Period ended | 6-30-15¹ | 12-31-14 | 12-31-13 | 12-31-12² | 10-31-12 | 10-31-11³ |
|--|----------------------------|-----------------|-----------------|-----------------------------|-----------------|-----------------------------|
| Per share operating performance | | | | | | |
| Net asset value, beginning of period | \$18.22 | \$19.52 | \$17.54 | \$17.60 | \$16.99 | \$19.10 ⁴ |
| Net investment income ⁵ | 0.23 | 0.46 | 0.14 | 0.05 | 0.13 | 0.02 |
| Net realized and unrealized gain (loss) on investments | 0.25 | (0.27) | 3.19 | 0.18 | 1.68 | (1.73) |
| Total from investment operations | 0.48 | 0.19 | 3.33 | 0.23 | 1.81 | (1.71) |
| Less distributions to common shareholders | | | | | | |
| From net investment income | (0.75) ¹⁴ | (0.45) | (0.18) | (0.05) | (0.13) | (0.02) |
| From net realized gain | | (1.05) | (1.17) | | | |
| From tax return of capital | | | | (0.27) | (1.16) | (0.34) |
| Total distributions | (0.75) | (1.50) | (1.35) | (0.32) | (1.29) | (0.36) |
| | 0.05 | 0.01 | | 0.03 | 0.09 | |

| | | | | | | | |
|---|-------------|-------------|--------------|----------------|--------------|----------------|---------------|
| Anti-dilutive impact of repurchase plan ⁶ | | | | | | | |
| Offering costs related to common shares | | | | | | | (0.04) |
| Net asset value, end of period | \$18.00 | \$18.22 | \$19.52 | \$17.54 | \$17.60 | \$16.99 | |
| Per share market value, end of period | \$15.96 | \$16.32 | \$17.07 | \$15.26 | \$16.14 | \$15.18 | |
| Total return at net asset value (%) ^{8,9} | 3.43 | 1.66 | 20.40 | 1.71 | 12.17 | (8.98) | ¹⁰ |
| Total return at market value (%) ⁸ | 2.38 | 4.13 | 21.02 | (3.51) | 15.14 | (22.33) | ¹⁰ |
| Ratios and supplemental data | | | | | | | |
| Net assets applicable to common shares, end of period (in millions) | \$239 | \$248 | \$268 | \$241 | \$245 | \$248 | |
| Ratios (as a percentage of average net assets): | | | | | | | |

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| | | | | | | | | | | | |
|-------------------------------|------|---------------|------|---------------|------|---------------|------|---------------|------|------|---------------|
| Expenses before reductions | 1.16 | ¹¹ | 1.17 | | 1.14 | | 0.22 | ¹⁰ | 1.14 | 1.15 | ¹¹ |
| Expenses including reductions | 1.15 | ¹¹ | 1.17 | | 1.14 | | 0.22 | ¹⁰ | 1.14 | 1.15 | ¹¹ |
| Net investment income | 2.54 | ¹¹ | 2.37 | ¹² | 0.72 | | 0.30 | ¹⁰ | 0.74 | 0.31 | ¹¹ |
| Portfolio turnover (%) | 16 | | 42 | | 142 | ¹³ | 11 | | 76 | 38 | |

- ¹ Six months ended 6-30-15. Unaudited.
For the two-month period ended 12-31-12. The fund
- ² changed its fiscal year end from October 31 to December 31.
Period from 5-26-11 (commencement of operations) to 10-31-11.
- ³ Reflects the deduction
- ⁴ of a \$0.90 per share sales load.
Based on average
- ⁵ daily shares outstanding.
The repurchase plan was completed at an average repurchase price of \$16.57, \$17.38, \$17.06, \$15.43 and \$15.95 for 354,664, 94,866, 794, 200,837, and 686,230
- ⁶ shares for the six months ended 6-30-15, the years ended 12-31-14 and 12-31-13, the two month period ended 12-31-12 and the year ended 10-31-12, respectively.
- ⁷ Less than \$0.005 per share.
- ⁸

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.

Total returns would have been lower had
9 certain expenses not been reduced during the applicable periods.

10 Not annualized.

11 Annualized.

Increase in net investment income as a percentage of average net assets resulted from repositioning of the

12 portfolio in accordance with investment policy changes approved by the Board of Trustees during the year ended December 31, 2013.

Increase in portfolio turnover rate resulted from repositioning of the portfolio in

13 accordance with investment policy changes approved by the Board of Trustees during the year ended December 31, 2013.

14 A portion of the distribution may be deemed a tax return of capital or capital gain distribution at year end.

29SEE NOTES TO FINANCIAL STATEMENTS

Notes to financial statements (unaudited)

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 (US GAAP), 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. The fund qualifies as an investment company under Topic 946 of Accounting Standards Codification of US GAAP.

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. 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. 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.

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 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.

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 and related inputs may result in transfers into or out of an assigned level within the disclosure hierarchy.

