

John Hancock Hedged Equity & Income Fund
Form N-CSRS
August 28, 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: June 30, 2013

ITEM 1. REPORTS TO STOCKHOLDERS.

Managed distribution plan

The fund has adopted a managed distribution plan (Plan). Under the Plan, the fund makes quarterly distributions of an amount equal to \$0.3230 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. The fund may make additional distributions: (i) for purposes of not incurring federal income tax on the fund of investment company taxable income and net capital gain, if any, not included in such regular distributions; and (ii) for purposes of not incurring federal excise tax on ordinary income and capital gain net income, if any, not included in such regular distributions.

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 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."

Semiannual report | Hedged Equity & Income Fund

Portfolio summary

Top 10 Holdings (16.7% of Net Assets on 6-30-13)^{1,2}

| | | | |
|------------------------|------|--------------------------------------|------|
| Cisco Systems, Inc. | 2.3% | Wells Fargo & Company | 1.6% |
| Microsoft Corp. | 2.1% | Johnson & Johnson | 1.6% |
| Lowe's Companies, Inc. | 2.0% | PNC Financial Services Group, Inc. | 1.3% |
| Merck & Company, Inc. | 1.7% | United Parcel Service, Inc., Class B | 1.3% |

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| | | | |
|-----------------|------|-------------------|------|
| BlackRock, Inc. | 1.6% | Roche Holdings AG | 1.2% |
|-----------------|------|-------------------|------|

Sector Composition¹

| | | | |
|------------------------|-------|--------------------------------|------|
| Information Technology | 16.4% | Consumer Staples | 5.5% |
| Financials | 15.7% | Purchased Options | 3.8% |
| Consumer Discretionary | 15.0% | Materials | 2.9% |
| Health Care | 15.0% | Utilities | 1.8% |
| Industrials | 14.5% | Telecommunication Services | 0.7% |
| Energy | 8.2% | Short-Term Investments & Other | 0.5% |

Portfolio Composition¹

| | | | |
|-------------------|-------|--------------------------------|------|
| Common Stocks | 95.7% | Short-Term Investments & Other | 0.5% |
| Purchased Options | 3.8% | | |

As is the case with all closed-end funds, shares of this fund may trade at a discount to the fund's net asset value (NAV). An investment in the fund is subject to investment and market risks, including the possible loss of the entire principal invested. An issuer of securities held by the fund may default, have its credit rating downgraded, or otherwise perform poorly, which may affect fund performance. Investing in derivative instruments involves risks different from, and in some cases greater than, the risks associated with investing directly in securities and other traditional investments. In an illiquid market, derivatives could become harder to value and sell.

¹ As a percentage of net assets on 6-30-13.

² Cash and cash equivalents not included.

Fund's investments

As of 6-30-13 (unaudited)

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| | Shares | Value |
|---|---------|----------------------|
| Common Stocks 95.7% | | \$243,957,106 |
| <hr/> | | |
| (Cost \$211,311,179) | | |
| Consumer Discretionary 15.0% | | 38,287,253 |
| Auto Components 0.6% | | |
| <hr/> | | |
| Allison Transmission Holdings, Inc. | 56,135 | 1,295,582 |
| <hr/> | | |
| Tenneco, Inc. (I) | 6,335 | 286,849 |
| <hr/> | | |
| Automobiles 0.4% | | |
| <hr/> | | |
| Ford Motor Company | 8,920 | 137,992 |
| <hr/> | | |
| Harley-Davidson, Inc. | 16,735 | 917,413 |
| <hr/> | | |
| Diversified Consumer Services 0.4% | | |
| <hr/> | | |
| Allstar Co-Invest Block Feeder LLC (I)(R) | 236,300 | 404,073 |
| <hr/> | | |
| Matthews International Corp., Class A | 14,170 | 534,209 |
| <hr/> | | |
| Service Corp. International | 10,100 | 182,103 |
| <hr/> | | |
| Hotels, Restaurants & Leisure 1.3% | | |
| <hr/> | | |
| Bloomin' Brands, Inc. (I) | 13,430 | 334,138 |
| <hr/> | | |
| Buffalo Wild Wings, Inc. (I) | 3,510 | 344,542 |
| <hr/> | | |
| Burger King Worldwide, Inc. | 17,306 | 337,640 |
| <hr/> | | |
| CEC Entertainment, Inc. | 16,600 | 681,264 |
| <hr/> | | |
| Galaxy Entertainment Group, Ltd. (I) | 25,000 | 120,644 |
| <hr/> | | |
| Life Time Fitness, Inc. (I) | 4,600 | 230,506 |
| <hr/> | | |

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| | | |
|---|--------|-----------|
| Melco Crown Entertainment, Ltd., ADR (I) | 11,540 | 258,034 |
| <hr/> | | |
| Sands China, Ltd. | 28,400 | 133,376 |
| <hr/> | | |
| Starbucks Corp. | 2,650 | 173,549 |
| <hr/> | | |
| Starwood Hotels & Resorts Worldwide, Inc. | 3,093 | 195,447 |
| <hr/> | | |
| Wyndham Worldwide Corp. | 7,366 | 421,556 |
| <hr/> | | |
| Wynn Resorts, Ltd. | 802 | 102,656 |
| <hr/> | | |
| Household Durables 1.0% | | |
| <hr/> | | |
| Harman International Industries, Inc. | 1,600 | 86,720 |
| <hr/> | | |
| Helen of Troy, Ltd. (I) | 8,460 | 324,610 |
| <hr/> | | |
| NVR, Inc. (I) | 1,805 | 1,664,210 |
| <hr/> | | |
| Sekisui House, Ltd. | 5,000 | 72,304 |
| <hr/> | | |
| Sony Corp. | 5,000 | 105,793 |
| <hr/> | | |
| Whirlpool Corp. | 2,390 | 273,320 |
| <hr/> | | |
| Internet & Catalog Retail 0.9% | | |
| <hr/> | | |
| Amazon.com, Inc. (C)(I) | 2,525 | 701,167 |
| <hr/> | | |
| HomeAway, Inc. (I) | 4,080 | 131,947 |
| <hr/> | | |
| Netflix, Inc. (I) | 1,240 | 261,752 |
| <hr/> | | |
| priceline.com, Inc. (I) | 869 | 718,776 |
| <hr/> | | |
| TripAdvisor, Inc. (I) | 5,800 | 353,046 |

| | Shares | Value |
|--|---------------|--------------|
| Leisure Equipment & Products 0.4% | | |
| Mattel, Inc. (C) | 23,826 | \$1,079,556 |
| Media 3.2% | | |
| Comcast Corp., Class A | 7,567 | 316,906 |
| DISH Network Corp., Class A | 5,500 | 233,860 |
| IMAX Corp. (I) | 2,000 | 49,720 |
| News Corp., Class A | 6,709 | 218,713 |
| Omnicom Group, Inc. | 38,117 | 2,396,416 |
| Sirius XM Radio, Inc. | 46,650 | 156,278 |
| The Walt Disney Company | 23,083 | 1,457,691 |
| Time Warner Cable, Inc. | 7,300 | 821,104 |
| Time Warner, Inc. | 27,425 | 1,585,714 |
| WPP PLC | 55,000 | 939,652 |
| Multiline Retail 1.0% | | |
| Dollar Tree, Inc. (I) | 2,776 | 141,132 |
| Fred's, Inc., Class A | 34,400 | 532,856 |
| Marks & Spencer Group PLC | 20,538 | 134,209 |
| Nordstrom, Inc. | 4,600 | 275,724 |
| Target Corp. (C) | 20,410 | 1,405,433 |

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Specialty Retail 5.1%

| | | |
|----------------------------------|---------|-----------|
| Advance Auto Parts, Inc. | 27,275 | 2,213,912 |
| Ascena Retail Group, Inc. (C)(I) | 33,280 | 580,736 |
| Cabela's, Inc. (I) | 2,000 | 129,520 |
| CarMax, Inc. (I) | 3,800 | 175,408 |
| CST Brands, Inc. (I) | 3,088 | 95,141 |
| Dick's Sporting Goods, Inc. | 7,690 | 384,961 |
| DSW, Inc., Class A | 7,022 | 515,906 |
| Dufry AG (I) | 1,827 | 221,058 |
| Five Below, Inc. (I) | 1,332 | 48,964 |
| Francesca's Holdings Corp. (I) | 9,660 | 268,451 |
| Lowe's Companies, Inc. (C) | 122,485 | 5,009,637 |
| O'Reilly Automotive, Inc. (I) | 2,271 | 255,760 |
| PetSmart, Inc. | 1,384 | 92,714 |
| Pier 1 Imports, Inc. | 11,870 | 278,826 |
| Stage Stores, Inc. | 16,700 | 392,450 |
| The Buckle, Inc. | 2,121 | 110,334 |
| The Cato Corp., Class A | 24,780 | 618,509 |
| The Gap, Inc. | 7,702 | 321,404 |
| The Home Depot, Inc. | 6,408 | 496,428 |

