

John Hancock Hedged Equity & Income Fund  
Form N-CSR  
March 02, 2018

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-22441

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

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

Salvatore Schiavone  
Treasurer

601 Congress Street

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

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2017

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ITEM 1. REPORTS TO STOCKHOLDERS.

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John Hancock

Hedged Equity & Income Fund

Ticker: HEQ

Annual report 12/31/17

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### Managed distribution plan

The fund has adopted a managed distribution plan (Plan). Under the Plan, the fund makes quarterly distributions of an amount equal to \$0.376 per share, which will be paid quarterly until further notice. The fund may make additional distributions: (i) for purposes of not incurring federal income tax at the fund level of investment company taxable income and net capital gain, if any, not included in such regular distributions; and (ii) for purposes of not incurring federal excise tax on ordinary income and capital gain net income, if any, not included in such regular distributions.

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

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

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

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A message to shareholders

Dear shareholder,

In the weeks following the close of the reporting period covered here, markets around the world experienced a meaningful rise in volatility. Stocks declined as investors reacted to higher bond yields and the prospect of rising inflation, even if that inflation was off historically low levels. While many in our asset management network believe the sell off will be temporary, it's likely the era of extremely low volatility is behind us for the time being.

Ultimately, the asset prices are underpinned by fundamentals, and those continue to appear supportive. There was no shortage of good economic news to report as 2017 came to a close. Unemployment remained close to historic lows, consumer confidence rose to a 17-year high, and the housing market continued to notch steady gains. In step with these signals of domestic economic strength, the global economy continued to move forward in a synchronized fashion, which has contributed to earnings momentum across both developed international and emerging markets.

In the United States, the recently passed tax reform appears poised to inject substantial stimulus into U.S. businesses at the same time that industry regulations are being rolled back across large swaths of the economy, including the systemically important financials sector. One moderating factor is the U.S. Federal Reserve's continued tightening of monetary policy. In mid-December, the federal funds rate was lifted by a quarter of a percentage point, the fifth such increase in the current cycle. While rising interest rates alone may not cause the economy to pull back, markets will be closely attuned to any suggestion that policymakers may quicken the pace of interest-rate increases in the year ahead.

While markets delivered undeniably strong results over the past year, it is important for investors to be cognizant of the downside risks. Your best resource in unpredictable markets is your financial advisor, who can help position your portfolio so that it is sufficiently diversified to meet your long-term objectives and to withstand the inevitable turbulence that accompanies any bull market.

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

Sincerely,

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

This commentary reflects the CEO's views, which are subject to change at any time. Investing involves risks, including the potential loss of principal. Diversification does not guarantee a profit or eliminate the risk of a loss. It is not possible to invest directly into an index. For more up-to-date information, please visit our website at [jhinvestments.com](http://jhinvestments.com).

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John Hancock  
Hedged Equity & Income Fund

Table of contents

<u>2</u>	Your fund at a glance	
<u>4</u>	Discussion of fund performance	
<u>8</u>	Fund's investments	
<u>31</u>	Financial statements	
<u>34</u>	Financial highlights	
<u>35</u>	Notes to financial statements	
<u>44</u>	Report of independent registered public accounting firm	
<u>45</u>	Tax information	
<u>46</u>	Additional information	
<u>49</u>	Trustees and Officers	
<u>53</u>	More information	
ANNUAL REPORT   JOHN HANCOCK HEDGED EQUITY & INCOME FUND		1

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Your fund at a glance

## INVESTMENT OBJECTIVE

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

## AVERAGE ANNUAL TOTAL RETURNS AS OF 12/31/17 (%)

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

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

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

Investment returns and principal value will fluctuate and a shareholder may sustain losses. Further, the fund's performance at net asset value (NAV) is different from the fund's performance at closing market price because the closing market price is subject to the dynamics of secondary market trading. Market risk may be augmented when shares are purchased at a premium to NAV or sold at a discount to NAV. Current month-end performance may be higher or lower than the performance cited. The fund's most recent performance can be found at [jhinvestment.com](http://jhinvestment.com) or by calling 800-852-0218.

ANNUAL REPORT | JOHN HANCOCK HEDGED EQUITY & INCOME FUND 2

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## PERFORMANCE HIGHLIGHTS OVER THE LAST TWELVE MONTHS

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### Improving earnings, global growth boosted equities

Global stocks maintained their positive trajectory throughout the year, bolstered by synchronized global growth and improving corporate earnings.

### The fund's equity exposure hurt relative results

The fund had a positive absolute return but underperformed a comparative index, the MSCI AC World Index, owing primarily to sector allocation within its equity strategy.