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The following is a summary of the values by input classification of the fund's investments as of June 30, 2015, by major security category or type:

| | Total market value at 6-30-15 | Level 1 quoted price | Level 2 significant observable inputs | Level 3 significant unobservable inputs |
|--|--|---------------------------------|--|--|
| Common stocks | | | | |
| Consumer discretionary | \$14,854,441 | \$7,573,505 | \$7,025,732 | \$255,204 |
| Consumer staples | 13,068,996 | 7,017,586 | 6,051,410 | |
| Energy | 16,244,389 | 10,840,267 | 5,404,122 | |
| Financials | 51,350,316 | 26,786,538 | 24,420,271 | 143,507 |
| Health care | 22,007,168 | 13,729,434 | 8,277,734 | |
| Industrials | 20,481,293 | 10,161,228 | 10,320,065 | |
| Information technology | 25,238,803 | 19,943,308 | 5,166,553 | 128,942 |
| Materials | 14,227,822 | 8,116,802 | 6,111,020 | |
| Telecommunication services | 9,437,839 | 2,148,068 | 7,129,094 | 160,677 |
| Utilities | 8,177,694 | 5,574,416 | 2,603,278 | |
| Corporate bonds | 35,581,472 | | 35,581,472 | |
| Convertible bonds | 135,631 | | 135,631 | |
| Term loans | 1,008,624 | | 1,008,624 | |
| Short-term investments | 5,500,000 | | 5,500,000 | |
| Total investments in securities | \$237,314,488 | \$111,891,152 | \$124,735,006 | \$688,330 |
| Other financial instruments: | | | | |
| Futures | \$503,209 | \$503,209 | | |
| Forward foreign currency contracts | (\$18,244) | | (\$18,244) | |

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, or for tri-party repurchase

agreements, collateral is held at a third-party custodian bank in a segregated account for the benefit of the fund. 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 received by the fund for repurchase agreements is disclosed in the Fund's investments as part of the caption related to the repurchase agreement.

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, assets and liabilities resulting from repurchase agreements are not offset 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.

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. Distributions received on securities that represent a tax return of capital or capital gain are recorded as a reduction of cost of investments and/or as a realized gain if amounts are estimable. Foreign taxes are provided for based on the fund's understanding of the tax rules and rates that exist in the foreign

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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.

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

As of December 31, 2014, 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. The fund has adopted a managed distribution plan (Plan). Under the current Plan, the fund makes quarterly distributions of an amount equal to \$0.376 per share, which will be paid quarterly until further notice. This fixed amount was based upon an annualized distribution rate of 8.00% of the fund's net asset value of \$18.80 on August 31, 2013 at the time the Plan was last amended.

Distributions under the 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 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 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 generally declares and pays dividends quarterly pursuant to the Distribution Plan described above.

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Such distributions, on a tax basis, are determined in conformity with income tax regulations, which may differ from US GAAP. Distributions in excess of tax basis earnings and profits, if any, are reported in the fund's financial statements as a return of capital. The final determination of tax characteristics of the fund's distribution will occur at the end of the fiscal year and will subsequently be reported to shareholders.

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

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 OTC 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. Certain 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 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 a 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.

Margin requirements for exchange-traded derivatives are set by the broker or applicable clearinghouse. Margin for exchange-traded transactions are detailed in the Statement of assets and liabilities as Cash held at broker for futures contracts. 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

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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 six months ended June 30, 2015, the fund used futures contracts to manage against anticipated changes in securities markets. During the six months ended June 30, 2015, the fund held futures contracts with total notional values ranging from approximately \$25.7 million to \$42.5 million, as measured at each quarter end. The following

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table summarizes the contracts held at June 30, 2015:

| Open contracts | Number of contracts | Position | Expiration date | Notional basis | Notional value | Unrealized appreciation (depreciation) |
|------------------------------|---------------------|----------|-----------------|----------------|----------------|--|
| Mini MSCI EAFE Index Futures | 130 | Short | Sep 2015 | (\$12,135,001) | (\$11,921,000) | \$214,001 |
| S&P 500 Index E-Mini Futures | 230 | Short | Sep 2015 | (23,914,808) | (23,625,600) | 289,208 |
| | | | | | | \$503,209 |

Notional basis refers to the contractual amount agreed upon at inception of open contracts; notional value represents the current value of the open contract.

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, 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 six months ended June 30, 2015, the fund used forward foreign currency contracts to manage against anticipated changes in currency exchange rates. During the six months ended June 30, 2015, the fund held forward foreign currency contracts with U.S. dollar notional values ranging from approximately \$3.6 million to \$5.4 million, as measured at each quarter end. The following table summarizes the contracts held at June 30, 2015:

| Contract to Buy | Contract to Sell | Counterparty | Contractual settlement date | Unrealized appreciation | Unrealized depreciation | Net unrealized appreciation/ (depreciation) |
|-----------------|------------------|--|-----------------------------|-------------------------|-------------------------|---|
| CAD 200,000 | USD 161,580 | Bank of Montreal | 7/31/2015 | | (\$1,512) | (\$1,512) |
| EUR 115,000 | USD 128,184 | Barclays Bank PLC | 7/31/2015 | \$72 | | 72 |
| GBP 648,000 | USD 1,018,449 | Wholesale HSBC Bank USA | 7/31/2015 | | (479) | (479) |
| USD 351,041 | EUR 313,000 | Citibank N.A. | 7/31/2015 | 1,962 | | 1,962 |
| USD 111,579 | EUR 100,000 | Morgan Stanley and Company International PLC | 7/31/2015 | 52 | | 52 |
| USD 145,852 | EUR 130,000 | | 7/31/2015 | 868 | | 868 |