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| | | |
|----------------------------|-------|---------|
| Tiffany & Company | 4,510 | 328,508 |
| <hr/> | | |
| TJX Companies, Inc. | 4,569 | 228,724 |
| <hr/> | | |
| Urban Outfitters, Inc. (I) | 4,330 | 174,153 |

Textiles, Apparel & Luxury Goods 0.7%

| | | |
|---------------------------------|--------|---------|
| Lululemon Athletica, Inc. (I) | 4,255 | 278,788 |
| <hr/> | | |
| Michael Kors Holdings, Ltd. (I) | 12,525 | 776,801 |
| <hr/> | | |
| PVH Corp. | 2,340 | 292,617 |
| <hr/> | | |
| Ralph Lauren Corp. | 2,690 | 467,361 |

See notes to financial statements

Semiannual report | Hedged Equity & Income Fund 9

| | | |
|------------------------------|---------------|---------------------|
| | Shares | Value |
| Consumer Staples 5.5% | | \$14,000,909 |

Beverages 1.9%

| | | |
|---------------------------------------|--------|-----------|
| Anheuser-Busch InBev NV, ADR | 9,976 | 900,434 |
| <hr/> | | |
| Beam, Inc. | 2,660 | 167,873 |
| <hr/> | | |
| Molson Coors Brewing Company, Class B | 21,400 | 1,024,204 |
| <hr/> | | |
| Monster Beverage Corp. (I) | 5,220 | 317,219 |
| <hr/> | | |
| PepsiCo, Inc. (C) | 26,146 | 2,138,481 |
| <hr/> | | |
| The Coca-Cola Company | 6,701 | 268,777 |

Food & Staples Retailing 1.0%

| | | |
|------------------------------|-------|---------|
| Casey's General Stores, Inc. | 6,840 | 411,494 |
|------------------------------|-------|---------|

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| | | |
|---|--------|-------------------|
| Costco Wholesale Corp. | 2,267 | 250,662 |
| CVS Caremark Corp. | 3,324 | 190,066 |
| Seven & I Holdings Company, Ltd. | 5,200 | 190,090 |
| Wal-Mart Stores, Inc. | 7,603 | 566,347 |
| Walgreen Company | 10,290 | 454,818 |
| Whole Foods Market, Inc. | 6,060 | 311,969 |
| Food Products 1.7% | | |
| Green Mountain Coffee Roasters, Inc. (I) | 8,017 | 601,756 |
| Kraft Foods Group, Inc. | 38,110 | 2,129,206 |
| Post Holdings, Inc. (I) | 6,420 | 280,297 |
| Unilever NV — NY Shares | 33,940 | 1,334,181 |
| Household Products 0.0% | | |
| Colgate-Palmolive Company | 1,130 | 64,738 |
| Personal Products 0.2% | | |
| Coty, Inc., Class A (I) | 15,799 | 271,427 |
| Hengan International Group Company, Ltd. | 14,500 | 156,722 |
| The Estee Lauder Companies, Inc., Class A | 1,800 | 118,386 |
| Tobacco 0.7% | | |
| Philip Morris International, Inc. | 21,378 | 1,851,762 |
| Energy 8.2% | | 20,803,711 |
| Energy Equipment & Services 1.4% | | |

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| | | |
|---------------------------------|--------|-----------|
| Baker Hughes, Inc. | 35,295 | 1,628,158 |
| Bristow Group, Inc. | 2,570 | 167,872 |
| Era Group, Inc. (I) | 12,870 | 336,551 |
| Oceaneering International, Inc. | 3,210 | 231,762 |
| Schlumberger, Ltd. | 7,195 | 515,594 |
| SEACOR Holdings, Inc. | 5,510 | 457,606 |
| Transocean, Ltd. | 2,920 | 140,014 |
| Trican Well Service, Ltd. | 10,230 | 135,985 |

Oil, Gas & Consumable Fuels 6.8%

| | | |
|---------------------------------------|---------|-----------|
| Anadarko Petroleum Corp. (C) | 26,681 | 2,292,698 |
| BG Group PLC | 143,766 | 2,453,653 |
| BP PLC, ADR | 36,940 | 1,541,876 |
| Cabot Oil & Gas Corp. | 3,990 | 283,370 |
| Chesapeake Energy Corp. | 9,000 | 183,420 |
| Chevron Corp. | 15,290 | 1,809,419 |
| Cobalt International Energy, Inc. (I) | 14,900 | 395,893 |
| Diamondback Energy, Inc. (I) | 9,800 | 326,536 |

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See notes to financial statements

| | Shares | Value |
|--|---------------|--------------|
| Oil, Gas & Consumable Fuels (continued) | | |

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| | | |
|-------------------------------------|--------|-------------------|
| EOG Resources, Inc. | 4,110 | \$541,205 |
| Exxon Mobil Corp. (C) | 13,830 | 1,249,541 |
| Halcon Resources Corp. (I) | 15,812 | 89,654 |
| Marathon Petroleum Corp. | 3,250 | 230,945 |
| Occidental Petroleum Corp. | 21,574 | 1,925,048 |
| Pioneer Natural Resources Company | 3,610 | 522,548 |
| Royal Dutch Shell PLC, ADR, Class B | 13,140 | 870,788 |
| Scorpio Tankers, Inc. | 75,670 | 679,517 |
| Suncor Energy, Inc. | 33,100 | 976,119 |
| Tesoro Corp. | 4,440 | 232,301 |
| Valero Energy Corp. | 11,130 | 386,990 |
| Whiting Petroleum Corp. (I) | 4,310 | 198,648 |
| Financials 15.7% | | 40,104,864 |
| Capital Markets 2.8% | | |
| Ares Capital Corp. | 24,170 | 415,724 |
| BlackRock, Inc. (C) | 16,080 | 4,130,148 |
| Invesco, Ltd. | 13,850 | 440,430 |
| SEI Investments Company | 53,355 | 1,516,883 |
| T. Rowe Price Group, Inc. | 5,840 | 427,196 |
| TD Ameritrade Holding Corp. | 4,500 | 109,305 |

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Commercial Banks 5.6%

| | | |
|--|--------|-----------|
| BOK Financial Corp. (C) | 10,975 | 702,949 |
| Cullen/Frost Bankers, Inc. | 3,005 | 200,644 |
| First Midwest Bancorp, Inc. | 34,010 | 466,617 |
| First Niagara Financial Group, Inc. | 62,610 | 630,483 |
| First Republic Bank | 13,145 | 505,820 |
| Hancock Holding Company | 10,130 | 304,609 |
| International Bancshares Corp. | 24,010 | 542,146 |
| M&T Bank Corp. | 17,895 | 1,999,766 |
| MB Financial, Inc. | 13,800 | 369,840 |
| Mitsubishi UFJ Financial Group | 28,900 | 179,338 |
| Mizuho Financial Group, Inc. | 70,000 | 145,695 |
| PNC Financial Services Group, Inc. (C) | 46,655 | 3,402,083 |
| The Bank of Yokohama, Ltd. | 15,000 | 77,444 |
| Webster Financial Corp. | 22,720 | 583,450 |
| Wells Fargo & Company (C) | 99,338 | 4,099,679 |
| Westamerica Bancorp. | 3,010 | 137,527 |

Consumer Finance 0.1%

| | | |
|--------------------------|-------|---------|
| American Express Company | 3,842 | 287,228 |
|--------------------------|-------|---------|

Diversified Financial Services 1.7%

| | | |
|-----------------------|--------|---------|
| Bank of America Corp. | 19,187 | 246,745 |
|-----------------------|--------|---------|

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| | | |
|---|--------|-----------|
| IntercontinentalExchange, Inc. (C)(I) | 5,105 | 907,465 |
| JPMorgan Chase & Company (C) | 51,547 | 2,721,166 |
| Moody's Corp. | 5,720 | 348,520 |
| Osaka Securities Exchange Company, Ltd. | 1,230 | 124,285 |

See notes to financial statements

Semiannual report | Hedged Equity & Income Fund 11

| | Shares | Value |
|--|---------------|--------------|
| Insurance 4.3% | | |
| ACE, Ltd. | 15,620 | \$1,397,678 |
| Alleghany Corp. (C)(I) | 3,560 | 1,364,584 |
| American International Group, Inc. (I) | 4,000 | 178,800 |
| Aon PLC | 4,170 | 268,340 |
| Assured Guaranty, Ltd. | 16,910 | 373,035 |
| Berkshire Hathaway, Inc., Class B (I) | 6,290 | 703,977 |
| Fidelity National Financial, Inc., Class A | 16,800 | 400,008 |
| Markel Corp. (I) | 2,229 | 1,174,572 |
| Marsh & McLennan Companies, Inc. | 59,230 | 2,364,462 |
| MS&AD Insurance Group Holdings | 4,850 | 123,347 |
| Platinum Underwriters Holdings, Ltd. | 6,020 | 344,464 |
| Primerica, Inc. | 14,730 | 551,491 |

