

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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HANCOCK JOHN BOND TRUST/

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933 (X)
Pre-Effective Amendment No. ()
Post-Effective Amendment No. 44 (X)
REGISTRATION STATEMENT UNDER
THE INVESTMENT COMPANY ACT OF 1940 (X)
Amendment No. 48 (X)

JOHN HANCOCK BOND TRUST
(Exact Name of Registrant as Specified in Charter)
101 Huntington Avenue
Boston, Massachusetts 02199-7603
(Address of Principal Executive Offices) (Zip Code)
Registrant's Telephone Number, (617) 375-1700

SUSAN S. NEWTON
Vice President and Secretary
John Hancock Advisers, Inc.
101 Huntington Avenue
Boston, Massachusetts 02199
(Name and Address of Agent for Service)

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING:

It is proposed that this filing will become effective:
() immediately upon filing pursuant to paragraph (b) of Rule 485
(X) on April 1, 1999 pursuant to paragraph (b) of Rule 485
() 75 days after filing pursuant to paragraph (a) of Rule 485
() on (date) pursuant to paragraph (a) of Rule 485

If appropriate, check the following box:

[] This post-effective amendment designates a new effective date for
a previously filed post-effective amendment.

JOHN HANCOCK

Income Funds

[LOGO] Prospectus
April 1, 1999

As with all mutual funds, the Securities and Exchange Commission
has not judged whether these funds are good investments or whether the
information in this prospectus is adequate and accurate. Anyone who indicates
otherwise is committing a federal crime.

Bond Fund

Government Income Fund

High Yield Bond Fund

Intermediate Government Fund

Strategic Income Fund

[LOGO] JOHN HANCOCK FUNDS
A Global Investment Management Firm

101 Huntington Avenue, Boston, Massachusetts 02199-7603

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Overview

FUND INFORMATION KEY

Concise fund-by-fund descriptions begin on the next page. Each description provides the following information:

[Clip Art] Goal and strategy The fund's particular investment goals and the strategies it intends to use in pursuing those goals.

[Clip Art] Main risks The major risk factors associated with the fund.

[Clip Art] Past performance The fund's total return, measured year-by-year and over time.

[Clip Art] Your expenses The overall costs borne by an investor in the fund, including sales charges and annual expenses.

JOHN HANCOCK INCOME FUNDS

These funds seek current income without sacrificing total return. Some of the funds also invest for stability of principal. Each fund has its own strategy and its own risk profile.

WHO MAY WANT TO INVEST

These funds may be appropriate for investors who:

- o are seeking a regular stream of income

- o want to diversify their portfolios
- o are seeking a mutual fund for the income portion of an asset allocation portfolio
- o are retired or nearing retirement

Income funds may NOT be appropriate if you:

- o are investing for maximum return over a long time horizon
- o require absolute stability of your principal

RISKS OF MUTUAL FUNDS

Mutual funds are not bank deposits and are not insured or guaranteed by the FDIC or any other government agency. Because you could lose money by investing in these funds, be sure to read all risk disclosure carefully before investing.

THE MANAGEMENT FIRM

All John Hancock income funds are managed by John Hancock Advisers, Inc. Founded in 1968, John Hancock Advisers is a wholly owned subsidiary of John Hancock Mutual Life Insurance Company and manages more than \$30 billion in assets.

Bond Fund

GOAL AND STRATEGY

[Clip Art] The fund seeks to generate a high level of current income consistent with prudent investment risk. In pursuing this goal, the fund normally invests in a diversified portfolio of debt securities. These include corporate bonds and debentures as well as U.S. government and agency securities. Most of these securities are investment-grade, although the fund may invest up to 25% of assets in junk bonds rated as low as CC/Ca and their unrated equivalents. There is no limit on the fund's average maturity.

In managing the fund's portfolio, the managers concentrate on sector allocation, industry allocation and securities selection: deciding which types of bonds and industries to emphasize at a given time, and then which individual bonds to buy. When making sector and industry allocations, the managers try to anticipate shifts in the business cycle, using top-down analysis to determine which sectors and industries may benefit over the next 12 months.

In choosing individual securities, the managers use bottom-up research to find securities that appear comparatively undervalued. The managers look at bonds of all different quality levels and maturities from many different issuers, potentially including foreign governments and corporations.

The fund intends to keep its exposure to interest rate movements generally in line with those of its peers. The fund may use certain derivatives (investments whose value is based on indices, securities or currencies), especially in managing its exposure to interest rate risk, although it does not intend to use them extensively.

In abnormal market conditions, the fund may temporarily invest more than 35% of assets in investment-grade short-term securities. In these and other cases, the fund might not achieve its goal.

The fund may trade securities actively, which could increase its transaction costs (thus lowering performance) and increase your taxable dividends.

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PORTFOLIO MANAGERS

James K. Ho, CFA

 Executive vice president of adviser
 Joined team in 1988
 Joined adviser in 1985
 Began career in 1977

Benjamin Matthews

 Vice president of adviser
 Joined team in 1995

Joined adviser in 1995
Began career in 1970

Anthony A. Goodchild

Senior vice president of adviser
Joined team in 1998
Joined adviser in 1994
Began career in 1968

PAST PERFORMANCE

[Clip Art] The graph shows how the fund's total return has varied from year to year, while the table shows performance over time (along with a broad-based market index for reference). This information may help provide an indication of the fund's risks and potential rewards. The average annual figures reflect sales charges; the year-by-year and index figures do not, and would be lower if they did. All figures assume dividend reinvestment. Past performance does not indicate future results.

[The information below was represented by a bar graph in the printed materials.]

Class A year-by-year total returns -- calendar years

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
12.13%	6.68%	16.59%	8.19%	11.69%	-2.74%	19.46%	4.05%	9.64%	7.50%

Best quarter: Q2 '95, 6.57% Worst quarter: Q1 '94, -2.71%

Average annual total returns -- for periods ending 12/31/98

	1 year	5 year	10 year	Life of Class B
Class A	2.65%	6.36%	8.66%	--
Class B - began 11/23/93	1.75%	6.24%	--	6.46%
Index	8.29%	7.16%	9.19%	6.89%

Index: Lehman Brothers Corporate Bond Index, an unmanaged index of U.S. corporate bonds and Yankee bonds.

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MAIN RISKS

[Clip Art] The major factors in this fund's performance are interest rates and credit risk. When interest rates rise, bond prices generally fall. Generally, an increase in the fund's average maturity will make it more sensitive to interest rate risk.

The fund could lose money if any bonds it owns are downgraded in credit rating or go into default. In general, lower-rated bonds have higher credit risks. If certain sectors or investments don't perform as the fund expects, it could underperform its peers or lose money.

To the extent that the fund makes investments with additional risks, those risks could increase volatility or reduce performance:

- o Junk bonds and foreign securities may make the fund more sensitive to market or economic shifts in the U.S. and abroad.
- o If interest rate movements cause the fund's mortgage-related and callable securities to be paid off substantially earlier or later than expected, the fund's share price or yield could be hurt.
- o In a down market, higher-risk securities and derivatives could become harder to value or to sell at a fair price.
- o Certain derivatives could produce disproportionate gains or losses.

Any U.S. government guarantees on portfolio securities do not apply to these securities' market value or current yield, or to fund shares.

=====

YOUR EXPENSES

[Clip Art] Transaction expenses are charged directly to your account. Operating expenses are paid from the fund's assets, and therefore are paid by shareholders indirectly. Because Class C shares have a short history, their expenses are based on Class B expenses.

Shareholder transaction expenses	Class A	Class B	Class C
Maximum sales charge (load) on purchases as a % of purchase price	4.50%	none	none
Maximum deferred sales charge (load) as a % of purchase or sale price, whichever is less	none(1)	5.00%	1.00%

Annual operating expenses	Class A	Class B	Class C
Management fee	0.50%	0.50%	0.50%
Distribution and service (12b-1) fees	0.30%	1.00%	1.00%
Other expenses	0.28%	0.28%	0.28%
Total fund operating expenses	1.08%	1.78%	1.78%

The hypothetical example below shows what your expenses would be if you invested \$10,000 over the time frames indicated, assuming you reinvested all distributions and that the average annual return was 5%. The example is for comparison only, and does not represent the fund's actual expenses and returns, either past or future.

Expenses	Year 1	Year 3	Year 5	Year 10
Class A	\$555	\$778	\$1,019	\$1,708
Class B - with redemption	\$681	\$860	\$1,164	\$1,908
- without redemption	\$181	\$560	\$ 964	\$1,908
Class C - with redemption	\$281	\$560	\$ 964	\$2,095
- without redemption	\$181	\$560	\$ 964	\$2,095

(1) Except for investments of \$1 million or more; see "How sales charges are calculated."

FUND CODES

Class A

Ticker JHNBX
 CUSIP 410223101
 Newspaper BondA
 SEC number 811-2402

Class B

Ticker JHBBX
 CUSIP 410223309
 Newspaper BondB
 SEC number 811-2402

Class C

Ticker --
 CUSIP 410223200
 Newspaper --
 SEC number 811-2402

Government Income Fund

GOAL AND STRATEGY

[Clip Art] The fund seeks a high level of current income consistent with preservation of capital. Maintaining a stable share price is a secondary goal. In pursuing these goals, the fund normally invests at least 80% of assets in U.S. government and agency securities. There is no limit on the fund's average maturity.

The fund may invest in higher-risk securities, including dollar-denominated foreign government securities and asset-backed securities. It may also invest up to 10% of assets in foreign governmental high-yield securities (junk bonds) rated as low as B and their unrated equivalents.

In managing the fund's portfolio, the managers consider interest rate trends to determine which types of bonds to emphasize at a given time. The fund typically favors mortgage-related securities when it anticipates that interest rates will be relatively stable, and favors U.S. Treasuries at other times. Because high-yield bonds often respond to market movements differently from U.S. government bonds, the fund may use them to manage volatility.

The fund may use certain derivatives (investments whose value is based on indices, securities or currencies), especially in managing its exposure to interest rate risk, although it does not intend to use them extensively.

In abnormal market conditions, the fund may temporarily invest more than 20% of assets in high-quality short-term securities. In these and other cases, the fund might not achieve its goal.

The fund may trade securities actively, which could increase its transaction costs (thus lowering performance) and increase your taxable dividends.

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PORTFOLIO MANAGERS

Barry H. Evans, CFA

 Senior vice president of adviser
 Joined team in 1995
 Joined adviser in 1986
 Began career in 1986

Dawn Baillie

 Joined team in 1998
 Joined adviser in 1985
 Began career in 1985

PAST PERFORMANCE

[Clip Art] The graph shows how the fund's total return has varied from year to year, while the table shows performance over time (along with a broad-based market index for reference). This information may help provide an indication of the fund's risks and potential rewards. The average annual figures reflect sales charges; the year-by-year and index figures do not, and would be lower if they did. All figures assume dividend reinvestment. Past performance does not indicate future results.

[The information below was represented by a bar graph in the printed materials.]

 Class B year-by-year total returns -- calendar years

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
10.55%	6.98%	15.78%	5.30%	7.65%	-5.29%	17.71%	1.29%	8.67%	7.96%

Best quarter: Q3 '91, 6.57% Worst quarter: Q1 '94, -3.52%

 Average annual total returns -- for periods ending 12/31/98

	1 year	5 year	10 year	Life of Class A
Class A - began 9/30/94	3.80%	--	--	7.79%
Class B	2.96%	5.49%	7.40%	--
Index	8.49%	6.45%	8.34%	7.69%

Index: Lehman Brothers Government Bond Index, an unmanaged index of U.S. Treasury and government agency bonds.

MAIN RISKS

[Clip Art] The major factor in this fund's performance is interest rates. When interest rates rise, bond prices generally fall. Generally, an increase in the

fund's average maturity will make it more sensitive to interest rate risk.

A fall in worldwide demand for U.S. government securities could also lower the prices of these securities.

The fund could lose money if any bonds it owns are downgraded in credit rating or go into default. In general, lower-rated bonds have higher credit risks. If certain sectors or investments don't perform as the fund expects, it could underperform its peers or lose money.

To the extent that the fund makes investments with additional risks, those risks could increase volatility or reduce performance:

- o If interest rate movements cause the fund's mortgage-related and callable securities to be paid off substantially earlier or later than expected, the fund's share price or yield could be hurt.
- o Junk bonds and foreign securities could make the fund more sensitive to market or economic shifts in the U.S. and abroad.
- o In a down market, higher-risk securities and derivatives could become harder to value or to sell at a fair price.
- o Certain derivatives could produce disproportionate gains or losses.

Any governmental guarantees on portfolio securities do not apply to these securities' market value or current yield, or to fund shares.

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YOUR EXPENSES

[Clip Art] Transaction expenses are charged directly to your account. Operating expenses are paid from the fund's assets, and therefore are paid by shareholders indirectly. Because Class C shares are new, their expenses are based on Class B expenses.

Shareholder transaction expenses	Class A	Class B	Class C
Maximum sales charge (load) on purchases as a % of purchase price	4.50%	none	none
Maximum deferred sales charge (load) as a % of purchase or sale price, whichever is less	none(1)	5.00%	1.00%

Annual operating expenses	Class A	Class B	Class C
Management fee	0.63%	0.63%	0.63%
Distribution and service (12b-1) fees	0.25%	1.00%	1.00%
Other expenses	0.22%	0.22%	0.22%
Total fund operating expenses	1.10%	1.85%	1.85%
Management fee reduction (at least until 4/1/00)	0.13%	0.13%	0.13%
Annual operating expenses	0.97%	1.72%	1.72%

The hypothetical example below shows what your expenses would be if you invested \$10,000 over the time frames indicated, assuming you reinvested all distributions and that the average annual return was 5%. The example is for comparison only, and does not represent the fund's actual expenses and returns, either past or future.

Expenses	Year 1	Year 3	Year 5	Year 10
Class A	\$545	\$772	\$1,017	\$1,719
Class B - with redemption	\$675	\$869	\$1,189	\$1,962
- without redemption	\$175	\$569	\$ 989	\$1,962
Class C - with redemption	\$275	\$569	\$ 989	\$2,159
- without redemption	\$175	\$569	\$ 989	\$2,159

(1) Except for investments of \$1 million or more; see "How sales charges are calculated."

FUND CODES

Class A

Ticker JHGIX
 CUSIP 41014P854
 Newspaper GvInCA
 SEC number 811-3006

Class B

Ticker TSGIX
CUSIP 41014P847
Newspaper GvIncB
SEC number 811-3006

Class C

Ticker --
CUSIP 41014P797
Newspaper --
SEC number 811-3006

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High Yield Bond Fund

GOAL AND STRATEGY

[Clip Art] The fund seeks to maximize current income without assuming undue risk. Capital appreciation is a secondary goal. In pursuing these goals, the fund normally invests at least 65% of assets in U.S. and foreign bonds rated BBB/Baa or lower and their unrated equivalents. The fund may invest up to 30% of assets in junk bonds rated CC/Ca and their unrated equivalents. There is no limit on the fund's average maturity.

In managing the fund's portfolio, the managers concentrate on industry allocation and securities selection: deciding which types of industries to emphasize at a given time, and then which individual bonds to buy. The managers use top-down analysis to determine which industries may benefit from current and future changes in the economy.

In choosing individual securities, the managers use bottom-up research to find securities that appear comparatively undervalued. The managers look at the financial condition of the issuers as well as the collateralization and other features of the securities themselves.

The managers also look at companies' financing cycles to determine which types of securities (for example, bonds, preferred stocks or common stocks) to favor. The fund typically invests in a broad range of industries, although it may invest up to 40% of assets in electric utilities and telecommunications companies.

The fund may use certain higher-risk investments, including derivatives (investments whose value is based on indices, securities or currencies) and restricted or illiquid securities. In addition, the fund may invest up to 20% of net assets in U.S. and foreign stocks.

In abnormal market conditions, the fund may temporarily invest more than 35% of assets in investment-grade short-term securities. In these and other cases, the fund might not achieve its goal.

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PORTFOLIO MANAGERS

Arthur N. Calavritinos, CFA

Vice president of adviser
Joined team in 1995
Joined adviser in 1988
Began career in 1986

Frederick L. Cavanaugh, Jr.

Senior vice president of adviser
Joined team in 1988
Joined adviser in 1986
Began career in 1975

Janet L. Clay, CFA

Vice president of adviser
Joined team in 1998
Joined adviser in 1995
Began career in 1990

PAST PERFORMANCE

[Clip Art] The graph shows how the fund's total return has varied from year to year, while the table shows performance over time (along with a broad-based market index for reference). This information may help provide an indication of the fund's risks and potential rewards. The average annual figures reflect sales charges; the year-by-year and index figures do not, and would be lower if they did. All figures assume dividend reinvestment. Past performance does not indicate future results.

[The information below was represented by a bar graph in the printed materials.]

Class B year-by-year total returns -- calendar years

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
-5.05%	-6.57%	33.84%	13.33%	21.40%	-6.06%	14.53%	15.13%	16.88%	-11.88%

Best quarter: Q1 '91, 13.37% Worst quarter: Q3 '98, -18.05%

Average annual total returns -- for periods ending 12/31/98

	1 year	5 year	10 year	Life of Class A
Class A - began 6/30/93	-15.21%	4.82%	--	5.67%
Class B	-15.89%	4.75%	7.53%	--
Index	1.87%	8.57%	10.55%	8.90%

Index: Lehman Brothers High Yield Bond Index, an unmanaged index of high yield bonds.

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MAIN RISKS

[Clip Art] The major factors in the fund's performance are interest rates and credit risk. When interest rates rise, bond prices generally fall. Generally, an increase in the fund's average maturity will make it more sensitive to interest rate risk.

Credit risk depends largely on the perceived financial health of bond issuers. In general, lower-rated bonds have higher credit risks. Junk bond prices can fall on bad news about the economy, an industry or a company. Share price, yield and total return may fluctuate more than with less aggressive bond funds.

The fund could lose money if any bonds it owns are downgraded in credit rating or go into default. If certain industries or investments don't perform as the fund expects, it could underperform its peers or lose money.

To the extent that the fund makes investments with additional risks, those risks could increase volatility or reduce performance:

- o Foreign investments carry additional risks, including potentially unfavorable currency exchange rates, inadequate or inaccurate financial information and social or political upheavals.
- o If interest rate movements cause the fund's callable securities to be paid off substantially earlier or later than expected, the fund's share price or yield could be hurt.
- o If the fund concentrates its investments in telecommunications or electric utilities, its performance could be tied more closely to those industries than to the market as a whole.
- o Stock investments may go down in value due to stock market movements or negative company or industry events.
- o In a down market, higher-risk securities and derivatives could become harder to value or to sell at a fair price.
- o Certain derivatives could produce disproportionate gains or losses.

The fund may trade securities actively, which could increase its transaction costs (thus lowering performance) and increase your taxable dividends.