| | | | | | | | | | | |
|-----|-----------|-----|-----------|-----------------------------|-----------|----------------|--|------------------|--------------------|----------|
| | | | | Toronto Dominion Bank | | | | | | |
| USD | 3,362,330 | EUR | 3,030,000 | Citibank N.A. | 9/16/2015 | | | (19,249 |) (19,249 |) |
| USD | 47,170 | GBP | 30,000 | Bank of Montreal | 7/31/2015 | 42 | | | 42 | |
| | | | | | | \$2,996 | | (\$21,240 |) (\$18,244 |) |

Currency abbreviation

CAD Canadian Dollar GBP Pound sterling

EUR Euro USD U.S. Dollar

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Options. There are two types of options, put options and call options. Options are traded either OTC 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, OTC options are subject to the risks of all OTC derivatives contracts.

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 six months ended June 30, 2015, 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 six months ended June 30, 2015:

| | Number of contracts | Premiums received (paid) |
|-------------------------------------|----------------------------|---------------------------------|
| Outstanding, beginning of period | 155 | \$162,980 |
| Options written | 1,895 | 2,076,730 |
| Options closed | (2,050 |) (2,239,710 |
| Options exercised | | |
| Options expired | | |

**Outstanding, end
of period**

Fair value of derivative instruments by risk category

The table below summarizes the fair value of derivatives held by the fund at June 30, 2015 by risk category:

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| Risk | Statement of assets and liabilities location | Financial instruments location | Asset derivatives fair value | Liabilities derivatives fair value |
|------------------|--|---------------------------------------|-------------------------------------|---|
| Equity | Receivable/payable for futures | Futures | \$503,209 | |
| Foreign exchange | Receivable/payable for forward foreign currency exchange contracts | Forward foreign currency contracts | 2,996 | (\$21,240) |
| | | | \$506,205 | (\$21,240) |

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.

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Effect of derivative instruments on the Statement of operations

The table below summarizes the net realized gain (loss) included in the net increase (decrease) in net assets from operations, classified by derivative instrument and risk category, for the six months ended June 30, 2015:

| Risk | Statement of operations location | Futures contracts | Investments and foreign currency transactions* | Written options | Total |
|--------------------------|---|--------------------------|---|------------------------|--------------------|
| Equity | Net realized gain (loss) | (\$2,435,542) | | \$1,068,253 | (\$1,367,289) |
| Forward foreign currency | Net realized gain (loss) | | \$199,221 | | 199,221 |
| Total | | (\$2,435,542) | \$199,221 | \$1,068,253 | \$1,168,068 |

* 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 six months ended June 30, 2015:

| Risk | Statement of operations location | Futures contracts | Investments and translation of assets and liabilities in foreign currencies* | Written options | Total |
|--------------------------|--|--------------------------|---|------------------------|--------------------|
| Equity | Change in unrealized appreciation (depreciation) | \$1,244,806 | | (\$94,005) | \$1,150,801 |
| Forward foreign currency | Change in unrealized appreciation (depreciation) | | (\$4,143) | | (4,143) |
| Total | | \$1,244,806 | (\$4,143) | (\$94,005) | \$1,146,658 |

* 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 (MFC).

Management fee. The fund has an investment management agreement with the Advisor under which the fund pays a daily management fee to the Advisor, on an annual basis equal 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.

The Advisor has contractually agreed to waive a portion of its management fee and/or reimburse expenses for certain funds of the John Hancock group of funds complex, including the fund (the participating portfolios). This waiver is based upon aggregate net assets of all the participating portfolios. The amount of the reimbursement is calculated daily and allocated among all the participating portfolios in proportion to the daily net assets of each fund. During the six months ended June 30, 2015, this waiver amounted to 0.01% of the fund's average net assets on an annualized basis. This arrangement may be amended or terminated at any time by the Advisor upon notice to the fund and with the approval of the Board of Trustees.

The expense reductions described above amounted to \$9,608 for the six months ended June 30, 2015.

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The investment management fees, including the impact of the waivers and reimbursements as described above, incurred for the six months ended June 30, 2015 were equivalent to a net annual effective rate of 0.99% of the fund's average daily gross assets.

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 six months ended June 30, 2015 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. Each independent Trustee receives from the fund and the other John Hancock closed-end funds an annual retainer. In addition, Trustee out-of-pocket expenses are allocated to each fund based on its net assets relative to other funds within the John Hancock group of funds complex.

Note 6 Fund share transactions

On December 6, 2011, the Board of Trustees approved a share repurchase plan, which has been subsequently renewed and approved by the Board of Trustees each year in December. Under the current share repurchase plan, the fund may purchase in the open market, between January 1, 2015 and December 31, 2015, up to an additional 10% of its outstanding common shares (based on common shares outstanding as of December 31, 2014). During the six months ended June 30, 2015 and the year ended December 31, 2014, the fund repurchased 2.60% and 0.69% of shares outstanding, respectively. The weighted average discount per share on the repurchases amounted to 10.90% and 10.69% for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively. Shares

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repurchased and corresponding dollar amounts are included in the Statements of changes in net assets. The antidilutive impact of these share repurchases is included on the Financial highlights.