### Hedging strategies also detracted from performance

In another strong period for U.S. and global equities, the fund's equity option overlay and beta hedge strategies had negative impacts on relative results.

## PORTFOLIO COMPOSITION AS OF 12/31/17 (%)

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### A note about risks

As is the case with all closed-end funds, shares of this fund may trade at a discount or a premium 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. There is no guarantee prior distribution levels will be maintained, and distributions may include a substantial return of capital. A return of capital is the return of all or a portion of a shareholder's investment in the fund. The fund's prospectus includes additional information regarding returns of capital and the risks associated with distributions made by the fund, including potential tax implications. Fixed-income investments are subject to interest-rate risk; their value will normally decline as interest rates rise. An issuer of securities held by the fund may default, have its credit rating downgraded, or otherwise perform poorly, which may affect fund performance.

Derivatives transactions, including hedging and other strategic transactions, may increase a fund's volatility and could produce disproportionate losses, potentially more than the fund's principal investment. Liquidity the extent to which a security may be sold or a derivative position closed without negatively affecting its market value may be impaired by reduced trading volume, heightened volatility, rising interest rates, and other market conditions. Foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability. Investments in higher-yielding, lower-rated securities include a higher risk of default. The primary risks associated with the use of futures contracts and options are imperfect correlation, unanticipated market movement, and counterparty risk.

Discussion of fund performance

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

**Kent M. Stahl, CFA**

Portfolio Manager

Wellington Management Company LLP

**What were the main factors driving market performance during the 12 months ended December 31, 2017?**

Global equities posted positive gains during all four quarters of the reporting period, ending 2017 with a 24.62% gain as measured by the MSCI AC World Index, a comparative index. Political concerns dominated headlines globally, while economic data across most major economies suggested a synchronized global expansion. Oil hit a two-year high following an extended OPEC supply-cut agreement in effect through the end of 2018. While global merger-and-acquisition (M&A) volumes declined from the previous year, 2017's \$3.5 trillion in announced deals marked a record fourth straight year that M&A levels surpassed \$3 trillion. The persistence of low inflation in developed countries, in light of accelerating global growth and low unemployment, continued to confound central bankers and increased anxiety over interest-rate policy.

**The fund underperformed for the period. What trends led to these results?**

The fund had a positive absolute return, but underperformed the comparative index. Despite positive absolute returns from its underlying equity strategies, as well as the global high-yield strategy, both strategies detracted from relative performance. The equity option overlay and beta hedge strategies also hampered results, due to exceptionally strongly global equity performance over the reporting period.

**Which holdings and strategies had the biggest negative impact for the period?**

The underperformance of the fund's equity strategy was driven by sector allocation, a residual of the bottom-up stock selection process. In particular, the equity portfolio's underweight allocation to the information technology sector and overweight allocation to the energy sector detracted from performance. Stock selection in the information technology and healthcare sectors also hurt relative returns.

Within the equity strategy, the top relative detractors were communication satellite operator SES SA and integrated oil and gas company Chevron Corp.



*"The persistence of low inflation in developed countries, in light of accelerating global growth and low unemployment, continued to confound central bankers and increased anxiety over interest-rate policy."*

The written calls on the S&P 500 Index also detracted from results. The fund received premiums from writing calls during the period, although the premiums collected were not enough to offset the losses on the calls given the rising U.S. equity market over the period.

The beta hedge, which is designed to reduce equity exposure through selling futures on the S&P 500 Index and the MSCI EAFE Index, detracted as well as both indexes advanced over the year.

**What securities and strategies contributed to relative performance?**

Stock selection in the fund's equity strategy contributed to relative performance, particularly in the industrials and consumer staples sectors. Underweight allocations to the consumer staples and healthcare sectors also aided relative results.

The top relative contributors were capital goods company Caterpillar, Inc. and electronic component manufacturer Catcher Technology Company, Ltd.

During the period, the fund held exposure to global high-yield fixed income to help aid its overall

**SECTOR COMPOSITION AS OF 12/31/17 (%)**

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*"Economic data and corporate earnings across regions continue to support a constructive global outlook, despite an increase in equity market volatility shortly after the end of the period covered by this report."*

income-generating capabilities, which contributed positively to its absolute performance.

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

The equity portfolio was overweight relative to a comparative index in the financials, utilities, energy, real estate, telecommunication services, and materials sectors, while underweight in the consumer discretionary, consumer staples, information technology, industrials, and healthcare sectors. From a regional standpoint, the portfolio ended the period most overweight in Europe and most underweight in North America.

As always, we remain vigilant about downside risk and believe that the portfolio's strategy, which seeks to participate in rising markets and manage downside risk while providing income, has the potential to perform well in multiple market environments.