=====

YOUR EXPENSES

[Clip Art] Transaction expenses are charged directly to your account. Operating expenses are paid from the fund's assets, and therefore are paid by shareholders indirectly. Because Class C shares have a short history, their expenses are

based on Class B expenses.

Shareholder transaction expenses	Class A	Class B	Class C
Maximum sales charge (load) on purchases as a % of purchase price	4.50%	none	none
Maximum deferred sales charge (load) as a % of purchase or sale price, whichever is less	none(1)	5.00%	1.00%

Annual operating expenses	Class A	Class B	Class C
Management fee	0.52%	0.52%	0.52%
Distribution and service (12b-1) fees	0.25%	1.00%	1.00%
Other expenses	0.20%	0.20%	0.20%
Total fund operating expenses	0.97%	1.72%	1.72%

The hypothetical example below shows what your expenses would be if you invested \$10,000 over the time frames indicated, assuming you reinvested all distributions and that the average annual return was 5%. The example is for comparison only, and does not represent the fund's actual expenses and returns, either past or future.

Expenses	Year 1	Year 3	Year 5	Year 10
Class A	\$545	\$745	\$ 962	\$1,586
Class B - with redemption	\$675	\$842	\$1,133	\$1,830
- without redemption	\$175	\$542	\$ 933	\$1,830
Class C - with redemption	\$275	\$542	\$ 933	\$2,030
- without redemption	\$175	\$542	\$ 933	\$2,030

(1) Except for investments of \$1 million or more; see "How sales charges are calculated."

FUND CODES

Class A

Ticker JHHBX
 CUSIP 41014P839
 Newspaper HiYldA
 SEC number 811-3006

Class B

Ticker TSHYX
 CUSIP 41014P821
 Newspaper HiYldB
 SEC number 811-3006

Class C

Ticker --
 CUSIP 41014P813
 Newspaper --
 SEC number 811-3006

Intermediate Government Fund

GOAL AND STRATEGY

[Clip Art] The fund seeks a high level of current income consistent with preservation of capital and maintenance of liquidity. In pursuing this goal, the fund normally invests at least 80% of assets in U.S. government and agency securities. Although the fund may invest in bonds of any maturity, it maintains a dollar-weighted average maturity of between three and ten years.

In managing the fund's portfolio, the managers consider interest rate trends to determine which types of bonds to emphasize at a given time. The managers typically favor mortgage-related securities when they anticipate that interest rates will be relatively stable, and favor U.S. Treasuries at other times. The managers also invest in non-Treasury securities to enhance the fund's current yields.

The fund may use certain derivatives (investments whose value is based on

indices or other securities), especially in managing its exposure to interest rate risk. It may also invest up to 20% of assets in asset-backed or corporate debt securities in the highest credit category (those rated AAA/Aaa and their unrated equivalents). However, it does not intend to use any of these investments extensively.

In abnormal market conditions, the fund may temporarily invest more than 20% of assets in high-quality short-term securities. In these and other cases, the fund might not achieve its goal.

The fund may trade securities actively, which could increase its transaction costs (thus lowering performance) and increase your taxable dividends.

=====

PORTFOLIO MANAGERS

Barry H. Evans, CFA

 Senior vice president of adviser
 Joined team in 1995
 Joined adviser in 1986
 Began career in 1986

Dawn Baillie

 Joined team in 1998
 Joined adviser in 1985
 Began career in 1985

PAST PERFORMANCE

[Clip Art] The graph shows how the fund's total return has varied from year to year, while the table shows performance over time (along with broad-based market indices for reference). This information may help provide an indication of the fund's risks and potential rewards. The average annual figures reflect sales charges; the year-by-year and index figures do not, and would be lower if they did. All figures assume dividend reinvestment. Past performance does not indicate future results.

[The information below was represented by a bar graph in the printed materials.]

 Class A year-by-year total returns -- calendar years

	1992	1993	1994	1995	1996	1997	1998
	6.56%	3.95%	1.07%	10.27%	3.32%	8.79%	8.58%

Best quarter: Q3 '98, 4.85% Worst quarter: Q1 '96, -1.35%

 Average annual total returns -- for periods ending 12/31/98

	1 year	5 year	Life of Class A	Life of Class B
Class A - began 12/31/91	5.33%	5.70%	5.57%	--
Class B - began 12/31/91	4.77%	5.62%	--	5.32%
Index 1	8.17%	6.12%	6.44%	6.44%
Index 2	9.85%	7.18%	6.76%	6.76%

Index 1: Lipper Intermediate U.S. Government Index, an unmanaged index of intermediate-term government bonds.

Index 2: Lehman Brothers Government Bond Index, an unmanaged index of U.S. Treasury and government agency bonds.

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MAIN RISKS

[Clip Art] The major factor in this fund's performance is interest rates. When interest rates rise, bond prices generally fall. Generally, an increase in the fund's average maturity will make it more sensitive to interest rate risk.

A fall in worldwide demand for U.S. government securities could also lower the prices of these securities.

The fund could lose money if any bonds it owns are downgraded in credit rating or go into default. If certain sectors or investments don't perform as the fund expects, it could underperform its peers or lose money.

To the extent that the fund makes investments with additional risks, those risks could increase volatility or reduce performance:

- o If interest rate movements cause the fund's mortgage-related and callable securities to be paid off substantially earlier or later than expected, the fund's share price or yield could be hurt.
- o In a down market, higher-risk securities and derivatives could become harder to value or to sell at a fair price.
- o Certain derivatives could produce disproportionate gains or losses.

Any U.S. government guarantees on portfolio securities do not apply to these securities' market value or current yield, or to fund shares.

=====

YOUR EXPENSES

[Clip Art] Transaction expenses are charged directly to your account. Operating expenses are paid from the fund's assets, and therefore are paid by shareholders indirectly. Because Class C shares are new, their expenses are based on Class B expenses.

Shareholder transaction expenses	Class A	Class B	Class C
Maximum sales charge (load) on purchases as a % of purchase price	3.00%	none	none
Maximum deferred sales charge (load) as a % of purchase or sale price, whichever is less	none(1)	3.00%	1.00%

Annual operating expenses	Class A	Class B	Class C
Management fee	0.40%	0.40%	0.40%
Distribution and service (12b-1) fees	0.25%	1.00%	1.00%
Other expenses	0.51%	0.51%	0.51%
Total fund operating expenses	1.16%	1.91%	1.91%

The hypothetical example below shows what your expenses would be if you invested \$10,000 over the time frames indicated, assuming you reinvested all distributions and that the average annual return was 5%. The example is for comparison only, and does not represent the fund's actual expenses and returns, either past or future.

Expenses	Year 1	Year 3	Year 5	Year 10
Class A	\$415	\$657	\$ 919	\$1,667
Class B - with redemption	\$494	\$800	\$1,032	\$1,775
- without redemption	\$194	\$600	\$1,032	\$1,775
Class C - with redemption	\$294	\$600	\$1,032	\$2,233
- without redemption	\$194	\$600	\$1,032	\$2,233

(1) Except for investments of \$1 million or more; see "How sales charges are calculated."

FUND CODES

Class A

Ticker TAUSX
 CUSIP 41014P102
 Newspaper IntGvA
 SEC number 811-3006

Class B

Ticker TSUSX
 CUSIP 41014P201
 Newspaper --
 SEC number 811-3006

Class C

Ticker --
CUSIP 41014P789
Newspaper --
SEC number 811-3006

Strategic Income Fund

GOAL AND STRATEGY

[Clip Art] The fund seeks a high level of current income. In pursuing this goal, the fund invests primarily in the following types of securities:

- o foreign government and corporate debt securities from developed and emerging markets
- o U.S. government and agency securities
- o U.S. junk bonds

Although the fund invests in securities rated as low as CC/Ca and their unrated equivalents, it generally intends to keep its average credit quality in the investment-grade range. There is no limit on the fund's average maturity.

In managing the portfolio, the managers allocate assets among the three major sectors based on analysis of economic factors such as projected international interest rate movements, industry cycles and political trends.

Within each sector, the managers look for securities that are appropriate for the overall portfolio in terms of yield, credit quality, structure and industry distribution. In selecting securities, relative yields and risk/reward ratios are the primary considerations.

The fund may use certain higher-risk investments, including derivatives (investments whose value is based on indices, securities or currencies) and restricted or illiquid securities. In addition, the fund may invest up to 10% of net assets in U.S. or foreign stocks.

In abnormal market conditions, the fund may temporarily invest extensively in investment-grade short-term securities. In these and other cases, the fund might not achieve its goal.

The fund may trade securities actively, which could increase its transaction costs (thus lowering performance) and increase your taxable dividends.

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PORTFOLIO MANAGERS

Frederick L. Cavanaugh, Jr.

Senior vice president of adviser
Joined team in 1986
Joined adviser in 1986
Began career in 1975

Arthur N. Calavritinos, CFA

Vice president of adviser
Joined team in 1995
Joined adviser in 1988
Began career in 1986

PAST PERFORMANCE

[Clip Art] The graph shows how the fund's total return has varied from year to year, while the table shows performance over time (along with a broad-based market index for reference). This information may help provide an indication of the fund's risks and potential rewards. The average annual figures reflect sales charges; the year-by-year and index figures do not, and would be lower if they did. All figures assume dividend reinvestment. Past performance does not indicate future results.

[The information below was represented by a bar graph in the printed materials.]

Class A year-by-year total returns -- calendar years

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
-0.41%	-9.83%	33.58%	7.68%	13.93%	-3.02%	18.73%	11.63%	12.67%	5.41%

Average annual total returns -- for periods ending 12/31/98

	1 year	5 year	10 year	Life of Class B
Class A	0.61%	7.83%	7.94%	--
Class B - began 10/4/93	-0.20%	7.78%	--	8.25%
Index	9.47%	7.30%	9.33%	6.89%

Index: Lehman Brothers Government/Corporate Bond Index, an unmanaged index of U.S. government, U.S. corporate and Yankee bonds.

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MAIN RISKS

[Clip Art] The fund's risk profile depends on its sector allocation. In general, investors should expect fluctuations in share price, yield and total return that are above average for bond funds.

When interest rates rise, bond prices generally fall. Generally, an increase in the fund's average maturity will make it more sensitive to interest rate risk.

A fall in worldwide demand for U.S. government securities could also lower the prices of these securities.

The fund could lose money if any bonds it owns are downgraded in credit rating or go into default. In general, lower-rated bonds have higher credit risks, and their prices can fall on bad news about the economy, an industry or a company. If certain allocation strategies or certain industries or investments don't perform as the fund expects, it could underperform its peers or lose money.

To the extent that the fund makes investments with additional risks, those risks could increase volatility or reduce performance:

- o Foreign investments carry additional risks, including potentially unfavorable currency exchange rates, inadequate or inaccurate financial information and social or political upheavals. These risks are greater in emerging markets.
- o If interest rate movements cause the fund's callable securities to be paid off substantially earlier or later than expected, the fund's share price or yield could be hurt.
- o Stock investments may go down in value due to stock market movements or negative company or industry events.
- o In a down market, higher-risk securities and derivatives could become harder to value or to sell at a fair price.
- o Certain derivatives could produce disproportionate gains or losses.

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YOUR EXPENSES

[Clip Art] Transaction expenses are charged directly to your account. Operating expenses are paid from the fund's assets, and therefore are paid by shareholders indirectly. Because Class C shares have a short history, their expenses are based on Class B expenses.

Shareholder transaction expenses	Class A	Class B	Class C
Maximum sales charge (load) on purchases as a % of purchase price	4.50%	none	none
Maximum deferred sales charge (load) as a % of purchase or sale price, whichever is less	none (1)	5.00%	1.00%

Annual operating expenses	Class A	Class B	Class C
Management fee	0.40%	0.40%	0.40%
Distribution and service (12b-1) fees	0.30%	1.00%	1.00%
Other expenses	0.22%	0.22%	0.22%
Total fund operating expenses	0.92%	1.62%	1.62%

The hypothetical example below shows what your expenses would be if you

invested \$10,000 over the time frames indicated, assuming you reinvested all distributions and that the average annual return was 5%. The example is for comparison only, and does not represent the fund's actual expenses and returns, either past or future.

Expenses	Year 1	Year 3	Year 5	Year 10
Class A	\$540	\$730	\$ 936	\$1,530
Class B - with redemption	\$665	\$811	\$1,081	\$1,733
- without redemption	\$165	\$511	\$ 881	\$1,733
Class C - with redemption	\$265	\$511	\$ 881	\$1,922
- without redemption	\$165	\$511	\$ 881	\$1,922

(1) Except for investments of \$1 million or more; see "How sales charges are calculated."

FUND CODES

Class A

Ticker JHFIX
 CUSIP 410227102
 Newspaper StrIncA
 SEC number 811-4651

Class B

Ticker STIBX
 CUSIP 410227300
 Newspaper StrIncB
 SEC number 811-4651

Class C

Ticker --
 CUSIP 410227888
 Newspaper --
 SEC number 811-4651

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Your account

CHOOSING A SHARE CLASS

Each share class has its own cost structure, including a Rule 12b-1 plan that allows it to pay fees for the sale and distribution of its shares. Your financial representative can help you decide which share class is best for you.

Class A

- o Front-end sales charges, as described at right.
- o Distribution and service (12b-1) fees of 0.25% (0.30% for Bond and Strategic Income).

Class B

- o No front-end sales charge; all your money goes to work for you right away.
- o Distribution and service (12b-1) fees of 1.00%.
- o A deferred sales charge, as described on following page.
- o Automatic conversion to Class A shares after either five years (Intermediate Government) or eight years (all other funds), thus reducing future annual expenses.

Class C

- o No front-end sales charge; all your money goes to work for you right away.
- o Distribution and service (12b-1) fees of 1.00%.
- o A 1.00% contingent deferred sales charge on shares sold within one year of purchase.
- o No automatic conversion to Class A shares, so annual expenses continue at the Class C level throughout the life of your investment.

For actual past expenses of each share class, see the fund-by-fund information

earlier in this prospectus.

Because 12b-1 fees are paid on an ongoing basis, Class B and Class C shareholders could end up paying more expenses over the long term than if they had paid a sales charge.

Investors purchasing \$1 million or more of Class B or Class C shares may want to consider the lower operating expenses of Class A shares.

HOW SALES CHARGES ARE CALCULATED

Class A Sales charges are as follows:

Sales charges - Intermediate Government

Your investment	As a % of offering price	As a % of your investment
Up to \$99,999	3.00%	3.09%
\$100,000 - \$499,999	2.50%	2.56%
\$500,000 - \$999,999	2.00%	2.04%
\$1,000,000 and over	See below	

Sales charges - all other funds

Your investment	As a % of offering price	As a % of your investment
Up to \$99,999	4.50%	4.71%
\$100,000 - \$249,999	3.75%	3.90%
\$250,000 - \$499,999	2.75%	2.83%
\$500,000 - \$999,999	2.00%	2.04%
\$1,000,000 and over	See below	

Investments of \$1 million or more Class A shares are available with no front-end sales charge. However, there is a contingent deferred sales charge (CDSC) on any shares sold within one year of purchase, as follows:

CDSC on \$1 million+ investments - all funds

Your investment	CDSC on shares being sold
First \$1M - \$4,999,999	1.00%
Next \$1 - \$5M above that	0.50%
Next \$1 or more above that	0.25%

For purposes of this CDSC, all purchases made during a calendar month are counted as having been made on the last day of that month.

The CDSC is based on the lesser of the original purchase cost or the current market value of the shares being sold, and is not charged on shares you acquired by reinvesting your dividends. To keep your CDSC as low as possible, each time you place a request to sell shares we will first sell any shares in your account that are not subject to a CDSC.

14 YOUR ACCOUNT

Class B and Class C Shares are offered at their net asset value per share, without any initial sales charge. However, you may be charged a contingent deferred sales charge (CDSC) on shares you sell within a certain time after you bought them, as described in the tables below. There is no CDSC on shares acquired through reinvestment of dividends. The CDSC is based on the original purchase cost or the current market value of the shares being sold, whichever is less. The CDSCs are as follows:

Class B deferred charges

Years after purchase	CDSC on Intermediate Government shares being sold	CDSC on all other fund shares being sold
1st year	3.00%	5.00%
2nd year	2.00%	4.00%

3rd year	2.00%	3.00%
4th year	1.00%	3.00%
5th year	none	2.00%
6th year	none	1.00%
After 6th year	none	none

Class C deferred charges

Years after purchase	CDSC
1st year	1.00%
After 1st year	none

For purposes of these CDSCs, all purchases made during a calendar month are counted as having been made on the first day of that month.

CDSC calculations are based on the number of shares involved, not on the value of your account. To keep your CDSC as low as possible, each time you place a request to sell shares we will first sell any shares in your account that carry no CDSC. If there are not enough of these to meet your request, we will sell those shares that have the lowest CDSC.

SALES CHARGE REDUCTIONS AND WAIVERS

Reducing your Class A sales charges There are several ways you can combine multiple purchases of Class A shares of John Hancock funds to take advantage of the breakpoints in the sales charge schedule. The first three ways can be combined in any manner.

- o Accumulation Privilege -- lets you add the value of any Class A shares you already own to the amount of your next Class A investment for purposes of calculating the sales charge. Retirement plans investing \$1 million in Class B shares may add that value to Class A purchases to calculate charges.
- o Letter of Intention -- lets you purchase Class A shares of a fund over a 13-month period and receive the same sales charge as if all shares had been purchased at once.
- o Combination Privilege -- lets you combine Class A shares of multiple funds for purposes of calculating the sales charge.

To utilize: complete the appropriate section of your application, or contact your financial representative or Signature Services, or consult the SAI (see the back cover of this prospectus).

Group Investment Program A group may be treated as a single purchaser under the accumulation and combination privileges. Each investor has an individual account, but the group's investments are lumped together for sales charge purposes, making the investors potentially eligible for reduced sales charges. There is no charge, no obligation to invest (although initial investments must total at least \$250), and individual investors may close their accounts at any time.

To utilize: contact your financial representative or Signature Services to find out how to qualify, or consult the SAI (see the back cover of this prospectus).

CDSC waivers As long as Signature Services is notified at the time you sell, the CDSC for each share class will generally be waived in the following cases:

- o to make payments through certain systematic withdrawal plans
- o to make certain distributions from a retirement plan
- o because of shareholder death or disability
- o to purchase a John Hancock Declaration annuity

To utilize: if you think you may be eligible for a CDSC waiver, contact your financial representative or Signature Services, or consult the SAI (see the back cover of this prospectus).

YOUR ACCOUNT 15

Reinstatement privilege If you sell shares of a John Hancock fund, you may reinvest some or all of the proceeds in the same share class of any John Hancock fund within 120 days without a sales charge, as long as Signature Services is notified before you reinvest. If you paid a CDSC when you sold your shares, you will be credited with the amount of the CDSC. All accounts involved must have the same registration.

To utilize: contact your financial representative or Signature Services.