Note 7 Purchase and sale of securities

Purchases and sales of securities, other than short-term investments, amounted to \$38,576,253 and \$52,591,341, respectively, for the six months ended June 30, 2015.

Note 8 Direct placement securities

The fund may hold private placement securities which are restricted as to resale and the fund has limited rights to registration under the Securities Act of 1933. The following table summarizes the direct placement securities held at June 30, 2015:

| Issuer, description | Acquisition date | Acquisition cost | Beginning share amount | Ending share amount | Value as a percentage of fund's net assets | Value as of 6-30-15 |
|-----------------------|------------------|------------------|------------------------|---------------------|--|---------------------|
| Allstar Co-Invest LLC | 8-1-11 | \$240,553 | 236,300 | 236,300 | 0.11% | \$255,204 |
| Dropbox, Inc. | 5-1-12 | \$65,608 | 7,248 | 7,248 | 0.05% | \$128,942 |
| | | \$306,161 | | | | \$384,146 |

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ADDITIONAL INFORMATION

Unaudited

Investment objective and policy

The fund is a closed-end, diversified management investment company, common shares of which were initially offered to the public on May 26, 2011 and are publicly traded on the New York Stock Exchange (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, as well as futures and call writing, to pursue its investment objective.

Under normal circumstances, the fund will invest at least 80% of its net assets (assets plus borrowings for investment purposes) in equity and equity-related securities, including common stock, preferred stock, depositary receipts (including American Depositary Receipts and Global Depositary Receipts), index-related securities (including exchange-traded funds), options on equity securities and equity indexes, real estate investment structures (including real estate investment trusts), convertible securities, private placements, convertible preferred stock, rights, warrants, derivatives linked to equity securities or indexes and other similar equity equivalents. The fund may invest in listed and unlisted domestic and foreign equity and equity-related securities or instruments. These equity and equity-related instruments may include equity securities of, or derivatives linked to, foreign issuers and indexes (including emerging market issuers or indexes).

Dividends and distributions

During the six months ended June 30, 2015, distributions from net investment income totaling \$0.7520 per share were paid to shareholders. The dates of payments and the amounts per share were as follows:

Payment date Distributions*

March 31, 2015 \$0.3760

June 30, 2015 0.3760

Total \$0.7520

* A portion of the distributions may be deemed a tax return of capital or capital gain distribution at year end.

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CONTINUATION OF INVESTMENT ADVISORY AND SUBADVISORY AGREEMENTS

Evaluation of Advisory and Subadvisory Agreements by the Board of Trustees

This section describes the evaluation by the Board of Trustees (the Board) of John Hancock Hedged Equity & Income Fund (the fund) of the Advisory Agreement (the Advisory Agreement) with John Hancock Advisers, LLC (the Advisor) and the Subadvisory Agreement (the Subadvisory Agreement) with Wellington Management Company LLP (the Subadvisor). The Advisory Agreement and Subadvisory Agreement are collectively referred to as the Agreements. Prior to the June 23-25, 2015 meeting at which the Agreements were approved, the Board also discussed and considered information regarding the proposed continuation of the Agreements at an in-person meeting held on May 21-22, 2015.

Approval of Advisory and Subadvisory Agreements

At in-person meetings held on June 23-25, 2015, the Board, including the Trustees who are not considered to be interested persons of the fund under the Investment Company Act of 1940, as amended (the 1940 Act) (the Independent Trustees), reapproved for an annual period the continuation of the Advisory Agreement between the fund and the Advisor and the Subadvisory Agreement between the Advisor and the Subadvisor with respect to the fund.

In considering the Advisory Agreement and the Subadvisory Agreement, the Board received in advance of the meetings a variety of materials relating to the fund, the Advisor and the Subadvisor, including comparative performance, fee and expense information for a peer group of similar funds prepared by an independent third-party provider of fund data, performance information for an applicable benchmark index; and other pertinent information, such as the market premium and discount information, and, with respect to the Subadvisor, comparative performance information for comparably managed accounts, as applicable, and other information provided by the Advisor and the Subadvisor regarding the nature, extent and quality of services provided by the Advisor and the Subadvisor under their respective Agreements, as well as information regarding the Advisor's revenues and costs of providing services to the fund and any compensation paid to affiliates of the Advisor. At the meetings at which the renewal of the Advisory Agreement and Subadvisory Agreement are considered, particular focus is given to information concerning fund performance, comparability of fees and total expenses, and profitability. However, the Board notes that the evaluation process with respect to the Advisor and the Subadvisor is an ongoing one. In this regard, the Board also took into account discussions with management and information provided to the Board at prior meetings with respect to the services provided by the Advisor and the Subadvisor to the fund, including quarterly performance reports prepared by management containing reviews of investment results and prior presentations from the Subadvisor with respect to the fund. The Board also considered the nature, quality, and extent of non-advisory services, if any, to be provided to the fund by the Advisor's affiliates.