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| | | |
|--|--------|---------|
| Reinsurance Group of America, Inc. | 8,800 | 608,168 |
| T&D Holdings, Inc. | 8,600 | 115,687 |
| Tokio Marine Holdings, Inc. | 5,700 | 180,772 |
| Unum Group | 6,400 | 187,968 |
| White Mountains Insurance Group, Ltd. | 680 | 390,959 |
| XL Group PLC | 9,650 | 292,588 |
| Real Estate Investment Trusts 0.8% | | |
| Campus Crest Communities, Inc. | 33,140 | 382,436 |
| Corrections Corp. of America | 10,752 | 364,170 |
| DiamondRock Hospitality Company | 27,260 | 254,063 |
| Host Hotels & Resorts, Inc. | 18,974 | 320,091 |
| Mack-Cali Realty Corp. | 7,890 | 193,226 |
| Mid-America Apartment Communities, Inc. | 4,300 | 291,411 |
| Taubman Centers, Inc. | 1,600 | 120,240 |
| Unibail-Rodamco SE | 519 | 120,342 |
| Real Estate Management & Development 0.1% | | |
| Hulic Company, Ltd. (I) | 13,100 | 140,558 |
| Mitsui Fudosan Company, Ltd. | 5,900 | 173,559 |
| Thriffs & Mortgage Finance 0.3% | | |
| Northwest Bancshares, Inc. | 38,900 | 525,539 |
| Ocwen Financial Corp. (I) | 4,249 | 175,144 |

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Health Care 15.0%

38,089,431

Biotechnology 3.1%

| | | |
|-------------------------------------|--------|-----------|
| Amgen, Inc. | 6,961 | 686,772 |
| Arena Pharmaceuticals, Inc. (I) | 10,260 | 79,002 |
| Biogen Idec, Inc. (I) | 3,151 | 678,095 |
| BioMarin Pharmaceutical, Inc. (I) | 2,360 | 131,664 |
| Celgene Corp. (I) | 6,416 | 750,095 |
| Cubist Pharmaceuticals, Inc. (I) | 5,600 | 270,480 |
| Gilead Sciences, Inc. (I) | 30,401 | 1,556,835 |
| Onyx Pharmaceuticals, Inc. (I) | 8,400 | 1,041,012 |
| Pharmacyclics, Inc. (I) | 3,150 | 250,331 |
| Regeneron Pharmaceuticals, Inc. (I) | 5,250 | 1,180,620 |
| Seattle Genetics, Inc. (I) | 5,600 | 176,176 |
| Vertex Pharmaceuticals, Inc. (I) | 12,014 | 959,558 |

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See notes to financial statements

| | Shares | Value |
|--|---------------|--------------|
| Health Care Equipment & Supplies 1.6% | | |
| Abbott Laboratories | 7,815 | \$272,587 |
| Becton, Dickinson and Company | 793 | 78,372 |

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|--|--------|-----------|
| Boston Scientific Corp. (I) | 16,800 | 155,736 |
| C.R. Bard, Inc. | 1,075 | 116,831 |
| HeartWare International, Inc. (I) | 1,170 | 111,279 |
| Hologic, Inc. (C)(I) | 19,120 | 369,016 |
| Medtronic, Inc. (C) | 48,160 | 2,478,795 |
| STERIS Corp. | 9,040 | 387,635 |
| Zimmer Holdings, Inc. | 2,940 | 220,324 |
| Health Care Providers & Services 2.4% | | |
| Aetna, Inc. | 2,194 | 139,407 |
| Amsurg Corp. (I) | 13,320 | 467,532 |
| Brookdale Senior Living, Inc. (I) | 4,500 | 118,980 |
| Cardinal Health, Inc. (C) | 57,370 | 2,707,864 |
| Catamaran Corp. (I) | 8,530 | 415,582 |
| Express Scripts Holding Company (I) | 2,505 | 154,533 |
| HCA Holdings, Inc. | 4,250 | 153,255 |
| Humana, Inc. | 2,200 | 185,636 |
| Laboratory Corp. of America Holdings (I) | 10,230 | 1,024,023 |
| McKesson Corp. | 1,856 | 212,512 |
| Team Health Holdings, Inc. (I) | 3,780 | 155,245 |
| UnitedHealth Group, Inc. | 2,800 | 183,344 |

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| | | |
|--|--------|-----------|
| Universal Health Services, Inc., Class B | 3,800 | 254,448 |
| Health Care Technology 0.2% | | |
| Allscripts Healthcare Solutions, Inc. (I) | 28,950 | 374,613 |
| Life Sciences Tools & Services 0.8% | | |
| Bruker Corp. (I) | 3,757 | 60,676 |
| Charles River Laboratories International, Inc. (I) | 17,700 | 726,231 |
| Covance, Inc. (I) | 3,820 | 290,855 |
| ICON PLC (I) | 16,540 | 586,012 |
| Illumina, Inc. (I) | 3,300 | 246,972 |
| Pharmaceuticals 6.9% | | |
| Actavis, Inc. (I) | 2,265 | 285,888 |
| AstraZeneca PLC | 5,487 | 259,557 |
| Bristol-Myers Squibb Company | 25,426 | 1,136,288 |
| Eli Lilly & Company | 11,264 | 553,288 |
| Hisamitsu Pharmaceutical Company, Inc. | 1,400 | 71,320 |
| Jazz Pharmaceuticals PLC (I) | 7,500 | 515,475 |
| Johnson & Johnson | 46,632 | 4,003,824 |
| Merck & Company, Inc. | 94,473 | 4,388,271 |
| Mylan, Inc. (I) | 10,400 | 322,712 |
| Pfizer, Inc. | 17,703 | 495,861 |
| Roche Holdings AG | 12,488 | 3,094,331 |

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| | | |
|---|--------|-----------|
| Salix Pharmaceuticals, Ltd. (I) | 2,950 | 195,143 |
| Teva Pharmaceutical Industries, Ltd., ADR | 55,770 | 2,186,184 |
| Zoetis, Inc. | 5,580 | 172,354 |

See notes to financial statements

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| | Shares | Value |
|---|---------------|---------------------|
| Industrials 14.5% | | \$36,997,015 |
| Aerospace & Defense 2.6% | | |
| BAE Systems PLC | 42,054 | 245,796 |
| Cubic Corp. | 9,470 | 455,507 |
| Honeywell International, Inc. | 3,775 | 299,509 |
| Lockheed Martin Corp. | 10,128 | 1,098,483 |
| Northrop Grumman Corp. (C) | 12,895 | 1,067,706 |
| Rolls-Royce Holdings PLC (I) | 14,901 | 257,823 |
| Safran SA | 5,076 | 264,374 |
| Thales SA | 2,903 | 135,251 |
| The Boeing Company | 9,702 | 993,873 |
| United Technologies Corp. | 20,451 | 1,900,716 |
| Air Freight & Logistics 2.2% | | |
| Atlas Air Worldwide Holdings, Inc. (I) | 10,000 | 437,600 |

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| | | |
|--|---------|-----------|
| C.H. Robinson Worldwide, Inc. (C) | 18,850 | 1,061,444 |
| FedEx Corp. | 3,970 | 391,363 |
| United Parcel Service, Inc., Class B | 37,803 | 3,269,203 |
| UTi Worldwide, Inc. | 22,280 | 366,952 |
| Airlines 0.1% | | |
| AirAsia X Bhd (I) | 156,500 | 61,916 |
| United Continental Holdings, Inc. (I) | 4,900 | 153,321 |
| Building Products 0.9% | | |
| Armstrong World Industries, Inc. (I) | 6,867 | 328,174 |
| Lennox International, Inc. | 25,185 | 1,625,440 |
| Owens Corning, Inc. (I) | 6,260 | 244,641 |
| Commercial Services & Supplies 0.8% | | |
| ACCO Brands Corp. (I) | 62,450 | 397,182 |
| G&K Services, Inc., Class A | 13,040 | 620,704 |
| Platform Acquisition Holdings, Ltd. (I) | 21,120 | 225,984 |
| The ADT Corp. (I) | 1,910 | 76,114 |
| Tyco International, Ltd. | 2,317 | 76,345 |
| United Stationers, Inc. | 20,970 | 703,544 |
| Construction & Engineering 0.5% | | |
| Jacobs Engineering Group, Inc. (I) | 23,800 | 1,312,094 |
| Electrical Equipment 1.5% | | |

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| | | |
|----------------------------------|--------|-----------|
| Acuity Brands, Inc. | 3,490 | 263,565 |
| Belden, Inc. | 19,720 | 984,620 |
| Eaton Corp. PLC | 32,235 | 2,121,385 |
| Hubbell, Inc., Class B | 1,790 | 177,210 |
| Mitsubishi Electric Corp. | 19,200 | 179,874 |
| Polypore International, Inc. (I) | 5,270 | 212,381 |