Waivers for certain investors Class A shares may be offered without front-end

sales charges or CDSCs to various individuals and institutions, including:

- o selling brokers and their employees and sales representatives
- o financial representatives utilizing fund shares in fee-based investment products under signed agreement with John Hancock Funds
- o fund trustees and other individuals who are affiliated with these or other John Hancock funds
- o individuals transferring assets from an employee benefit plan into a John Hancock fund
- o certain insurance company contract holders (one-year CDSC usually applies)
- o participants in certain retirement plans with at least 100 eligible employees (one-year CDSC applies)

To utilize: if you think you may be eligible for a sales charge waiver, contact Signature Services or consult the SAI (see the back cover of this prospectus).

OPENING AN ACCOUNT

- 1 Read this prospectus carefully.
- 2 Determine how much you want to invest. The minimum initial investments for the John Hancock funds are as follows:
 - o non-retirement account: \$1,000
 - o retirement account: \$250
 - o group investments: \$250
 - o Monthly Automatic Accumulation Plan (MAAP): \$25 to open; you must invest at least \$25 a month
 - o fee-based clients of selling brokers who placed at least \$2 billion in John Hancock funds: \$250
- 3 Complete the appropriate parts of the account application, carefully following the instructions. You must submit additional documentation when opening a trust, corporate or power of attorney account. For more information, please contact your financial representative or call Signature Services at 1-800-225-5291.
- 4 Complete the appropriate parts of the account privileges application. By applying for privileges now, you can avoid the delay and inconvenience of having to file an additional application if you want to add privileges later.
- 5 Make your initial investment using the table on the next page. You and your financial representative can initiate any purchase, exchange or sale of shares.

16 YOUR ACCOUNT

Buying shares

Opening an account

Adding to an account

By check

- | | |
|--|--|
| <p>[Clip Art] o Make out a check for the investment amount, payable to "John Hancock Signature Services, Inc."</p> <p>o Deliver the check and your completed application to your financial representative, or mail them to Signature Services (address below).</p> | <p>o Make out a check for the investment amount payable to "John Hancock Signature Services, Inc."</p> <p>o Fill out the detachable investment slip from an account statement. If no slip is available, include a note specifying the fund name, your share class, your account number and the name(s) in which the account is registered.</p> <p>o Deliver the check and your investment slip or note to your financial representative, or mail them to Signature Services (address below).</p> |
|--|--|

By exchange

- | | |
|---|--|
| <p>[Clip Art] o Call your financial representative or Signature</p> | <p>o Call your financial representative or Signature</p> |
|---|--|

Services to request an exchange.

Services to request an exchange.

By wire

- [Clip Art] o Deliver your completed application to your financial representative, or mail it to Signature Services.
- o Obtain your account number by calling your financial representative or Signature Services.
- o Instruct your bank to wire the amount of your investment to:
First Signature Bank & Trust
Account # 900000260
Routing # 211475000

- o Instruct your bank to wire the amount of your investment to:
First Signature Bank & Trust
Account # 900000260
Routing # 211475000

Specify the fund name, your share class, your account number and the name(s) in which the account is registered. Your bank may charge a fee to wire funds.

Specify the fund name, your choice of share class, the new account number and the name(s) in which the account is registered. Your bank may charge a fee to wire funds.

By phone

[Clip Art] See "By wire" and "By exchange."

- o Verify that your bank or credit union is a member of the Automated Clearing House (ACH) system.
- o Complete the "Invest By Phone" and "Bank Information" sections on your account application.
- o Call Signature Services to verify that these features are in place on your account.
- o Tell the Signature Services representative the fund name, your share class, your account number, the name(s) in which the account is registered and the amount of your investment.

Address:
John Hancock Signature Services, Inc.
1 John Hancock Way, Suite 1000
Boston, MA 02217-1000

Phone Number: 1-800-225-5291

Or contact your financial representative for instructions and assistance.

To open or add to an account using the Monthly Automatic Accumulation Program, see "Additional investor services."

YOUR ACCOUNT 17

Selling shares

Designed for

To sell some or all of your shares

By letter

- [Clip Art] o Accounts of any type.
- o Sales of any amount.

- o Write a letter of instruction or complete a stock power indicating the fund name, your share class, your account number, the

name(s) in which the account is registered and the dollar value or number of shares you wish to sell.

- o Include all signatures and any additional documents that may be required (see next page).
- o Mail the materials to Signature Services.
- o A check will be mailed to the name(s) and address in which the account is registered, or otherwise according to your letter of instruction.

By phone

- [Clip Art]
- o Most accounts.
 - o Sales of up to \$100,000.
 - o For automated service 24 hours a day using your touch-tone phone, call the EASI-Line at 1-800-338-8080.
 - o To place your order, call your financial representative or Signature Services between 8 A.M. and 4 P.M. Eastern Time on most business days.

By wire or electronic funds transfer (EFT)

- [Clip Art]
- o Requests by letter to sell any amount (accounts of any type).
 - o Requests by phone to sell up to \$100,000 (accounts with telephone redemption privileges).
 - o To verify that the telephone redemption privilege is in place on an account, or to request the form to add it to an existing account, call Signature Services.
 - o Amounts of \$1,000 or more will be wired on the next business day. A \$4 fee will be deducted from your account.
 - o Amounts of less than \$1,000 may be sent by EFT or by check. Funds from EFT transactions are generally available by the second business day. Your bank may charge a fee for this service.

By exchange

- [Clip Art]
- o Accounts of any type.
 - o Sales of any amount.
 - o Obtain a current prospectus for the fund into which you are exchanging by calling your financial representative or Signature Services.
 - o Call your financial representative or Signature Services to request an exchange.

By check

- [Clip Art]
- o Government Income, Intermediate Government and Strategic Income only.
 - o Any account with checkwriting privileges.
 - o Sales of over \$100.
 - o Request checkwriting on your account application.
 - o Verify that the shares to be sold were purchased more than 10 days earlier or were purchased by wire.
 - o Write a check for any amount over \$100.

Selling shares in writing In certain circumstances, you will need to make your request to sell shares in writing. You may need to include additional items with your request, as shown in the table below. You may also need to include a signature guarantee, which protects you against fraudulent orders. You will need a signature guarantee if:

- o your address of record has changed within the past 30 days
- o you are selling more than \$100,000 worth of shares
- o you are requesting payment other than by a check mailed to the address of record and payable to the registered owner(s)

You will need to obtain your signature guarantee from a member of the Signature Guarantee Medallion Program. Most brokers and securities dealers are members of this program. A notary public CANNOT provide a signature guarantee.

 Seller Requirements for written requests

 [Clip Art]

<p>Owners of individual, joint, sole proprietorship, UGMA/UTMA (custodial accounts for minors) or general partner accounts.</p>	<ul style="list-style-type: none"> o Letter of instruction. o On the letter, the signatures and titles of all persons authorized to sign for the account, exactly as the account is registered. o Signature guarantee if applicable (see above).
<p>Owners of corporate or association accounts.</p>	<ul style="list-style-type: none"> o Letter of instruction. o Corporate resolution, certified within the past 12 months. o On the letter and the resolution, the signature of the person(s) authorized to sign for the account. o Signature guarantee if applicable (see above).
<p>Owners or trustees of trust accounts.</p>	<ul style="list-style-type: none"> o Letter of instruction. o On the letter, the signature(s) of the trustee(s). o Provide a copy of the trust document certified within the past 12 months. o Signature guarantee if applicable (see above).
<p>Joint tenancy shareholders with rights of survivorship whose co-tenants are deceased.</p>	<ul style="list-style-type: none"> o Letter of instruction signed by surviving tenant. o Copy of death certificate. o Signature guarantee if applicable (see above).
<p>Executors of shareholder estates.</p>	<ul style="list-style-type: none"> o Letter of instruction signed by executor. o Copy of order appointing executor, certified within the past 12 months. o Signature guarantee if applicable (see above).
<p>Administrators, conservators, guardians and other sellers or account types not listed above.</p>	<ul style="list-style-type: none"> o Call 1-800-225-5291 for instructions.

 Address:

John Hancock Signature Services, Inc.
1 John Hancock Way, Suite 1000
Boston, MA 02217-1000

Phone Number: 1-800-225-5291

Or contact your financial representative
for instructions and assistance.

To sell shares through a systematic withdrawal plan, see "Additional investor
services."

YOUR ACCOUNT 19

TRANSACTION POLICIES

Valuation of shares The net asset value per share (NAV) for each fund and class is determined each business day at the close of regular trading on the New York Stock Exchange (typically 4 P.M. Eastern Time). The funds use market prices in valuing portfolio securities, but may use fair-value estimates if reliable market prices are unavailable.

Buy and sell prices When you buy shares, you pay the NAV plus any applicable sales charges, as described earlier. When you sell shares, you receive the NAV minus any applicable deferred sales charges.

Execution of requests Each fund is open on those days when the New York Stock Exchange is open, typically Monday through Friday. Buy and sell requests are executed at the next NAV to be calculated after Signature Services receives your request in good order.

At times of peak activity, it may be difficult to place requests by phone. During these times, consider using EASI-Line or sending your request in writing.

In unusual circumstances, any fund may temporarily suspend the processing of sell requests, or may postpone payment of proceeds for up to three business days or longer, as allowed by federal securities laws.

Telephone transactions For your protection, telephone requests may be recorded in order to verify their accuracy. Also for your protection, telephone transactions are not permitted on accounts whose names or addresses have changed within the past 30 days. Proceeds from telephone transactions can only be mailed to the address of record.

Exchanges You may exchange shares of one John Hancock fund for shares of the same class of any other, generally without paying any additional sales charges. The registration for both accounts involved must be identical. Class B and Class C shares will continue to age from the original date and will retain the same CDSC rate as they had before the exchange, except that the rate will change to the new fund's rate if that rate is higher. A CDSC rate that has increased will drop again with a future exchange into a fund with a lower rate.

To protect the interests of other investors in the fund, a fund may cancel the exchange privileges of any parties that, in the opinion of the fund, are using market timing strategies or making more than seven exchanges per owner or controlling party per calendar year. A fund may also refuse any exchange order. A fund may change or cancel its exchange policies at any time, upon 60 days' notice to its shareholders.

Certificated shares Most shares are electronically recorded. If you wish to have certificates for your shares, please write to Signature Services. Certificated shares can only be sold by returning the certificates to Signature Services, along with a letter of instruction or a stock power and a signature guarantee.

Sales in advance of purchase payments When you place a request to sell shares for which the purchase money has not yet been collected, the request will be executed in a timely fashion, but the fund will not release the proceeds to you until your purchase payment clears. This may take up to ten business days after the purchase.

DIVIDENDS AND ACCOUNT POLICIES

Account statements In general, you will receive account statements as follows:

- o after every transaction (except a dividend reinvestment) that affects your account balance
- o after any changes of name or address of the registered owner(s)

- o in all other circumstances, every quarter

Every year you should also receive, if applicable, a Form 1099 tax information statement, mailed by January 31.

Dividends The funds generally declare dividends daily and pay them monthly. Capital gains, if any, are distributed annually, typically after the end of a fund's fiscal year. Most of these funds' dividends are income dividends. Your dividends begin accruing the day after the fund receives payment and continue through the day your shares are actually sold.

Dividend reinvestments Most investors have their dividends reinvested in additional shares of the same fund and class. If you choose this option, or if you do not indicate any choice, your dividends will be reinvested on the dividend record date. Alternatively, you can choose to have a check for your dividends mailed to you. However, if the check is not deliverable, your dividends will be reinvested.

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Taxability of dividends Dividends you receive from a fund, whether reinvested or taken as cash, are generally considered taxable. Dividends from a fund's short-term capital gains are taxable as ordinary income. Dividends from a fund's long-term capital gains are taxable at a lower rate. Whether gains are short-term or long-term depends on the fund's holding period. Some dividends paid in January may be taxable as if they had been paid the previous December.

The Form 1099 that is mailed to you every January details your dividends and their federal tax category, although you should verify your tax liability with your tax professional.

Taxability of transactions Any time you sell or exchange shares, it is considered a taxable event for you. Depending on the purchase price and the sale price of the shares you sell or exchange, you may have a gain or a loss on the transaction. You are responsible for any tax liabilities generated by your transactions.

Small accounts (non-retirement only) If you draw down a non-retirement account so that its total value is less than \$1,000, you may be asked to purchase more shares within 30 days. If you do not take action, your fund may close out your account and mail you the proceeds. Alternatively, Signature Services may charge you \$10 a year to maintain your account. You will not be charged a CDSC if your account is closed for this reason, and your account will not be closed if its drop in value is due to fund performance or the effects of sales charges.

Year 2000 compliance The adviser and the funds' service providers are taking steps to address any year 2000-related computer problems. However, there is some risk that these problems could disrupt the issuers in which the funds invest, the funds' operations or financial markets generally.

ADDITIONAL INVESTOR SERVICES

Monthly Automatic Accumulation Program (MAAP) MAAP lets you set up regular investments from your paycheck or bank account to the John Hancock fund(s) of your choice. You determine the frequency and amount of your investments, and you can terminate your program at any time. To establish:

- o Complete the appropriate parts of your account application.
- o If you are using MAAP to open an account, make out a check (\$25 minimum) for your first investment amount payable to "John Hancock Signature Services, Inc." Deliver your check and application to your financial representative or Signature Services.

Systematic withdrawal plan This plan may be used for routine bill payments or periodic withdrawals from your account. To establish:

- o Make sure you have at least \$5,000 worth of shares in your account.
- o Make sure you are not planning to invest more money in this account (buying shares during a period when you are also selling shares of the same fund is not advantageous to you, because of sales charges).
- o Specify the payee(s). The payee may be yourself or any other party, and there is no limit to the number of payees you may have, as long as they are all on the same payment schedule.
- o Determine the schedule: monthly, quarterly, semi-annually, annually or in certain selected months.
- o Fill out the relevant part of the account application. To add a systematic withdrawal plan to an existing account, contact your financial representative or Signature Services.

Retirement plans John Hancock Funds offers a range of retirement plans, including traditional, Roth and Education IRAs, SIMPLE plans, SEPs, 401(k) plans and other pension and profit-sharing plans. Using these plans, you can invest in any John Hancock fund (except tax-free income funds) with a low minimum investment of \$250 or, for some group plans, no minimum investment at all. To find out more, call Signature Services at 1-800-225-5291.

Fund details

BUSINESS STRUCTURE

The diagram below shows the basic business structure used by the John Hancock income funds. Each fund's board of trustees oversees the fund's business activities and retains the services of the various firms that carry out the fund's operations.

The trustees of the Government Income, High Yield Bond and Intermediate Government funds have the power to change these funds' respective investment goals without shareholder approval.

Management fees The management fees paid to the investment adviser by the John Hancock income funds last fiscal year are as follows:

Fund	% of net assets
Bond	0.50%
Government Income	0.63%
High Yield Bond	0.52%
Intermediate Government	0.40%
Strategic Income	0.40%

[The following information was represented as a flow chart in the printed material.]

Shareholders

Distribution and shareholder services

Financial services firms and their representatives

Advise current and prospective shareholders on their fund investments, often in the context of an overall financial plan.

Principal distributor

John Hancock Funds, Inc.

Markets the funds and distributes shares through selling brokers, financial planners and other financial representatives.

Transfer agent

John Hancock Signature Services, Inc.

Handles shareholder services, including record-keeping and statements, distribution of dividends, and processing of buy and sell requests.

Investment adviser

John Hancock Advisers, Inc.
101 Huntington Avenue
Boston, MA 02199-7603

Manages the funds' business and investment activities.

Custodian

Investors Bank & Trust Co.

Holds the funds' assets, settles all portfolio trades and collects most of the valuation data required for calculating each fund's NAV.

Asset management

Trustees

Oversee the funds' activities.

22 FUND DETAILS

FINANCIAL HIGHLIGHTS

These tables detail the performance of each fund's share classes, including total return information showing how much an investment in the fund has increased or decreased each year.

Bond Fund

Figures audited by _____.

<TABLE>
<CAPTION>

Class A - period ended:	12/93	12/94	12/95	12/96
<S>	<C>	<C>	<C>	<C>
Per share operating performance				
Net asset value, beginning of period	\$15.29	\$15.53	\$13.90	\$15.40
Net investment income (loss)	1.14	1.12	1.12	1.09
Net realized and unrealized gain (loss) on investments and financial futures contracts	0.62	(1.55)	1.50	(0.50)
Total from investment operations	1.76	(0.43)	2.62	0.59
Less distributions:				
Dividends from net investment income	(1.14)	(1.12)	(1.12)	(1.09)
Distributions from net realized gain on investments sold and financial futures contracts	(0.38)	(0.08)	--	--
Total distributions	(1.52)	(1.20)	(1.12)	(1.09)
Net asset value, end of period	\$15.53	\$13.90	\$15.40	\$14.90
Total investment return at net asset value(3) (%)	11.80	(2.75)	19.40	4.11
Ratios and supplemental data				
Net assets, end of period (000s omitted) (\$)	1,505,754	1,326,058	1,535,204	1,416,116
Ratio of expenses to average net assets (%)	1.41	1.26	1.13	1.14
Ratio of net investment income (loss) to average net assets (%)	7.18	7.74	7.58	7.32
Portfolio turnover rate (%)	107	85	103 (6)	123

<CAPTION>

Class B - period ended:	12/93 (7)	12/94	12/95	12/96
<S>	<C>	<C>	<C>	<C>
Per share operating performance				
Net asset value, beginning of period	\$15.90	\$15.52	\$13.90	\$15.40
Net investment income (loss)	0.11	1.04	1.02	0.98
Net realized and unrealized gain (loss) on investments and financial futures contracts	--	(1.54)	1.50	(0.50)
Total from investment operations	0.11	(0.50)	2.52	0.48
Less distributions:				
Dividends from net investment income	(0.11)	(1.04)	(1.02)	(0.98)
Distributions from net realized gain on investments sold and financial futures contracts	(0.38)	(0.08)	--	--
Total distributions	(0.49)	(1.12)	(1.02)	(0.98)
Net asset value, end of period	\$15.52	\$13.90	\$15.40	\$14.90
Total investment return at net asset value(3) (%)	0.90 (4)	(3.13)	18.66	3.38
Ratios and supplemental data				
Net assets, end of period (000s omitted) (\$)	4,125	40,299	98,739	134,112
Ratio of expenses to average net assets (%)	1.63 (5)	1.78	1.75	1.84
Ratio of net investment income (loss) to average net assets (%)	0.57 (5)	7.30	6.87	6.62

<TABLE>
<CAPTION>

Class A - period ended:	5/97(1)	5/98	11/98(8)
<S>	<C>	<C>	<C>
Per share operating performance			
Net asset value, beginning of period	\$14.90	\$14.78	\$15.25
Net investment income (loss)	0.44	1.05(2)	0.49(2)
Net realized and unrealized gain (loss) on investments and financial futures contracts	(0.12)	0.47	0.09
Total from investment operations	0.32	1.52	0.58
Less distributions:			
Dividends from net investment income	(0.44)	(1.05)	(0.49)
Distributions from net realized gain on investments sold and financial futures contracts	--	--	--
Total distributions	(0.44)	(1.05)	(0.49)
Net asset value, end of period	\$14.78	\$15.25	\$15.34
Total investment return at net asset value(3) (%)	2.22(4)	10.54	3.87(4)
Ratios and supplemental data			
Net assets, end of period (000s omitted) (\$)	1,361,924	1,327,728	1,336,017
Ratio of expenses to average net assets (%)	1.11(5)	1.08	1.08(5)
Ratio of net investment income (loss) to average net assets (%)	7.38(5)	6.90	6.35(5)
Portfolio turnover rate (%)	58	198	122

<CAPTION>

Class B - period ended:	5/97(1)	5/98	11/98(8)
<S>	<C>	<C>	<C>
Per share operating performance			
Net asset value, beginning of period	\$14.90	\$14.78	\$15.25
Net investment income (loss)	0.40	0.95(2)	0.43(2)
Net realized and unrealized gain (loss) on investments and financial futures contracts	(0.12)	0.47	0.09
Total from investment operations	0.28	1.42	0.52
Less distributions:			
Dividends from net investment income	(0.40)	(0.95)	(0.43)
Distributions from net realized gain on investments sold and financial futures contracts	--	--	--
Total distributions	(0.40)	(0.95)	(0.43)
Net asset value, end of period	\$14.78	\$15.25	\$15.34
Total investment return at net asset value(3) (%)	1.93(4)	9.78	3.51(4)
Ratios and supplemental data			
Net assets, end of period (000s omitted) (\$)	132,885	165,983	218,417
Ratio of expenses to average net assets (%)	1.81(5)	1.78	1.78(5)
Ratio of net investment income (loss) to average net assets (%)	6.68(5)	6.18	5.65(5)
Portfolio turnover rate (%)	58	198	122

</TABLE>

Class C - period ended:	11/98(7,8)
Per share operating performance	
Net asset value, beginning of period	\$15.61
Net investment income (loss)	0.14
Net realized and unrealized gain (loss) on investments, foreign currency transactions and financial futures contracts	(0.27)
Total from investment operations	(0.13)
Less distributions:	
Dividends from net investment income	(0.14)
Net asset value, end of period	\$15.34
Total investment return at net asset value(3) (%)	(0.85)(4)
Ratios and supplemental data	
Net assets, end of period (000s omitted) (\$)	1,435
Ratio of expenses to average net assets (%)	1.78(5)
Ratio of net investment income (loss) to average net assets (%)	5.65(5)
Portfolio turnover rate (%)	122

(1) Effective May 31, 1997, the fiscal year end changed from December 31 to May 31.

