

John Hancock Hedged Equity & Income Fund
Form N-CSR
March 04, 2013

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811- 22441

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

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

Salvatore Schiavone
Treasurer

601 Congress Street

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

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2012

ITEM 1. REPORTS TO STOCKHOLDERS.

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 \$0.3230 per share, based upon an annual distribution rate of 7.25% of the Fund's net asset value (NAV) of \$17.82 on July 31, 2012. This amount will be paid quarterly until further notice. Prior to August 2012, under the prior Plan, the Fund made quarterly distributions of an amount equal to 1.8125% of the Fund's NAV as of each measuring date, based upon an annual rate of 7.25%. The amount of each quarterly distribution was determined based on the NAV of the Fund at the close of the New York Stock Exchange on the last business day of the month ending two months prior to each quarterly declaration date. The Fund may also 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.

Although the Fund has adopted the Plan, it may discontinue the Plan. The Board of Trustees of the Fund may amend the terms of the Plan or terminate the Plan at any time without prior notice to the Fund's shareholders. The Plan will be subject to periodic review by the Fund's Board of Trustees.

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

With each distribution that does not consist solely of net income, the Fund will issue a notice to shareholders and an accompanying press release that will provide detailed information regarding the amount and composition of the distribution and other related information. The amounts and sources of distributions reported in the notice to shareholders are only estimates and are not being 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."

Annual report | Hedged Equity & Income Fund

Management's discussion of

Fund performance

By Wellington Management Company, LLC

The Fund has changed its fiscal year end from October 31 to December 31. This report discusses the two-month period from November 1, 2012 through December 31, 2012.

Global equities rose during the last two months of 2012. Investors shrugged off the threat of a U.S. fiscal crisis and, despite European economic woes, risk appetites increased amid further signs of a manufacturing recovery in China and an agreement among European Union leaders on the framework for a single supervisory mechanism for eurozone banks. In the U.S., housing and employment data continued to exceed expectations.

Strategy and performance review

The Fund's investment objective is to provide total return with a focus on both current income and gains as well as long-term capital appreciation. The Fund uses an equity strategy and an actively managed options strategy to

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pursue its investment objective. For the two-month period ended December 31, 2012, John Hancock Hedged Equity & Income Fund posted total returns of 1.71% at net asset value (NAV) and -3.51% at market price. The Fund's performance at NAV and its performance at market price differ because the market share price is subject to the dynamics of secondary market trading, which could cause it to trade at a discount or premium to the Fund's NAV price at any time. The Fund's reference benchmark, the Russell 3000 Index, returned 2.01% over this period.

During this short two-month period, both the puts and written calls on the S&P 500 Index were significant detractors from performance and largely offset positive returns in the equity strategy. The S&P 500 Index returned 1.5% in the period, which resulted in a decrease in value of the Fund's put-spread. While the Fund received premiums from writing call options, a sharp equity market rally acted as a limit to upside performance. The Fund's equity strategy posted positive absolute returns during the period and outperformed its benchmark. Stock selection within the Fund's equity strategy contributed to relative results, as did allocation among sectors, which is a by-product of our bottom-up stock selection process. Specifically, positive stock selection within the information technology and consumer staples sectors contributed to relative performance. Stocks within the financials and energy sectors underperformed the index and detracted from relative returns. During the period, the Fund was overweight in industrials and underweight in utilities, which aided relative results. An underweight in financials and modest residual cash position partially offset positive relative performance.

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

Wellington Management is an independent and unaffiliated investment subadviser.

Past performance is no guarantee of future results.

The extent of the Fund's use of written call options and put option spreads may vary over time depending on the subadviser's assessment of market circumstances and other factors. The Fund's exposure to call and put options is subject to change due to active management. Sector investing is subject to greater risks than the market as a whole. Because the Fund may focus on particular sectors of the economy, its performance may depend on the performance of those sectors.

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Portfolio summary

Top 10 Holdings (15.1% of Net Assets on 12-31-12)^{1,2}

| | | | |
|----------------------------|------|--------------------------------------|------|
| Cisco Systems, Inc. | 2.1% | Oracle Corp. | 1.4% |
| Lowe's Companies, Inc. | 2.0% | Apple, Inc. | 1.3% |
| Johnson & Johnson | 1.7% | Roche Holdings AG | 1.3% |
| Wells Fargo & Company | 1.5% | United Parcel Service, Inc., Class B | 1.2% |
| Occidental Petroleum Corp. | 1.4% | BlackRock, Inc. | 1.2% |

Sector Composition^{1,3}

| | | | |
|------------------------|-------|--------------------------------|------|
| Information Technology | 16.1% | Materials | 3.6% |
| Consumer Discretionary | 15.5% | Options Purchased | 2.2% |
| Industrials | 15.1% | Utilities | 1.7% |
| Financials | 14.7% | Telecommunication Services | 0.9% |
| Health Care | 12.0% | Exchange Traded Fund | 0.1% |
| Energy | 9.1% | Short-Term Investments & Other | |
| Consumer Staples | 6.3% | Assets and Liabilities, Net | 2.7% |

Portfolio Composition¹

| | | | |
|----------------------|-------|--------------------------------|------|
| Common Stocks | 95.0% | Options Purchased | 2.2% |
| Exchange Traded Fund | 0.1% | Short-Term Investments & Other | |
| | | Assets and Liabilities, Net | 2.7% |

¹ As a percentage of net assets on 12-31-12.

² Excludes cash and cash equivalents.

³ Sector investing is subject to greater risks than the markets as a whole. Because the Fund may focus on particular sectors of the economy, its performance may depend on the performance of those sectors.

Fund's investments

As of 12-31-12

Shares

Value

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Common Stocks 95.0% **\$228,761,658**

(Cost \$217,257,741)

Consumer Discretionary 15.5% **37,395,328**

Auto Components 0.6%

| | | |
|-------------------------------------|--------|-----------|
| Allison Transmission Holdings, Inc. | 58,935 | 1,203,453 |
|-------------------------------------|--------|-----------|

| | | |
|----------------|-------|---------|
| Continental AG | 1,711 | 197,971 |
|----------------|-------|---------|

Automobiles 0.5%

| | | |
|--------------------|--------|---------|
| Ford Motor Company | 21,988 | 284,745 |
|--------------------|--------|---------|

| | | |
|--|--------|---------|
| Great Wall Motor Company, Ltd., H Shares | 33,500 | 106,268 |
|--|--------|---------|

| | | |
|-----------------------|--------|---------|
| Harley-Davidson, Inc. | 18,005 | 879,364 |
|-----------------------|--------|---------|

Diversified Consumer Services 0.3%

| | | |
|---|---------|---------|
| Allstar Co-Invest Block Feeder LLC (I)(R) | 236,300 | 285,923 |
|---|---------|---------|

| | | |
|---------------------------------------|--------|---------|
| Matthews International Corp., Class A | 15,080 | 484,068 |
|---------------------------------------|--------|---------|

Hotels, Restaurants & Leisure 0.8%

| | | |
|------------------------------|-------|---------|
| Buffalo Wild Wings, Inc. (I) | 2,970 | 216,275 |
|------------------------------|-------|---------|

| | | |
|-----------------------------|--------|---------|
| Burger King Worldwide, Inc. | 23,806 | 391,371 |
|-----------------------------|--------|---------|

| | | |
|-------------------------|--------|---------|
| CEC Entertainment, Inc. | 15,080 | 500,505 |
|-------------------------|--------|---------|

| | | |
|-----------------------------------|-------|---------|
| Choice Hotels International, Inc. | 4,680 | 157,342 |
|-----------------------------------|-------|---------|

| | | |
|--------------------------------------|--------|---------|
| Galaxy Entertainment Group, Ltd. (I) | 47,000 | 187,167 |
|--------------------------------------|--------|---------|

| | | |
|-------------------|--------|---------|
| Sands China, Ltd. | 47,600 | 213,531 |
|-------------------|--------|---------|

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| | | |
|--|--------|-----------|
| Starwood Hotels & Resorts Worldwide, Inc. | 866 | 49,674 |
| Yum! Brands, Inc. | 1,498 | 99,467 |
| Household Durables 1.1% | | |
| Helen of Troy, Ltd. (I) | 9,000 | 300,510 |
| Lennar Corp., Class A | 3,000 | 116,010 |
| NVR, Inc. (I) | 1,895 | 1,743,401 |
| PulteGroup, Inc. (I) | 6,500 | 118,040 |
| Whirlpool Corp. | 2,480 | 252,340 |
| Internet & Catalog Retail 1.1% | | |
| Amazon.com, Inc. (I) | 6,413 | 1,610,547 |
| Expedia, Inc. | 2,450 | 150,553 |
| HomeAway, Inc. (I) | 5,280 | 116,160 |
| priceline.com, Inc. (I) | 743 | 461,552 |
| TripAdvisor, Inc. (I) | 7,210 | 302,532 |
| Leisure Equipment & Products 0.8% | | |
| Hasbro, Inc. | 26,100 | 936,990 |
| Mattel, Inc. (C) | 26,081 | 955,086 |

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See notes to financial statements

| | Shares | Value |
|-------------------|---------------|--------------|
| Media 3.8% | | |

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| | | |
|--|---------|-----------|
| AMC Networks, Inc., Class A (I) | 4,800 | \$237,600 |
| Arbitron, Inc. | 15,090 | 704,401 |
| Comcast Corp., Class A | 11,253 | 420,637 |
| Discovery Communications, Inc., Series C (I) | 3,800 | 222,300 |
| Gannett Company, Inc. | 12,600 | 226,926 |
| News Corp., Class A | 10,325 | 263,701 |
| Omnicom Group, Inc. | 44,441 | 2,220,272 |
| Sirius XM Radio, Inc. | 205,060 | 592,623 |
| The Walt Disney Company | 33,338 | 1,659,899 |
| Time Warner, Inc. | 36,720 | 1,756,318 |
| WPP PLC | 66,348 | 964,519 |
| Multiline Retail 0.9% | | |
| Dollar Tree, Inc. (I) | 4,074 | 165,241 |
| Family Dollar Stores, Inc. | 4,760 | 301,832 |
| Fred's, Inc., Class A | 27,700 | 368,687 |
| Next PLC | 1,906 | 117,640 |
| Target Corp. (C) | 21,845 | 1,292,569 |
| Specialty Retail 4.6% | | |
| Advance Auto Parts, Inc. | 24,330 | 1,760,276 |
| Ascena Retail Group, Inc. (I) | 26,440 | 488,876 |
| Bed Bath & Beyond, Inc. (I) | 1,505 | 84,145 |

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|--|---------|-----------|
| CarMax, Inc. (I) | 6,870 | 257,900 |
| Dick's Sporting Goods, Inc. | 6,910 | 314,336 |
| DSW, Inc., Class A | 2,980 | 195,756 |
| Francesca's Holdings Corp. (I) | 10,080 | 261,677 |
| Lowe's Companies, Inc. (C) | 137,322 | 4,877,677 |
| Monro Muffler Brake, Inc. | 1,340 | 46,860 |
| O'Reilly Automotive, Inc. (I) | 3,041 | 271,926 |
| PetSmart, Inc. | 2,807 | 191,830 |
| Stage Stores, Inc. | 19,510 | 483,458 |
| The Buckle, Inc. | 3,582 | 159,900 |
| The Cato Corp., Class A | 21,480 | 589,196 |
| The Home Depot, Inc. | 5,903 | 365,101 |
| Tiffany & Company | 4,850 | 278,099 |
| TJX Companies, Inc. | 3,566 | 151,377 |
| Urban Outfitters, Inc. (I) | 7,050 | 277,488 |
| Textiles, Apparel & Luxury Goods 1.0% | | |
| Burberry Group PLC | 15,846 | 324,440 |
| Hanesbrands, Inc. (I) | 9,720 | 348,170 |
| Lululemon Athletica, Inc. (I) | 9,979 | 760,699 |
| Michael Kors Holdings, Ltd. (I) | 7,830 | 399,565 |