Industrial Conglomerates 1.5%

| | | |
|--------------------------|--------|-----------|
| 3M Company | 20,471 | 2,238,504 |
| Carlisle Companies, Inc. | 10,010 | 623,723 |
| Danaher Corp. | 13,650 | 864,045 |
| General Electric Company | 3,839 | 89,026 |

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See notes to financial statements

| | Shares | Value |
|-------------------------------------|---------------|--------------|
| Machinery 2.6% | | |
| Albany International Corp., Class A | 21,310 | \$702,804 |
| Donaldson Company, Inc. | 4,500 | 160,470 |
| Dover Corp. | 1,559 | 121,072 |
| ESCO Technologies, Inc. | 12,080 | 391,150 |
| Flowserve Corp. | 11,190 | 604,372 |

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| | | |
|--|--------|-----------|
| IDEX Corp. | 10,235 | 550,745 |
| Illinois Tool Works, Inc. | 586 | 40,534 |
| Mueller Industries, Inc. | 11,890 | 599,613 |
| PACCAR, Inc. | 27,510 | 1,476,187 |
| Pall Corp. (C) | 8,365 | 555,687 |
| Parker Hannifin Corp. | 2,116 | 201,866 |
| Stanley Black & Decker, Inc. | 14,550 | 1,124,715 |
| WABCO Holdings, Inc. (I) | 2,836 | 211,821 |
| Professional Services 0.5% | | |
| IHS, Inc., Class A (I) | 2,700 | 281,826 |
| Nielsen Holdings NV | 7,400 | 248,566 |
| Towers Watson & Company, Class A | 7,080 | 580,135 |
| WageWorks, Inc. (I) | 5,590 | 192,576 |
| Road & Rail 0.4% | | |
| Canadian National Railway Company | 5,310 | 517,014 |
| Hertz Global Holdings, Inc. (I) | 16,002 | 396,850 |
| Trading Companies & Distributors 0.9% | | |
| GATX Corp. | 12,550 | 595,247 |
| HD Supply Holdings, Inc. (I) | 14,500 | 272,455 |
| MSC Industrial Direct Company, Inc., Class A | 15,735 | 1,218,833 |
| WESCO International, Inc. (I) | 1,870 | 127,085 |

Information Technology 16.4%**41,852,265****Communications Equipment 2.7%**

| | | |
|----------------------------|---------|-----------|
| Cisco Systems, Inc. (C) | 245,167 | 5,960,010 |
| JDS Uniphase Corp. (I) | 19,380 | 278,684 |
| Juniper Networks, Inc. (I) | 12,000 | 231,720 |
| QUALCOMM, Inc. | 6,270 | 382,972 |

Computers & Peripherals 1.7%

| | | |
|------------------------|--------|-----------|
| Apple, Inc. (C) | 3,152 | 1,248,444 |
| Diebold, Inc. | 18,030 | 607,431 |
| EMC Corp. (C) | 37,703 | 890,545 |
| NetApp, Inc. (I) | 15,516 | 586,194 |
| QLogic Corp. (I) | 2,815 | 26,911 |
| SanDisk Corp. (I) | 11,211 | 684,992 |
| Seagate Technology PLC | 5,300 | 237,599 |
| Western Digital Corp. | 2,390 | 148,395 |

Electronic Equipment, Instruments & Components 0.6%

| | | |
|----------------------------|--------|---------|
| Coherent, Inc. | 5,620 | 309,493 |
| MTS Systems Corp. | 7,580 | 429,028 |
| National Instruments Corp. | 9,740 | 272,136 |
| ScanSource, Inc. (I) | 11,900 | 380,800 |

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See notes to financial statements

Semiannual report | Hedged Equity & Income Fund 15

| | Shares | Value |
|--|--------|-----------|
| Internet Software & Services 2.6% | | |
| Akamai Technologies, Inc. (I) | 10,360 | \$440,818 |
| Cornerstone OnDemand, Inc. (I) | 2,400 | 103,896 |
| Dropbox, Inc. (I)(R) | 8,535 | 75,620 |
| eBay, Inc. (I) | 23,542 | 1,217,592 |
| Facebook, Inc., Class A (I) | 20,285 | 504,285 |
| Google, Inc., Class A (I) | 1,418 | 1,248,365 |
| IAC/InterActiveCorp | 9,450 | 449,442 |
| LinkedIn Corp., Class A (C)(I) | 6,705 | 1,195,502 |
| MercadoLibre, Inc. | 1,450 | 156,252 |
| Trulia, Inc. (I) | 8,630 | 268,307 |
| Yahoo!, Inc. (I) | 33,193 | 833,476 |
| Zillow, Inc., Class A (I) | 1,600 | 90,080 |
| IT Services 1.2% | | |
| Alliance Data Systems Corp. (I) | 510 | 92,325 |
| Automatic Data Processing, Inc. | 16,076 | 1,106,993 |
| Forrester Research, Inc. | 14,780 | 542,278 |
| IBM Corp. | 834 | 159,386 |

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| | | |
|--|--------|-----------|
| MAXIMUS, Inc. | 4,300 | 320,264 |
| Nomura Research Institute, Ltd. | 2,100 | 68,536 |
| Paychex, Inc. | 3,581 | 130,778 |
| Teradata Corp. (I) | 7,165 | 359,898 |
| Visa, Inc., Class A | 1,877 | 343,022 |
| Office Electronics 0.1% | | |
| Zebra Technologies Corp., Class A (I) | 7,740 | 336,226 |
| Semiconductors & Semiconductor Equipment 2.1% | | |
| Altera Corp. | 8,957 | 295,491 |
| Analog Devices, Inc. | 38,040 | 1,714,082 |
| Broadcom Corp., Class A | 8,526 | 287,838 |
| Intel Corp. | 54,920 | 1,330,162 |
| Maxim Integrated Products, Inc. | 16,260 | 451,703 |
| Microchip Technology, Inc. | 5,827 | 217,056 |
| Micron Technology, Inc. (I) | 15,040 | 215,523 |
| NXP Semiconductor NV (I) | 11,070 | 342,949 |
| Xilinx, Inc. | 14,155 | 560,680 |
| Software 5.4% | | |
| Activision Blizzard, Inc. | 17,200 | 245,272 |
| Adobe Systems, Inc. (I) | 3,150 | 143,514 |
| ANSYS, Inc. (I) | 4,520 | 330,412 |

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| | | |
|---|--------|---------|
| Autodesk, Inc. (I) | 12,890 | 437,487 |
| BMC Software, Inc. (I) | 2,134 | 96,329 |
| Cadence Design Systems, Inc. (I) | 27,750 | 401,820 |
| Check Point Software Technologies, Ltd. (I) | 5,245 | 260,572 |
| Concur Technologies, Inc. (I) | 5,580 | 454,100 |
| FactSet Research Systems, Inc. | 4,625 | 471,473 |
| Imperva, Inc. (I) | 5,550 | 249,972 |
| Informatica Corp. (I) | 2,300 | 80,454 |
| Intuit, Inc. | 1,272 | 77,630 |
| MICROS Systems, Inc. (I) | 12,600 | 543,690 |

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See notes to financial statements

| | Shares | Value |
|-----------------------------|---------------|--------------|
| Software (continued) | | |
| Microsoft Corp. | 156,495 | \$5,403,772 |
| NetSuite, Inc. (I) | 1,337 | 122,656 |
| Open Text Corp. | 2,400 | 164,328 |
| Oracle Corp. (C) | 92,823 | 2,851,523 |
| Red Hat, Inc. (I) | 5,951 | 284,577 |
| Salesforce.com, Inc. (I) | 2,980 | 113,776 |

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| | | |
|--|--------|------------------|
| ServiceNow, Inc. (I) | 13,300 | 537,187 |
| <hr/> | | |
| Verint Systems, Inc. (I) | 9,600 | 340,512 |
| <hr/> | | |
| Workday, Inc., Class A (I) | 1,670 | 107,030 |
| <hr/> | | |
| Materials 2.9% | | 7,423,661 |
| <hr/> | | |
| Chemicals 1.5% | | |
| <hr/> | | |
| Innospec, Inc. | 10,300 | 413,854 |
| <hr/> | | |
| Koppers Holdings, Inc. | 6,610 | 252,370 |
| <hr/> | | |
| LyondellBasell Industries NV, Class A | 3,900 | 258,414 |
| <hr/> | | |
| Monsanto Company | 2,668 | 263,598 |
| <hr/> | | |
| Sensient Technologies Corp. | 7,970 | 322,546 |
| <hr/> | | |
| The Dow Chemical Company | 28,940 | 931,000 |
| <hr/> | | |
| The Sherwin-Williams Company | 6,012 | 1,061,719 |
| <hr/> | | |
| Westlake Chemical Corp. | 2,800 | 269,948 |
| <hr/> | | |
| Containers & Packaging 0.6% | | |
| <hr/> | | |
| Aptargroup, Inc. (C) | 5,750 | 317,458 |
| <hr/> | | |
| Crown Holdings, Inc. (I) | 3,390 | 139,431 |
| <hr/> | | |
| Greif, Inc., Class A | 5,570 | 293,372 |
| <hr/> | | |
| Rock-Tenn Company, Class A | 4,320 | 431,482 |
| <hr/> | | |
| Silgan Holdings, Inc. | 9,520 | 447,059 |
| <hr/> | | |
| Metals & Mining 0.0% | | |
| <hr/> | | |
| Allied Nevada Gold Corp. (I) | 4,194 | 27,177 |