(2) Based on the average of the shares outstanding at the end of each month.

(3) Assumes dividend reinvestment and does not reflect the effect of sales charges.

(4) Not annualized.

- (5) Annualized.
- (6) Portfolio turnover rate excludes merger activity.
- (7) Class B shares began operations on November 23, 1993. Class C shares began operations on October 1, 1998.
- (8) Unaudited.

FUND DETAILS 23

Government Income Fund

Figures audited by Ernst & Young LLP.

<TABLE>
<CAPTION>

Class A - period ended:	10/94 (1)	10/95 (2)	10/96
<S>	<C>	<C>	<C>
Per share operating performance			
Net asset value, beginning of period	\$8.85	\$8.75	\$9.32
Net investment income (loss) (2)	0.06	0.72	0.65 (4)
Net realized and unrealized gain (loss) on investments, options and financial futures contracts	(0.10)	0.57	(0.25)
Total from investment operations	(0.04)	1.29	0.40
Less distributions:			
Dividends from net investment income	(0.06)	(0.72)	(0.65)
Net asset value, end of period	\$8.75	\$9.32	\$9.07
Total investment return at net asset value(5) (%)	(0.45) (6,7)	15.32 (7)	4.49
Total adjusted investment return at net asset value(5) (%)	(0.46) (6)	15.28	--
Ratios and supplemental data			
Net assets, end of period (000s omitted) (\$)	223	470,569	396,323
Ratio of expenses to average net assets(7) (%)	0.12 (6)	1.19	1.17
Ratio of net investment income (loss) to average net assets(7) (%)	0.71 (6)	7.38	7.10
Portfolio turnover rate (%)	92	102 (9)	106
Debt outstanding at end of period (000s omitted) (10) (\$)	--	--	--
Average daily debt outstanding during the period (000s omitted) (10) (\$)	349	N/A	N/A
Average monthly shares outstanding during the period (000s omitted)	28,696	N/A	N/A
Average daily debt outstanding per share during the period(10) (\$)	0.01	N/A	N/A

<CAPTION>

Class B - period ended:	10/93	10/94	10/95 (2)
<S>	<C>	<C>	<C>
Per share operating performance			
Net asset value, beginning of period	\$9.83	\$10.05	\$8.75
Net investment income (loss)	0.70	0.65	0.65
Net realized and unrealized gain (loss) on investments, options and financial futures contracts	0.24	(1.28)	0.57
Total from investment operations	0.94	(0.63)	1.22
Less distributions:			
Dividends from net investment income	(0.72)	(0.65)	(0.65)
Distributions from net realized gain on investments sold	--	(0.02)	--
Total distributions	(0.72)	(0.67)	(0.65)
Net asset value, end of period	\$10.05	\$8.75	\$9.32
Total investment return at net asset value(5) (%)	9.86 (7)	(6.42) (7)	14.49 (7)
Total adjusted investment return at net asset value(5) (%)	9.85	(6.43)	14.47
Ratios and supplemental data			
Net assets, end of period (000s omitted) (\$)	293,413	241,061	226,954
Ratio of expenses to average net assets (%)	2.00 (7)	1.93 (7)	1.89 (7)
Ratio of net investment income (loss) to average net assets (%)	7.06 (7)	6.98 (7)	7.26 (7)
Portfolio turnover rate (%)	138	92	102 (9)
Debt outstanding at end of period (000s omitted) (10) (\$)	--	--	--
Average daily debt outstanding during the period (000s omitted) (10) (\$)	503	349	N/A
Average monthly shares outstanding during the period (000s omitted)	26,378	28,696	N/A
Average daily debt outstanding per share during the period(10) (\$)	0.02	0.01	N/A

</TABLE>

<TABLE>
<CAPTION>

Class A - period ended:	5/97 (3)	5/98	11/98 (11)
<S>	<C>	<C>	<C>
Per share operating performance			
Net asset value, beginning of period	\$9.07	\$8.93	\$9.25
Net investment income (loss) (2)	0.37 (4)	0.62 (4)	0.29 (4)
Net realized and unrealized gain (loss) on investments, options			

and financial futures contracts	(0.14)	0.32	0.21
Total from investment operations	0.23	0.94	0.50
Less distributions:			
Dividends from net investment income	(0.37)	(0.62)	(0.29)
Net asset value, end of period	\$8.93	\$9.25	\$9.46
Total investment return at net asset value(5) (%)	2.57(6)	10.82	5.53(6)
Total adjusted investment return at net asset value(5) (%)	--	--	--
Ratios and supplemental data			
Net assets, end of period (000s omitted) (\$)	359,758	339,572	349,102
Ratio of expenses to average net assets(7) (%)	1.13(8)	1.10	1.10(8)
Ratio of net investment income (loss) to average net assets(7) (%)	7.06(8)	6.79	6.22(8)
Portfolio turnover rate (%)	129	106	107
Debt outstanding at end of period (000s omitted)(10) (\$)	--	--	--
Average daily debt outstanding during the period (000s omitted)(10) (\$)	N/A	N/A	N/A
Average monthly shares outstanding during the period (000s omitted)	N/A	N/A	N/A
Average daily debt outstanding per share during the period(10) (\$)	N/A	N/A	N/A

<CAPTION>

Class B - period ended:	10/96	5/97(3)	5/98	11/98(11)
<S>	<C>	<C>	<C>	<C>
Per share operating performance				
Net asset value, beginning of period	\$9.32	\$9.08	\$8.93	\$9.25
Net investment income (loss)	0.58(4)	0.33(4)	0.55(4)	0.26(4)
Net realized and unrealized gain (loss) on investments, options and financial futures contracts	(0.24)	(0.15)	0.32	0.21
Total from investment operations	0.34	0.18	0.87	0.47
Less distributions:				
Dividends from net investment income	(0.58)	(0.33)	(0.55)	(0.26)
Distributions from net realized gain on investments sold	--	--	--	--
Total distributions	(0.58)	(0.33)	(0.55)	(0.26)
Net asset value, end of period	\$9.08	\$8.93	\$9.25	\$9.46
Total investment return at net asset value(5) (%)	3.84	2.02(6)	10.01	5.15(6)
Total adjusted investment return at net asset value(5) (%)	--	--	--	--
Ratios and supplemental data				
Net assets, end of period (000s omitted) (\$)	178,124	153,390	117,830	148,523
Ratio of expenses to average net assets (%)	1.90	1.86(8)	1.85	1.83(8)
Ratio of net investment income (loss) to average net assets (%)	6.37	6.32(8)	6.05	5.49(8)
Portfolio turnover rate (%)	106	129	106	107
Debt outstanding at end of period (000s omitted)(10) (\$)	--	--	--	--
Average daily debt outstanding during the period (000s omitted)(10) (\$)	N/A	N/A	N/A	N/A
Average monthly shares outstanding during the period (000s omitted)	N/A	N/A	N/A	N/A
Average daily debt outstanding per share during the period(10) (\$)	N/A	N/A	N/A	N/A

</TABLE>

- (1) Class A shares began operations on September 30, 1994.
- (2) On December 22, 1994, John Hancock Advisers, Inc. became the investment adviser of the fund.
- (3) Effective May 31, 1997, the fiscal year end changed from October 31 to May 31.
- (4) Based on the average of the shares outstanding at the end of each month.
- (5) Assumes dividend reinvestment and does not reflect the effect of sales charges.
- (6) Not annualized.
- (7) Excludes interest expense, which equalled 0.01% and 0.04% for Class A for the years ended October 31, 1994 and 1995, respectively, and 0.01%, 0.01% and 0.02% for Class B for the years ended October 31, 1993, 1994 and 1995, respectively.
- (8) Annualized.
- (9) Portfolio turnover rate excludes merger activity.
- (10) Debt outstanding consists of reverse repurchase agreements entered into during the year.
- (11) Unaudited.

24 FUND DETAILS

High Yield Bond Fund

Figures audited by Ernst & Young LLP.

<TABLE>

<CAPTION>

Class A - period ended:	10/93 (1)	10/94	10/95 (2)	10/96
<S>	<C>	<C>	<C>	<C>
Per share operating performance				
Net asset value, beginning of period	\$8.10	\$8.23	\$7.33	\$7.20
Net investment income (loss)	0.33	0.80 (4)	0.72	0.76 (4)
Net realized and unrealized gain (loss) on investments	0.09	(0.83)	(0.12)	0.35
Total from investment operations	0.42	(0.03)	0.60	1.11
Less distributions:				
Dividends from net investment income	(0.29)	(0.82)	(0.73)	(0.76)
Distributions from net realized gain on investments sold	--	(0.05)	--	--
Total distributions	(0.29)	(0.87)	(0.73)	(0.76)
Net asset value, end of period	\$8.23	\$7.33	\$7.20	\$7.55
Total investment return at net asset value(5) (%)	4.96 (6)	(0.59)	8.83	16.06
Ratios and supplemental data				
Net assets, end of period (000s omitted) (\$)	2,344	11,696	26,452	52,792
Ratio of expenses to average net assets (%)	0.91 (7)	1.16	1.16	1.10
Ratio of net investment income (loss) to average net assets (%)	12.89 (7)	10.14	10.23	10.31
Portfolio turnover rate (%)	204	153	98	113

<CAPTION>

Class B - period ended:	10/93	10/94	10/95 (2)	10/96
<S>	<C>	<C>	<C>	<C>
Per share operating performance				
Net asset value, beginning of period	\$7.43	\$8.23	\$7.33	\$7.20
Net investment income (loss)	0.80	0.74 (4)	0.67	0.70 (4)
Net realized and unrealized gain (loss) on investments	0.75	(0.83)	(0.13)	0.35
Total from investment operations	1.55	(0.09)	0.54	1.05
Less distributions:				
Dividends from net investment income	(0.75)	(0.76)	(0.67)	(0.70)
Distributions from net realized gain on investments sold	--	(0.05)	--	--
Total distributions	(0.75)	(0.81)	(0.67)	(0.70)
Net asset value, end of period	\$8.23	\$7.33	\$7.20	\$7.55
Total investment return at net asset value(5) (%)	21.76	(1.33)	7.97	15.24
Ratios and supplemental data				
Net assets, end of period (000s omitted) (\$)	154,214	160,739	180,586	242,944
Ratio of expenses to average net assets (%)	2.08	1.91	1.89	1.82
Ratio of net investment income (loss) to average net assets (%)	10.07	9.39	9.42	9.49
Portfolio turnover rate (%)	204	153	98	113

</TABLE>

<TABLE>

<CAPTION>

Class A - period ended:	5/97 (3)	5/98	11/98 (8)
<S>	<C>	<C>	<C>
Per share operating performance			
Net asset value, beginning of period	\$7.55	\$7.87	\$8.26
Net investment income (loss)	0.45	0.78 (4)	0.39 (4)
Net realized and unrealized gain (loss) on investments	0.32	0.51	(1.69)
Total from investment operations	0.77	1.29	(1.30)
Less distributions:			
Dividends from net investment income	(0.45)	(0.78)	(0.39)
Distributions from net realized gain on investments sold	--	(0.12)	--
Total distributions	(0.45)	(0.90)	(0.39)
Net asset value, end of period	\$7.87	\$8.26	\$6.57
Total investment return at net asset value(5) (%)	10.54 (6)	17.03	(15.85) (6)
Ratios and supplemental data			
Net assets, end of period (000s omitted) (\$)	97,925	273,277	267,167
Ratio of expenses to average net assets (%)	1.05 (7)	0.97	0.95 (7)
Ratio of net investment income (loss) to average net assets (%)	10.19 (7)	9.33	10.84 (7)
Portfolio turnover rate (%)	78	100	25

<CAPTION>

Class B - period ended:	5/97 (3)	5/98	11/98 (8)
<S>	<C>	<C>	<C>
Per share operating performance			
Net asset value, beginning of period	\$7.55	\$7.87	\$8.26
Net investment income (loss)	0.42	0.71 (4)	0.36 (4)
Net realized and unrealized gain (loss) on investments	0.32	0.51	(1.69)
Total from investment operations	0.74	1.22	(1.33)
Less distributions:			
Dividends from net investment income	(0.42)	(0.71)	(0.36)
Distributions from net realized gain on investments sold	--	(0.12)	--
Total distributions	(0.42)	(0.83)	(0.36)
Net asset value, end of period	\$7.87	\$8.26	\$6.57
Total investment return at net asset value(5) (%)	10.06 (6)	16.16	(16.19) (6)

Ratios and supplemental data			
Net assets, end of period (000s omitted) (\$)	379,024	798,170	767,247
Ratio of expenses to average net assets (%)	1.80(7)	1.72	1.70(7)
Ratio of net investment income (loss) to average net assets (%)	9.45(7)	8.62	10.09(7)
Portfolio turnover rate (%)	78	100	25

</TABLE>

<TABLE>

<CAPTION>

Class C - period ended:	5/98(1)	11/98(8)

<S>	<C>	<C>
Per share operating performance		
Net asset value, beginning of period	\$8.45	\$8.26
Net investment income (loss) (4)	0.06	0.36
Net realized and unrealized gain (loss) on investments	(0.19)	(1.69)
Total from investment operations	(0.13)	(1.33)
Less distributions:		
Dividends from net investment income	(0.06)	(0.36)
Distributions from net realized gain on investments sold	--	--
Total distributions	(0.06)	(0.36)
Net asset value, end of period	\$8.26	\$6.57
Total investment return at net asset value(5) (%)	(1.59) (6)	(16.20) (6)
Ratios and supplemental data		
Net assets, end of period (000s omitted) (\$)	3,195	19,022
Ratio of expenses to average net assets (%)	1.72(7)	1.70(7)
Ratio of net investment income (loss) to average net assets (%)	6.70(7)	10.09(7)
Portfolio turnover rate (%)	100	25

</TABLE>

- (1) Class A shares began operations on June 30, 1993. Class C shares began operations on May 1, 1998.
- (2) On December 22, 1994, John Hancock Advisers, Inc. became the investment adviser of the fund.
- (3) Effective May 31, 1997, the fiscal year end changed from October 31 to May 31.
- (4) Based on the average of the shares outstanding at the end of each month.
- (5) Assumes dividend reinvestment and does not reflect the effect of sales charges.
- (6) Not annualized.
- (7) Annualized.
- (8) Unaudited.

FUND DETAILS 25

Intermediate Government Fund

Figures audited by Ernst & Young LLP.