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|---------------------------------|--------|---------|
| Prada SpA | 20,900 | 202,187 |
| PVH Corp. | 2,320 | 257,543 |
| Tumi Holdings, Inc. (I) | 1,500 | 31,275 |
| Under Armour, Inc., Class A (I) | 3,700 | 179,561 |

See notes to financial statements

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| | Shares | Value |
|--|---------------|---------------------|
| Consumer Staples 6.3% | | \$15,187,937 |
| Beverages 2.0% | | |
| Constellation Brands, Inc., Class A (I) | 7,630 | 270,026 |
| Molson Coors Brewing Company, Class B | 23,020 | 985,026 |
| PepsiCo, Inc. (C) | 41,196 | 2,819,042 |
| The Coca-Cola Company | 17,679 | 640,864 |
| Food & Staples Retailing 1.0% | | |
| Casey's General Stores, Inc. | 7,240 | 384,444 |
| Costco Wholesale Corp. | 3,193 | 315,373 |
| CVS Caremark Corp. | 12,013 | 580,829 |
| Wal-Mart Stores, Inc. | 9,204 | 627,989 |
| Walgreen Company | 14,090 | 521,471 |
| Food Products 2.3% | | |
| General Mills, Inc. | 28,570 | 1,154,514 |

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| | | |
|---|--------|-------------------|
| Green Mountain Coffee Roasters, Inc. (I) | 12,842 | 531,145 |
| Kraft Foods Group, Inc. | 33,670 | 1,530,975 |
| Mondelez International, Inc., Class A | 15,540 | 395,804 |
| Post Holdings, Inc. (I) | 6,800 | 232,900 |
| Ralcorp Holdings, Inc. (I) | 5,500 | 493,075 |
| Unilever NV — NY Shares | 29,540 | 1,131,382 |
| Personal Products 0.0% | | |
| Herbalife, Ltd. | 1,406 | 46,314 |
| Tobacco 1.0% | | |
| Philip Morris International, Inc. | 30,210 | 2,526,764 |
| Energy 9.1% | | 21,940,459 |
| Energy Equipment & Services 1.4% | | |
| Baker Hughes, Inc. | 23,700 | 967,908 |
| Bristow Group, Inc. | 5,660 | 303,716 |
| Core Laboratories NV | 441 | 48,206 |
| Diamond Offshore Drilling, Inc. | 3,624 | 246,287 |
| National Oilwell Varco, Inc. | 2,661 | 181,879 |
| Oceaneering International, Inc. | 6,511 | 350,227 |
| Schlumberger, Ltd. | 8,030 | 556,399 |
| SEACOR Holdings, Inc. | 5,670 | 475,146 |

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| | | |
|------------------|-------|---------|
| Transocean, Ltd. | 3,735 | 166,768 |
|------------------|-------|---------|

Oil, Gas & Consumable Fuels 7.7%

| | | |
|--------------------------|--------|-----------|
| Anadarko Petroleum Corp. | 23,476 | 1,744,502 |
|--------------------------|--------|-----------|

| | | |
|--------------|-------|---------|
| Apache Corp. | 2,090 | 164,065 |
|--------------|-------|---------|

| | | |
|--------------|---------|-----------|
| BG Group PLC | 116,986 | 1,961,652 |
|--------------|---------|-----------|

| | | |
|-------------|--------|-----------|
| BP PLC, ADR | 58,085 | 2,418,659 |
|-------------|--------|-----------|

| | | |
|-----------------------|-------|---------|
| Cabot Oil & Gas Corp. | 9,690 | 481,981 |
|-----------------------|-------|---------|

| | | |
|-------------------------|-------|---------|
| Chesapeake Energy Corp. | 9,680 | 160,882 |
|-------------------------|-------|---------|

| | | |
|---------------|--------|-----------|
| Chevron Corp. | 16,290 | 1,761,601 |
|---------------|--------|-----------|

| | | |
|---------------------------------------|--------|---------|
| Cobalt International Energy, Inc. (I) | 11,820 | 290,299 |
|---------------------------------------|--------|---------|

| | | |
|---------------------|-------|---------|
| CONSOL Energy, Inc. | 5,400 | 173,340 |
|---------------------|-------|---------|

| | | |
|---------------------|-------|---------|
| EOG Resources, Inc. | 5,985 | 722,928 |
|---------------------|-------|---------|

| | | |
|-----------------------|--------|-----------|
| Exxon Mobil Corp. (C) | 20,548 | 1,778,429 |
|-----------------------|--------|-----------|

| | | |
|----------------------------|--------|---------|
| Halcon Resources Corp. (I) | 16,872 | 116,754 |
|----------------------------|--------|---------|

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See notes to financial statements

| | Shares | Value |
|--|---------------|--------------|
| Oil, Gas & Consumable Fuels (continued) | | |
| Noble Energy, Inc. | 1,500 | \$152,610 |
| Occidental Petroleum Corp. | 45,319 | 3,471,889 |
| Peabody Energy Corp. | 5,090 | 135,445 |

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| | | |
|---|--------|-------------------|
| Penn Virginia Corp. | 12,000 | 52,920 |
| Pioneer Natural Resources Company | 5,550 | 591,575 |
| Plains Exploration & Production Company (I) | 6,480 | 304,171 |
| Royal Dutch Shell PLC, ADR, Class B | 20,040 | 1,420,636 |
| Southwestern Energy Company (I) | 5,200 | 173,732 |
| Valero Energy Corp. | 10,699 | 365,050 |
| Whiting Petroleum Corp. (I) | 4,630 | 200,803 |
| Financials 14.7% | | 35,424,175 |
| Capital Markets 2.8% | | |
| Affiliated Managers Group, Inc. (I) | 1,600 | 208,240 |
| Ares Capital Corp. | 25,770 | 450,975 |
| BlackRock, Inc. (C) | 14,345 | 2,965,255 |
| Invesco, Ltd. | 26,455 | 690,211 |
| LPL Financial Holdings, Inc. | 10,220 | 287,795 |
| Morgan Stanley | 9,600 | 183,552 |
| Raymond James Financial, Inc. | 3,100 | 119,443 |
| SEI Investments Company | 63,835 | 1,489,909 |
| T. Rowe Price Group, Inc. | 6,670 | 434,417 |
| Commercial Banks 5.3% | | |
| Banco Santander SA (I) | 24,726 | 199,368 |

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| | | |
|--|---------|-----------|
| Credit Agricole SA (I) | 18,774 | 152,428 |
| <hr/> | | |
| Cullen/Frost Bankers, Inc. | 3,225 | 175,021 |
| <hr/> | | |
| Erste Group Bank AG (I) | 4,855 | 155,241 |
| <hr/> | | |
| First Midwest Bancorp, Inc. | 36,190 | 453,099 |
| <hr/> | | |
| First Niagara Financial Group, Inc. | 70,110 | 555,972 |
| <hr/> | | |
| First Republic Bank | 14,145 | 463,673 |
| <hr/> | | |
| Grupo Financiero Banorte SAB de CV, Series O | 11,800 | 76,197 |
| <hr/> | | |
| Hancock Holding Company | 7,940 | 252,016 |
| <hr/> | | |
| International Bancshares Corp. | 25,600 | 462,080 |
| <hr/> | | |
| Lloyds Banking Group PLC (I) | 243,135 | 194,819 |
| <hr/> | | |
| M&T Bank Corp. | 17,195 | 1,693,192 |
| <hr/> | | |
| MB Financial, Inc. | 14,700 | 290,325 |
| <hr/> | | |
| PNC Financial Services Group, Inc. | 50,740 | 2,958,649 |
| <hr/> | | |
| Royal Bank of Scotland Group PLC (I) | 30,362 | 163,526 |
| <hr/> | | |
| Societe Generale SA (I) | 5,061 | 190,366 |
| <hr/> | | |
| Webster Financial Corp. | 24,180 | 496,899 |
| <hr/> | | |
| Wells Fargo & Company (C) | 106,418 | 3,637,367 |
| <hr/> | | |
| Westamerica Bancorp. | 3,200 | 136,288 |
| <hr/> | | |
| Consumer Finance 0.1% | | |
| <hr/> | | |
| American Express Company | 5,228 | 300,505 |
| <hr/> | | |
| Diversified Financial Services 1.9% | | |

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| | | |
|------------------------------------|--------|---------|
| Bank of America Corp. | 76,994 | 893,130 |
| Citigroup, Inc. | 4,600 | 181,976 |
| IntercontinentalExchange, Inc. (I) | 2,070 | 256,287 |

See notes to financial statements

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| | Shares | Value |
|---|---------------|--------------|
| Diversified Financial Services (continued) | | |
| JPMorgan Chase & Company (C) | 64,795 | \$2,849,036 |
| Moody's Corp. | 6,150 | 309,468 |
| Insurance 3.8% | | |
| ACE, Ltd. | 18,820 | 1,501,836 |
| Aegon NV | 21,115 | 134,562 |
| AIA Group, Ltd. | 63,400 | 252,677 |
| Alleghany Corp. (I) | 3,690 | 1,237,700 |
| American International Group, Inc. (I) | 9,300 | 328,290 |
| Aon PLC | 4,930 | 274,108 |
| Assured Guaranty, Ltd. | 18,000 | 256,140 |
| Berkshire Hathaway, Inc., Class B (I) | 6,760 | 606,372 |
| Markel Corp. (I) | 1,060 | 459,425 |
| Marsh & McLennan Companies, Inc. | 57,630 | 1,986,506 |

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|--|--------|-------------------|
| Old Mutual PLC | 40,262 | 119,590 |
| <hr/> | | |
| Platinum Underwriters Holdings, Ltd. | 8,500 | 391,000 |
| <hr/> | | |
| Primerica, Inc. | 16,250 | 487,663 |
| <hr/> | | |
| Prudential PLC | 10,863 | 151,574 |
| <hr/> | | |
| Reinsurance Group of America, Inc. | 10,180 | 544,834 |
| <hr/> | | |
| White Mountains Insurance Group, Ltd. | 750 | 386,250 |
| <hr/> | | |
| Real Estate Investment Trusts 0.4% | | |
| <hr/> | | |
| DiamondRock Hospitality Company | 29,050 | 261,450 |
| <hr/> | | |
| Host Hotels & Resorts, Inc. | 19,910 | 311,990 |
| <hr/> | | |
| Mack-Cali Realty Corp. | 8,420 | 219,846 |
| <hr/> | | |
| Unibail-Rodamco SE | 701 | 171,609 |
| <hr/> | | |
| Real Estate Management & Development 0.2% | | |
| <hr/> | | |
| BR Malls Participacoes SA | 12,600 | 166,925 |
| <hr/> | | |
| Jones Lang LaSalle, Inc. | 3,180 | 266,929 |
| <hr/> | | |
| Longfor Properties Company, Ltd. | 39,000 | 77,335 |
| <hr/> | | |
| Thriffs & Mortgage Finance 0.2% | | |
| <hr/> | | |
| Northwest Bancshares, Inc. | 41,420 | 502,839 |
| <hr/> | | |
| Health Care 12.0% | | 28,808,006 |
| <hr/> | | |
| Biotechnology 2.2% | | |
| <hr/> | | |
| Amgen, Inc. | 6,522 | 562,979 |
| <hr/> | | |
| Arena Pharmaceuticals, Inc. (I) | 10,640 | 95,973 |