**What are your thoughts on 2018?**

Economic data and corporate earnings across regions continue to support a constructive global outlook, despite an increase in equity market volatility shortly after the end of the period covered by this report. We believe the United States is experiencing late-cycle acceleration as a result of the recently passed tax reform. The economic environment remains strong with full employment, fiscal stimulus, and ongoing deregulation.

**TOP 10 HOLDINGS AS OF 12/31/17 (%)**

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QUALCOMM, Inc.	1.8
Intel Corp.	1.6
Zurich Insurance Group AG	1.6
Novartis AG	1.5
Royal Dutch Shell PLC, B Shares	1.5
Roche Holding AG	1.5
Philip Morris International, Inc.	1.4
Park Hotels & Resorts, Inc.	1.4
TOTAL SA	1.4
HSBC Holdings PLC	1.3
<b>TOTAL</b>	<b>15.0</b>

As a percentage of net assets.

Cash and cash equivalents are not included.

In Japan, improving corporate fundamentals and a strong economic backdrop lead us to continue to expect economic growth and corporate earnings acceleration. After a strong equity market rally in Europe, we see the potential for growth despite risks on the horizon. The European Central Bank continues to maintain its easy monetary policy without any expectation of near-term rate hikes. Risks to our constructive outlook could come from an escalation of tensions with North Korea, political gridlock in the United States, surprise central bank action, and political risk in Europe.

**MANAGED BY**

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**Kent M. Stahl, CFA**

On the fund since 2011

Investing since 1985

**Gregg R. Thomas, CFA**

On the fund since 2011

Investing since 1993

**COUNTRY COMPOSITION AS OF 12/31/17 (%)**

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United States	36.1
United Kingdom	10.5
Japan	10.1
Switzerland	6.2
Canada	4.4
France	4.4
Italy	3.8
Netherlands	2.4
Australia	1.9
Finland	1.7
Other countries	18.5
<b>TOTAL</b>	<b>100.0</b>

As a percentage of net assets.

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

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Fund's investments

AS OF 12-31-17

	Shares	Value
Common stocks 83.4%		\$179,429,334
(Cost \$168,916,451)		
Consumer discretionary 8.3%	17,833,728	
Auto components 1.4%		
Aisan Industry Company, Ltd.	7,100	83,113
Bridgestone Corp.	13,755	636,612
Exedy Corp.	5,855	180,386
Fuyao Glass Industry Group Company, Ltd., H Shares (A)	74,000	311,311
Keihin Corp.	10,495	213,149
Nissin Kogyo Company, Ltd.	9,490	187,828
NOK Corp.	9,185	213,739
Showa Corp.	12,980	160,783
Sumitomo Riko Company, Ltd.	10,100	107,778
The Yokohama Rubber Company, Ltd.	22,855	558,263
Tokai Rika Company, Ltd.	11,000	230,823
Toyoda Gosei Company, Ltd.	7,875	199,803
Automobiles 0.6%		
Daimler AG	930	78,641
Dongfeng Motor Group Company, Ltd., H Shares	74,000	89,320
Ford Motor Company	18,134	226,494
Honda Motor Company, Ltd.	15,950	544,334
Kia Motors Corp. (B)	808	25,258
Mitsubishi Motors Corp.	28,110	202,226
Nissan Motor Company, Ltd.	6,600	65,710
Renault SA	1,263	126,777
Diversified consumer services 0.1%		
Allstar Co-Invest LLC (B)(C)(D)	236,3000	
Benesse Holdings, Inc.	2,700	94,996
New Oriental Education & Technology Group, Inc., ADR	531	49,914
Hotels, restaurants and leisure 1.7%		

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Carnival Corp.	450	29,867
Darden Restaurants, Inc.	426	40,905
Las Vegas Sands Corp. (E)	38,675	2,687,526
McDonald's Corp.	1,382	237,870
OPAP SA	7,761	97,772
TUI AG	25,838	535,293
Household durables 1.2%		
Barratt Developments PLC	19,000	165,746
Berkeley Group Holdings PLC	906	51,249
Coway Company, Ltd.	388	35,358
Funai Electric Company, Ltd.	12,363	95,428
Garmin, Ltd.	1,856	110,562
Nikon Corp.	6,865	138,146
Persimmon PLC	38,619	1,426,753

SEE NOTES TO FINANCIAL  
STATEMENTS

ANNUAL REPORT | JOHN HANCOCK Hedged Equity & Income Fund 8

	Shares	Value
Consumer discretionary (continued) Household durables (continued) Pioneer Corp. (B) Taylor Wimpey PLC	85,800	\$173,338
	100,334	279,150