<TABLE>

<CAPTION>

Class A - period ended:	3/94	3/95(1)	3/96

<S>	<C>	<C>	<C>
Per share operating performance			
Net asset value, beginning of period	\$10.05	\$9.89	\$9.79
Net investment income (loss)	0.41	0.49	0.62
Net realized and unrealized gain (loss) on investments	(0.16)	(0.11)	(0.08)
Total from investment operations	0.25	0.38	0.54
Less distributions:			
Dividends from net investment income	(0.41)	(0.48)	(0.64)
Distributions from net realized gain on investments sold	--	--	--
Total distributions	(0.41)	(0.48)	(0.64)
Net asset value, end of period	\$9.89	\$9.79	\$9.69
Total investment return at net asset value(4) (%)	2.51	3.98	5.60
Total adjusted investment return at net asset value(4,5) (%)	2.27	3.43	4.83
Ratios and supplemental data			
Net assets, end of period (000s omitted) (\$)	24,310	12,950	29,024
Ratio of expenses to average net assets (%)	0.75(7)	0.80(7)	0.75(7)
Ratio of adjusted expenses to average net assets(9) (%)	0.99(7)	1.35(7)	1.45(7)
Ratio of net investment income (loss) to average net assets (%)	4.09	4.91	6.49
Ratio of adjusted net investment income (loss) to average assets(9) (%)	3.85	4.36	5.79
Fee reduction per share(3) (\$)	0.02	0.05	0.07

<CAPTION>

Class B - period ended:	3/94	3/95 (1)	3/96
<S>	<C>	<C>	<C>
Per share operating performance			
Net asset value, beginning of period	\$10.05	\$9.89	\$9.79
Net investment income (loss)	0.34	0.43	0.57
Net realized and unrealized gain (loss) on investments	(0.16)	(0.11)	(0.10)
Total from investment operations	0.18	0.32	0.47
Less distributions:			
Dividends from net investment income	(0.34)	(0.42)	(0.57)
Distributions from net realized gain on investments sold	--	--	--
Total distributions	(0.34)	(0.42)	(0.57)
Net asset value, end of period	\$9.89	\$9.79	\$9.69
Total investment return at net asset value(4) (%)	1.85	3.33	4.92
Total adjusted investment return at net asset value(4,5) (%)	1.61	2.78	4.15
Ratios and supplemental data			
Net assets, end of period (000s omitted) (\$)	11,626	9,506	8,532
Ratio of expenses to average net assets (%)	1.40 (7)	1.45 (7)	1.40 (7)
Ratio of adjusted expenses to average net assets(9) (%)	1.64 (7)	2.00 (7)	2.10 (7)
Ratio of net investment income (loss) to average net assets (%)	3.44	4.26	5.80
Ratio of adjusted net investment income (loss) to average net assets(9) (%)	3.20	3.71	5.10
Fee reduction per share(3) (\$)	0.02	0.05	0.07
Portfolio turnover rate (%)	244	341	423 (10)

</TABLE>

<TABLE>

<CAPTION>

Class A - period ended:	3/97	5/97 (2)	5/98	11/98 (11)
<S>	<C>	<C>	<C>	<C>
Per share operating performance				
Net asset value, beginning of period	\$9.69	\$9.37	\$9.46	\$9.72
Net investment income (loss)	0.67	0.11 (3)	0.62 (3)	0.30 (3)
Net realized and unrealized gain (loss) on investments	(0.25)	0.09	0.26	0.23
Total from investment operations	0.42	0.20	0.88	0.53
Less distributions:				
Dividends from net investment income	(0.66)	(0.11)	(0.62)	(0.30)
Distributions from net realized gain on investments sold	(0.08)	--	--	--
Total distributions	(0.74)	(0.11)	(0.62)	(0.30)
Net asset value, end of period	\$9.37	\$9.46	\$9.72	\$9.95
Total investment return at net asset value(4) (%)	4.56	2.13 (6)	9.56	5.51 (6)
Total adjusted investment return at net asset value(4,5) (%)	4.19	1.93 (6)	9.49	--
Ratios and supplemental data				
Net assets, end of period (000s omitted) (\$)	22,043	22,755	163,358	171,864
Ratio of expenses to average net assets (%)	0.75	0.75 (8)	1.09	1.09 (8)
Ratio of adjusted expenses to average net assets(9) (%)	1.12	1.92 (8)	1.16	--
Ratio of net investment income (loss) to average net assets (%)	6.99	7.07 (8)	6.43	5.99 (8)
Ratio of adjusted net investment income (loss) to average assets(9) (%)	6.62	5.90 (8)	6.36	--
Fee reduction per share(3) (\$)	0.04	0.02	0.01	--
Portfolio turnover rate (%)	427	77	250 (10)	126

<CAPTION>

Class B - period ended:	3/97	5/97 (2)	5/98	11/98 (11)
<S>	<C>	<C>	<C>	<C>
Per share operating performance				
Net asset value, beginning of period	\$9.69	\$9.37	\$9.46	\$9.72
Net investment income (loss)	0.60	0.10 (3)	0.55 (3)	0.26 (3)
Net realized and unrealized gain (loss) on investments	(0.24)	0.09	0.26	0.23
Total from investment operations	0.36	0.19	0.81	0.49
Less distributions:				
Dividends from net investment income	(0.60)	(0.10)	(0.55)	(0.26)
Distributions from net realized gain on investments sold	(0.08)	--	--	--
Total distributions	(0.68)	(0.10)	(0.55)	(0.26)
Net asset value, end of period	\$9.37	\$9.46	\$9.72	\$9.95
Total investment return at net asset value(4) (%)	3.84	2.01 (6)	8.74	5.12 (6)
Total adjusted investment return at net asset value(4,5) (%)	3.47	1.81 (6)	8.67	--
Ratios and supplemental data				
Net assets, end of period (000s omitted) (\$)	6,779	6,451	19,113	49,494
Ratio of expenses to average net assets (%)	1.43	1.50 (8)	1.84	1.84 (8)
Ratio of adjusted expenses to average net assets(9) (%)	1.80	2.67 (8)	1.91	--
Ratio of net investment income (loss) to average net assets (%)	6.30	6.04 (8)	5.66	5.24 (8)
Ratio of adjusted net investment income (loss) to average net assets(9) (%)	5.93	4.87 (8)	5.59	--
Fee reduction per share(3) (\$)	0.04	0.02	0.01	--
Portfolio turnover rate (%)	427	77	250 (10)	126

</TABLE>

- (1) On December 22, 1994, John Hancock Advisers, Inc. became the investment adviser of the fund.
- (2) Effective May 31, 1997, the fiscal year end changed from March 31 to May 31.
- (3) Based on the average of the shares outstanding at the end of each month.
- (4) Assumes dividend reinvestment and does not reflect the effect of sales charges.
- (5) An estimated total return calculation that does not take into consideration fee reductions by the adviser during the periods shown.
- (6) Not annualized.
- (7) Beginning on December 31, 1991 (commencement of operations) through March 31, 1995, the expenses used in the ratios represented the expenses of the fund plus expenses incurred indirectly from John Hancock Adjustable U.S. Government Fund (the "Portfolio"), the mutual fund in which the fund invested all of its assets. The expenses used in the ratios for the fiscal year ended March 31, 1996 include the expenses of the Portfolio through September 22, 1995.
- (8) Annualized.
- (9) Unreimbursed, without fee reduction.
- (10) Portfolio turnover rate excludes merger activity.
- (11) Unaudited.

26 FUND DETAILS

Strategic Income Fund

Figures audited by _____.

<TABLE>
<CAPTION>

Class A - period ended:	5/94	5/95	5/96	5/97
<S>	<C>	<C>	<C>	<C>
Per share operating performance				
Net asset value, beginning of period	\$7.55	\$7.17	\$7.15	\$7.27
Net investment income (loss)	0.68	0.64	0.66(1)	0.64(1)
Net realized and unrealized gain (loss) on investments, foreign currency transactions and financial futures contracts	(0.33)	(0.02)	0.12	0.27
Total from investment operations	0.35	0.62	0.78	0.91
Less distributions:				
Dividends from net investment income	(0.58)	(0.55)	(0.66)	(0.64)
Distributions in excess of net investment income	(0.05)	--	--	--
Distributions from net realized gain on investments sold	--	--	--	--
Distributions from capital paid-in	(0.10)	(0.09)	--	--
Total distributions	(0.73)	(0.64)	(0.66)	(0.64)
Net asset value, end of period	\$7.17	\$7.15	\$7.27	\$7.54
Total investment return at net asset value(2) (%)	4.54	9.33	11.37	12.99
Ratios and supplemental data				
Net assets, end of period (000s omitted) (\$)	335,261	327,876	369,127	416,916
Ratio of expenses to average net assets (%)	1.32	1.09	1.03	1.00
Ratio of net investment income (loss) to average net assets (%)	8.71	9.24	9.13	8.61
Portfolio turnover rate (%)	91	55	78	132

<CAPTION>

Class B - period ended:	5/94 (3)	5/95	5/96	5/97
<S>	<C>	<C>	<C>	<C>
Per share operating performance				
Net asset value, beginning of period	\$7.58	\$7.17	\$7.15	\$7.27
Net investment income (loss)	0.40	0.60(1)	0.61(1)	0.59
Net realized and unrealized gain (loss) on investments, foreign currency transactions and financial futures contracts	(0.41)	(0.02)	0.12	0.27
Total from investment operations	(0.01)	0.58	0.73	0.86
Less distributions:				
Dividends from net investment income	(0.32)	(0.52)	(0.61)	(0.59)
Distributions in excess of net investment income	(0.03)	--	--	--
Distributions from net realized gain on investments sold	--	--	--	--
Distributions from capital paid-in	(0.05)	(0.08)	--	--
Total distributions	(0.40)	(0.60)	(0.61)	(0.59)

Net asset value, end of period	\$7.17	\$7.15	\$7.27	\$7.54
Total investment return at net asset value(2) (%)	(0.22) (4)	8.58	10.61	12.21
Ratios and supplemental data				
Net assets, end of period (000s omitted) (\$)	77,691	134,527	206,751	328,487
Ratio of expenses to average net assets (%)	1.91 (5)	1.76	1.73	1.70
Ratio of net investment income (loss) to average net assets (%)	8.12 (5)	8.55	8.42	7.90
Portfolio turnover rate (%)	91	55	78	132

</TABLE>

<TABLE>

<CAPTION>

Class A - period ended:	5/98	11/98 (8)

<S>	<C>	<C>
Per share operating performance		
Net asset value, beginning of period	\$7.54	\$7.84
Net investment income (loss)	0.64 (1)	0.30 (1)
Net realized and unrealized gain (loss) on investments, foreign currency transactions and financial futures contracts	0.34	(0.26)
Total from investment operations	0.98	0.04
Less distributions:		
Dividends from net investment income	(0.64)	(0.30)
Distributions in excess of net investment income	--	--
Distributions from net realized gain on investments sold	(0.04)	--
Distributions from capital paid-in	--	--
Total distributions	(0.68)	(0.30)
Net asset value, end of period	\$7.84	\$7.58
Total investment return at net asset value(2) (%)	13.43	0.59 (4)
Ratios and supplemental data		
Net assets, end of period (000s omitted) (\$)	489,375	505,719
Ratio of expenses to average net assets (%)	0.92	0.88 (5)
Ratio of net investment income (loss) to average net assets (%)	8.20	7.87 (5)
Portfolio turnover rate (%)	112	35

<CAPTION>

Class B - period ended:	5/98	11/98 (8)

<S>	<C>	<C>
Per share operating performance		
Net asset value, beginning of period	\$7.54	\$7.84
Net investment income (loss)	0.59 (1)	0.27 (1)
Net realized and unrealized gain (loss) on investments, foreign currency transactions and financial futures contracts	0.34	(0.26)
Total from investment operations	0.93	0.01
Less distributions:		
Dividends from net investment income	(0.59)	(0.27)
Distributions in excess of net investment income	--	--
Distributions from net realized gain on investments sold	(0.04)	--
Distributions from capital paid-in	--	--
Total distributions	(0.63)	(0.27)
Net asset value, end of period	\$7.84	\$7.58
Total investment return at net asset value(2) (%)	12.64	0.24 (4)
Ratios and supplemental data		
Net assets, end of period (000s omitted) (\$)	473,428	561,000
Ratio of expenses to average net assets (%)	1.62	1.58 (5)
Ratio of net investment income (loss) to average net assets (%)	7.50	7.15 (5)
Portfolio turnover rate (%)	112	35

</TABLE>

<TABLE>

<CAPTION>

Class C - period ended:	5/98 (6)	11/98 (8)

<S>	<C>	<C>
Per share operating performance		
Net asset value, beginning of period	\$7.87	\$7.84
Net investment income (loss)	0.05 (1)	0.27
Net realized and unrealized gain (loss) on investments, foreign currency transactions and financial futures contracts	(0.03) (7)	(0.26)
Total from investment operations	0.02	0.01
Less distributions:		
Dividends from net investment income	(0.05)	(0.27)
Net asset value, end of period	\$7.84	\$7.58
Total investment return at net asset value(2) (%)	0.23 (4)	0.23 (4)
Ratios and supplemental data		
Net assets, end of period (000s omitted) (\$)	601	9,742
Ratio of expenses to average net assets (%)	1.62 (5)	1.58 (5)
Ratio of net investment income (loss) to average net assets (%)	7.34 (5)	6.98 (5)
Portfolio turnover rate (%)	112	35

</TABLE>

- (1) Based on the average of the shares outstanding at the end of each month.
- (2) Assumes dividend reinvestment and does not reflect the effect of sales charges.
- (3) Class B shares began operations on October 4, 1993.
- (4) Not annualized.
- (5) Annualized.
- (6) Class C shares began operations on May 1, 1998.
- (7) The amount shown for a share outstanding does not correspond with the aggregate net gain (loss) on investments for the period ended May 31, 1998, due to the timing of purchases and redemptions of fund shares in relation to fluctuating market values of the fund's investments.
- (8) Unaudited.

FUND DETAILS 27

For more information

Two documents are available that offer further information on John Hancock income funds:

ANNUAL/SEMIANNUAL REPORT TO SHAREHOLDERS

Includes financial statements, a discussion of the market conditions and investment strategies that significantly affected performance, as well as the auditors' report (in annual report only).

STATEMENT OF ADDITIONAL INFORMATION (SAI)

The SAI contains more detailed information on all aspects of the funds. The current annual report is included in the SAI.

A current SAI has been filed with the Securities and Exchange Commission and is incorporated by reference into (is legally a part of) this prospectus.

To request a free copy of the current annual/semiannual report or the SAI, please contact John Hancock:

By mail:
John Hancock Signature
Services, Inc.
1 John Hancock Way, Suite 1000
Boston, MA02217-1000

By phone: 1-800-225-5291

By EASI-Line: 1-800-338-8080

By TDD: 1-800-544-6713

On the Internet: www.jhancock.com/funds

Or you may view or obtain these documents from the SEC:

In person: at the SEC's Public
Reference Room in Washington, DC

By phone: 1-800-SEC-0330

By mail: Public Reference Section
Securities and Exchange Commission
Washington, DC 20549-6009
(duplicating fee required)

On the Internet: www.sec.gov

[LOGO] JOHN HANCOCK FUNDS
A Global Investment Management Firm

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JOHN HANCOCK (R)

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JOHN HANCOCK GOVERNMENT INCOME FUND
Class A, Class B and Class C Shares

Statement of Additional Information

April 1, 1999

This Statement of Additional Information provides information about John Hancock Government Income Fund (the "Fund"), in addition to the information that is contained in the combined Income Funds' Prospectus dated April 1, 1999 (the "Prospectus"). The Fund is a diversified series of John Hancock Bond Trust (the "Trust").

This Statement of Additional Information is not a prospectus. It should be read in conjunction with the Prospectus, a copy of which can be obtained free of charge by writing or telephoning:

John Hancock Signature Services Inc.
1 John Hancock Way, Suite 1000
Boston, Massachusetts 02217-1000
1-800-225-5291

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1

ORGANIZATION OF THE FUND

The Fund is a series of the Trust, an open-end investment management company organized as a Massachusetts business trust under the laws of The Commonwealth of Massachusetts. Prior to December 22, 1994, the Fund was called Transamerica Government Income Fund. Prior to August 30, 1996, the Fund was a series of John Hancock Series, Inc., a Maryland corporation.

John Hancock Advisers, Inc. (the "Adviser") is the Fund's investment adviser. The Adviser is an indirect wholly-owned subsidiary of John Hancock Mutual Life Insurance Company (the "Life Company"), a Massachusetts life insurance company chartered in 1862, with national headquarters at John Hancock Place, Boston, Massachusetts.

INVESTMENT OBJECTIVE AND POLICIES

The following information supplements the discussion of the Fund's investment objectives and policies discussed in the Prospectus. Appendix A contains further information describing investment risks. The investment objective of the Fund is

non-fundamental. There is no assurance that the Fund will achieve its investment objective.

The Fund's investment objective is to earn a high level of current income consistent with preservation of capital by investing primarily in securities that are issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities. The Fund may seek to enhance its current return and may seek to hedge against changes in interest rates by engaging in transactions involving options (subject to certain limits), futures and options on futures.

The Fund expects that under normal market conditions, it will invest a least 80% of its total assets in U.S. Government securities (and related repurchase agreements and forward commitments) which include:

1. Obligations issued by the U.S. Treasury differing only in their interest rates, maturities and times of issuance:

- (a) U.S. Treasury bills with a maturity of one year or less;
- (b) U.S. Treasury notes with maturities of one to ten years; or
- (c) U.S. Treasury bonds generally with maturities greater than ten years; and

2. Obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities which may be supported by:

- (a) the full faith and credit of the U.S. Government (e.g., direct pass-through certificates of the Government National Mortgage Association ("Ginnie Mae"));
- (b) the right of the issuer to borrow from the U.S. Government (e.g., securities of the Federal Home Loan banks); or
- (c) the credit of the instrumentality (e.g., bonds issued by Federal National Mortgage Association.)

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The Adviser will attempt to minimize excessive fluctuations in net asset value per share, so at times the highest yielding government securities then available may not be selected for investment if, in the view of the Adviser, future interest rate movements could result in depreciation of value of such securities. The Fund may take full advantage of the entire range of maturities of U.S. Government securities and may adjust the dollar-weighted average maturity of its portfolio from time to time based in large part on the Adviser's expectation as to future changes in interest rates.

As to the balance of the Fund's assets, where consistent with the investment objective, the Fund may:

1. invest in U.S. dollar denominated securities issued or guaranteed by foreign governments which are considered stable by the Adviser, or any of the political subdivisions, instrumentalities, authorities or agencies of these governments. These securities generally will be rated within the four highest rating categories by a nationally recognized rating organization (e.g. Standard & Poor's Rating Group ("S&P") or Moody's Investors Service, Inc. ("Moody's")) or if not so rated, determined to be of equivalent quality in the opinion of the Adviser; provided that the Fund may invest up to 10% of its total assets in securities which may be rated B or better by a nationally recognized rating organization.

2. invest in other "asset backed securities" which are not included as "government asset backed": securities and are rated in one of the two highest rating categories by a nationally recognized credit rating organization or if not so rated, determined to be of equivalent investment quality in the opinion the Adviser;

3. engage in hedging transactions, including options, interest rate futures contracts and options thereon, subject to certain limitations described below;

4. enter into repurchase agreements and reverse repurchase agreements and invest in when issued securities and restricted securities, subject to certain limitations described below;

5. invest in (for liquidity purposes) high quality, short-term debt securities with remaining maturities of one year or less ("money market instruments") such as certificates of deposit, bankers' acceptances, corporate debt securities, commercial paper and related repurchase agreements.

Government Securities. The Fund may invest in U.S. Government securities, which are obligations issued or guaranteed by the U.S. Government and its agencies, authorities or instrumentalities. Certain U.S. Government securities, including U.S. Treasury bills, notes and bonds, and Government National Mortgage Association certificates ("Ginnie Maes"), are supported by the full faith and credit of the United States. Certain other U.S. Government securities, issued or guaranteed by Federal agencies or government sponsored enterprises, are not supported by the full faith and credit of the United States, but may be supported by the right of the issuer to borrow from the U.S. Treasury. These securities include obligations of the Federal Home Loan Mortgage Corporation ("Freddie Macs"), and obligations supported by the credit of the instrumentality, such as Federal National Mortgage Association Bonds ("Fannie Maes").

Custodial Receipts. The Fund may acquire custodial receipts for U.S. government securities. Custodial receipts evidence ownership of future interest payments, principal payments or both, and include Treasury Receipts, Treasury Investors Growth Receipts ("TIGRs"), and Certificates of Accrual on Treasury Securities ("CATS"). Custodial receipts are not considered U.S. government securities.