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|-------------------------------------|--------|-----------|
| Biogen Idec, Inc. (I) | 6,211 | 910,967 |
| BioMarin Pharmaceutical, Inc. (I) | 3,200 | 157,600 |
| Celgene Corp. (I) | 8,309 | 654,084 |
| Elan Corp. PLC, ADR (I) | 4,380 | 44,720 |
| Gilead Sciences, Inc. (I) | 21,343 | 1,567,643 |
| Onyx Pharmaceuticals, Inc. (I) | 5,390 | 407,107 |
| Prothena Corp. PLC (I) | 105 | 771 |
| Regeneron Pharmaceuticals, Inc. (I) | 3,200 | 547,424 |
| Vertex Pharmaceuticals, Inc. (I) | 7,515 | 315,179 |

Health Care Equipment & Supplies 1.7%

| | | |
|-----------------------------------|-------|---------|
| Edwards Lifesciences Corp. (I) | 5,831 | 525,781 |
| Haemonetics Corp. (I) | 3,380 | 138,039 |
| HeartWare International, Inc. (I) | 1,510 | 126,765 |

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See notes to financial statements

| | Shares | Value |
|---|---------------|--------------|
| Health Care Equipment & Supplies (continued) | | |
| Hologic, Inc. (I) | 29,505 | \$590,985 |
| Medtronic, Inc. (C) | 51,724 | 2,121,718 |
| STERIS Corp. | 9,600 | 333,408 |

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|--|--------|-----------|
| Zimmer Holdings, Inc. | 3,564 | 237,576 |
| Health Care Providers & Services 1.8% | | |
| Aetna, Inc. | 4,374 | 202,516 |
| Amsurg Corp. (I) | 14,620 | 438,746 |
| Brookdale Senior Living, Inc. (I) | 6,000 | 151,920 |
| Cardinal Health, Inc. | 42,895 | 1,766,416 |
| Catamaran Corp. (I) | 8,860 | 417,395 |
| McKesson Corp. | 2,550 | 247,248 |
| Team Health Holdings, Inc. (I) | 7,700 | 221,529 |
| UnitedHealth Group, Inc. | 13,792 | 748,078 |
| Health Care Technology 0.0% | | |
| Allscripts Healthcare Solutions, Inc. (I) | 8,200 | 77,244 |
| Life Sciences Tools & Services 0.9% | | |
| Agilent Technologies, Inc. | 8,230 | 336,936 |
| Bruker Corp. (I) | 7,563 | 115,487 |
| Charles River Laboratories International, Inc. (I) | 18,810 | 704,811 |
| Covance, Inc. (I) | 4,570 | 264,009 |
| ICON PLC, ADR (I) | 29,030 | 805,873 |
| Life Technologies Corp. (I) | 796 | 39,068 |
| Pharmaceuticals 5.4% | | |
| Abbott Laboratories | 7,137 | 467,474 |

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| | | |
|---|--------|-------------------|
| Auxilium Pharmaceuticals, Inc. (I) | 5,010 | 92,835 |
| Eli Lilly & Company | 7,445 | 367,187 |
| Johnson & Johnson | 57,608 | 4,038,321 |
| Merck & Company, Inc. | 65,674 | 2,688,694 |
| Pfizer, Inc. | 24,840 | 622,987 |
| Roche Holdings AG | 15,291 | 3,115,158 |
| Salix Pharmaceuticals, Ltd. (I) | 2,680 | 108,486 |
| Teva Pharmaceutical Industries, Ltd., ADR | 38,320 | 1,430,869 |
| Industrials 15.1% | | 36,435,700 |
| Aerospace & Defense 3.0% | | |
| Cubic Corp. | 5,500 | 263,835 |
| Honeywell International, Inc. | 6,315 | 400,813 |
| Lockheed Martin Corp. | 21,038 | 1,941,597 |
| Northrop Grumman Corp. (C) | 28,425 | 1,920,962 |
| Rolls-Royce Holdings PLC (I) | 15,573 | 224,380 |
| Safran SA | 6,378 | 278,308 |
| The Boeing Company | 12,645 | 952,927 |
| United Technologies Corp. | 16,450 | 1,349,065 |
| Air Freight & Logistics 1.7% | | |
| Atlas Air Worldwide Holdings, Inc. (I) | 7,200 | 319,032 |

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| | | |
|--------------------------------------|--------|-----------|
| FedEx Corp. | 4,880 | 447,594 |
| <hr/> | | |
| United Parcel Service, Inc., Class B | 40,743 | 3,003,981 |
| <hr/> | | |
| UTi Worldwide, Inc. | 19,300 | 258,620 |

See notes to financial statements

Annual report | Hedged Equity & Income Fund 9

| | Shares | Value |
|--|---------------|--------------|
| <hr/> | | |
| Building Products 0.8% | | |
| <hr/> | | |
| Assa Abloy AB, Series B | 4,221 | \$158,944 |
| <hr/> | | |
| Lennox International, Inc. | 27,085 | 1,422,504 |
| <hr/> | | |
| Owens Corning, Inc. (I) | 8,160 | 301,838 |
| <hr/> | | |
| Commercial Services & Supplies 0.9% | | |
| <hr/> | | |
| ACCO Brands Corp. (I) | 62,050 | 455,447 |
| <hr/> | | |
| Corrections Corp. of America | 10,100 | 358,247 |
| <hr/> | | |
| G&K Services, Inc., Class A | 13,920 | 475,368 |
| <hr/> | | |
| The ADT Corp. | 2,871 | 133,473 |
| <hr/> | | |
| Tyco International, Ltd. | 4,256 | 124,488 |
| <hr/> | | |
| United Stationers, Inc. | 22,270 | 690,147 |
| <hr/> | | |
| Construction & Engineering 0.5% | | |
| <hr/> | | |
| Jacobs Engineering Group, Inc. (I) | 25,600 | 1,089,792 |
| <hr/> | | |
| Electrical Equipment 1.4% | | |
| <hr/> | | |
| Acuity Brands, Inc. | 3,690 | 249,924 |
| <hr/> | | |

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| | | |
|--------------------------------------|--------|-----------|
| Belden, Inc. | 20,990 | 944,340 |
| <hr/> | | |
| Eaton Corp. PLC | 25,920 | 1,404,864 |
| <hr/> | | |
| Hubbell, Inc., Class B | 1,800 | 152,334 |
| <hr/> | | |
| Polypore International, Inc. (I) | 7,720 | 358,980 |
| <hr/> | | |
| Schneider Electric SA | 2,125 | 158,490 |
| <hr/> | | |
| Industrial Conglomerates 1.5% | | |
| <hr/> | | |
| 3M Company | 18,270 | 1,696,370 |
| <hr/> | | |
| Carlisle Companies, Inc. | 19,900 | 1,169,324 |
| <hr/> | | |
| Danaher Corp. | 10,180 | 569,062 |
| <hr/> | | |
| General Electric Company | 13,681 | 287,164 |
| <hr/> | | |
| Machinery 3.2% | | |
| <hr/> | | |
| Albany International Corp., Class A | 24,850 | 563,598 |
| <hr/> | | |
| Dover Corp. | 1,090 | 71,624 |
| <hr/> | | |
| ESCO Technologies, Inc. | 12,830 | 479,970 |
| <hr/> | | |
| Flowserve Corp. | 5,760 | 845,568 |
| <hr/> | | |
| IDEX Corp. | 11,015 | 512,528 |
| <hr/> | | |
| Illinois Tool Works, Inc. | 7,070 | 429,927 |
| <hr/> | | |
| Kennametal, Inc. | 6,400 | 256,000 |
| <hr/> | | |
| Mueller Industries, Inc. | 12,630 | 631,879 |
| <hr/> | | |
| Nordson Corp. | 2,000 | 126,240 |
| <hr/> | | |
| PACCAR, Inc. | 29,600 | 1,338,216 |

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| | | |
|------------------------------|--------|-----------|
| Pall Corp. (C) | 8,775 | 528,782 |
| Parker Hannifin Corp. | 2,998 | 255,010 |
| Stanley Black & Decker, Inc. | 15,550 | 1,150,234 |
| Valmont Industries, Inc. | 1,980 | 270,369 |
| WABCO Holdings, Inc. (I) | 2,280 | 148,633 |
| Wabtec Corp. | 2,440 | 213,598 |

Marine 0.2%

| | | |
|-----------------|-------|---------|
| Kirby Corp. (I) | 9,460 | 585,479 |
|-----------------|-------|---------|

Professional Services 0.4%

| | | |
|----------------------------------|-------|---------|
| IHS, Inc., Class A (I) | 2,800 | 268,800 |
| Manpower, Inc. | 5,680 | 241,059 |
| Towers Watson & Company, Class A | 8,100 | 455,301 |

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

See notes to financial statements

| | Shares | Value |
|--------------------------------------|---------------|--------------|
| Road & Rail 0.6% | | |
| Canadian National Railway Company | 5,710 | \$518,533 |
| Genesee & Wyoming, Inc., Class A (I) | 4,820 | 366,706 |
| Hertz Global Holdings, Inc. (I) | 21,300 | 346,551 |
| J.B. Hunt Transport Services, Inc. | 1,890 | 112,852 |

Trading Companies & Distributors 0.8%

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| | | |
|--|---------|-------------------|
| GATX Corp. | 13,310 | 576,323 |
| MSC Industrial Direct Company, Inc., Class A | 16,715 | 1,259,977 |
| Wolseley PLC | 3,355 | 159,467 |
| Transportation Infrastructure 0.1% | | |
| CCR SA | 16,900 | 160,262 |
| Information Technology 16.1% | | 38,794,126 |
| Communications Equipment 2.8% | | |
| Acme Packet, Inc. (I) | 9,360 | 207,043 |
| Cisco Systems, Inc. (C) | 255,350 | 5,017,628 |
| F5 Networks, Inc. (I) | 2,756 | 267,745 |
| Juniper Networks, Inc. (I) | 14,650 | 288,166 |
| Palo Alto Networks, Inc. (I) | 500 | 26,760 |
| QUALCOMM, Inc. | 12,961 | 803,841 |
| Riverbed Technology, Inc. (I) | 2,306 | 45,474 |
| Computers & Peripherals 2.1% | | |
| Apple, Inc. (C) | 6,026 | 3,212,039 |
| Diebold, Inc. | 11,630 | 355,994 |
| EMC Corp. (I)(C) | 46,938 | 1,187,531 |
| NetApp, Inc. (I) | 10,618 | 356,234 |
| QLogic Corp. (I) | 6,988 | 67,993 |

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Electronic Equipment, Instruments & Components 0.4%

| | | |
|----------------------------|-------|---------|
| Coherent, Inc. | 5,980 | 302,708 |
| MTS Systems Corp. | 8,300 | 422,719 |
| National Instruments Corp. | 4,650 | 120,017 |

Internet Software & Services 2.4%

| | | |
|-------------------------------|--------|-----------|
| Akamai Technologies, Inc. (I) | 10,670 | 436,510 |
| Dropbox, Inc. (I)(R) | 8,535 | 77,234 |
| eBay, Inc. (I) | 28,698 | 1,464,172 |
| Equinix, Inc. (I) | 2,552 | 526,222 |
| Facebook, Inc., Class A (I) | 19,730 | 525,410 |
| Google, Inc., Class A (I) | 2,109 | 1,496,061 |
| IAC/InterActiveCorp | 11,983 | 566,796 |
| LinkedIn Corp., Class A (I) | 6,240 | 716,477 |