Throughout the process, the Board asked questions of and requested additional information from management. The Board is assisted by counsel for the fund and the Independent Trustees are also separately assisted by independent legal counsel throughout the process. The Independent Trustees also received a memorandum from their independent

legal counsel discussing the legal standards for their consideration of the proposed continuation of the Agreements and discussed the proposed continuation of the Agreements in private sessions with their independent legal counsel at which no representatives of management were present.

Approval of Advisory Agreement

In approving the Advisory Agreement with respect to the fund, the Board, including the Independent Trustees, considered a variety of factors, including those discussed below. The Board also considered other factors (including conditions and trends prevailing generally in the economy, the securities markets, and the industry) and does not treat any single factor as determinative, and each Trustee may attribute different weights to different factors. The Board's conclusions may be based in part on its consideration of the advisory and subadvisory arrangements in prior years and on the Board's ongoing regular review of fund performance and operations throughout the year.

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Nature, extent, and quality of services. Among the information received by the Board from the Advisor relating to the nature, extent, and quality of services provided to the fund, the Board reviewed information provided by the Advisor relating to its operations and personnel, descriptions of its organizational and management structure, and information regarding the Advisor's compliance and regulatory history, including its Form ADV. The Board also noted that on a regular basis it receives and reviews information from the fund's Chief Compliance Officer (CCO) regarding the fund's compliance policies and procedures established pursuant to Rule 38a-1 under the 1940 Act. The Board also considered the Advisor's risk management processes. The Board considered that the Advisor is responsible for the management of the day-to-day operations of the fund, including, but not limited to, general supervision of and coordination of the services provided by the Subadvisor, and is also responsible for monitoring and reviewing the activities of the Subadvisor and other third-party service providers.

The Board also considered the differences between the Advisor's services to the fund and the services it provides to other clients that are not closed-end funds, including, for example, the differences in services related to the regulatory and legal obligations of closed-end funds.

In considering the nature, extent, and quality of the services provided by the Advisor, the Trustees also took into account their knowledge of the Advisor's management and the quality of the performance of the Advisor's duties, through Board meetings, discussions and reports during the preceding year and through each Trustee's experience as a Trustee of the fund and of the other funds in the John Hancock group of funds complex (the John Hancock Fund Complex).

In the course of their deliberations regarding the Advisory Agreement, the Board considered, among other things:

- the skills and competency with which the Advisor has in the past managed the fund's affairs and its subadvisory relationships, the Advisor's oversight and monitoring of the Subadvisor's investment performance and compliance
- (a) programs, such as the Subadvisor's compliance with fund policies and objectives, review of brokerage matters, including with respect to trade allocation and best execution and the Advisor's timeliness in responding to performance issues;
- (b) the background, qualifications and skills of the Advisor's personnel;
- (c) the Advisor's compliance policies and procedures and its responsiveness to regulatory changes and fund industry developments;
- (d) the Advisor's administrative capabilities, including its ability to supervise the other service providers for the fund;
- (e) the financial condition of the Advisor and whether it has the financial wherewithal to provide a high level and quality of services to the fund; and

- (f) the Advisor's reputation and experience in serving as an investment advisor to the fund and the benefit to shareholders of investing in funds that are part of a family of funds offering a variety of investments.

The Board concluded that the Advisor may reasonably be expected to continue to provide a high quality of services under the Advisory Agreement with respect to the fund.

Investment performance. In considering the fund's performance, the Board noted that it reviews at its regularly scheduled meetings information about the fund's performance results. In connection with the consideration of the Advisory Agreement, the Board:

- (a) reviewed information prepared by management regarding the fund's performance;
- (b) considered the comparative performance of an applicable benchmark index;
- (c) considered the performance of comparable funds, if any, as included in the report prepared by an independent third-party provider of fund data;
- (d) took into account the Advisor's analysis of the fund's performance; and

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- (e) considered the fund's share performance and premium/discount information.

The Board noted that, based on its net asset value, the fund underperformed its benchmark index and outperformed its peer group average for the one- and three-year periods ended December 31, 2014. The Board took into account management's discussion of the fund's performance, including the fund's favorable performance relative to the peer group for the one- and three-year periods. The Board also concluded that the fund's performance is being monitored and reasonably addressed, where appropriate.

Fees and expenses. The Board reviewed comparative information prepared by an independent third-party provider of fund data, including, among other data, the fund's contractual and net management fees (and subadvisory fees, to the extent available) and total expenses as compared to similarly situated investment companies deemed to be comparable to the fund. The Board considered the fund's ranking within a smaller group of peer funds chosen by the independent third-party provider, as well as the fund's ranking within a broader group of funds. In comparing the fund's contractual and net management fees to those of comparable funds, the Board noted that such fees include both advisory and administrative costs.

The Board noted that net management fees and total expenses for the fund are higher than the peer group median. The Board took into account management's discussion of the fund's expenses. The Board also took into account management's discussion with respect to the advisory/subadvisory fee structure, including the amount of the advisory fee retained by the Advisor after payment of the subadvisory fees. The Board also noted that the Advisor pays the subadvisory fees. In addition, the Board took into account that management had agreed to implement an overall fee waiver across the complex, including the fund, which is discussed further below. The Board reviewed information provided by the Advisor concerning the investment advisory fee charged by the Advisor or one of its advisory affiliates to other clients (including other funds in the John Hancock Fund Complex) having similar investment mandates, if any. The Board considered any differences between the Advisor's and Subadvisor's services to the fund and the services they provide to other comparable clients or funds. The Board concluded that the advisory fee paid with respect to the fund is reasonable.