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Bank and Corporate Obligations. The Fund may invest in commercial paper. Commercial paper represents short-term unsecured promissory notes issued in bearer form by banks or bank holding companies, corporations and finance companies. The commercial paper purchased by the Fund consists of direct U.S. dollar denominated obligations of domestic or foreign issuers. Bank obligations in which the Fund may invest include certificates of deposit, bankers' acceptances and fixed time deposits. Certificates of deposit are negotiable certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified return.

Bankers' acceptances are negotiable drafts or bills of exchange, normally drawn by an importer or exporter to pay for specific merchandise, which are "accepted" by a bank, meaning, in effect, that the bank unconditionally agrees to pay the face value of the instrument on maturity. Fixed time deposits are bank obligations payable at a stated maturity date and bearing interest at a fixed rate. Fixed time deposits may be withdrawn on demand by the investor, but may be subject to early withdrawal penalties which vary depending upon market conditions and the remaining maturity of the obligation. There are no contractual restrictions on the right to transfer a beneficial interest in a fixed time deposit to a third party, although there is no market for such deposits. Bank notes and bankers' acceptances rank junior to domestic deposit liabilities of the bank and pari passu with other senior, unsecured obligations of the bank. Bank notes are not insured by the Federal Deposit Insurance Corporation or any other insurer. Deposit notes are insured by the Federal Deposit Insurance Corporation only to the extent of \$100,000 per depositor per bank.

Mortgage-Backed Securities. The Fund may invest in mortgage pass-through certificates and multiple-class pass-through securities, such as real estate mortgage investment conduits REMIC, CMOs and stripped mortgage-backed securities ("SMBS"), and other types of "Mortgage-Backed Securities" that may be available in the future.

Guaranteed Mortgage Pass-Through Securities. Guaranteed mortgage pass-through securities represent participation interests in pools of residential mortgage loans and are issued by U.S. Governmental or private lenders and guaranteed by the U.S. Government or one of its agencies or instrumentalities, including but not limited to Ginnie Mae, Fannie Mae and Freddie Macs.

Multiple-Class Pass-Through Securities and Collateralized Mortgage Obligations. CMOs and REMIC pass-through or participation certificates may be issued by, among others, U.S. Government agencies and instrumentalities as well as private lenders. CMOs and REMIC certificates are issued in multiple classes and the principal of and interest on the mortgage assets may be allocated among the several classes of CMOs or REMIC certificates in various ways. Each class of CMOs or REMIC certificates, often referred to as a "tranche," is issued at a specific adjustable or fixed interest rate and must be fully retired no later than its final distribution date. Generally, interest is paid or accrues on all classes of CMOs or REMIC certificates on a monthly basis.

Typically, CMOs are collateralized by Ginnie Mae, Fannie Mae or Freddie Mac certificates but also may be collateralized by other mortgage assets such as whole loans or private mortgage pass-through securities. Debt service on CMOs is provided from payments of principal and interest on collateral of mortgaged assets and any reinvestment income thereon.

A REMIC is a CMO that qualifies for special tax treatment under the Internal Revenue Code of 1986, as amended (the "Code"), and invests in certain mortgages primarily secured by interests in real property and other permitted investments. Investors may purchase "regular" or "residual" interests in REMICs, although the

Fund does not intend, absent a change in current tax law, to invest in residual interests.

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Stripped Mortgage-Backed Securities. SMBS are derivative multiple-class mortgage-backed securities. SMBS are usually structured with two classes that receive different proportions of interest and principal distributions on a pool of mortgage assets. A typical SMBS will have one class receiving some of the interest and most of the principal, while the other class will receive most of the interest and the remaining principal. In the most extreme case, one class will receive all of the interest (the "interest only" class) while the other class will receive all of the principal (the "principal only" class). The yields and market risk of interest only and principal only SMBS, respectively, may be more volatile than those of other fixed income securities. The staff of the SEC considers privately issued SMBS to be illiquid.

Structured or Hybrid Notes. The Fund may invest in "structured" or "hybrid" notes. The distinguishing feature of a structured or hybrid note is that the amount of interest and/or principal payable on the note is based on the performance of a benchmark asset or market other than fixed income securities or interest rates. Examples of these benchmarks include stock prices, currency exchange rates and physical commodity prices. Investing in a structured note allows the Fund to gain exposure to the benchmark market while fixing the maximum loss that the Fund may experience in the event that market does not perform as expected. Depending on the terms of the note, the Fund may forego all or part of the interest and principal that would be payable on a comparable conventional note; the Fund's loss cannot exceed this foregone interest and/or principal. An investment in structured or hybrid notes involves risks similar to those associated with a direct investment in the benchmark asset.

Risk Factors Associated with Mortgage-Backed Securities. Investing in Mortgage-Backed Securities involves certain risks, including the failure of a counter-party to meet its commitments, adverse interest rate changes and the effects of prepayments on mortgage cash flows. In addition, investing in the lowest tranche of CMOs and REMIC certificates involves risks similar to those associated with investing in equity securities. Further, the yield characteristics of Mortgage-Backed Securities differ from those of traditional fixed income securities. The major differences typically include more frequent interest and principal payments (usually monthly), the adjustability of interest rates, and the possibility that prepayments of principal may be made substantially earlier than their final distribution dates.

Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic, social and other factors and cannot be predicted with certainty. Both adjustable rate mortgage loans and fixed rate mortgage loans may be subject to a greater rate of principal prepayments in a declining interest rate environment and to a lesser rate of principal prepayments in an increasing interest rate environment. Under certain interest rate and prepayment rate scenarios, the Fund may fail to recoup fully its investment in Mortgage-Backed Securities notwithstanding any direct or indirect governmental, agency or other guarantee. When the Fund reinvests amounts representing payments and unscheduled prepayments of principal, it may receive a rate of interest that is lower than the rate on existing adjustable rate mortgage pass-through securities. Thus, Mortgage-Backed Securities, and adjustable rate mortgage pass-through securities in particular, may be less effective than other types of U.S. Government securities as a means of "locking in" interest rates.

Conversely, in a rising interest rate environment, a declining prepayment rate will extend the average life of many Mortgage-Backed Securities. This possibility is often referred to as extension risk. Extending the average life of a Mortgage-Backed Security increases the risk of depreciation due to future increases in market interest rates.

5

Indexed Securities. The Fund may invest in indexed securities, including floating rate securities that are subject to a maximum interest rate ("capped floaters") up to 10% of the Fund's total assets and leveraged inverse floating rate securities ("inverse floaters"). The interest rate or, in some cases, the principal payable at the maturity of an indexed security may change positively or inversely in relation to one or more interest rates, financial indices or other financial indicators ("reference prices"). An indexed security may be leveraged to the extent that the magnitude of any change in the interest rate or principal payable on an indexed security is a multiple of the change in the reference price. Thus, indexed securities may decline in value due to adverse market changes in interest rates or other reference prices.

Inverse Floating Rate Securities. The Fund may invest in inverse floating rate securities. The interest rate on an inverse floating rate security resets in the opposite direction from the market rate of interest to which the inverse floating rate security is indexed. An inverse floating rate security may be considered to be leveraged to the extent that its interest rate varies by a multiple of the index rate of interest. A higher degree of leverage in the inverse floating rate security is associated with greater volatility in the market value of such security.

The inverse floating rate securities that the Fund may invest in include but are not limited to, an inverse floating rate class of a government agency issued CMO and a government agency issued yield curve note. Typically, an inverse floating rate class of a CMO is one of two components created from the cash flows from a pool of fixed rate mortgages. The other component is a floating rate security in which the amount of interest payable varies directly with a market interest rate index. A yield curve note is a fixed income security that bears interest at a floating rate that is reset periodically based on an interest rate benchmark. The interest rate resets on a yield curve note in the opposite direction from the interest rate benchmark.

Risk Associated with Specific Types of Derivative Debt. Different types of derivative debt securities are subject to different combinations of prepayment, extension and/or interest rate risk. Conventional mortgage pass-through securities and sequential pay CMOs are subject to all of these risks, but are typically not leveraged. Thus, the magnitude of exposure may be less than for more leveraged Mortgage-Backed Securities.

The risk of early prepayments is the primary risk associated with interest only debt securities ("IOs"), super floaters, other leveraged floating rate instruments and Mortgage-Backed Securities purchased at a premium to their par value. In some instances, early prepayments may result in a complete loss of investment in certain of these securities. The primary risks associated with certain other derivative debt securities are the potential extension of average life and/or depreciation due to rising interest rates.

These securities include floating rate securities based on the Cost of Funds Index ("COFI floaters"), other "lagging rate" floating rate securities, floating rate securities that are subject to a maximum interest rate ("capped floaters"), Mortgage-Backed Securities purchased at a discount, leveraged inverse floating rate securities ("inverse floaters"), principal only debt securities ("POs"), certain residual or support tranches of CMOs and index amortizing notes. Index amortizing notes are not Mortgage-Backed Securities, but are subject to extension risk resulting from the issuer's failure to exercise its option to call or redeem the notes before their stated maturity date. Leveraged inverse IOs combine several elements of the Mortgage-Backed Securities described above and thus present an especially intense combination of prepayment, extension and interest rate risks.

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Planned amortization class ("PAC") and target amortization class ("TAC") CMO bonds involve less exposure to prepayment, extension and interest rate risk than other Mortgage-Backed Securities, provided that prepayment rates remain within expected prepayment ranges or "collars." To the extent that prepayment rates remain within these prepayment ranges, the residual or support tranches of PAC and TAC CMOs assume the extra prepayment, extension and interest rate risk associated with the underlying mortgage assets.

Other types of floating rate derivative debt securities present more complex types of interest rate risks. For example, range floaters are subject to the risk that the coupon will be reduced to below market rates if a designated interest rate floats outside of a specified interest rate band or collar. Dual index or yield curve floaters are subject to depreciation in the event of an unfavorable change in the spread between two designated interest rates. X- reset floaters have a coupon that remains fixed for more than one accrual period. Thus, the type of risk involved in these securities depends on the terms of each individual X-reset floater.

Mortgage "Dollar Roll" Transactions. The Fund may enter into mortgage "dollar roll" transactions with selected banks and broker-dealers pursuant to which the Fund sells Mortgage-Backed Securities and simultaneously contracts to repurchase substantially similar (same type, coupon and maturity) securities on a specified future date. The Fund will only enter into covered rolls. A "covered roll" is a specific type of dollar roll for which there is an offsetting cash position or a cash equivalent security position which matures on or before the forward settlement date of the dollar roll transaction. Covered rolls are not treated as a borrowing or other senior security and will be excluded from the calculation of the Fund's borrowing and other senior securities. For financial reporting and tax purposes, the Fund treats mortgage dollar rolls as two separate transactions; one involving the purchase of a security and a separate

transaction involving a sale.

Pay-In-Kind, Delayed and Zero Coupon Bonds. The Fund may invest in pay-in-kind, delayed and zero coupon bonds. These are securities issued at a discount from their face value because interest payments are typically postponed until maturity. The amount of the discount rate varies depending on factors including the time remaining until maturity, prevailing interest rates, the security's liquidity and the issuer's credit quality. These securities also may take the form of debt securities that have been stripped of their interest payments. A portion of the discount with respect to stripped tax-exempt securities or their coupons may be taxable. The market prices of pay-in-kind, delayed and zero coupon bonds generally are more volatile than the market prices of interest-bearing securities and are likely to respond to a greater degree to changes in interest rates than interest-bearing securities having similar maturities and credit quality. The Fund's investments in pay-in-kind, delayed and zero coupon bonds may require the Fund to sell certain of its portfolio securities to generate sufficient cash to satisfy certain income distribution requirements. See "Tax Status." At times when the Fund invests in pay-in-kind, delayed and zero coupon bonds, it will not be pursuing its primary objective of maximizing current income.

Swaps, Caps, Floors and Collars. As one way of managing its exposure to different types of investments, the Fund may enter into interest rate swaps and other types of swap agreements such as caps, collars and floors. In a typical interest rate swap, one party agrees to make regular payments equal to a floating interest rate times a "notional principal amount," in return for payments equal to a fixed rate times the same amount, for a specified period of time. Swaps may also depend on other prices or rates, such as the value of an index or mortgage prepayment rates.

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In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payment to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

Swap agreements will tend to shift the Fund's investment exposure from one type of investment to another. For example, if the Fund agreed to exchange payments in dollars for payments in a foreign currency, the swap agreement would tend to decrease the Fund's exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund's investments and its share price and yield.

Swap agreements are sophisticated hedging instruments that typically involve a small investment of cash relative to the magnitude of risks assumed. As a result, swaps can be highly volatile and may have a considerable impact on the Fund's performance. Swap agreements are subject to risks related to the counterparty's ability to perform, and may decline in value if the counterparty's creditworthiness deteriorates. The Fund may also suffer losses if it is unable to terminate outstanding swap agreements or reduce its exposure through offsetting transactions. The Fund will maintain in a segregated account with its custodian, cash or liquid securities equal to the net amount, if any, of the excess of the Fund's obligations over its entitlements with respect to swap, cap, collar or floor transactions.

Asset-Backed Securities. The Fund may invest a portion of their assets in asset-backed securities. Asset backed securities, like Ginnie Mae certificates, are securities which represent a participation in or are secured by and payable from, a stream of payments generated by particular assets, most often a pool of assets similar to one another. Types of other asset backed securities include automobile receivable securities, credit card receivable securities and mortgage backed securities such as collateralized mortgage obligations ("CMOs") and real estate mortgage investment conduits ("REMICs").

Asset-backed securities are often subject to more rapid repayment than their stated maturity date would indicate as a result of the pass-through of prepayments of principal on the underlying loans. During periods of declining interest rates, prepayment of loans underlying asset-backed securities can be expected to accelerate. Accordingly, the Fund's ability to maintain positions in such securities will be affected by reductions in the principal amount of such securities resulting from prepayments, and its ability to reinvest the returns of principal at comparable yields is subject to generally prevailing interest rates at that time.

Credit card receivables are generally unsecured and the debtors on such

receivables are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set-off certain amounts owed on the credit cards, thereby reducing the balance due. Automobile receivables generally are secured, but by automobiles rather than residential real property. Most issuers of automobile receivables permit the loan servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in the underlying automobiles. Therefore, there is the possibility that, in some cases, recoveries on repossessed collateral may not be available to support payments on these securities.

Lower Rated High Yield Debt Obligations. The Fund may invest in high yielding, fixed income securities rated below investment grade (e.g., rated below Baa by Moody's or below BBB by S&P), sometimes referred to as junk bonds. No more than 10% of the Fund's total assets may be invested in these securities, and the Fund may not invest in securities rated lower than B by a nationally recognized rating organization. Ratings are based largely on the historical financial condition of the issuer. Consequently, the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition, which may be better or worse than the rating would indicate.

See Appendix B to this Statement of Additional Information which describes the characteristics of corporate bonds in the various rating categories.

Debt obligations rated in the lower ratings categories, or which are unrated, involve greater volatility of price and risk of loss of principal and income. In addition, lower ratings reflect a greater possibility of an adverse change in financial condition affecting the ability of the issuer to make payments of interest and principal. The high yield fixed income market is relatively new and its growth occurred during a period of economic expansion. The market has not yet been fully tested by an economic recession.

The market price and liquidity of lower rated fixed income securities generally respond to short term corporate and market developments to a greater extent than do the price and liquidity of higher rated securities because such developments are perceived to have a more direct relationship to the ability of an issuer of such lower rated securities to meet its ongoing debt obligations.

Reduced volume and liquidity in the high yield bond market or the reduced availability of market quotations will make it more difficult to dispose of the bonds and to value accurately the Fund's assets. The reduced availability of reliable, objective data may increase the Fund's reliance on management's judgment in valuing high yield bonds. In addition, the Fund's investments in high yield securities may be susceptible to adverse publicity and investor perceptions, whether or not justified by fundamental factors. The Fund's investments, and consequently its net asset value, will be subject to the market fluctuations and risks inherent in all securities.

Brady Bonds. The Fund may invest up to 10% of total assets in Brady Bonds and other sovereign debt securities of countries that have restructured or are in the process of restructuring sovereign debt pursuant to the Brady Plan. Brady Bonds are debt securities described as part of a restructuring plan created by U.S. Treasury Secretary Nicholas F. Brady in 1989 as a mechanism for debtor nations to restructure their outstanding external indebtedness (generally, commercial bank debt). In restructuring its external debt under the Brady Plan framework, a debtor nation negotiates with its existing bank lenders as well as multilateral institutions such as the World Bank and the International Monetary Fund (the "IMF"). The Brady Plan facilitate the exchange of commercial bank debt for newly issued debt (known as Brady Bonds). The World Bank and the IMF provide funds pursuant to loan agreements or other arrangements which enable the debtor nation to collateralize the new Brady Bonds or to repurchase outstanding bank debt at a discount. Under these arrangements IMF debtor nations are required to implement domestic monetary and fiscal reforms. These reforms have included the liberalization of trade and foreign investment, the privatization of state-owned enterprises and the setting of targets for public spending and borrowing. These policies and programs promote the debtor country's ability to service its external obligations and promote its economic growth and development. The Brady Plan only sets forth general guiding principles for economic reform and debt reduction, emphasizing that solutions must be negotiated on a case-by-case basis between debtor nations and their creditors. The Adviser believes that economic reforms undertaken by countries in connection with the issuance of Brady Bonds make the debt of countries which have issued or have announced plans to issue Brady Bonds an attractive opportunity for investment.

Brady Bonds have recently been issued by Argentina, Brazil, Bulgaria, Costa Rica, Dominican Republic, Ecuador, Jordan, Mexico, Nigeria, Poland, the Philippines, Uruguay and Venezuela and may be issued by other countries. Over \$130 billion in principal amount of Brady Bonds have been issued to date, the largest portion having been issued by Argentina and Brazil. Brady Bonds may involve a high degree of risk, may be in default or present the risk of default. Agreements implemented under the Brady Plan to date are designed to achieve debt and debt-service reduction through specific options negotiated by a debtor nation with its creditors. As a result, the financial packages offered by each country differ. The types of options have included the exchange of outstanding commercial bank debt for bonds issued at 100% of face value of such debt, bonds issued at a discount of face value of such debt, bonds bearing an interest rate which increases over time and bonds issued in exchange for the advancement of new money by existing lenders. Certain Brady Bonds have been collateralized as to principal due at maturity by U.S. Treasury zero coupon bonds with a maturity equal to the final maturity of such Brady Bonds, although the collateral is not available to investors until the final maturity of the Brady Bonds. Collateral purchases are financed by the IMF, the World Bank and the debtor nations' reserves. In addition, the first two or three interest payments on certain types of Brady Bonds may be collateralized by cash or securities agreed upon by creditors. Although Brady Bonds may be collateralized by U.S. Government securities, repayment of principal and interest is not guaranteed by the U.S. Government.