Paper & Forest Products 0.8%

| | | |
|------------------------------------|--------|-----------|
| Deltic Timber Corp. | 6,800 | 393,176 |
| International Paper Company | 24,070 | 1,066,542 |
| KapStone Paper and Packaging Corp. | 7,800 | 313,404 |
| Louisiana-Pacific Corp. (I) | 14,950 | 221,111 |

Telecommunication Services 0.7% **1,792,104**

Diversified Telecommunication Services 0.7%

| | | |
|------------------------------|--------|-----------|
| Verizon Communications, Inc. | 35,600 | 1,792,104 |
|------------------------------|--------|-----------|

Utilities 1.8% **4,605,893**

Electric Utilities 0.3%

| | | |
|---------------------|-------|---------|
| Duke Energy Corp. | 3,445 | 232,538 |
| UNS Energy Corp. | 6,880 | 307,742 |
| Westar Energy, Inc. | 7,950 | 254,082 |

Gas Utilities 1.5%

| | | |
|----------------------------|--------|-----------|
| Atmos Energy Corp. | 7,750 | 318,215 |
| New Jersey Resources Corp. | 3,200 | 132,896 |
| The Laclede Group, Inc. | 6,300 | 287,658 |
| UGI Corp. | 72,235 | 2,825,111 |
| WGL Holdings, Inc. | 5,730 | 247,651 |

See notes to financial statements

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| | Shares | Value |
|--|------------------------|----------------------|
| Warrants 0.0% | | \$0 |
| <hr/> | | |
| (Cost \$219) | | |
| Industrials 0.0% | | 0 |
| Platform Acquisition Holdings, Ltd. (Expiration Date: 7-31-20; Strike Price: \$11.20) (I) | 21,900 | 0 |
| | Number of Contracts | Value |
| Purchased Options 3.8% | | \$9,741,000 |
| <hr/> | | |
| (Cost \$12,143,164) | | |
| Put Options 3.8% | | 9,741,000 |
| S&P 500 Index (Expiration Date: 6-21-14; Strike Price: \$1,400) (I) | 1,700 | 9,741,000 |
| | Par value | Value |
| Short-Term Investments 1.9% | | \$4,700,000 |
| <hr/> | | |
| (Cost \$4,700,000) | | |
| Repurchase Agreement 1.9% | | 4,700,000 |
| Goldman Sachs Tri-Party Repurchase Agreement dated 6-28-13 at 0.130% to be repurchased at \$4,700,051 on 7-1-13, collateralized by \$4,711,524 Federal National Mortgage Association, 3.500% due 1-1-41 (valued at \$4,794,001, including interest) | \$4,700,000 | 4,700,000 |
| Total investments (Cost \$228,154,562)†101.4% | | \$258,398,106 |
| <hr/> | | |
| Other assets and liabilities, net (1.4%) | | (\$3,590,234) |
| <hr/> | | |
| Total net assets 100.0% | | \$254,807,872 |
| <hr/> | | |

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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 6-30-13 was \$49,332,189.

(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. Holdings in direct placement securities as of 6-30-13 were as follows:

| Issuer, Description | Acquisition date | Acquisition cost | Beginning share amount | Ending share amount | Value as a percentage of fund's net assets | Value as of 6-30-13 |
|---------------------|------------------|------------------|------------------------|---------------------|--|---------------------|
| Allstar Co-Invest | 8-1-11 | \$240,553 | 236,300 | 236,300 | 0.16% | \$404,073 |
| Block Feeder, LLC | | | | | | |
| Dropbox, Inc. | 5-1-12 | \$77,258 | 8,535 | 8,535 | 0.03% | \$75,620 |

† At 6-30-13, the aggregate cost of investment securities for federal income tax purposes was \$229,331,790. Net unrealized appreciation aggregated to \$29,066,316, of which \$35,079,619 related to appreciated investment securities and \$6,013,303 related to depreciated investment securities.

FINANCIAL STATEMENTS

Financial statements

Statement of assets and liabilities 6-30-13 (unaudited)

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

Assets

| | |
|--|---------------|
| Investments, at value (Cost \$228,154,562) | \$258,398,106 |
| Cash | 31,247 |
| Foreign currency, at value (Cost \$6,795) | 6,757 |

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| | |
|--|--------------------|
| Receivable for investments sold | 4,034,087 |
| Dividends and interest receivable | 274,833 |
| Other receivables and prepaid expenses | 2,330 |
| Total assets | 262,747,360 |

Liabilities

| | |
|---|------------------|
| Payable for investments purchased | 808,969 |
| Written options, at value (Premiums received \$8,422,406) | 7,033,000 |
| Payable to affiliates | |
| Accounting and legal services fees | 9,459 |
| Trustees' fees | 205 |
| Other liabilities and accrued expenses | 87,855 |
| Total liabilities | 7,939,488 |

| | |
|-------------------|----------------------|
| Net assets | \$254,807,872 |
|-------------------|----------------------|

Net assets consist of

| | |
|--|----------------------|
| Paid-in capital | \$239,335,027 |
| Accumulated distributions in excess of net investment income | (7,942,709) |
| Accumulated net realized gain (loss) on investments, written options and foreign currency transactions | (8,217,265) |
| Net unrealized appreciation (depreciation) on investments, written options and translation of assets and liabilities in foreign currencies | 31,632,819 |
| Net assets | \$254,807,872 |

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 | \$18.55 |
|--|---------|

See notes to financial statements

Semiannual report | Hedged Equity & Income Fund 19

FINANCIAL STATEMENTS

Statement of operations For the six-month period ended 6-30-13 (unaudited)

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This Statement of operations summarizes the fund's investment income earned and expenses incurred in operating the fund. It also shows net gains (losses) for the period stated.

| Investment income | |
|--|--------------------|
| Dividends | \$2,386,884 |
| Interest | 4,948 |
| Less foreign taxes withheld | (33,320) |
| Total investment income | 2,358,512 |
| Expenses | |
| Investment management fees | 1,262,063 |
| Accounting and legal services fees | 22,807 |
| Transfer agent fees | 11,706 |
| Trustees' fees | 21,053 |
| Printing and postage | 24,403 |
| Professional fees | 39,044 |
| Custodian fees | 22,537 |
| Stock exchange listing fees | 15,767 |
| Other | 10,214 |
| Total expenses | 1,429,594 |
| Net investment income | 928,918 |
| Realized and unrealized gain (loss) | |
| Net realized gain (loss) on | |
| Investments and purchased options | (3,233,346) |
| Written options | 1,916,809 |
| Foreign currency transactions | (80) |
| | (1,316,617) |
| Change in net unrealized appreciation (depreciation) of | |
| Investments and purchased options | 30,683,668 |
| Written options | (7,458,847) |
| Translation of assets and liabilities in foreign currencies | (155) |
| | 23,224,666 |
| Net realized and unrealized gain | 21,908,049 |

Increase in net assets from operations **\$22,836,967**

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See notes to financial statements

FINANCIAL STATEMENTS

Statements of changes in net assets

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

| | Six months ended 6-30-13 (Unaudited) | Period ended 12-31-12¹ | Year ended 10-31-12 |
|---|---|--|------------------------------------|
| Increase (decrease) in net assets | | | |
| From operations | | | |
| Net investment income | \$928,918 | \$722,268 | \$1,870,855 |
| Net realized gain (loss) | (1,316,617) | 686,750 | 1,100,927 |
| Change in net unrealized appreciation (depreciation) | 23,224,666 | 1,690,216 | 23,301,290 |
| Increase in net assets resulting from operations | 22,836,967 | 3,099,234 | 26,273,072 |
| Distributions to shareholders | | | |
| From net investment income | (8,871,627) ² | (728,343) | (1,850,217) |
| From tax return of capital | — | (3,723,566) | (16,575,845) |
| Total distributions | (8,871,627) | (4,451,909) | (18,426,062) |
| From fund share transactions | | | |
| Repurchased | — | (3,098,607) | (10,945,445) |
| Total increase (decrease) | 13,965,340 | (4,451,282) | (3,098,435) |
| Net assets | | | |

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| | | | |
|---|----------------------|----------------------|----------------------|
| Beginning of period | 240,842,532 | 245,293,814 | 248,392,249 |
| End of period | \$254,807,872 | \$240,842,532 | \$245,293,814 |
| Accumulated distributions in excess of net investment income | (\$7,942,709) | — | (\$615) |

Share activity

Shares outstanding

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

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

² A portion of the distributions may be deemed a tax return of capital at year-end.