Profitability/indirect benefits. In considering the costs of the services to be provided and the profits to be realized by the Advisor and its affiliates from the Advisor's relationship with the fund, the Board:

- (a) reviewed financial information of the Advisor;
- (b) reviewed and considered information presented by the Advisor regarding the net profitability to the Advisor and its affiliates with respect to the fund;
- (c) received and reviewed profitability information with respect to the John Hancock Fund Complex as a whole;
- (d) received information with respect to the Advisor's allocation methodologies used in preparing the profitability data;
- (e) considered that the Advisor also provides administrative services to the fund on a cost basis pursuant to an administrative services agreement;
- (f) noted that the Advisor also derives reputational and other indirect benefits from providing advisory services to the fund;
- (g) noted that the subadvisory fees for the fund are paid by the Advisor, and are negotiated at arm's length; and
- (h) considered that the Advisor should be entitled to earn a reasonable level of profits in exchange for the level of services it provides to the fund and the entrepreneurial risk that it assumes as Advisor.

Based upon its review, the Board concluded that the level of profitability, if any, of the Advisor and its affiliates from their relationship with the fund was reasonable and not excessive.

Economies of scale. In considering the extent to which the fund may realize any economies of scale and whether fee levels reflect these economies of scale for the benefit of the fund shareholders, the Board noted that the fund has a limited ability to

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increase its assets as a closed-end fund. The Board took into account management's discussions of the current advisory fee structure, and, as noted above, the services the Advisor provides in performing its functions under the Advisory Agreement and in supervising the Subadvisor.

The Board also considered potential economies of scale that may be realized by the fund as part of the John Hancock Fund Complex. Among them, the Board noted that the Advisor has contractually agreed to waive a portion of its management fee and/or reimburse expenses for certain funds of the John Hancock Fund Complex, including the fund (the participating portfolios). This waiver is based upon aggregate net assets of all the participating portfolios. The amount of the reimbursement is calculated daily and allocated among all the participating portfolios in proportion to the daily net assets of each fund. The Board also considered the Advisor's overall operations and its ongoing investment in its business in order to expand the scale of, and improve the quality of, its operations that benefit the fund. The Board determined that the management fee structure for the fund was reasonable.

Approval of Subadvisory Agreement

In making its determination with respect to approval of the Subadvisory Agreement, the Board reviewed:

- (1) information relating to the Subadvisor's business, including current subadvisory services to the fund (and other funds in the John Hancock Fund Complex);
- (2) the historical and current performance of the fund and comparative performance information relating to an applicable benchmark index and comparable funds;
- (3) the subadvisory fee for the fund and to the extent available, comparable fee information prepared by an independent third party of fund data; and
- (4) information relating to the nature and scope of any material relationships and their significance to the fund's Advisor and the Subadvisor.

Nature, extent, and quality of services. With respect to the services provided by the Subadvisor, the Board received information provided to the Board by the Subadvisor, including the Subadvisor's Form ADV, as well as took into

account information presented throughout the past year. The Board considered the Subadvisor's current level of staffing and its overall resources, as well as received information relating to the Subadvisor's compensation program. The Board reviewed the Subadvisor's history and investment experience, as well as information regarding the qualifications, background, and responsibilities of the Subadvisor's investment and compliance personnel who provide services to the fund. The Board also considered, among other things, the Subadvisor's compliance program and any disciplinary history. The Board also considered the Subadvisor's risk assessment and monitoring process. The Board reviewed the Subadvisor's regulatory history, including whether it was involved in any regulatory actions or investigations as well as material litigation, and any settlements and amelioratory actions undertaken, as appropriate. The Board noted that the Advisor conducts regular, periodic reviews of the Subadvisor and its operations, including regarding investment processes and organizational and staffing matters. The Board also noted that the fund's CCO and his staff conduct regular, periodic compliance reviews with the Subadvisor and present reports to the Independent Trustees regarding the same, which includes evaluating the regulatory compliance systems of the Subadvisor and procedures reasonably designed to assure compliance with the federal securities laws. The Board also took into account the financial condition of the Subadvisor.

The Board considered the Subadvisor's investment process and philosophy. The Board took into account that the Subadvisor's responsibilities include the development and maintenance of an investment program for the fund that is consistent with the fund's investment objective, the selection of investment securities and the placement of orders for the purchase and sale of such securities, as well as the implementation of compliance controls related to performance of these services. The Board also received information with respect to the Subadvisor's brokerage policies and practices, including with respect to best execution and soft dollars.

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Subadvisor compensation. In considering the cost of services to be provided by the Subadvisor and the profitability to the Subadvisor of its relationship with the fund, the Board noted that the fees under the Subadvisory Agreement are paid by the Advisor and not the fund. The Board also relied on the ability of the Advisor to negotiate the Subadvisory Agreement and the fees thereunder at arm's length. As a result, the costs of the services to be provided and the profits to be realized by the Subadvisor from its relationship with the fund were not a material factor in the Board's consideration of the Subadvisory Agreement.