Ratings as Investment Criteria In general, the ratings of Moody's and S&P represent the opinions of these agencies as to the quality of the securities which they rate. It should be emphasized however, that ratings are relative and subjective and are not absolute standards of quality. These rating will be used by the Fund as initial criteria for the selection of portfolio securities. Among the factors which will be considered are the long-term ability of the issuer to pay principal and interest and general economic trends. Appendix B contains further information concerning the rating of Moody's and S&P and their significance. Subsequent to its purchase by the Fund, an issue of securities may cease to be rated, or its rating may be reduced below the minimum required for purchase by the Fund. Neither of these events will require the sale of the securities by the Fund.

Subsequent to its purchase by the Fund, an issue of securities may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither of these events will require the sale of the securities by the Fund, but the Adviser will consider the event in its determination of whether the Fund should continue to hold the securities.

Investments in Foreign Securities. The Fund may invest in U.S. dollar denominated securities of foreign governments. These securities will generally be rated within the four highest rating categories by a nationally recognized rating organization S&P or Moody's or if not so rated, determined to be of equivalent quality in the opinion of the Adviser; provided that the Fund may invest up to 10% of its total assets in securities which may be rated B or better by a nationally recognized rating organization.

Risks of Foreign Securities. Investments in foreign securities may involve a greater degree of risk than those in domestic securities. There is generally less publicly available information about foreign companies in the form of reports and ratings similar to those that are published about issuers in the United States. Also, foreign issuers are generally not subject to uniform accounting, auditing and financial reporting requirements comparable to those applicable to United States issuers.

Because foreign securities may be denominated in currencies other than the U.S. dollar, changes in foreign currency exchange rates will affect the Fund's net asset value, the value of dividends and interest earned, gains and losses realized on the sale of securities, and any net investment income and gains that the Fund distributes to shareholders. Securities transactions undertaken in some foreign markets may not be settled promptly, so that the Fund's investments on foreign exchanges may be less liquid and subject to the risk of fluctuating currency exchange rates pending settlement.

Foreign securities will be purchased in the best available market, whether through over-the-counter markets or exchanges located in the countries where principal offices of the issuers are located. Foreign securities markets are generally not as developed or efficient as those in the United States. While growing in volume, they usually have substantially less volume than the New York Stock Exchange, and securities of some foreign issuers are less liquid and more volatile than securities of comparable United States issuers. Fixed commissions

on foreign exchanges are generally higher than negotiated commissions on United States exchanges, although the Fund will endeavor to achieve the most favorable net results on its portfolio transactions. There is generally less government supervision and regulation of securities exchanges, brokers and listed issuers than in the United States.

With respect to certain foreign countries, there is the possibility of adverse changes in investment or exchange control regulations, expropriation, nationalization or confiscatory taxation, limitations on the removal of funds or other assets of the Fund, political or social instability, or diplomatic developments which could affect United States investments in those countries. Moreover, individual foreign economies may differ favorably or unfavorably from the United States economy in terms of growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position.

The dividends in some cases, capital gains, and interest payable on certain of the Fund's foreign portfolio securities may be subject to foreign withholding or other foreign taxes, thus reducing the net amount of income or gains available for distribution to the Fund's shareholders.

Repurchase Agreements. The Fund may invest in repurchase agreements. In a repurchase agreement the Fund buys a security for a relatively short period (usually not more than 7 days) subject to the obligation to sell it back to the issuer at a fixed time and price plus accrued interest. The Fund will enter into repurchase agreements only with member banks of the Federal Reserve System and with "primary dealers" in U.S. Government securities. The Adviser will continuously monitor the creditworthiness of the parties with whom the Fund enters into repurchase agreements.

The Fund has established a procedure providing that the securities serving as collateral for each repurchase agreement must be delivered to the Fund's custodian either physically or in book-entry form and that the collateral must be marked to market daily to ensure that each repurchase agreement is fully collateralized at all times. In the event of bankruptcy or other default by a seller of a repurchase agreement, the Fund could experience delays in liquidating the underlying securities during the period in which the Fund seeks to enforce its rights thereto, possible subnormal levels of income, a decline in value of the underlying securities or lack of access to income during this period, and the expense of enforcing its rights.

Reverse Repurchase Agreements. The Fund may also enter into reverse repurchase agreements which involve the sale of government securities held in its portfolio to a bank with an agreement that the Fund will buy back the securities at a fixed future date at a fixed price plus an agreed amount of "interest" which may be reflected in the repurchase price. Reverse repurchase agreements are considered to be borrowings by the Fund. Reverse repurchase agreements involve the risk that the market value of securities purchased by the Fund with proceeds of the transaction may decline below the repurchase price of the securities sold by the Fund which it is obligated to repurchase. The Fund will also continue to be subject to the risk of a decline in the market value of the securities sold under the agreements because it will reacquire those securities upon effecting their repurchase. To minimize various risks associated with reverse repurchase agreements, the Fund will establish a separate account consisting of liquid securities, of any type or maturity, in an amount at least equal to the repurchase prices of the securities (plus any accrued interest thereon) under such agreements. The Fund will not enter into reverse repurchase agreements and other borrowings exceeding in the aggregate more than 33 1/3% of the market value of its total assets. The Fund will not make additional investments while borrowings (including reverse repurchase agreements) are in excess of 5% of the Fund's total assets. The Fund will enter into reverse repurchase agreements only with federally insured banks or savings and loan associations which are approved in advance as being creditworthy by the Trustees. Under procedures established by the Trustees, the Adviser will monitor the creditworthiness of the banks involved.

Restricted Securities. The Fund may purchase securities that are not registered ("restricted securities") under the Securities Act of 1933 ("1933 Act"), including commercial paper issued in reliance on section 4(2) of the 1933 Act and securities offered and sold to "qualified institutional buyers" under Rule 144A under the 1933 Act. The Fund will not invest more than 10% of its total assets in illiquid investments, based upon a continuing review of the trading markets for specific Section 4(2) paper or Rule 144A securities, that they are liquid, they will not be subject to the 10% limit on illiquid investments. The Trustees may adopt guidelines and delegate to the Adviser the daily function of determining and monitoring the liquidity of restricted securities. The Trustees, however, will retain sufficient oversight and be ultimately responsible for the determinations. The Trustees will carefully monitor the Fund's investments in these securities, focusing on such important factors, among others, as valuation, liquidity and availability of information. This investment practice

could have the effect of increasing the level of illiquidity in the Fund if qualified institutional buyers become for a time uninterested in purchasing these restricted securities.

Options on Securities, Securities Indices and Currency. The Fund may purchase and write (sell) call and put options on any securities in which it may invest, on any securities index based on securities in which it may invest. These options may be listed on national domestic securities exchanges or foreign securities exchanges or traded in the over-the-counter market. The Fund may write covered put and call options and purchase put and call options to enhance total return, as a substitute for the purchase or sale of securities or to protect against declines in the value of portfolio securities and against increases in the cost of securities to be acquired.

Writing Covered Options. A call option on securities or currency written by the Fund obligates the Fund to sell specified securities or currency to the holder of the option at a specified price if the option is exercised at any time before the expiration date. A put option on securities or currency written by the Fund obligates the Fund to purchase specified securities or currency from the option holder at a specified price if the option is exercised at any time before the expiration date. Options on securities indices are similar to options on securities, except that the exercise of securities index options requires cash settlement payments and does not involve the actual purchase or sale of securities. In addition, securities index options are designed to reflect price fluctuations in a group of securities or segment of the securities market rather than price fluctuations in a single security. Writing covered call options may deprive the Fund of the opportunity to profit from an increase in the market price of the securities or foreign currency assets in its portfolio. Writing covered put options may deprive the Fund of the opportunity to profit from a decrease in the market price of the securities or foreign currency assets to be acquired for its portfolio.

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All call and put options written by the Fund are covered. A written call option or put option may be covered by (i) maintaining cash or liquid securities, either of which may be quoted or denominated in any currency, in a segregated account with a value at least equal to the Fund's obligation under the option, (ii) entering into an offsetting forward commitment and/or (iii) purchasing an offsetting option or any other option which, by virtue of its exercise price or otherwise, reduces the Fund's net exposure on its written option position. A written call option on securities is typically covered by maintaining the securities that are subject to the option in a segregated account. The Fund may cover call options on a securities index by owning securities whose price changes are expected to be similar to those of the underlying index.

The Fund may terminate its obligations under an exchange traded call or put option by purchasing an option identical to the one it has written. Obligations under over-the-counter options may be terminated only by entering into an offsetting transaction with the counterparty to such option. Such purchases are referred to as "closing purchase transactions."

Purchasing Options. The Fund would normally purchase call options in anticipation of an increase, or put options in anticipation of a decrease ("protective puts"), in the market value of securities. The Fund may also sell call and put options to close out its purchased options.

The purchase of a call option would entitle the Fund, in return for the premium paid, to purchase specified securities or currency at a specified price during the option period. The Fund would ordinarily realize a gain on the purchase of a call option if, during the option period, the value of such securities or currency exceeded the sum of the exercise price, the premium paid and transaction costs; otherwise the Fund would realize either no gain or a loss on the purchase of the call option.

The purchase of a put option would entitle the Fund, in exchange for the premium paid, to sell specified securities or currency at a specified price during the option period. The purchase of protective puts is designed to offset or hedge against a decline in the market value of the Fund's portfolio securities. Put options may also be purchased by the Fund for the purpose of affirmatively benefiting from a decline in the price of securities or currencies which it does not own. The Fund would ordinarily realize a gain if, during the option period, the value of the underlying securities or currency decreased below the exercise price sufficiently to cover the premium and transaction costs; otherwise the Fund would realize either no gain or a loss on the purchase of the put option. Gains and losses on the purchase of put options may be offset by countervailing changes in the value of the Fund's portfolio securities.

The Fund's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of

investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Adviser. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose certain other sanctions.

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Risks Associated with Options Transactions. There is no assurance that a liquid secondary market on a domestic or foreign options exchange will exist for any particular exchange-traded option or at any particular time. If the Fund is unable to effect a closing purchase transaction with respect to covered options it has written, the Fund will not be able to sell the underlying securities or currencies or dispose of assets held in a segregated account until the options expire or are exercised. Similarly, if the Fund is unable to effect a closing sale transaction with respect to options it has purchased, it would have to exercise the options in order to realize any profit and will incur transaction costs upon the purchase or sale of underlying securities or currencies.

Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options). If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. However, outstanding options on that exchange that had been issued by the Options Clearing Corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

The Fund's ability to terminate over-the-counter options is more limited than with exchange-traded options and may involve the risk that broker-dealers participating in such transactions will not fulfill their obligations. The Adviser will determine the liquidity of each over-the-counter option in accordance with guidelines adopted by the Trustees.

The writing and purchase of options is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. The successful use of options depends in part on the Adviser's ability to predict future price fluctuations and, for hedging transactions, the degree of correlation between the options and securities or currency markets.

Futures Contracts and Options on Futures Contracts. To seek to increase total return or hedge against changes in interest rates and securities prices. The Fund may purchase and sell various kinds of futures contracts, and purchase and write call and put options on these futures contracts. The Fund may also enter into closing purchase and sale transactions with respect to any of these contracts and options. The futures contracts may be based on various securities (such as U.S. Government securities), securities indices, and any other financial instruments and indices. All futures contracts entered into by the Fund are traded on U.S. or foreign exchanges or boards of trade that are licensed, regulated or approved by the Commodity Futures Trading Commission ("CFTC").

Futures Contracts. A futures contract may generally be described as an agreement between two parties to buy and sell particular financial instruments or currencies for an agreed price during a designated month (or to deliver the final cash settlement price, in the case of a contract relating to an index or otherwise not calling for physical delivery at the end of trading in the contract).

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Positions taken in the futures markets are not normally held to maturity but are instead liquidated through offsetting transactions which may result in a profit or a loss. While futures contracts on securities or currency will usually be liquidated in this manner, the Fund may instead make, or take, delivery of the underlying securities or currency whenever it appears economically advantageous to do so. A clearing corporation associated with the exchange on which futures contracts are traded guarantees that, if still open, the sale or purchase will

be performed on the settlement date.

Hedging and Other Strategies. Hedging is an attempt to establish with more certainty than would otherwise be possible the effective price or rate of return on portfolio securities or securities that the Fund proposes to acquire. When securities prices are falling, the Fund can seek to offset a decline in the value of its current portfolio securities through the sale of futures contracts. When securities prices are rising, the Fund, through the purchase of futures contracts, can attempt to secure better rates or prices than might later be available in the market when it effects anticipated purchases.

The Fund may, for example, take a "short" position in the futures market by selling futures contracts in an attempt to hedge against an anticipated decline in market prices. Such futures contracts may include contracts for the future delivery of securities held by the Fund or securities with characteristics similar to those of the Fund's portfolio securities.

If, in the opinion of the Adviser, there is a sufficient degree of correlation between price trends for the Fund's portfolio securities and futures contracts based on other financial instruments, securities indices or other indices, the Fund may also enter into such futures contracts as part of its hedging strategy. Although under some circumstances prices of securities in the Fund's portfolio may be more or less volatile than prices of such futures contracts, the Adviser will attempt to estimate the extent of this volatility difference based on historical patterns and compensate for any differential by having the Fund enter into a greater or lesser number of futures contracts or by attempting to achieve only a partial hedge against price changes affecting the Fund's portfolio securities.

When a short hedging position is successful, any depreciation in the value of portfolio securities will be substantially offset by appreciation in the value of the futures position. On the other hand, any unanticipated appreciation in the value of the Fund's portfolio securities would be substantially offset by a decline in the value of the futures position.

On other occasions, the Fund may take a "long" position by purchasing futures contracts. This would be done, for example, when the Fund anticipates the subsequent purchase of particular securities when it has the necessary cash, but expects the prices or currency exchange rates then available in the applicable market to be less favorable than prices that are currently available. The Fund may also purchase futures contracts as a substitute for transactions in securities to alter the investment characteristics of or currency exposure associated with portfolio securities or to gain or increase its exposure to a particular securities market or currency.

Options on Futures Contracts. The Fund may purchase and write options on futures for the same purposes as its transactions in futures contracts. The purchase of put and call options on futures contracts will give the Fund the right (but not the obligation) for a specified price to sell or to purchase, respectively, the underlying futures contract at any time during the option period. As the purchaser of an option on a futures contract, the Fund obtains the benefit of the futures position if prices move in a favorable direction but limits its risk of loss in the event of an unfavorable price movement to the loss of the premium and transaction costs.

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The writing of a call option on a futures contract generates a premium which may partially offset a decline in the value of the Fund's assets. By writing a call option, the Fund becomes obligated, in exchange for the premium (upon exercise of the option) to sell a futures contract if the option is exercised, which may have a value higher than the exercise price. Conversely, the writing of a put option on a futures contract generates a premium which may partially offset an increase in the price of securities that the Fund intends to purchase. However, the Fund becomes obligated (upon exercise of the option) to purchase a futures contract if the option is exercised, which may have a value lower than the exercise price. The loss incurred by the Fund in writing options on futures is potentially unlimited and may exceed the amount of the premium received.

The holder or writer of an option on a futures contract may terminate its position by selling or purchasing an offsetting option of the same series. There is no guarantee that such closing transactions can be effected. The Fund's ability to establish and close out positions on such options will be subject to the development and maintenance of a liquid market.

Other Considerations. The Fund will engage in futures and related options transactions either for bona fide hedging purposes or to seek to increase total return as permitted by the CFTC. To the extent that the Fund is using futures and related options for hedging purposes, futures contracts will be sold to protect against a decline in the price of securities (or the currency in which

they are quoted or denominated) that the Fund owns or futures contracts will be purchased to protect the Fund against an increase in the price of securities it intends to purchase. The Fund will determine that the price fluctuations in the futures contracts and options on futures used for hedging purposes are substantially related to price fluctuations in securities held by the Fund or securities or instruments which it expects to purchase. As evidence of its hedging intent, the Fund expects that on 75% or more of the occasions on which it takes a long futures or option position (involving the purchase of futures contracts), the Fund will have purchased, or will be in the process of purchasing, equivalent amounts of related securities in the cash market at the time when the futures or option position is closed out. However, in particular cases, when it is economically advantageous for the Fund to do so, a long futures position may be terminated or an option may expire without the corresponding purchase of securities or other assets.

To the extent that the Fund engages in nonhedging transactions in futures contracts and options on futures, the aggregate initial margin and premiums required to establish these nonhedging positions will not exceed 5% of the net asset value of the Fund's portfolio, after taking into account unrealized profits and losses on any such positions and excluding the amount by which such options were in-the-money at the time of purchase.

Transactions in futures contracts and options on futures involve brokerage costs, require margin deposits and, in the case of contracts and options obligating the Fund to purchase securities or currencies, require the Fund to establish a segregated account consisting of cash or liquid securities in an amount equal to the underlying value of such contracts and options.

While transactions in futures contracts and options on futures may reduce certain risks, these transactions themselves entail certain other risks. For example, unanticipated changes in interest rates or securities prices or currency exchange rates may result in a poorer overall performance for the Fund than if it had not entered into any futures contracts or options transactions.

Perfect correlation between the Fund's futures positions and portfolio positions will be impossible to achieve. In the event of an imperfect correlation between a futures position and a portfolio position which is intended to be protected, the desired protection may not be obtained and the Fund may be exposed to risk of loss. In addition, it is not possible to hedge fully or protect against currency fluctuations affecting the value of securities denominated in foreign currencies because the value of such securities is likely to fluctuate as a result of independent factors not related to currency fluctuations.

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Some futures contracts or options on futures may become illiquid under adverse market conditions. In addition, during periods of market volatility, a commodity exchange may suspend or limit trading in a futures contract or related option, which may make the instrument temporarily illiquid and difficult to price. Commodity exchanges may also establish daily limits on the amount that the price of a futures contract or related option can vary from the previous day's settlement price. Once the daily limit is reached, no trades may be made that day at a price beyond the limit. This may prevent the Fund from closing out positions and limiting its losses.

Lending of Securities. The Fund may lend portfolio securities to brokers, dealers, and financial institutions if the loan is collateralized by cash or U.S. Government securities according to applicable regulatory requirements. The Fund may reinvest any cash collateral in short-term securities and money markets funds. When the Fund lends portfolio securities, there is a risk that the borrower may fail to return the securities involved in the transaction. As a result, the Fund may incur a loss or, in the event of the borrower's bankruptcy, the Fund may be delayed in or prevented from liquidating the collateral. It is a fundamental policy of the Fund not to lend portfolio securities having a total value exceeding 30% of its total assets.