See notes to financial statements

Semiannual report | Hedged Equity & Income Fund 21

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 | 6-30-13¹ | 12-31-12² | 10-31-12 | 10-31-11³ |
|--|----------------------------|-----------------------------|-------------------|-----------------------------|
| Per share operating performance | | | | |
| Net asset value, beginning of period | \$17.54 | \$17.60 | \$16.99 | \$19.10⁴ |
| Net investment income ⁵ | 0.07 | 0.05 | 0.13 | 0.02 |
| Net realized and unrealized gain (loss) on investments | 1.59 | 0.18 | 1.68 | (1.73) |
| Total from investment operations | 1.66 | 0.23 | 1.81 | (1.71) |
| Less distributions to common shareholders | | | | |
| From net investment income | (0.65) ⁶ | (0.05) | (0.13) | (0.02) |
| From tax return of capital | — | (0.27) | (1.16) | (0.34) |
| Total distributions | (0.65) | (0.32) | (1.29) | (0.36) |
| Anti-dilutive impact of repurchase plan | — | 0.03 ⁷ | 0.09 ⁷ | — |
| Offering costs related to common shares | — | — | — | (0.04) |

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| | | | | |
|--|--------------------------|---------------------------|----------------|----------------------------|
| Net asset value, end of period | \$18.55 | \$17.54 | \$17.60 | \$16.99 |
| Per share market value, end of period | \$16.89 | \$15.26 | \$16.14 | \$15.18 |
| Total return at net asset value (%)⁸ | 9.83⁹ | 1.71⁹ | 12.17 | (8.98)⁹ |
| Total return at market value (%)⁸ | 14.94⁹ | (3.51)⁹ | 15.14 | (22.33)⁹ |

Ratios and supplemental data

| | | | | |
|--|--------------------|-------------------|-------|--------------------|
| Net assets applicable to common shares, end of period (in millions) | \$255 | \$241 | \$245 | \$248 |
| Ratios (as a percentage of average net assets): | | | | |
| Expenses | 1.13 ¹⁰ | 0.22 ⁹ | 1.14 | 1.15 ¹⁰ |
| Net investment income | 0.74 ¹⁰ | 0.30 ⁹ | 0.74 | 0.31 ¹⁰ |
| Portfolio turnover (%) | 36 | 11 | 76 | 38 |

¹ Six months ended 6-30-13. Unaudited.

² For the two-month period ended 12-31-12. The fund changed its fiscal year end from October 31 to December 31.

³ Period from 5-26-11 (commencement of operations) to 10-31-11.

⁴ Reflects the deduction of a \$0.90 per share sales load.

⁵ Based on the average daily shares outstanding.

⁶ A portion of the distributions may be deemed a tax return of capital at year-end.

⁷ 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.

⁸ Total return based on net asset value reflects changes in the fund's net asset value during each period. Total return based on market value reflects changes in market value. Each figure assumes that 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.

⁹ Not annualized.

¹⁰ Annualized.

Notes to financial statements

(unaudited)

Note 1 — Organization

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

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

Security valuation. Investments are stated at value as of the close of regular trading on the New York Stock Exchange (NYSE), normally at 4:00 P.M., Eastern Time. In order to value the securities, the fund uses the following valuation techniques: Equity securities held by the fund are valued at the last sale price or official closing price on the principal securities exchange on which they trade. In the event there were no sales during the day or closing prices are not available, then 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, for which reliable market quotations are not readily available, are valued at fair value as determined in good faith by the fund's Pricing Committee following procedures established by the Board of Trustees, which include price verification procedures. The frequency with which these fair valuation procedures are used cannot be predicted and fair value of securities may differ significantly from the value that would have been used had a ready market for such securities existed.

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

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The following is a summary of the values by input classification of the fund's investments as of June 30, 2013, by major security category or type:

| | TOTAL MARKET VALUE AT 6-30-13 | LEVEL 1 QUOTED PRICE | LEVEL 2 SIGNIFICANT OBSERVABLE INPUTS | LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS |
|------------------------|----------------------------------|-------------------------|---|--|
| Common Stocks | | | | |
| Consumer Discretionary | \$38,287,253 | \$36,156,144 | \$1,727,036 | \$404,073 |
| Consumer Staples | 14,000,909 | 13,654,097 | 346,812 | — |
| Energy | 20,803,711 | 18,350,058 | 2,453,653 | — |
| Financials | 40,104,864 | 38,723,837 | 1,381,027 | — |
| Health Care | 38,089,431 | 33,623,211 | 4,466,220 | — |

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| | | | | |
|-------------------------------|----------------------|----------------------|---------------------|------------------|
| Industrials | 36,997,015 | 35,625,997 | 1,371,018 | — |
| Information Technology | 41,852,265 | 41,708,109 | 68,536 | 75,620 |
| Materials | 7,423,661 | 7,423,661 | — | — |
| Telecommunication | | | | |
| Services | 1,792,104 | 1,792,104 | — | — |
| Utilities | 4,605,893 | 4,605,893 | — | — |
| Purchased Options | 9,741,000 | 9,741,000 | — | — |
| Short-Term Investments | 4,700,000 | — | 4,700,000 | — |
| <hr/> | | | | |
| Total Investments in | | | | |
| Securities | \$258,398,106 | \$241,404,111 | \$16,514,302 | \$479,693 |
| Other Financial | | | | |
| Instruments | | | | |
| Written Options | (\$7,033,000) | (\$7,033,000) | — | — |

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

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

Security transactions and related investment income. Investment security transactions are accounted for on a trade date plus one basis for daily net asset value calculations. However, for financial reporting purposes, investment transactions are reported on trade date. Interest income is accrued as earned. Dividend income is recorded on the ex-date, except for dividends of foreign securities where the dividend may not be known until after the ex-date. In those cases, dividend income, net of withholding taxes, is recorded when the fund becomes aware of the dividends. Foreign taxes are provided for based on the fund's understanding of the tax rules and rates that exist in the foreign markets in which it invests. Gains and losses on securities sold are determined on the basis of identified cost and may include proceeds from litigation.

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

Overdrafts. Pursuant to the custodian agreement, the fund's custodian may, in its discretion, advance funds to the fund to make properly authorized payments. When such payments result in an overdraft, the fund is obligated to

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

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

Federal income taxes. The fund intends to continue to qualify as a regulated investment company by complying with the applicable provisions of the Internal Revenue Code and will not be subject to federal income tax on 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 current 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.

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.

Distribution of income and gains. Distributions to shareholders from net investment income and net realized gains, if any, are recorded on the ex-date. The fund declares and pays distributions quarterly through its Distribution Plan described above.

Such distributions, on a tax basis, are determined in conformity with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. 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. The final determination of tax characteristics of the fund's distribution will occur at the end of the year and will be subsequently reported to shareholders.

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

Note 3 — Derivative instruments

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

Futures, certain options and cleared swaps are traded or cleared on an exchange or central exchange clearinghouse. Exchange-traded or cleared transactions generally present less counterparty risk to the fund than over-the-counter transactions. The exchange's clearinghouse stands between the fund and the broker to the contract and therefore, credit risk is generally limited to the failure of the clearinghouse and the clearing member. Collateral or margin requirements for exchange-traded or cleared derivatives are set by the broker or applicable clearing house. Securities pledged by the fund for exchanged-traded and cleared transactions amounted to \$49,332,189 and are identified in the Portfolio of investments.

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

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"

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to reflect current market value of the option written. Premiums received from writing options that expire unexercised are recorded as realized gains. Premiums received from writing options which are exercised or are closed are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option on a security is exercised, the premium received reduces the cost basis of the securities purchased by the fund.

During the six months ended June 30, 2013, the fund used purchased options to hedge against changes in securities markets. During the six months ended June 30, 2013, the fund held purchased options with market values ranging from \$5.3 million to \$11.3 million, as measured at each quarter end.

During the six months ended June 30, 2013, the fund wrote option contracts (both puts and calls) 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 six months ended June 30, 2013.