IT Services 2.0%

| | | |
|---------------------------------|---------|-----------|
| Automatic Data Processing, Inc. | 17,441 | 994,311 |
| Forrester Research, Inc. | 9,800 | 262,640 |
| IBM Corp. | 3,430 | 657,017 |
| MAXIMUS, Inc. | 8,640 | 546,221 |
| Teradata Corp. (I) | 3,175 | 196,501 |
| The Western Union Company | 107,092 | 1,457,522 |
| Visa, Inc., Class A | 4,107 | 622,539 |

See notes to financial statements

Annual report | Hedged Equity & Income Fund 11

| | Shares | Value |
|--|--------|-----------|
| Office Electronics 0.1% | | |
| Zebra Technologies Corp., Class A (I) | 8,260 | \$324,453 |
| Semiconductors & Semiconductor Equipment 1.7% | | |
| Altera Corp. | 9,880 | 340,267 |
| Analog Devices, Inc. | 40,540 | 1,705,112 |
| Intel Corp. | 51,780 | 1,068,221 |
| Maxim Integrated Products, Inc. | 21,930 | 644,742 |
| Samsung Electronics Company, Ltd. | 115 | 164,591 |
| Xilinx, Inc. | 4,496 | 161,406 |
| Software 4.6% | | |
| Adobe Systems, Inc. (I) | 6,300 | 237,384 |
| ANSYS, Inc. (I) | 4,870 | 327,946 |
| BMC Software, Inc. (I) | 2,882 | 114,300 |
| Cadence Design Systems, Inc. (I) | 30,190 | 407,867 |
| Check Point Software Technologies, Ltd. (I) | 15,347 | 731,131 |
| Concur Technologies, Inc. (I) | 4,590 | 309,917 |
| FactSet Research Systems, Inc. | 4,975 | 438,099 |

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| | | |
|---------------------------------------|--------|------------------|
| Imperva, Inc. (I) | 4,160 | 131,165 |
| Intuit, Inc. | 1,459 | 86,811 |
| MICROS Systems, Inc. (I) | 6,790 | 288,168 |
| Microsoft Corp. | 96,959 | 2,591,714 |
| NetSuite, Inc. (I) | 2,651 | 178,412 |
| Oracle Corp. (C) | 99,242 | 3,306,743 |
| Red Hat, Inc. (I) | 3,335 | 176,622 |
| Salesforce.com, Inc. (I) | 4,540 | 763,174 |
| ServiceNow, Inc. (I) | 15,090 | 453,153 |
| Splunk, Inc. (I) | 3,640 | 105,633 |
| TIBCO Software, Inc. (I) | 10,200 | 224,502 |
| Websense, Inc. (I) | 16,200 | 243,648 |
| Workday, Inc., Class A (I) | 760 | 41,420 |
| Materials 3.6% | | 8,513,639 |
| Chemicals 1.8% | | |
| Arkema SA | 1,096 | 115,238 |
| CF Industries Holdings, Inc. | 1,497 | 304,131 |
| Innospec, Inc. | 11,000 | 379,390 |
| Koppers Holdings, Inc. | 7,000 | 267,050 |
| Lanxess AG | 1,276 | 111,595 |
| LyondellBasell Industries NV, Class A | 3,000 | 171,270 |

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| | | |
|------------------------------|--------|---------|
| Monsanto Company | 4,683 | 443,246 |
| Sensient Technologies Corp. | 6,600 | 234,696 |
| The Dow Chemical Company | 30,840 | 996,749 |
| The Sherwin-Williams Company | 6,359 | 978,141 |
| W.R. Grace & Company (I) | 2,500 | 168,075 |
| Westlake Chemical Corp. | 2,307 | 182,945 |

Construction Materials 0.2%

| | | |
|--------------------------|--------|---------|
| Cemex SAB de CV, ADR (I) | 17,900 | 176,673 |
| Siam Cement PCL, NVDR | 7,000 | 101,031 |
| Vulcan Materials Company | 4,550 | 236,828 |

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See notes to financial statements

| | Shares | Value |
|--|---------------|--------------|
| Containers & Packaging 0.8% | | |
| Aptargroup, Inc. | 6,110 | \$291,569 |
| Ball Corp. | 2,950 | 132,013 |
| Crown Holdings, Inc. (I) | 3,360 | 123,682 |
| Graphic Packaging Holding Company (I) | 31,710 | 204,847 |
| Greif, Inc., Class A | 5,930 | 263,885 |
| Rock-Tenn Company, Class A | 4,660 | 325,781 |

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| | | |
|--|--------|------------------|
| Silgan Holdings, Inc. | 9,840 | 409,246 |
| Metals & Mining 0.1% | | |
| Allied Nevada Gold Corp. (I) | 2,832 | 85,328 |
| Nucor Corp. | 2,100 | 90,678 |
| Paper & Forest Products 0.7% | | |
| Deltic Timber Corp. | 6,170 | 435,725 |
| International Paper Company | 20,780 | 827,875 |
| Louisiana-Pacific Corp. (I) | 23,600 | 455,952 |
| Telecommunication Services 0.9% | | 2,098,061 |
| Diversified Telecommunication Services 0.9% | | |
| AT&T, Inc. | 29,340 | 989,051 |
| Verizon Communications, Inc. | 25,630 | 1,109,010 |
| Utilities 1.7% | | 4,164,227 |
| Electric Utilities 0.3% | | |
| Duke Energy Corp. | 3,415 | 217,877 |
| UNS Energy Corp. | 7,690 | 326,210 |
| Westar Energy, Inc. | 9,610 | 275,038 |
| Gas Utilities 1.4% | | |
| Atmos Energy Corp. | 9,200 | 323,104 |
| New Jersey Resources Corp. | 3,390 | 134,312 |
| UGI Corp. | 80,985 | 2,649,019 |

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| | | |
|---|--|----------------------|
| WGL Holdings, Inc. | 6,090 | 238,667 |
| Exchange Traded Fund 0.1% | | \$259,121 |
| <hr/> | | |
| (Cost \$255,915) | | |
| iShares Russell 3000 Index Fund | 3,060 | 259,121 |
| | Number of | Value |
| | Contracts | |
| Options Purchased 2.2% | | \$5,348,500 |
| <hr/> | | |
| (Cost \$17,295,747) | | |
| Put Options 2.2% | | 5,348,500 |
| S&P 500 Index (Expiration Date: 6-22-13; Strike Price: \$1,275; Counterparty: Morgan Stanley Company, Inc.) (I) | 1,900 | 5,348,500 |
| See notes to financial statements | Annual report Hedged Equity & Income Fund | 13 |
| <hr/> | | |
| | Par value | Value |
| Short-Term Investments 4.1% | | \$9,900,000 |
| <hr/> | | |
| (Cost \$9,900,000) | | |
| Repurchase Agreement 4.1% | | 9,900,000 |
| Goldman Sachs Tri-Party Repurchase Agreement dated 12-31-12 at 0.250% to be repurchased at \$9,900,138 on 1-2-13, collateralized by \$5,830,201 Federal National Mortgage Association, 2.674%–5.500% due 7-1-36 to 2-1-42 (valued at \$6,345,489, including interest) and \$3,437,621 Federal Home Loan Mortgage Corp., 2.673%–7.000% due 12-1-29 to 12-1-41 (valued at \$3,752,511, including interest) | \$9,900,000 | 9,900,000 |
| Total investments (Cost \$244,709,403)†101.4% | | \$244,269,279 |
| <hr/> | | |
| Other assets and liabilities, net (1.4%) | | (\$3,426,747) |
| <hr/> | | |
| Total net assets 100.0% | | \$240,842,532 |

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

ADR American Depositary Receipts

(C) A portion of this security is pledged as collateral for options. Total collateral value at 12-31-12 was \$35,300,774.

(I) Non-income producing security.

(R) Direct placement securities are restricted to resale and the Fund has limited rights to registration under the Securities Act of 1933, as follows:

| Issuer, Description | Acquisition date | Acquisition cost | Beginning share amount | Ending share amount | Value as a percentage of Fund's net assets | Value as of 12-31-12 |
|---------------------|------------------|------------------|------------------------|---------------------|--|----------------------|
| Allstar Co-Invest | 8-1-11 | \$240,553 | 236,300 | 236,300 | 0.12% | \$285,923 |
| Block Feeder LLC | | | | | | |
| Dropbox, Inc. | 5-1-12 | \$77,258 | 8,535 | 8,535 | 0.03% | \$77,234 |

† At 12-31-12, the aggregate cost of investment securities for federal income tax purposes was \$245,886,631. Net unrealized depreciation aggregated \$1,617,352, of which \$17,965,778 related to appreciated investment securities and \$19,583,130 related to depreciated investment securities.

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See notes to financial statements

FINANCIAL STATEMENTS

Financial statements

Statement of assets and liabilities 12-31-12

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

Assets

| | |
|--|---------------|
| Investments, at value (Cost \$244,709,403) | \$244,269,279 |
| Cash | 40,224 |
| Foreign currency, at value (Cost \$6,771) | 6,798 |
| Receivable for investments sold | 382,725 |
| Dividends and interest receivable | 169,883 |
| Other receivables and prepaid expenses | 423 |

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Total assets **244,869,332**

Liabilities

| | |
|--|-----------|
| Payable for investments purchased | 1,193,827 |
| Payable for fund shares repurchased | 348,059 |
| Written options, at value (Premiums received \$11,204,253) | 2,356,000 |
| Payable to affiliates | |
| Accounting and legal services fees | 7,144 |
| Trustees' fees | 376 |
| Other liabilities and accrued expenses | 121,394 |

Total liabilities **4,026,800**

Net assets **240,842,532**

Net assets consist of

| | |
|--|---------------|
| Paid-in capital | \$239,335,027 |
| Accumulated distributions in excess of net investment income | — |
| Accumulated net realized gain (loss) on investments, written options and foreign currency transactions | (6,900,648) |
| Net unrealized appreciation (depreciation) on investments, written options and translation of assets and liabilities in foreign currencies | 8,408,153 |

Net assets **\$240,842,532**

Net asset value per share

| | |
|--|---------|
| Based on 13,733,169 shares of beneficial interest outstanding — unlimited number of shares authorized with par value of \$0.01 per share | \$17.54 |
|--|---------|

See notes to financial statements

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FINANCIAL STATEMENTS

Statements of operations

For the period ended 12-31-12 and the year ended 10-31-12

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These Statements of operations summarize the Fund's investment income earned and expenses incurred in operating the Fund. They also show net gains (losses) for the periods stated.

| | Period ended 12-31-12 ¹ | Year ended 10-31-12 |
|--|---------------------------------------|------------------------|
| Investment income | | |
| Dividends | \$1,253,112 | \$4,769,983 |
| Interest | 3,643 | 13,176 |
| Less foreign taxes withheld | (7,528) | (26,385) |
| Total investment income | 1,249,227 | 4,756,774 |
| Expenses | | |
| Investment management fees | 406,351 | 2,539,167 |
| Accounting and legal services fees | 8,827 | 49,705 |
| Transfer agent fees | 4,485 | 18,296 |
| Trustees' fees | 7,775 | 36,452 |
| Printing and postage | 18,228 | 37,400 |
| Professional fees | 61,680 | 96,561 |
| Custodian fees | 5,914 | 44,026 |
| Stock exchange listing fees | 4,603 | 41,781 |
| Other | 9,096 | 22,531 |
| Total expenses | 526,959 | 2,885,919 |
| Net investment income | 722,268 | 1,870,855 |
| Realized and unrealized gain (loss) | | |
| Net realized gain (loss) on | | |
| Investments and purchased options | 2,629,301 | (6,686,949) |
| Written options | (1,941,735) | 7,801,413 |
| Foreign currency transactions | (816) | (13,537) |
| | 686,750 | 1,100,927 |
| Change in net unrealized appreciation (depreciation) of | | |
| Investments and purchased options | 434,545 | 12,260,249 |
| Written options | 1,255,237 | 11,041,405 |

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| | | |
|---|--------------------|---------------------|
| Translation of assets and liabilities in foreign currencies | 434 | (364) |
| | 1,690,216 | 23,301,290 |
| Net realized and unrealized gain | 2,376,966 | 24,402,217 |
| Increase in net assets from operations | \$3,099,234 | \$26,273,072 |

¹ For the two-month period ended 12-31-12. The Fund changed its fiscal year end from October 31 to December 31.