The Board also received information regarding the nature and scope (including their significance to the Advisor and its affiliates and to the Subadvisor) of any material relationships with respect to the Subadvisor, which include arrangements in which the Subadvisor or its affiliates provide advisory, distribution, or management services in connection with financial products sponsored by the Advisor or its affiliates, and may include other registered investment companies, a 529 education savings plan, managed separate accounts and exempt group annuity contracts sold to qualified plans. The Board also received information and took into account any other potential conflicts of interest the Advisor might have in connection with the Subadvisory Agreement.

In addition, the Board considered other potential indirect benefits that the Subadvisor and its affiliates may receive from the Subadvisor's relationship with the fund, such as the opportunity to provide advisory services to additional funds in the John Hancock Fund Complex and reputational benefits.

Subadvisory fees. The Board considered that the fund pays an advisory fee to the Advisor and that, in turn, the Advisor pays subadvisory fees to the Subadvisor. As noted above, the Board also considered the fund's subadvisory fee as compared to similarly situated investment companies deemed to be comparable to the fund as included in the report prepared by the independent third party provider of fund data, to the extent available. The Board noted that the limited size of Lipper peer group was not sufficient for comparative purposes. The Board also took into account the subadvisory fee paid by the Advisor to the Subadvisor with respect to the fund and compared them to fees charged by the Subadvisor to manage other subadvised portfolios and portfolios not subject to regulation under the 1940 Act, as

applicable.

Subadvisor performance. As noted above, the Board considered the fund's performance as compared to the fund's peer group and the benchmark index and noted that the Board reviews information about the fund's performance results at its regularly scheduled meetings. The Board noted the Advisor's expertise and resources in monitoring the performance, investment style and risk-adjusted performance of the Subadvisor. The Board was mindful of the Advisor's focus on the Subadvisor's performance. The Board also noted the Subadvisor's long-term performance record for similar accounts, as applicable.

The Board's decision to approve the Subadvisory Agreement was based on a number of determinations, including the following:

- (1) the Subadvisor has extensive experience and demonstrated skills as a manager;
- (2) the fund's performance is being monitored and reasonably addressed, where appropriate; and
- (3) the subadvisory fees are reasonable in relation to the level and quality of services being provided.

* * *

Based on the Board's evaluation of all factors that the Board deemed to be material, including those factors described above, the Board, including the Independent Trustees, concluded that renewal of the Advisory Agreement and the Subadvisory Agreement would be in the best interest of the fund and its shareholders. Accordingly, the Board, and the Independent Trustees voting separately, approved the Advisory Agreement and Subadvisory Agreement for an additional one-year period.

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Shareholder meeting

The fund held its Annual Meeting of Shareholders on January 26, 2015. The following proposal was considered by the shareholders:

Proposal: Election of four (4) Trustees to serve for a three-year term ending at the 2018 Annual Meeting of Shareholders. Each Trustee was re-elected by the fund's shareholders and the votes cast with respect to each Trustee are set forth below.

| | Total votes for the nominee | Total votes withheld from the nominee |
|--------------------------------|--|--|
| Independent Trustees | | |
| Charles L. Bardelis | 10,291,316 | 119,517 |
| Peter S. Burgess | 10,295,046 | 115,787 |
| Theron S. Hoffman | 10,297,183 | 113,650 |
| Non-Independent Trustee | | |
| Warren A. Thomson | 10,294,783 | 116,050 |

Trustees whose term of office continued after the Annual Meeting of Shareholders because they were not up for election are: James R. Boyle, Craig Bromley, William H. Cunningham, Grace K. Fey, Deborah C. Jackson, Hassell H. McClellan, James M. Oates, Steven R. Pruchansky and Gregory A. Russo. The Board appointed Mr. Boyle to serve as a Non-Independent Trustee on March 10, 2015.

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More information

Trustees

James M. Oates, *Chairperson*

Steven R. Pruchansky, *Vice Chairperson*

Charles L. Bardelis*

James R. Boyle #

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

Investment advisor

John Hancock Advisers, LLC

Subadvisor

Wellington Management Company LLP

Custodian

State Street Bank and Trust Company

Officers

Andrew G. Arnott

President

John J. Danello

*Senior Vice President, Secretary,
and Chief Legal Officer*

Francis V. Knox, Jr.