NUMBER OF CONTRACTS

PREMIUMS RECEIVED (PAID)

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| | | |
|-----------------------------------|--------------|--------------------|
| Outstanding, beginning of period | 1,900 | \$11,204,253 |
| Options written | 9,250 | 15,796,152 |
| Options closed | (8,650) | (18,577,999) |
| Options exercised | — | — |
| Options expired | — | — |
| Outstanding, end of period | 2,500 | \$8,422,406 |

| WRITTEN OPTIONS | EXERCISE PRICE | EXPIRATION DATE | NUMBER OF CONTRACTS | PREMIUM | VALUE |
|-----------------|----------------|-----------------|---------------------|--------------------|----------------------|
| CALLS | | | | | |
| S&P 500 Index | \$1,620 | Jul 2013 | 800 | (\$1,117,570) | (\$1,168,000) |
| Total | | | 800 | \$1,117,570 | (\$1,168,000) |
| PUTS | | | | | |
| S&P 500 Index | \$1,275 | Jun 2014 | 1,700 | (\$7,304,836) | (\$5,865,000) |
| Total | | | 1,700 | \$7,304,836 | (\$5,865,000) |

Fair value of derivative instruments by risk category

The table below summarizes the fair value of derivatives held by the fund at June 30, 2013 by risk category:

| RISK | STATEMENT OF ASSETS AND LIABILITIES LOCATION | FINANCIAL INSTRUMENTS LOCATION | ASSET DERIVATIVES FAIR VALUE | LIABILITY DERIVATIVES FAIR VALUE |
|------------------|--|--------------------------------|------------------------------|----------------------------------|
| Equity contracts | Investments, at value* | Purchased options* | \$9,741,000 | — |
| | Written options, at value | Written options | — | \$7,033,000 |
| | | | \$9,741,000 | \$7,033,000 |

* 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 six months ended June 30, 2013:

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| RISK | STATEMENT OF OPERATIONS LOCATION | INVESTMENTS (PURCHASED OPTIONS) | WRITTEN OPTIONS |
|------------------|-------------------------------------|------------------------------------|-----------------|
| Equity contracts | Net realized gain (loss) | (\$16,741,015) | \$1,916,809 |

The table below summarizes the net change in unrealized appreciation (depreciation) included in the net increase (decrease) in net assets from operations, classified by derivative instrument and risk category, for the six months ended June 30, 2013:

| RISK | STATEMENT OF OPERATIONS LOCATION | INVESTMENTS (PURCHASED OPTIONS) | WRITTEN OPTIONS |
|------------------|---|------------------------------------|-----------------|
| Equity contracts | Change in net unrealized appreciation (depreciation) | \$9,545,083 | (\$7,458,847) |

Note 4 — Guarantees and indemnifications

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

Note 5 — Fees and transactions with affiliates

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

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

Accounting and legal services. Pursuant to a service agreement, the fund reimburses the Advisor for all expenses associated with providing the administrative, financial, legal, accounting and recordkeeping services to the fund, including the preparation of all tax returns, periodic reports to shareholders and regulatory reports, among other services. These accounting and legal services fees incurred for the six months ended June 30, 2013 amounted to an annual rate of 0.02% of the fund's average daily net assets.

Trustee expenses. The fund compensates each Trustee who is not an employee of the Advisor or its affiliates. Under the John Hancock Group of funds Deferred Compensation Plan (the Plan), which was terminated in November 2012, certain 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 within 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 December 6, 2011, the fund adopted a share repurchase plan, pursuant to which the fund was authorized to purchase, in the open market, up to 10% of its outstanding common shares between January 1, 2012 and December 31, 2012. The fund's share repurchase plan was renewed on December 12, 2012. Under the renewed share repurchase plan, the fund may purchase, in the open market, up to 10% of its outstanding common shares between January 1, 2013 and December 31, 2013 (based on common shares outstanding as of December 31, 2012). During the six months ended June 30, 2013, the fund did not repurchase any shares under the Repurchase Plan. During the two-month period ended December 31, 2012 and the twelve-month period 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 twelve-month period 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.

Note 7 — Purchase and sale of securities

Purchases and sales of securities, other than short-term securities, amounted to \$87,558,839 and \$107,267,456, respectively, for the six months ended June 30, 2013.

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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 six months ended June 30, 2013, distributions totaling \$0.6460 per share were paid to shareholders. The dates of payments and the amounts per share were as follows:

| PAYMENT DATE | DISTRIBUTIONS* |
|----------------|----------------|
| March 28, 2013 | 0.3230 |
| June 28, 2013 | 0.3230 |

Total **\$0.6460**

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

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.

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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 website at computershare.com and clicking on EquityAccess & More. The Plan Agent will mail a check (less applicable brokerage trading fees) on the settlement date, which is three business days after the shares have been sold. If shareholders choose to sell shares through their stockbroker, they will need to request that the Plan Agent electronically transfer those shares to their stockbroker through the Direct Registration System.

Shareholders participating in the Plan may withdraw from the Plan at any time by contacting the Plan Agent by telephone, in writing, or by visiting the Plan Agent's website at 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 shareholders withdraw from the Plan, their shares will be credited to their account, or, if they wish, the Plan Agent will sell their full and fractional shares and send the shareholders the proceeds, less a transaction fee of \$5.00 and less brokerage trading fees of \$0.05 per share. If a shareholder does not maintain at least one whole share of common stock in the Plan account, the Plan Agent may terminate such shareholder's participation in the Plan after written notice. Upon termination, shareholders will be sent a check for the cash value of any fractional

share in the Plan account, less any applicable broker commissions and taxes.

Shareholders who hold at least one full share of the fund may join the Plan by notifying the Plan Agent by telephone, in writing, or by visiting the Plan Agent's website at 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 shareholders wish to participate in the Plan and their shares are held in the name of a brokerage firm, bank, or other nominee, shareholders should contact their nominee to see if it will participate in the Plan. If shareholders wish to participate in the Plan, but their brokerage firm, bank, or other nominee is unable to participate on their behalf, they will need to request that their shares be re-registered in their own name, or they will not be able to participate. The Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by shareholders as representing the total amount registered in their name and held for their account by their nominee.

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

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Effective November 1, 2013, the Plan will be revised with respect to mail loss insurance coverage. Until October 31, 2013, when shareholders mail their certificates to the fund's administrator, they may request Computershare Trust Company, N.A. to reimburse them for the cost of mail loss insurance coverage on certificates valued at up to \$100,000. Effective November 1, 2013, Computershare will no longer reimburse this expense.

Experience under the Plan may indicate that changes are desirable. Accordingly, the fund and the Plan Agent reserve the right to amend or terminate the Plan. Participants generally will receive written notice at least 90 days before the effective date of any amendment. In the case of termination, participants will receive written notice at least 90 days before the record date for the payment of any 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 800-852-0218, 201-680-6578 (For International Telephone Inquiries) and 800-952-9245 (For the Hearing Impaired (TDD)).

Shareholder communication and assistance

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

Computershare
P.O. Box 43006
Providence, RI 02940-3006
Telephone: 800-852-0218

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

Evaluation of Advisory and Subadvisory Agreements by the Board of Trustees

This section describes the evaluation by the Board of Trustees (the “Board”) of John Hancock Hedged Equity & Income Fund (the “fund”) of the Advisory Agreement (the “Advisory Agreement”) with John Hancock Advisers, LLC (the “Advisor”) and the Subadvisory Agreement (the “Subadvisory Agreement”) with Wellington Management Company, LLP (the “Sub-Advisor”). The Advisory Agreement and Subadvisory Agreement are collectively referred to as the “Agreements.”

Approval of Advisory and Subadvisory Agreements

At in-person meetings held on May 16-17, 2013, the Board, including the Trustees who are not considered to be “interested persons” of the fund under the Investment Company Act of 1940, as amended (the “1940 Act”) (the “Independent Trustees”), reapproved for an annual period the continuation of the Advisory Agreement between the fund and the Advisor and the Subadvisory Agreement between the Advisor and the Sub-Advisor with respect to the Fund.

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

Throughout the process, the Board asked questions of and requested additional information from management. The Board is assisted by counsel for the fund and the Independent Trustees are also separately assisted by independent legal counsel throughout the process. The Independent Trustees also received a memorandum from their independent counsel discussing the legal standards for their consideration of the proposed continuation of the Agreements and discussed the proposed continuation of the Agreements in private sessions with their independent legal counsel at which no representatives of management were present.

Approval of Advisory Agreement

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

Nature, Extent and Quality of Services. Among the information received by the Board from the Advisor relating to the nature, extent and quality of services provided to the fund, the Board reviewed information provided by the Advisor relating to its operations and personnel, descriptions of its organizational and management structure, and information regarding the Advisor’s compliance and regulatory history, including its Form ADV. The Board

also noted that on a regular basis it receives and reviews information from the fund's Chief Compliance Officer ("CCO") regarding the fund's compliance policies and procedures established pursuant to Rule 38a-1 under the 1940 Act. The Board also considered the Advisor's risk management processes. The Board considered that the Advisor is responsible for the management of the day-to-day operations of the fund, including, but not limited to, general supervision of and coordination of the services provided by the Sub-Advisor, and is also responsible for monitoring and reviewing the activities of the Sub-Advisor and other third-party service providers.

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

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

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

- (a) the skills and competency with which the Advisor has in the past managed the fund's affairs and its subadvisory relationship, the Advisor's oversight and monitoring of the Sub-Advisor's investment performance and compliance programs, such as the Sub-Advisor's compliance with fund policies and objective, review of brokerage matters, including with respect to trade allocation and best execution and the Advisor's timeliness in responding to performance issues;
- (b) the background, qualifications and skills of the Advisor's personnel;
- (c) the Advisor's compliance policies and procedures and its responsiveness to regulatory changes and fund industry developments;
- (d) the Advisor's administrative capabilities, including its ability to supervise the other service providers for the fund;
- (e) the financial condition of the Advisor and whether it has the financial wherewithal to provide a high level and quality of services to the fund; and
- (f) the Advisor's reputation and experience in serving as an investment advisor to the fund and the benefit to shareholders of investing in funds that are part of a family of funds offering a variety of investments.