FINANCIAL STATEMENTS

Statements of changes in net assets

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

| | Period ended 12-31-12 ¹ | Year ended 10-31-12 | Period ended 10-31-11 ² |
|--|--|---------------------------|--|
| Increase (decrease) in net assets | | | |
| From operations | | | |
| Net investment income | \$722,268 | \$1,870,855 | \$337,387 |
| Net realized gain (loss) | 686,750 | 1,100,927 | (8,723,640) |
| Change in net unrealized appreciation (depreciation) | 1,690,216 | 23,301,290 | (16,583,353) |
| Increase (decrease) in net assets resulting from operations | 3,099,234 | 26,273,072 | (24,969,606) |
| Distributions to shareholders | | | |
| From net investment income | (728,343) | (1,850,217) | (317,301) |
| From tax return of capital | (3,723,566) | (16,575,845) | (4,982,535) |
| Total distributions | (4,451,909) | (18,426,062) | (5,299,836) |
| From Fund share transactions | | | |
| Shares issued | — | — | 279,246,500 ^{3,4} |

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| | | | |
|---|----------------------|----------------------|----------------------|
| Repurchased | (3,098,607) | (10,945,445) | — |
| Offering costs | — | — | (584,809) |
| Total from Fund share transactions | (3,098,607) | (10,945,445) | 278,661,691 |
| Total increase (decrease) | (4,451,282) | (3,098,435) | 248,392,249 |
| Net assets | | | |
| Beginning of period | 245,293,814 | 248,392,249 | <u>4</u> |
| End of period | \$240,842,532 | \$245,293,814 | \$248,392,249 |
| Undistributed (Accumulated distributions in excess of) net investment income | — | (\$615) | \$118 |

Share activity

Shares outstanding

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

¹ For the two-month period ended 12-31-12. The Fund changed its fiscal year end from October 31 to December 31.

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

³ Net of underwriting commissions of \$13,153,500, or \$0.90 per share, which were paid to brokers in connection with the Fund's initial public offerings.

⁴ Initial seed capital of \$100,000 is included in Fund share transactions for the period ended 10-31-11.

See notes to financial statements

Annual report | Hedged Equity & Income Fund 17

Financial highlights

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

| | | | |
|-----------------------------------|-----------------------------|-----------------|-----------------------------|
| COMMON SHARES Period ended | 12-31-12¹ | 10-31-12 | 10-31-11² |
|-----------------------------------|-----------------------------|-----------------|-----------------------------|

Per share operating performance

| | | | |
|--|---------------------------|-------------------|----------------------------|
| Net asset value, beginning of period | \$17.60 | \$16.99 | \$19.10³ |
| Net investment income ⁴ | 0.05 | 0.13 | 0.02 |
| Net realized and unrealized gain (loss) on investments | 0.18 | 1.68 | (1.73) |
| Total from investment operations | 0.23 | 1.81 | (1.71) |
| Less distributions to common shareholders | | | |
| From net investment income | (0.05) | (0.13) | (0.02) |
| From tax return of capital | (0.27) | (1.16) | (0.34) |
| Total distributions | (0.32) | (1.29) | (0.36) |
| Anti-dilutive impact of repurchase plan | 0.03 ⁵ | 0.09 ⁵ | — |
| Offering costs related to common shares | — | — | (0.04) |
| Net asset value, end of period | \$17.54 | \$17.60 | \$16.99 |
| Per share market value, end of period | \$15.26 | \$16.14 | \$15.18 |
| Total return at net asset value (%)⁶ | 1.71⁷ | 12.17 | (8.98)⁷ |
| Total return at market value (%)⁶ | (3.51)⁷ | 15.14 | (22.33)⁷ |

Ratios and supplemental data

| | | | |
|---|-------------------|-------|-------------------|
| Net assets applicable to common shares, end of period (in millions) | \$241 | \$245 | \$248 |
| Ratios (as a percentage of average net assets): | | | |
| Expenses | 0.22 ⁷ | 1.14 | 1.15 ⁸ |
| Net investment income | 0.30 ⁷ | 0.74 | 0.31 ⁸ |
| Portfolio turnover (%) | 11 | 76 | 38 |

¹ For the two-month period ended 12-31-12. The Fund changed its fiscal year end from October 31 to December 31.

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

³ Reflects the deduction of a \$0.90 per share sales load.

⁴ Based on the average daily shares outstanding.

⁵ The repurchase plan was completed at an average repurchase price of \$15.43 and \$15.95 for 200,837 and 686,230 shares for the two-month period ended 12-31-12 and the year ended 10-31-12, respectively.

⁶ Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value. Each figure assumes that dividend, capital gain and return of capital distributions, if any, were reinvested. These figures will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares traded during the period.

⁷ Not annualized.

⁸ Annualized.

Notes to financial statements

Note 1 — Organization

John Hancock Hedged Equity & Income (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). On December 12, 2012, the Board of Trustees voted to change the Fund’s fiscal year end from October 31 to December 31.

Note 2 — Significant accounting policies

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

Security valuation. Investments are stated at value as of the close of regular trading on the New York Stock Exchange (NYSE), normally at 4:00 P.M., Eastern Time. In order to value the securities, the Fund uses the following valuation techniques: Equity securities, including exchange-traded funds, held by the Fund are valued at the last sale price or official closing price on the principal securities exchange on which they trade. In the event there were no sales during the day or closing prices are not available, then the securities are valued using the last quoted bid or evaluated price. Options listed on an exchange are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. For options not listed on an exchange, an independent pricing source is used to value the options at the mean between the last bid and ask prices. Certain securities traded only in the over-the-counter market are valued at the last bid price quoted by brokers making markets in the securities at the close of trading. Certain short-term securities are valued at amortized cost. Other portfolio securities and assets, where reliable market quotations are not 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, which include price verification procedures. The frequency with which these fair valuation procedures are used cannot be predicted.

The Fund uses a three-tier hierarchy to prioritize the pricing assumptions, referred to as inputs, used in valuation techniques to measure fair value. Level 1 includes securities valued using quoted prices in active markets for identical securities. Level 2 includes securities valued using significant observable inputs. Observable inputs may include quoted prices for similar securities, interest rates, prepayment speeds and credit risk. Prices for securities valued using these inputs are received from independent pricing vendors and brokers and are based on an evaluation of the inputs described. Level 3 includes securities valued using significant unobservable inputs when market prices are not readily available or reliable, including the Fund’s own assumptions in determining the fair value of investments. Factors used in determining value may include market or issuer specific events or trends, changes in interest rates and credit quality. The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

The following is a summary of the values by input classification of the Fund’s investments as of December 31, 2012, by major security category or type:

| | | LEVEL 2 | LEVEL 3 |
|-------------------|--------------|-------------------|--------------|
| | | SIGNIFICANT | SIGNIFICANT |
| TOTAL MARKET | LEVEL 1 | SIGNIFICANT | UNOBSERVABLE |
| VALUE AT 12-31-12 | QUOTED PRICE | OBSERVABLE INPUTS | INPUTS |

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Common Stocks

| | | | | |
|-------------------------------|---------------------|--------------|-------------|-----------|
| Consumer Discretionary | \$37,395,328 | \$34,795,682 | \$2,313,723 | \$285,923 |
| Consumer Staples | 15,187,937 | 15,187,937 | — | — |
| Energy | 21,940,459 | 19,978,807 | 1,961,652 | — |
| Financials | 35,424,175 | 33,294,155 | 2,130,020 | — |
| Health Care | 28,808,006 | 25,692,848 | 3,115,158 | — |
| Industrials | 36,435,700 | 35,295,849 | 1,139,851 | — |
| Information Technology | 38,794,126 | 38,552,301 | 164,591 | 77,234 |
| Materials | 8,513,639 | 8,185,775 | 327,864 | — |
| Telecommunication | | | | |
| Services | 2,098,061 | 2,098,061 | — | — |
| Utilities | 4,164,227 | 4,164,227 | — | — |
| Exchange Traded Fund | 259,121 | 259,121 | — | — |
| Options Purchased | 5,348,500 | 5,348,500 | — | — |
| Short-Term Investments | 9,900,000 | — | 9,900,000 | — |

Total Investments in

| | | | | |
|-------------------|----------------------|----------------------|---------------------|------------------|
| Securities | \$244,269,279 | \$222,853,263 | \$21,052,859 | \$363,157 |
|-------------------|----------------------|----------------------|---------------------|------------------|

Other Financial

Instruments:

| | | | | |
|-----------------|----------------------|----------------------|---|---|
| Written Options | (\$2,356,000) | (\$2,356,000) | — | — |
|-----------------|----------------------|----------------------|---|---|

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

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. Dividend income is recorded on the ex-date, except for dividends of foreign securities where the dividend may not be known until after the ex-date. In those cases, dividend income, net of withholding taxes, is recorded when the Fund becomes aware of the dividends. Foreign taxes are provided for based on the Fund's understanding of the tax rules and rates that exist in the foreign markets in which it invests. Gains and losses on securities sold are determined on the basis of identified cost and may include proceeds from litigation.

Foreign taxes. The Fund may be subject to withholding tax on income or capital gains or repatriation taxes as imposed by certain countries in which it invests. Taxes are accrued based upon net investment income, net realized gains or net 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

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repay the custodian for any overdraft, including any costs or expenses associated with the overdraft. The custodian may have a lien, security interest or security entitlement in any Fund property that is not otherwise segregated or pledged, to the maximum extent permitted by law, to the extent of any overdraft.

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

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

Under the Regulated Investment Company Modernization Act of 2010, the Fund is permitted to carry forward capital losses for an unlimited period. Capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

For federal income tax purposes, as of December 31, 2012, the Fund has a short-term capital loss carryforward of \$8,469,991 and a long-term capital loss carryforward of \$352,421 available to offset future net realized capital gains which do not expire.

As of December 31, 2012, the Fund had no uncertain tax positions that would require financial statement recognition, derecognition or disclosure. The Fund's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years.

Managed distribution plan. In August 2012, the Board of Trustees amended the managed distribution plan (the Distribution Plan). Under the amended Distribution Plan, the Fund makes quarterly distributions of an amount equal to \$0.3230 per share, based upon an annualized distribution rate of 7.25% of the Fund's net asset value of \$17.82 on July 31, 2012. This amount will be paid quarterly until further notice. Under the prior Distribution Plan, the Fund made quarterly distributions of an amount equal to 1.8125% of the Fund's net asset value as of each measuring date, based upon an annual rate of 7.25% (the amount of each quarterly distribution was determined based on the net asset value of the Fund at the close of the NYSE on the last business day of the month ending two months prior to each quarterly declaration date).