Chief Compliance Officer

Charles A. Rizzo

Chief Financial Officer

Salvatore Schiavone

Treasurer

*Member of the Audit Committee

Non-Independent Trustee

#Effective 3-10-15

Transfer agent

Computershare Shareowner Services, LLC

Legal counsel

K&L Gates LLP

Stock symbol

Listed New York Stock Exchange: HEQ

You can also contact us:

Regular mail:

800-852-0218

jhinvestments.com

Computershare
P.O. Box 30170

College Station, TX 77842-3170

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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 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, 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 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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Family of funds

DOMESTIC EQUITY FUNDS

Balanced

Blue Chip Growth

Classic Value

Disciplined Value

Disciplined Value Mid Cap

Equity Income

Fundamental All Cap Core

Fundamental Large Cap Core

Fundamental Large Cap Value

Large Cap Equity

New Opportunities

Select Growth

INCOME FUNDS (continued)

Investment Grade Bond

Money Market

Short Duration Credit Opportunities

Spectrum Income

Strategic Income Opportunities

Tax-Free Bond

ALTERNATIVE AND SPECIALTY FUNDS

Absolute Return Currency

Alternative Asset Allocation

Enduring Equity

Financial Industries

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| | |
|----------------------------|-------------------------------------|
| Small Cap Equity | Global Absolute Return Strategies |
| Small Cap Value | Global Conservative Absolute Return |
| Small Company | Natural Resources |
| Strategic Growth | Redwood |
| U.S. Equity | Regional Bank |
| U.S. Global Leaders Growth | Seaport |
| Value Equity | Technical Opportunities |

GLOBAL AND INTERNATIONAL EQUITY FUNDS ASSET ALLOCATION

| | |
|---------------------------------|---|
| Disciplined Value International | Income Allocation Fund |
| Emerging Markets | Lifestyle Aggressive Portfolio |
| Emerging Markets Equity | Lifestyle Balanced Portfolio |
| Global Equity | Lifestyle Conservative Portfolio |
| Global Shareholder Yield | Lifestyle Growth Portfolio |
| Greater China Opportunities | Lifestyle Moderate Portfolio |
| International Core | Retirement Choices Portfolios (2010-2055) |
| International Growth | Retirement Living Portfolios (2010-2055) |
| International Small Company | Retirement Living II Portfolios (2010-2055) |
| International Value Equity | |

INCOME FUNDS

| | |
|----------------------------|-------------------------|
| | CLOSED-END FUNDS |
| | <hr/> |
| | Financial Opportunities |
| Bond | Hedged Equity & Income |
| California Tax-Free Income | Income Securities Trust |
| Core High Yield | Investors Trust |
| Emerging Markets Debt | Preferred Income |

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| | |
|---------------------------|---|
| Floating Rate Income | Preferred Income II |
| Focused High Yield | Preferred Income III |
| Global Income | Premium Dividend |
| Government Income | Tax-Advantaged Dividend Income |
| High Yield Municipal Bond | Tax-Advantaged Global Shareholder Yield |

Income

The fund's investment objectives, risks, charges, and expenses are included in the prospectus and should be considered carefully before investing. For a prospectus, contact your financial professional, call John Hancock Investments at 800-852-0218, or visit the fund's website at jhinvestments.com. Please read the prospectus carefully before investing or sending money.

John Hancock Investments

A trusted brand

John Hancock has helped individuals and institutions build and protect wealth since 1862. Today, we are one of America's strongest and most-recognized brands.

A better way to invest

As a manager of managers, we search the world to find proven portfolio teams with specialized expertise for every fund we offer, then apply vigorous investment oversight to ensure they continue to meet our uncompromising standards.

Results for investors

Our unique approach to asset management has led to a diverse set of investments deeply rooted in investor needs, along with strong risk-adjusted returns across asset classes.

John Hancock
Advisers, LLC
601 Congress Street n
Boston, MA
02210-2805
800-852-0218 n
jhinvestments.com
MF212225 P15SA 6/15
8/15

ITEM 2. CODE OF ETHICS.

Not applicable at this time.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable at this time.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable at this time.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable at this time.

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.

Not applicable.

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

Not applicable.

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

| Period | Total number of shares purchased | Average price per share | Total number of shares purchased as part of publicly announced plans* | Maximum number of shares that may yet be purchased under the plans |
|--------|----------------------------------|-------------------------|---|--|
| Jan-15 | - | - | - | 1,363,751* |
| Feb-15 | 92,245 | \$16.67 | 92,245 | 1,271,506 |
| Mar-15 | - | - | 92,245 | 1,271,506 |
| Apr-15 | - | - | 92,245 | 1,271,506 |
| May-15 | 80,700 | 16.79 | 172,945 | 1,190,806 |
| Jun-15 | 181,719 | 16.42 | 354,664 | 1,009,087 |
| Total | 354,664 | \$16.57 | | |

*On December 6, 2011, the Board of Trustees approved a share repurchase plan (the Repurchase Plan). Under the Repurchase Plan, the Fund was allowed to purchase, in the open market, up to 10% of its outstanding common shares between January 1, 2015 and December 31, 2015 (based on common shares outstanding as of December 31, 2014).

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

The registrant has adopted procedures by which shareholders may recommend nominees to the registrant's Board of Trustees. A copy of the procedures is filed as an exhibit to this Form N-CSR. See attached "John Hancock Funds – Nominating, Governance and Administration Committee Charter."

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) 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) 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) Submission of Matters to a Vote of Security Holders is attached. See attached "John Hancock Funds – Nominating, Governance and Administration Committee Charter."

(c)(2) Contact person at the registrant.

(c)(3) Registrant's notices 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.

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/ Andrew Arnott
Andrew Arnott
President

Date: August 19, 2015

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/ Andrew Arnott
Andrew Arnott
President

Date: August 19, 2015

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

Date: August 19, 2015