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

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

- (a) reviewed information prepared by management regarding the fund's performance;
- (b) considered the comparative performance of the fund's benchmark;
- (c) considered the performance of comparable funds, if any, as included in the report prepared by an independent third-party provider of fund data. Such report included the fund's ranking within a smaller group of peer funds and the fund's ranking within broader groups of funds; and

(d) took into account the Advisor's analysis of the fund's performance; and

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

The Board noted that, based on its net asset value, the fund underperformed its benchmark index and peer group average for the one-year and since inception (May 26, 2011) periods ended December 31, 2012. The Board took into account management's discussion of the fund's performance, including the impact of market conditions on the fund's investment strategy relative to its peer group. The Board also noted that the fund had commenced the initial public offering of its shares in May 2011 and has a limited performance history.

The Board concluded that the fund's performance is being monitored and reasonably addressed.

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

The Board noted that net management fees for this fund are higher than the peer group median and that total expenses for the fund are equal to the peer group median.

The Board also took into account management's discussion with respect to the advisory/subadvisory fee structure, including the amount of the advisory fee retained by the Advisor after payment of the subadvisory fee. The Board also noted that the Advisor pays the subadvisory fee and that such fee is negotiated at arm's length. The Board reviewed information provided by the Advisor concerning investment advisory fees charged by the Advisor or one of its advisory affiliates to other clients (including other funds in the complex) having similar investment mandates, if any. The Board considered any differences between the Advisor's and Sub-Advisor's services to the fund and the services they provide to other comparable clients or funds. The Board concluded that the advisory fee paid with respect to the fund is reasonable.

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

(a) reviewed financial information of the Advisor;

(b) reviewed and considered an analysis presented by the Advisor regarding the net profitability to the Advisor and its affiliates with respect to the fund;

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(c) received and reviewed profitability information with respect to the John Hancock fund complex as a whole;

(d) received information with respect to the Advisor's allocation methodologies used in preparing the profitability data;

(e) considered that the Advisor also provides administrative services to the fund on a cost basis pursuant to an administrative services agreement;

(f) noted that the Advisor also derives reputational and other indirect benefits from providing advisory services to the fund;

(g) noted that the subadvisory fees for the fund are paid by the Advisor and are negotiated at arm's length with the Sub-Advisor; and

(h) considered that the Advisor should be entitled to earn a reasonable level of profits in exchange for the level of services it provides to the fund and the entrepreneurial risk that it assumes as Advisor.

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

Economies of Scale. The Board considered whether there should be changes in the management fee rate or structure in order to enable the fund to participate in any economies of scale, noting that the fund has a limited ability to increase its assets as a closed-end fund. The Board took into account management's discussions of the current advisory fee structure, and, as noted above, the services the Advisor provides in performing its functions under the Advisory Agreement and supervising the Sub-Advisor. The Board also considered potential economies of scale that may be realized by the Fund as part of the John Hancock fund complex. The Board also considered the Advisor's overall operations and its ongoing investment in its business in order to expand the scale of, and improve the quality of, its operations that benefit the fund. The Board noted that although the Fund does not have breakpoints in its contractual management fee schedule, its total expenses are equal to the peer group median. The Board determined that the management fee structure for the fund was reasonable.

Approval of Subadvisory Agreement

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

(1) information relating to the Sub-Advisor's business, including current subadvisory services to the fund (and other funds in the John Hancock family of funds);

(2) the historical and current performance of the fund and comparative performance information relating to the fund's benchmark and comparable funds; and

(3) information relating to the nature and scope of any material relationships and their significance to the fund's Advisor and Sub-Advisor.

Nature, Extent and Quality of Services. With respect to the services provided by the Sub-Advisor, the Board received information provided to the Board by the Sub-Advisor, including the Sub-Advisor's Form ADV, as well as took into account information presented throughout the past year. The Board considered the Sub-Advisor's current level of staffing and its overall resources, as well as received information relating to the Sub-Advisor's compensation program. The Board reviewed the Sub-Advisor's history and investment experience, as well as information regarding the qualifications, background and responsibilities of the Sub-Advisor's investment and compliance

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

The Board considered the Sub-Advisor's investment process and philosophy. The Board took into account that the Sub-Advisor's responsibilities include the development and maintenance of an investment program for the fund that is consistent with the fund's investment objective, the selection of investment securities and the placement of orders for the purchase and sale of such securities, as well as the implementation of compliance controls related

to performance of these services. The Board also received information with respect to the Sub-Advisor's brokerage policies and practices, including with respect to best execution and soft dollars.

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

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

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

Subadvisory Fees. The Board considered that the fund pays an advisory fee to the Advisor and that, in turn, the Advisor pays a subadvisory fees to the Sub-Advisor. The Board also took into account the sub-advisory fee paid by the Advisor to the Sub-Advisor with respect to the fund to fees charged by the Sub-Advisor to manage other sub-advised portfolios and portfolios not subject to regulation under the 1940 Act, as applicable.

Sub-Advisor Performance. As noted above, the Board considered the fund's performance as compared to the fund's peer group and benchmark and noted that the Board reviews information about the fund's performance results at its regularly scheduled meetings. The Board noted the Advisor's expertise and resources in monitoring the performance, investment style and risk-adjusted

performance of the Sub-Advisor. The Board was mindful of the Advisor's focus on the Sub-Advisor's performance. The Board also noted the Sub-Advisor's long-term performance record for similar accounts, as applicable.

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

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

* * *

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

More information

Trustees

James M. Oates,

Chairman

Steven R. Pruchansky,

Vice 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

Gregory A. Russo

Warren A. Thomson†

*Member of the

Audit Committee

†Non-Independent Trustee

Officers

Hugh McHaffie

President

Andrew G. Arnott

Executive Vice President

Thomas M. Kinzler

Secretary and Chief Legal Officer

Francis V. Knox, Jr.

Chief Compliance Officer

Charles A. Rizzo

Chief Financial Officer

Salvatore Schiavone

Treasurer

Investment advisor

John Hancock Advisers, LLC

Subadvisor

Wellington Management

Company, LLP

Custodian

State Street Bank and

Trust Company

Transfer agent

Computershare Shareowner

Services, LLC

Legal counsel

K&L Gates LLP

Stock symbol

Listed New York Stock

Exchange: HEQ

For shareholder assistance refer to page 32

You can also contact us:

800-852-0218

jhfundshare.com

Regular mail:

Computershare

P.O. Box 43006

Providence, RI 02940-3006

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

The fund's complete list of portfolio holdings, for the first and third fiscal quarters, is filed with the SEC on Form N-Q. The fund's Form N-Q is available on our website and the SEC's website, sec.gov, and can be reviewed and copied (for a fee) at the SEC's Public Reference Room in Washington, DC. Call 800-SEC-0330 to receive information on the operation of the SEC's Public Reference Room.

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

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

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ITEM 2. CODE OF ETHICS.

Not applicable at this time.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable at this time.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable at this time.

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ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable at this time.

ITEM 6. SCHEDULE OF INVESTMENTS.

(a) Not applicable.

(b) Not applicable.

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

Not applicable.

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

Not applicable.

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

| Period | Total number of shares purchased | Average price per share | Total number of shares purchased as part of publicly announced plans* | Maximum number of shares that may yet be purchased under the plans |
|---------------|---|--------------------------------|--|---|
| Jan-13 | - | - | - | 1,373,317* |
| Feb-13 | - | - | - | 1,373,317 |
| Mar-13 | - | - | - | 1,373,317 |
| Apr-13 | - | - | - | 1,373,317 |
| May-13 | - | - | - | 1,373,317 |
| Jun-13 | - | - | - | 1,373,317 |
| Total | - | - | - | |

*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 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

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common shares (based on common shares outstanding as of December 31, 2012).

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

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

ITEM 11. CONTROLS AND PROCEDURES.

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

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

ITEM 12. EXHIBITS.

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

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

(c)(1) Submission of Matters to a Vote of Security Holders is attached. See attached "John Hancock Funds" Nominating, Governance and Administration Committee Charter.

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

(c)(3) Registrant's notices to shareholders pursuant to Registrant's exemptive order granting an exemption from Section 19(b) of the Investment Company Act of 1940, as amended and Rule 19b-1 thereunder regarding distributions made pursuant to the Registrant's Managed Distribution Plan.

SIGNATURES

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

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By: /s/ Hugh McHaffie

Hugh McHaffie
President

Date: August 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

Date: August 20, 2013

By: /s/ Charles A. Rizzo

Charles A. Rizzo
Chief Financial Officer

Date: August 20, 2013