Distributions under the Distribution Plan may consist of net investment income, net realized capital gains and, to the extent necessary, return of capital. Return of capital distributions may be necessary when the Fund's net investment income and net capital gains are insufficient to meet the minimum percentage dividend. In addition, the Fund may also make additional distributions to avoid federal income and excise taxes.

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

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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 distributions quarterly through its Distribution Plan described above. The tax character of distributions for the two-month period ended December 31, 2012, the year ended October 31, 2012 and the period ended October 31, 2011 was as follows:

| | DECEMBER 31, 2012 | OCTOBER 31, 2012 | OCTOBER 31, 2011* |
|-----------------|-------------------|------------------|-------------------|
| Ordinary Income | \$728,343 | \$1,850,217 | \$317,301 |

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| | | | |
|-----------------------|-------------|--------------|-------------|
| Tax Return of Capital | \$3,723,566 | \$16,575,845 | \$4,982,535 |
|-----------------------|-------------|--------------|-------------|

* Period from 5-26-11 (commencement of operations) to 10-31-11.

Such distributions and distributable earnings, on a tax basis, are determined in conformity with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. Material distributions in excess of tax basis earnings and profits, if any, are reported in the Fund's financial statements as a return of capital. Capital losses generated through October 31, 2012, which carried forward to the two-month period, ended December 31, 2012, and losses realized on written options, offset realized capital gains, which resulted in a tax return of capital.

Capital accounts within the financial statements are adjusted for permanent book-tax differences. These adjustments have no impact on net assets or the results of operations. Temporary book-tax differences, if any, will reverse in a subsequent period. Book-tax differences are primarily attributable to wash sale loss deferrals and derivative transactions.

New accounting pronouncement. In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-11 (ASU 2011-11), *Disclosures about Offsetting Assets and Liabilities*. The update creates new disclosure requirements requiring entities to disclose both gross and net information for derivatives and other financial instruments that are either offset in the Statement of assets and liabilities or subject to an enforceable master netting arrangement or similar agreement. The disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. ASU 2011-11 may result in additional disclosure relating to the presentation of derivatives and certain other financial instruments.

Note 3 — Derivative instruments

The Fund invests in derivatives in order to meet its investment objective. The use of derivatives may involve risks different from, or potentially greater than, the risks associated with investing directly in securities. Specifically, the Fund is exposed to the risk that the counterparty to an over-the-counter (OTC) derivatives contract will be unable or unwilling to make timely settlement payments or otherwise honor its obligations. OTC derivatives transactions typically can only be closed out with the other party to the transaction. If the counterparty defaults, the Fund will have contractual remedies, but there is no assurance that the counterparty will meet its contractual obligations or that the Fund will succeed in enforcing them.

Options. There are two types of options, a put option and a call option. Options are traded either over-the-counter or on an exchange. A call option gives the purchaser of the option the right to buy (and the seller the obligation to sell) the underlying instrument at the exercise price. A put option gives the purchaser of the option the right to sell (and the writer the obligation to buy) the underlying instrument at the exercise price. Writing puts and buying calls may increase the Fund's exposure to changes in the value of the underlying instrument. Buying puts and writing calls may decrease the Fund's exposure to such changes. Risks related to the use of options include the loss of the premium, possible illiquidity of the options markets, trading restrictions imposed by an

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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.

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

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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 two-month period ended December 31, 2012 and the year ended October 31, 2012, the Fund used purchased options to hedge against changes in securities markets. During the two-month period ended December 31, 2012, the Fund held purchased options with market values ranging from \$5.3 million to \$8.6 million. During the year ended October 31, 2012, the Fund held purchased options with market values ranging from \$6.7 million to \$16.4 million as measured at each quarter end.

During the two-month period ended December 31, 2012 and the year ended October 31, 2012, the Fund wrote option contracts to generate earnings from option premiums and to attempt to reduce overall volatility. The following tables summarize the Fund's written options activities during the two-month period ended December 31, 2012 and the year ended October 31, 2012 and the contracts held at December 31, 2012.

| | FOR THE TWO-MONTH PERIOD ENDED | | FOR THE YEAR ENDED | |
|-----------------------------------|--------------------------------|---------------------|--------------------|---------------------|
| | DECEMBER 31, 2012 | | OCTOBER 31, 2012 | |
| | NUMBER OF | PREMIUMS | NUMBER OF | PREMIUMS |
| | CONTRACTS | RECEIVED (PAID) | CONTRACTS | RECEIVED (PAID) |
| Outstanding, beginning of period | 2,800 | \$12,275,015 | 3,050 | \$9,440,111 |
| Options written | 900 | 1,310,932 | 19,000 | 32,356,152 |
| Options closed | (1,800) | (2,381,694) | (19,250) | (29,521,247) |
| Options exercised | — | — | — | — |
| Options expired | — | — | — | — |
| Outstanding, end of period | 1,900 | \$11,204,253 | 2,800 | \$12,275,016 |

| OPTIONS | EXERCISE PRICE | EXPIRATION DATE | NUMBER OF CONTRACTS | PREMIUM | VALUE |
|---------------|-------------------|--------------------|------------------------|---------------------|----------------------|
| PUTS | | | | | |
| S&P 500 Index | \$1,150 | Jun 2013 | 1,900 | \$11,204,253 | (\$2,356,000) |
| Total | | | 1,900 | \$11,204,253 | (\$2,356,000) |

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Fair value of derivative instruments by risk category

The table below summarizes the fair value of derivatives held by the Fund at December 31, 2012 by risk category:

| STATEMENT OF ASSETS | FINANCIAL INSTRUMENTS | ASSET DERIVATIVES | LIABILITY DERIVATIVES |
|---------------------|-----------------------|-------------------|--------------------------|
|---------------------|-----------------------|-------------------|--------------------------|

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| RISK | AND LIABILITIES LOCATION | LOCATION | FAIR VALUE | FAIR VALUE |
|------------------|---------------------------|--------------------|--------------------|--------------------|
| Equity contracts | Investments, at value* | Purchased options* | \$5,348,500 | — |
| | Written options, at value | Written options | — | \$2,356,000 |
| | | | \$5,348,500 | \$2,356,000 |

* Purchased options are included in the Fund's investments.

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 two-month period ended December 31, 2012 and the year ended October 31, 2012:

| RISK | STATEMENT OF OPERATIONS LOCATION | FOR THE TWO-MONTH PERIOD ENDED DECEMBER 31, 2012 | | FOR THE YEAR ENDED OCTOBER 31, 2012 | |
|------------------|----------------------------------|---|--------------------|--|--------------------|
| | | INVESTMENTS (PURCHASED OPTIONS) | WRITTEN OPTIONS | INVESTMENTS (PURCHASED OPTIONS) | WRITTEN OPTIONS |
| Equity contracts | Net realized gain (loss) | — | (\$1,941,735) | (\$11,351,788) | \$7,801,413 |

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 two-month period ended December 31, 2012 and the year ended October 31, 2012:

| RISK | STATEMENT OF OPERATIONS LOCATION | FOR THE TWO-MONTH PERIOD ENDED DECEMBER 31, 2012 | | FOR THE YEAR ENDED OCTOBER 31, 2012 | |
|------------------|--|---|--------------------|--|--------------------|
| | | INVESTMENTS (PURCHASED OPTIONS) | WRITTEN OPTIONS | INVESTMENTS (PURCHASED OPTIONS) | WRITTEN OPTIONS |
| Equity contracts | Change in net unrealized appreciation (depreciation) | (\$3,201,500) | \$1,255,237 | (\$11,720,519) | \$11,041,405 |

Note 4 — Guarantees and indemnifications

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

Note 5 — Fees and transactions with affiliates

John Hancock Advisers, LLC (the Adviser) serves as investment adviser for the Fund. The Adviser is an indirect, wholly owned subsidiary of Manulife Financial Corporation.

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

Accounting and legal services. Pursuant to a service agreement, the Fund reimburses the Adviser for all expenses associated with providing the administrative, financial, legal, accounting and recordkeeping services to the Fund, including the preparation of all tax returns, periodic reports to shareholders and regulatory reports, among other services. These accounting and legal services fees incurred for the two-month period ended December 31, 2012 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 Adviser or its affiliates. Under the John Hancock Group of Funds Deferred Compensation Plan (the Plan) which was terminated in November 2012, these Trustees could have elected, for tax purposes, to defer receipt of this compensation. Any deferred amounts were invested in various John Hancock funds. The investment of deferred amounts and the offsetting liability are included with Other receivables and prepaid expenses and Payable to affiliates — Trustees' fees, respectively, in the accompanying Statement of assets and liabilities. Plan assets will be liquidated in accordance with the plan documents.

Note 6 — Fund share transactions

On May 26, 2011, the Fund completed its initial public offering of 14,015,000 common shares, and on July 13, 2011, completed a supplemental offering of 600,000 common shares, each at an offering price of \$20.00 per share. Underwriting commissions of \$0.90 per share, or \$13,153,500, were paid to brokers in connection with these public offerings. Prior to the public offerings, the Fund was seeded with initial capital of \$100,000 in return for 5,236 shares. Offering costs of approximately \$1,103,000 were absorbed by the Adviser.

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

Note 7 — Purchase and sale of securities

Purchases and sales of securities, other than short-term securities, aggregated \$25,380,545 and \$34,986,295, respectively, for the two-month period ended December 31, 2012.

Auditor's report

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of John Hancock Hedged Equity & Income Fund (the "Fund") at December 31, 2012, and the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2012 by correspondence with the custodian and brokers, and the application of alternative auditing procedures where securities purchased confirmations had not been received, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
February 20, 2013

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Tax information

Unaudited

For federal income tax purposes, the following information is furnished with respect to the distributions of the Fund, if any, paid during its taxable year ended December 31, 2012.

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

The Fund reports the maximum amount allowable of its net taxable income as qualified dividend income.

Eligible shareholders will be mailed a 2012 Form 1099-DIV in early 2013. This will reflect the tax character of all distributions paid in calendar year 2012.

In prior years, certain dividends paid by the Fund were generally taxed to individuals at a maximum rate of 15%. For tax years for individuals beginning after December 31, 2012, the maximum tax rate on dividend income will increase from 15% to 20%, and an additional tax of 3.8% may be imposed on certain investment income, including dividends.

Please consult a tax adviser regarding the tax consequences of your investment in the Fund.

Additional information

Unaudited

Investment objective and policy

The Fund is a diversified, closed-end management investment company, common shares of which were initially offered to the public on May 26, 2011 and are publicly traded on the NYSE. The Fund's investment objective is to provide total return with a focus on current income and gains and also consisting of long-term capital appreciation. The Fund uses an equity strategy (the "equity strategy") and an actively managed option overlay strategy (the "option overlay strategy") to pursue its investment objective. The equity strategy seeks to provide broad-based exposure to equity markets, while emphasizing downside equity market protection. The goal of the equity strategy is to participate in and capture the broader equity market returns in rising market conditions, while seeking to limit losses relative to the broader equity markets in declining market circumstances through an effective combination of equity investment strategies. The option overlay strategy pursues two goals: (i) to generate earnings for current distribution from option premiums; and (ii) downside equity market protection (through the use of U.S. equity index puts).

Dividends and distributions

During the two-month period ended December 31, 2012, dividends from net investment income totaling \$0.0528 per share and a tax return of capital totaling \$0.2702 per share were paid to shareholders. The date of payment and the amount per share are as follows:

| PAYMENT DATE | DISTRIBUTIONS |
|-------------------|-----------------|
| December 31, 2012 | \$0.3230 |
| Total | \$0.3230 |

Dividend reinvestment plan

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

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

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

The reinvestment of dividends and net capital gains distributions does not relieve participants of any income tax that may be payable on such dividends or distributions.

Shareholders participating in the Plan may buy additional shares of the Fund through the Plan at any time in amounts of at least \$50 per investment, up to a maximum of \$10,000, with a total calendar year limit of \$100,000. Shareholders will be charged a \$5 transaction fee plus \$0.05 per share brokerage trading fee for each order. Purchases of additional shares of the Fund will be made on the open market. Shareholders who elect to utilize monthly electronic fund transfers to buy additional shares of the Fund will be charged a \$2 transaction fee plus \$0.05 per share brokerage trading fee for each automatic purchase. Shareholders can also sell Fund shares held in the Plan account at any time by contacting the Plan Agent by telephone, in writing or by visiting the Plan Agent's Web site at www.computershare.com and clicking on EquityAccess & More. The Plan Agent will mail a check to you (less applicable brokerage trading fees) on settlement date, which is three business days after your shares have been sold. If you choose to sell your shares through your stockbroker, you will need to request that the Plan Agent electronically transfer your shares to your stockbroker through the Direct Registration System.

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

Shareholders who hold at least one full share of the Fund may join the Plan by notifying the Plan Agent by telephone, in writing or by visiting the Plan Agent's Web site at www.computershare.com and clicking on EquityAccess & More. If received in proper form by the Plan Agent before the record date of a dividend, the election will be effective with respect to all dividends paid after such record date. If you wish to participate in the Plan and your shares are held in the name of a brokerage firm, bank or other nominee, please contact your nominee to see if it will participate in the Plan for you. If you wish to participate in the Plan, but your brokerage firm, bank or other nominee is unable to participate on your behalf, you will need to request that your shares be re-registered in your own name, or you will not be able to participate. The Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by you as representing the total amount registered in your name and held for your account by your nominee.

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

All correspondence or requests for additional information about the Plan should be directed to Computershare Trust Company, N.A., at the address stated below or by calling 1-800-852-0218, 1-201-680-6578 (For International Telephone Inquiries) and 1-201-680-6610 (For the Hearing Impaired (TDD)).

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

Computershare Trust Company, N.A.
Newport Office Center VII
480 Washington Boulevard
Jersey City, NJ 07310-1900
Telephone: 1-800-852-0218

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

Shareholder meeting

The Fund held its Annual Meeting of Shareholders on November 9, 2012. The following proposal was considered by the shareholders:

Proposal: Election of thirteen (13) Trustees to serve until the expiration of their respective terms as shown below. Each nominee was elected by the Fund's shareholders and the votes cast with respect to each Trustee are set forth below.

For a Term to Expire in 2016:

| | TOTAL VOTES FOR THE NOMINEE | TOTAL VOTES WITHHELD FROM THE NOMINEE |
|--------------------------------|--------------------------------|--|
| <hr/> | | |
| Independent Trustees | | |
| Deborah C. Jackson | 12,074,033 | 336,633 |
| James M. Oates | 12,114,373 | 296,293 |
| Steven R. Pruchansky | 12,098,086 | 312,580 |
| Non-Independent Trustee | | |
| Craig Bromley | 12,101,057 | 309,609 |

For a Term to Expire in 2015:

| | TOTAL VOTES FOR THE NOMINEE | TOTAL VOTES WITHHELD FROM THE NOMINEE |
|--------------------------------|--------------------------------|--|
| <hr/> | | |
| Independent Trustees | | |
| Charles L. Bardelis | 12,110,622 | 300,044 |
| Peter S. Burgess | 12,115,000 | 295,666 |
| Theron S. Hoffman | 12,116,740 | 293,926 |
| Non-Independent Trustee | | |
| Warren A. Thomson | 12,103,958 | 306,708 |

For a Term to Expire in 2014:

| | TOTAL VOTES FOR THE NOMINEE | TOTAL VOTES WITHHELD FROM THE NOMINEE |
|--|--------------------------------|--|
|--|--------------------------------|--|

Independent Trustees

| | | |
|-----------------------|------------|---------|
| William H. Cunningham | 12,071,216 | 339,450 |
| Grace K. Fey | 12,115,355 | 295,311 |
| Hassell H. McClellan | 12,070,207 | 340,459 |
| Gregory A. Russo | 12,083,880 | 326,786 |

Non-Independent Trustee

| | | |
|----------------|------------|---------|
| James R. Boyle | 12,114,968 | 295,698 |
|----------------|------------|---------|

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Trustees and Officers

This chart provides information about the Trustees and Officers who oversee your John Hancock fund as of December 1, 2012. Officers elected by the Trustees manage the day-to-day operations of the Portfolio and execute policies formulated by the Trustees.

Independent Trustees

| Name, Year of Birth Position(s) held with Fund Principal occupation(s) and other directorships during past 5 years | Trustee of the Trust since¹ | Number of John Hancock funds overseen by Trustee |
|---|---|---|
| James M. Oates, ² Born: 1946 | 2012 | 234 |

Managing Director, Wydown Group (financial consulting firm) (since 1994); Chairman and Director, Emerson Investment Management, Inc. (since 2000); Independent Chairman, Hudson Castle Group, Inc. (formerly IBEX Capital Markets, Inc.) (financial services company) (1997–2011); Director, Stifel Financial (since 1996); Director, Investor Financial Services Corporation (1995–2007); Director, Connecticut River Bancorp (since 1998); Director, Virtus Funds (formerly Phoenix Mutual Funds) (since 1988). Trustee and Chairperson of the Board, John Hancock retail funds (since 2012); Trustee, John Hancock Funds III (2005–2006 and since 2012); Trustee (since 2004) and Chairperson of the Board (since 2005), John Hancock Variable Insurance Trust; Trustee and Chairperson of the Board (since 2005), John Hancock Funds II.

| | | |
|---|------|-----|
| Charles L. Bardelis, ^{2,3} Born: 1941 | 2012 | 234 |
|---|------|-----|

Director, Island Commuter Corp. (marine transport). Trustee, John Hancock retail funds (since 2012);

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Trustee, John Hancock Funds III (2005–2006 and since 2012); Trustee, John Hancock Variable Insurance Trust (since 1988); Trustee, John Hancock Funds II (since 2005).

Peter S. Burgess,^{2,3} Born: 1942 2012 234

Consultant (financial, accounting and auditing matters) (since 1999); Certified Public Accountant; Partner, Arthur Andersen (independent public accounting firm) (prior to 1999); Director, Lincoln Educational Services Corporation (since 2004); Director, Symetra Financial Corporation (since 2010); former Director, PMA Capital Corporation (2004–2010). Trustee, John Hancock retail funds (since 2012); Trustee, John Hancock Funds III (2005–2006 and since 2012); Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2005).

William H. Cunningham, Born: 1944 2011 234

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

Grace K. Fey,² Born: 1946 2012 234

Chief Executive Officer, Grace Fey Advisors (since 2007); Director and Executive Vice President, Frontier Capital Management Company (1988–2007); Director, Fiduciary Trust (since 2009). Trustee, John Hancock retail funds (since 2012); Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2008).

Annual report | Hedged Equity & Income Fund 31

Independent Trustees (continued)

| Name, Year of Birth Position(s) held with Fund | Trustee of the | Number of John Hancock funds |
|---|---------------------------|---|
|---|---------------------------|---|

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| Principal occupation(s) and other directorships during past 5 years | Trust since ¹ | overseen by Trustee |
|---|--------------------------|---------------------|
| Theron S. Hoffman , ^{2,3} Born: 1947 | 2012 | 234 |

Chief Executive Officer, T. Hoffman Associates, LLC (consulting firm) (since 2003); Director, The Todd Organization (investment management consulting firm) (2003–2010); President, Westport Resources Management (investment management consulting firm) (2006–2008); Senior Managing Director, Partner and Operating Head, Putnam Investments (2000–2003); Executive Vice President, The Thomson Corp. (financial and legal information publishing) (1997–2000). Trustee, John Hancock retail funds (since 2012); Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2008).

| | | |
|--|------|-----|
| Deborah C. Jackson , Born: 1952 | 2011 | 234 |
|--|------|-----|

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

| | | |
|---|------|-----|
| Hassell H. McClellan , ² Born: 1945 | 2012 | 234 |
|---|------|-----|

Associate Professor, The Wallace E. Carroll School of Management, Boston College (since 1984); Trustee, Virtus Variable Insurance Trust (formerly Phoenix Edge Series Funds) (since 2008); Director, The Barnes Group (since 2010). Trustee, John Hancock retail funds (since 2012); Trustee, John Hancock Funds III (2005–2006 and since 2012); Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2005).

| | | |
|--|------|-----|
| Steven R. Pruchansky , Born: 1944 | 2011 | 234 |
|--|------|-----|

Chairman and Chief Executive Officer, Greenscapes of Southwest Florida, Inc. (since 2000); Director and President, Greenscapes of Southwest Florida, Inc. (until 2000); Member, Board of Advisors, First American Bank (until 2010); Managing Director, Jon James, LLC (real estate) (since 2000); Director, First Signature Bank & Trust Company (until 1991); Director, Mast Realty Trust (until 1994); President, Maxwell Building Corp. (until 1991). Trustee (since 1992) and Chairperson of the Board (2011–2012), John Hancock retail funds; Trustee and Vice Chairperson of the Board, John Hancock retail funds, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2012).

Gregory A. Russo, Born: 1949

2011

234

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

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| Name, Year of Birth Position(s) held with Fund Principal occupation(s) and other directorships during past 5 years | Trustee of the Trust since¹ | Number of John Hancock funds overseen by Trustee |
|---|---|---|
|---|---|---|

James R. Boyle,² Born: 1959

2012

234

Senior Executive Vice President, John Hancock Financial Services (since 1999, including prior positions); Chairman and Director, John Hancock Advisers, LLC, John Hancock Funds, LLC and John Hancock Investment Management Services, LLC (2005–2010). Trustee, John Hancock retail funds (since 2012 and 2005–2010), Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2005).

Craig Bromley,² Born: 1966

2012

234

President, John Hancock Financial Services (since 2012); Senior Executive Vice President and General Manager, U.S. Division, John Hancock Financial Services (since 2012); President and Chief Executive Officer, Manulife Insurance Company (Manulife (Japan) (2005–2010), including prior positions). Trustee, John Hancock retail funds (since 2012); Trustee, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2012).

Warren A. Thomson,² Born: 1955

2012

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Senior Executive Vice President and Chief Investment Officer, Manulife Financial Corporation (since 2001, including prior positions); Director, Manulife Trust Company and Manulife Bank of Canada (since 2001, including prior positions); Director and Chairman, Manulife Asset Management (since 2001, including prior positions). Trustee, John Hancock retail funds, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2012).

Principal officers who are not Trustees

| Name, Year of Birth Position(s) held with Fund Principal occupation(s) and other directorships during past 5 years | Officer of the Trust since |
|---|-----------------------------------|
|---|-----------------------------------|

| | |
|-----------------------------------|------|
| Hugh McHaffie , Born: 1959 | 2012 |
|-----------------------------------|------|

President

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

| | |
|--------------------------------------|------|
| Andrew G. Arnott , Born: 1971 | 2011 |
|--------------------------------------|------|

Executive Vice President

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

| | |
|---------------------------------------|------|
| Thomas M. Kinzler , Born: 1955 | 2011 |
|---------------------------------------|------|

Secretary and Chief Legal Officer

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

Principal officers who are not Trustees (continued)

| Name, Year of Birth | Officer |
|--|----------------|
| Position(s) held with Fund | of the |
| Principal occupation(s) and other | Trust |
| directorships during past 5 years | since |

| | |
|--|------|
| Francis V. Knox, Jr. , Born: 1947 | 2011 |
|--|------|

Chief Compliance Officer

Vice President, John Hancock Financial Services (since 2005); Chief Compliance Officer, John Hancock retail funds, John Hancock Variable Insurance Trust, John Hancock Funds II, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2005); Vice President and Chief Compliance Officer, John Hancock Asset Management a division of Manulife Asset Management (US) LLC (2005–2008).

| | |
|--------------------------------------|------|
| Charles A. Rizzo , Born: 1957 | 2011 |
|--------------------------------------|------|

Chief Financial Officer

Vice President, John Hancock Financial Services (since 2008); Senior Vice President, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2008); Chief Financial Officer, John Hancock retail funds, John Hancock Variable Insurance Trust and John Hancock Funds II (since 2007).

| | |
|---|------|
| Salvatore Schiavone , Born: 1965 | 2011 |
|---|------|

Treasurer

Assistant Vice President, John Hancock Financial Services (since 2007); Vice President, John Hancock Advisers, LLC and John Hancock Investment Management Services, LLC (since 2007); Treasurer, John Hancock retail funds (since 2007, including prior positions); Assistant Treasurer, John Hancock Variable Insurance Trust (2010–2012 and 2007–2009, including prior positions); Treasurer, John Hancock Funds II (since 2010, including prior positions).
 John Hancock retail funds is comprised of John Hancock Funds III and 33 other John Hancock funds consisting of 23 series of other John Hancock trusts and 10 closed-end funds.

The business address for all Trustees and Officers is 601 Congress Street, Boston, Massachusetts 02210–2805.

¹ Mr. Bromley, Ms. Jackson, Mr. Oates and Mr. Pruchansky serve as Trustees for a term expiring in 2016; Mr. Bardelis, Mr. Burgess, Mr. Hoffman and Mr. Thomson serve as Trustees for a term expiring in 2015; and Mr. Boyle, Mr. Cunningham, Ms. Fey, Mr. McClellan and Mr. Russo serve for a term expiring in 2014.

² Became a Trustee of the Fund, effective December 1, 2012.

³ Member of Audit Committee.

⁴ Because Messrs. Bromley and Thomson are senior executives or directors and Mr. Boyle held prior positions as a senior executive or director with the Adviser and/or its affiliates, each of them is considered an "interested person," as defined in the Investment Company Act of 1940, of the Fund.

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More information

Trustees

James M. Oates

Chairman

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

Steven R. Pruchansky

Vice Chairman

Gregory A. Russo

Warren A. Thomson†

*Member of the
Audit Committee

†Non-Independent Trustee

Officers

Hugh McHaffie

President

Andrew G. Arnott

Executive Vice President

Thomas M. Kinzler

Secretary and Chief Legal Officer

Francis V. Knox, Jr.

Chief Compliance Officer

Charles A. Rizzo

Chief Financial Officer

Salvatore Schiavone

Treasurer

Investment adviser

John Hancock Advisers, LLC

Subadviser

Wellington Management
Company, LLP

Custodian

State Street Bank and
Trust Company

Transfer agent

Computershare Shareowner
Services, LLC

Legal counsel

K&L Gates LLP

Independent registered public accounting firm

PricewaterhouseCoopers LLP

Stock symbol

Listed New York Stock
Exchange: HEQ

For shareholder assistance refer to page 30

You can also contact us:

1-800-852-0218

Regular mail:

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jhfunds.com

Computershare Shareowner Services, LLC
Newport Office Center VII
480 Washington Boulevard
Jersey City, NJ 07310-1900

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

The Fund's complete list of portfolio holdings, for the first and third fiscal quarters, is filed with the SEC on Form N-Q. The Fund's Form N-Q is available on our Web site and the SEC's Web site, www.sec.gov, and can be reviewed and copied (for a fee) at the SEC's Public Reference Room in Washington, DC. Call 1-202-551-8090 to receive information on the operation of the SEC's Public Reference Room.

We make this information on your fund, as well as **monthly portfolio holdings**, and other fund details available on our Web site at www.jhfunds.com or by calling 1-800-852-0218.

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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2/13

ITEM 2. CODE OF ETHICS.

As of the end of the period, December 31, 2012, the registrant has adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to its Chief Executive Officer, Chief Financial Officer and Treasurer (respectively, the principal executive officer, the principal financial officer and the principal accounting officer, the "Senior Financial Officers"). A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

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

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

(a) Audit Fees

The aggregate fees billed for professional services rendered by the principal accountant(s) for the audit of the registrant's annual financial statements or services that are normally provided by the accountant(s) in connection with statutory and regulatory filings or engagements amounted to \$25,988 for the fiscal period ended December 31, 2012 (the fiscal year end for the John Hancock Hedged Equity & Income Fund changed from October 31 to December 31), \$37,141 for the fiscal period ended October 31, 2012 and \$45,233 for the fiscal period ended October 31, 2011.

(b) Audit-Related Services

The audit-related fees were \$0 for the fiscal period ended December 31, 2012, \$0 for the fiscal period ended October 31, 2012 and \$0 for the fiscal period ended October 31, 2011 billed to the registrant or to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant ("control affiliates").

(c) Tax Fees

The aggregate fees billed for professional services rendered by the principal accountant(s) for the tax compliance, tax advice and tax planning ("tax fees") amounted to \$0 for the fiscal period ended December 31, 2012, \$3,492 for the fiscal period ended October 31, 2012 and \$3,390 for the fiscal period ended October 31, 2011. The nature of the services comprising the tax fees was the review of the registrant's tax returns and tax distribution requirements. These fees were billed to the registrant and were approved by the registrant's audit committee.

(d) All Other Fees

The all other fees billed to the registrant for products and services provided by the principal accountant were \$0 for the fiscal period ended December 31, 2012, \$419 for the fiscal period ended October 31, 2012 and \$27,973 for the fiscal period ended October 31, 2011 billed to control affiliates for products and services provided by the principal accountant. The nature of the services comprising the all other fees consisted mainly of performance of agreed upon procedures required for the initial and secondary public offerings of shares. These fees were approved by the registrant's audit committee.

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

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

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

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

the services, including fees, provided by the Auditor.

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

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

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

(f) According to the registrant's principal accountant, for the fiscal period ended December 31, 2012, the percentage of hours spent on the audit of the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons who were not full-time, permanent employees of principal accountant was less than 50%.

(g) The aggregate non-audit fees billed by the registrant's accountant(s) for services rendered to the registrant and rendered to the registrant's control affiliates of the registrant were \$317,180 for the fiscal period ended December 31, 2012, \$3,659,845 for the fiscal period ended October 31, 2012 and \$1,703,141 for the fiscal period ended October 31, 2011.

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

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

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

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

ITEM 6. SCHEDULE OF INVESTMENTS.

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

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

See attached exhibit "Proxy Voting Policies and Procedures".

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

Information about the Wellington Management portfolio managers Management Biographies

Below is a list of the portfolio managers who share joint responsibility for the day-to-day investment management of the Fund. It provides a brief summary of their business careers over the past five years. Information is provided as of February 15, 2013.

Kent M. Stahl, CFA

Senior Vice President and Director of Investments and Risk Management,
Wellington Management Company, LLP since 1998
Joined Fund team since its inception (2011)

Gregg R. Thomas, CFA

Vice President and Director of Risk Management,
Wellington Management Company, LLP since 2001
Joined Fund team since its inception (2011)

Other Accounts the Portfolio Managers are Managing

The table below indicates for each portfolio manager information about the accounts over which the portfolio manager has day-to-day investment responsibility. All information on the number of accounts and total assets in the table is as of December 31, 2012. For purposes of the table, "Other Pooled Investment Vehicles" may include investment partnerships and group trusts, and "Other Accounts" may include separate accounts for institutions or individuals, insurance company general or separate accounts, pension funds and other similar institutional accounts.

| PORTFOLIO MANAGER NAME | OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGER |
|-----------------------------------|--|
| Kent M. Stahl, CFA | <p>Other Registered Investment Companies: Seven (7) accounts with total net assets of approximately \$8,431.4 million</p> <p>Other Pooled Investment Vehicles: Two (2) accounts with total net assets of approximately \$410.9 million</p> <p>Other Accounts: None</p> |
| Gregg R. Thomas, CFA | <p>Other Registered Investment Companies: Four (4) accounts with total net assets of approximately \$3,166.3 million</p> <p>Other Pooled Investment Vehicles: Two (2) accounts with total net assets of approximately \$410.9 million</p> <p>Other Accounts: None</p> |

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

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

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

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

investment professionals. Although Wellington Management does not track the time an investment professional spends on a single account, Wellington Management does periodically assess whether an investment professional has adequate time and resources to effectively manage the investment professional's various client mandates.

Compensation Wellington Management receives a fee based on the assets under management of the Fund as set forth in the Subadvisory Agreement between Wellington Management and the Adviser on behalf of the Fund. Wellington Management pays its investment professionals out of its total revenues, including the advisory fees earned with respect to the Fund. The following information relates to the fiscal year ended December 31, 2012. Wellington Management's compensation structure is designed to attract and retain high-caliber investment professionals necessary to deliver high quality investment management services to its clients. Wellington Management's compensation of the Fund's managers listed in the Prospectus who are primarily responsible for the day-to-day management of the Fund (the "Investment Professionals") includes a base salary. The base salary for each Investment Professional who is a partner of Wellington Management is generally a fixed amount that is determined by the Managing Partners of the firm. The base salary for the other Investment Professional is determined by the Investment Professional's experience and performance in his role as an investment professional. Base salaries for Wellington Management's employees are reviewed annually and may be adjusted based on the recommendation of an Investment Professional's manager, using guidelines established by Wellington Management's Compensation Committee, which has final oversight responsibility for base salaries of employees of the firm. The Investment Professionals may also be eligible for bonus payments based on their overall contribution to Wellington Management's business operations. Senior management at Wellington Management may reward individuals as it deems appropriate based on other factors. Each partner of Wellington Management is eligible to participate in a partner-funded tax qualified retirement plan, the contributions to which are made pursuant to an actuarial formula. Mr. Stahl is a partner of the firm.

Share Ownership by Portfolio Managers. The following table indicates as of December 31, 2012 the value, within the indicated range, of shares beneficially owned by the portfolio managers in the Fund.

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

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

(a) Not applicable.

REGISTRANT PURCHASES OF EQUITY SECURITIES

(b)

| 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 |
|--------|--|----------------------------|---|---|
| 12-Oct | - | - | - | 775,794* |
| 12-Nov | 121,805 | \$15.462 | 121,805 | 653,989 |
| 12-Dec | 79,032 | \$15.378 | 200,837 | 574,957 |
| Total | 200,837 | \$15.428 | | - |

*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, 2012 and December 31, 2012 (based on common shares outstanding as of December 31, 2011). On December 12, 2012, the Board renewed the share repurchase plan. As renewed, the Fund may purchase in the open market, between January 1, 2013 and December 31, 2013, up to an additional 10% of its outstanding common shares (based on common shares outstanding as of December 31, 2012).

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

There were no material changes to previously disclosed John Hancock Funds – Governance 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)(1) Code of Ethics for Senior Financial Officers is attached.

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

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

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

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

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

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

SIGNATURES

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

John Hancock Hedged Equity & Income Fund

By: /s/ Hugh McHaffie

Hugh McHaffie
President

Date: February 20, 2013

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

By: /s/ Hugh McHaffie

Hugh McHaffie
President

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Date: February 20, 2013

By: /s/ Charles A. Rizzo

Charles A. Rizzo
Chief Financial Officer

Date: February 20, 2013