Rights and Warrants. The Fund may purchase warrants and rights which are securities permitting, but not obligating, their holder to purchase the underlying securities at a predetermined price subject to the Fund's Fundamental Investment Restriction. Generally, warrants and stock purchase rights do not carry with them the right to receive dividends or exercise voting rights with respect to the underlying securities, and they do not represent any rights in the assets of the issuer. As a result, an investment in warrants and rights may be considered to entail greater investment risk than certain other types of investments. In addition, the value of warrant and rights does not necessarily change with the value of the underlying securities, and they cease to have value if they are not exercised on or prior to their expiration date. Investment in warrants and rights increases the potential profit or loss to be realized from the investment of a given amount of the Fund's assets as compared with investing the same amount in the underlying stock.

Forward Commitment and When-Issued Securities. The Fund may purchase securities

on a when-issued or forward commitment basis. "When-issued" refers to securities whose terms are available and for which a market exists, but which have not been issued. The Fund will engage in when-issued transactions with respect to securities purchased for its portfolio in order to obtain what is considered to be an advantageous price and yield at the time of the transaction. For when-issued transactions, no payment is made until delivery is due, often a month or more after the purchase. In a forward commitment transaction, the Fund contracts to purchase securities for a fixed price at a future date beyond customary settlement time.

When the Fund engages in forward commitment and when-issued transactions, it relies on the seller to consummate the transaction. The failure of the issuer or seller to consummate the transaction may result in the Fund losing the opportunity to obtain a price and yield considered to be advantageous. The purchase of securities on a when-issued and forward commitment basis also involves a risk of loss if the value of the security to be purchased declines prior to the settlement date.

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On the date the Fund enters into an agreement to purchase securities on a when-issued or forward commitment basis, the Fund will segregate in a separate account cash or liquid securities, of any type or maturity, equal in value to the Fund's commitment. These assets will be valued daily at market, and additional cash or securities will be segregated in a separate account to the extent that the total value of the assets in the account declines below the amount of the when-issued commitments. Alternatively, the Fund may enter into offsetting contracts for the forward sale of other securities that it owns.

Short-Term Trading and Portfolio Turnover. Short-term trading means the purchase and subsequent sale of a security after it has been held for a relatively brief period of time. The Fund may engage in short-term trading in response to stock market conditions, changes in interest rates or other economic trends and developments, or to take advantage of yield disparities between various fixed income securities in order to realize capital gains or improve income. Short-term trading may have the effect of increasing portfolio turnover rate. A high rate of portfolio turnover (100% or greater) involves correspondingly greater brokerage transaction expenses and may make it more difficult for the Fund to qualify as a regulated investment company for federal income tax purposes. The Fund's portfolio turnover rate is set forth in the table under the caption "Financial Highlights" in the Prospectus.

INVESTMENT RESTRICTIONS

Fundamental Investment Restrictions. The following investment restrictions will not be changed without the approval of a majority of the Fund's outstanding voting securities which, as used in the Prospectus and this Statement of Additional Information, means the approval by the lesser of (1) the holders of 67% or more of the Fund's shares represented at a meeting if more than 50% of the Fund's outstanding shares are present in person or by proxy at that meeting or (2) more than 50% of the Fund's outstanding shares.

The Fund may not:

(1) Borrow money in an amount in excess of 33-1/3% of its total assets, and then only as a temporary measure for extraordinary or emergency purposes (except that it may enter into a reverse repurchase agreement within the limits described in the Prospectus or this Statement of Additional Information), or pledge, mortgage or hypothecate an amount of its assets (taken at market value) in excess of 15% of its total assets, in each case taken at the lower of cost or market value. For the purpose of this restriction, collateral arrangements with respect to options, futures contracts, options on futures contracts and collateral arrangements with respect to initial and variation margins are not considered a pledge of assets.

(2) Underwrite securities issued by other persons except insofar as the Fund may technically be deemed an underwriter under the Securities Act of 1933 in selling a portfolio security.

(3) Purchase or retain real estate (including limited partnership interests but excluding securities of companies, such as real estate investment trusts, which deal in real estate or interests therein and securities secured by real estate), or mineral leases, commodities or commodity contracts (except contracts for the future delivery of fixed income securities, stock index and currency futures and options on such futures) in the ordinary course of its business. The Fund reserves the freedom of action to hold and to sell real estate or mineral leases, commodities or commodity contracts acquired as a result of the ownership of securities.

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(4) Invest in direct participation interests in oil, gas or other mineral exploration or development programs.

(5) Make loans to other persons except by the purchase of obligations in which the Fund is authorized to invest and by entering into repurchase agreements; provided that the Fund may lend its portfolio securities not in excess of 30% of its total assets (taken at market value). Not more than 10% of the Fund's total assets (taken at market value) will be subject to repurchase agreements maturing in more than seven days. For these purposes the purchase of all or a portion of an issue of debt securities shall not be considered the making of a loan.

(6) Purchase the securities of any issuer if such purchase, at the time thereof, would cause more than 5% of its total assets (taken at market value) to be invested in the securities of such issuer, other than securities issued or guaranteed by the United States or any state or political subdivision thereof, or any political subdivision of any such state, or any agency or instrumentality of the United States, any state or political subdivision thereof, or any political subdivision of any such state. In applying these limitations, a guarantee of a security will not be considered a security of the guarantor, provided that the value of all securities issued or guaranteed by that guarantor, and owned by the Fund, does not exceed 10% of the Fund's total assets. In determining the issuer of a security, each state and each political subdivision agency, and instrumentality of each state and each multi-state agency of which such state is a member is a separate issuer. Where securities are backed only by assets and revenues of a particular instrumentality, facility or subdivision, such entity is considered the issuer.

(7) Invest in companies for the purpose of exercising control or management.

(8) Purchase or retain in its portfolio any securities issued by an issuer any of whose officers, directors, trustees or security holders is an officer or Trustee of such Fund, or is a member, partner, officer or Director of the Adviser, if after the purchase of the securities of such issuer by the Fund one or more of such persons owns beneficially more than 1/2 of 1% of the shares or securities, or both, all taken at market value, of such issuer, and such persons owning more than 1/2 of 1% of such shares or securities together own beneficially more than 5% of such shares or securities, or both, all taken at market value.

(9) Purchase any securities or evidences of interest therein on margin, except that the Fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of securities and the Fund may make deposits on margin in connection with futures contracts and related options.

(10) Sell any security which the Fund does not own unless by virtue of its ownership of other securities it has at the time of sale a right to obtain securities without payment of further consideration equivalent in kind and amount to the securities sold and provided that if such right is conditional the sale is made upon equivalent conditions.

(11) Knowingly invest in securities which are subject to legal or contractual restrictions on resale or for which there is no readily available market (e.g., trading in the security is suspended or market makers do not exist or will not entertain bids or offers), except for repurchase agreements, if, as a result thereof more than 10% of the Fund's total assets (taken at market value) would be so invested.

(12) Issue any senior security (as that term is defined in the Investment Company Act of 1940 (the "Investment Company Act") if such issuance is specifically prohibited by the Investment Company Act or the rules and regulations promulgated thereunder. For the purpose of this restriction, collateral arrangements with respect to options, futures contracts and options on futures contracts and collateral arrangements with respect to initial and variation margins are not deemed to be the issuance of a senior security.

(13) The Fund may not invest more than 25% of its total assets (taken at market value) in the securities of issuers engaged in any one industry. Obligations issued or guaranteed by the U.S. Government or its agencies and instrumentalities are not subject to the foregoing 25% limitation. In addition, for purposes of this limitation, determinations of what constitutes an industry are made in accordance with specific industry codes set forth in the Standard Industrial Classification Manual and without considering groups of industries (e.g., all utilities, to be an industry).

(14) Purchase securities of any issuer (other than securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities) if such purchase, at the time thereof, would cause the Fund to hold more than 10% of any class of securities of such issuer. For this purpose, all indebtedness of an

issuer shall be deemed a single class and all preferred stock of an issuer shall be deemed a single class.

Non-Fundamental Investment Restrictions. The following investment restrictions are designated as non-fundamental and may be changed by the Trustees without shareholder approval.

(1) The Fund may not purchase a security if, as a result, (i) more than 10% of the Fund's total assets would be invested in the securities of other investment companies, (ii) the Fund would hold more than 3% of the total outstanding voting securities of any one investment company, or (iii) more than 5% of the Fund's total assets would be invested in the securities of any one investment company. These limitations do not apply to (a) the investment of cash collateral, received by the Fund in connection with lending of the Fund's portfolio securities, in the securities of open-end investment companies or (b) the purchase of shares of any investment company in connection with a merger, consolidation, reorganization or purchase of substantially all of the assets of another investment company. Subject to the above percentage limitations, the Fund may, in connection with the John Hancock Group of Funds Deferred Compensation Plan for Independent Trustees/Directors, purchase securities of other investment companies within the John Hancock Group of Funds.

If a percentage restriction or rating restriction on investment or utilization of assets is adhered to at the time an investment is made or assets are so utilized, a later change in percentage resulting from changes in the value of the Fund's portfolio securities or a later change in the rating of a portfolio security will not be considered a violation of policy.

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<TABLE>
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THOSE RESPONSIBLE FOR MANAGEMENT

The business of the Fund is managed by its Trustees who elect officers who are responsible for the day-to-day operations of the Fund and who execute policies formulated by the Trustees. Several of the officers and Trustees of the Fund are also Officers and Directors of the Adviser or Officers and Directors of the Fund's principal distributor, John Hancock Funds, Inc. ("John Hancock Funds").

Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
Edward J. Boudreau, Jr. * 101 Huntington Avenue Boston, MA 02199 October 1944	Trustee, Chairman and Chief Executive Officer (1, 2)	Chairman, Director and Chief Executive Officer, the Adviser; Chairman, Director and Chief Executive Officer, The Berkeley Financial Group, Inc. ("The Berkeley Group"); Chairman and Director, NM Capital Management, Inc. ("NM Capital"), John Hancock Advisers International Limited ("Advisers International") and Sovereign Asset Management Corporation ("SAMCorp"); Chairman and Chief Executive Officer, John Hancock Funds, Inc. ("John Hancock Funds"); Chairman, First Signature Bank and Trust Company; Director, John Hancock Insurance Agency, Inc. ("Insurance Agency, Inc."), John Hancock Advisers International (Ireland) Limited ("International Ireland"), John Hancock Capital Corporation and New England/Canada Business Council; Member, Investment Company Institute Board of Governors; Director, Asia Strategic Growth Fund, Inc.; Trustee, Museum of Science; Director, John Hancock Freedom Securities Corporation (until September 1996); Director, John Hancock Signature Services, Inc. ("Signature Services") (until January 1997).

* Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address -----	Positions Held With the Company -----	Principal Occupation(s) During the Past Five Years -----
<S>	<C>	<C>
Stephen L. Brown* John Hancock Place P.O. Box 111 Boston, MA 02117 July 1937	Trustee	Chairman and Chief Executive Officer, John Hancock Mutual Life Insurance Company; Director, the Adviser, John Hancock Funds, Insurance Agency, John Hancock Subsidiaries, Inc., The Berkeley Group, Federal Reserve Bank of Boston, Signature Services (until January 1997;) Trustee, John Hancock Asset Management (until March 1997).
James F. Carlin 233 West Central Street Natick, MA 01760 April 1940	Trustee	Chairman and CEO, Carlin Consolidated, Inc. (management/investments); Director, Arbella Mutual (insurance), Health Plan Services, Inc., Massachusetts Health and Education Tax Exempt Trust, Flagship Healthcare, Inc., Carlin Insurance Agency, Inc., West Insurance Agency, Inc. (until May 1995), Uno Restaurant Corp.; Chairman, Massachusetts Board of Higher Education (since 1995).

* Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address -----	Positions Held With the Company -----	Principal Occupation(s) During the Past Five Years -----
<S>	<C>	<C>
William H. Cunningham 601 Colorado Street O'Henry Hall Austin, TX 78701 January 1944	Trustee	Chancellor, University of Texas System and former President of the University of Texas, Austin, Texas; Lee Hage and Joseph D. Jamail Regents Chair of Free Enterprise; Director, LaQuinta Motor Inns, Inc. (hotel management company) (1985-1998); Jefferson-Pilot Corporation (diversified life insurance company) and LBJ Foundation Board (education foundation); Advisory Director, Chase Bank (formerly Texas Commerce Bank - Austin).
Ronald R. Dion 250 Boylston Street Boston, MA 02116 March 1946	Trustee	President and Chief Executive Officer, R.M. Bradley & Co., Inc.; Director, The New England Council and Massachusetts Roundtable; Trustee, North Shore Medical Center and a corporator of the Eastern Bank; Trustee, Emmanuel College.
Harold R. Hiser, Jr. 123 Highland Avenue Short Hill, NJ 07078 October 1931	Trustee	Executive Vice President, Schering-Plough Corporation (pharmaceuticals) (retired 1996); Director, ReCapital Corporation (reinsurance) (until 1995).

* Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
Anne C. Hodsdon * 101 Huntington Avenue Boston, MA 02199 August 1953	Trustee and President (1,2)	President, Chief Operating Officer, Chief Investment Officer and Director, the Adviser, The Berkeley Group; Executive Vice President and Director, John Hancock Funds; Director, Advisers International, Insurance Agency, Inc. and International Ireland; President and Director, SAMCorp. and NM Capital; Executive Vice President, the Adviser (until December 1994); Director, Signature Services (until January 1997).
Charles L. Ladner UGI Corporation P.O. Box 858 Valley Forge, PA 19482 February 1938	Trustee	Senior Vice President and Chief Financial Officer, UGI Corporation (Public Utility Holding Company) (retired 1998); Vice President and Director for AmeriGas, Inc. (retired 1998); Vice President of AmeriGas Partners, L.P. (until 1997); Director, EnergyNorth, Inc. (until 1995).

* Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
Leo E. Linbeck, Jr. 3810 W. Alabama Houston, TX 77027 August 1934	Trustee	Chairman, President, Chief Executive Officer and Director, Linbeck Corporation (a holding company engaged in various phases of the construction industry and warehousing interests); Former Chairman, Federal Reserve Bank of Dallas (1992, 1993); Chairman of the Board, Linbeck Construction Corporation; Director, Duke Energy Corporation (a diversified energy company), Daniel Industries, Inc. (manufacturer of gas measuring products and energy related equipment), GeoQuest International Holdings, Inc. (a geophysical consulting firm); Director, Greater Houston Partnership.
Steven R. Pruchansky 4327 Enterprise Avenue Naples, FL 34104 August 1944	Trustee (1)	Director and President, Mast Holdings, Inc. (since 1991); Director, First Signature Bank & Trust Company (until August 1991); Director, Mast Realty Trust (until 1994); President, Maxwell Building Corp. (until 1991).

* Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address -----	Positions Held With the Company -----	Principal Occupation(s) During the Past Five Years -----
<S>	<C>	<C>
Richard S. Scipione * John Hancock Place P.O. Box 111 Boston, MA 02117 August 1937	Trustee (1)	General Counsel, John Hancock Mutual Life Insurance Company; Director, the Adviser, John Hancock Funds, Signator Investors, Inc., Insurance Agency, Inc., John Hancock Subsidiaries, Inc., SAMCorp. and NM Capital; The Berkeley Group; JH Networking Insurance Agency, Inc.; Signature Services (until January 1997).
Norman H. Smith 243 Mt. Oriole Lane Linden, VA 22642 March 1933	Trustee	Lieutenant General, United States Marine Corps; Deputy Chief of Staff for Manpower and Reserve Affairs, Headquarters Marine Corps; Commanding General III Marine Expeditionary Force/3rd Marine Division (retired 1991).

* Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address -----	Positions Held With the Company -----	Principal Occupation(s) During the Past Five Years -----
<S>	<C>	<C>
John P. Toolan 13 Chadwell Place Morristown, NJ 07960 September 1930	Trustee	Director, The Smith Barney Muni Bond Funds, The Smith Barney Tax-Free Money Funds, Inc., Vantage Money Market Funds (mutual funds), The Inefficient-Market Fund, Inc. (closed-end investment company) and Smith Barney Trust Company of Florida; Chairman, Smith Barney Trust Company (retired December, 1991); Director, Smith Barney, Inc., Mutual Management Company and Smith Barney Advisers, Inc. (investment advisers) (retired 1991); Senior Executive Vice President, Director and member of the Executive Committee, Smith Barney, Harris Upham & Co., Incorporated (investment bankers) (until 1991).
Osbert M. Hood 101 Huntington Avenue Boston, MA 02199 August 1952	Senior Vice President and Chief Financial Officer	Senior Vice President, Chief Financial Officer and Treasurer, the Adviser, the Berkeley Group and John Hancock Funds, Inc.; Vice President and Chief Financial Officer, John Hancock Mutual Life Insurance Company Retail Sector (until 1997).

* Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
John A. Morin 101 Huntington Avenue Boston, MA 02199 July 1950	Vice President	Vice President and Secretary, the Adviser, The Berkeley Group, Signature Services, John Hancock Funds, NM Capital and SAMCorp.; Clerk, Insurance Agency, Inc.; Counsel, John Hancock Mutual Life Insurance Company (until February 1996).
Susan S. Newton 101 Huntington Avenue Boston, MA 02199 March 1950	Vice President and Secretary	Vice President, the Adviser; John Hancock Funds, Signature Services and The Berkeley Group.
James J. Stokowski 101 Huntington Avenue Boston, MA 02199 November 1946	Vice President, Treasurer and Chief Accounting Officer	Vice President, the Adviser.

* Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.
(1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
(2) A member of the Investment Committee of the Adviser.
</TABLE>

All of the officers listed are officers or employees of the Adviser or affiliated companies. Some of the Trustees and officers may also be officers and/or Directors and/or Trustees of one or more of the other funds for which the Adviser serves as investment adviser.

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As of March 3, 1999 the officers and Trustees of the Fund as a group beneficially owned less than 1% of the outstanding shares of the Fund. As of that date, the following shareholders were the only record holders that beneficially owned of 5% or more of the outstanding shares of the Fund:

Name and Address of Shareholder -----	Class of Shares -----	Percentage of Total Outstanding Shares of the Class of the Fund -----
MLPF&S Sole Benefit of Its Customers Attn: Fund Administration 974U0 4800 Deerlake Drive East 2nd Floor Jacksonville FL 32246-6484	B	19.51%

The following tables provide information regarding the compensation paid by the Fund and the other investment companies in the John Hancock Fund Complex to the Independent Trustees for their services for the Fund's most recently completed fiscal year. Messrs. Boudreau and Scipione and Ms. Hodsdon, each a non-Independent Trustee, and each of the officers of the Fund are interested persons of the Adviser, are compensated by the Adviser and/or its affiliates and receive no compensation from the Fund for their services.

Trustees -----	Aggregate Compensation from the Fund (1) -----	Total Compensation from all Funds in John Hancock Fund Complex to Trustees (2) -----
James F. Carlin	\$ 3,607	\$ 74,000
William H. Cunningham*	3,607	74,000
Charles F. Fretz	2,978	74,250
Harold R. Hiser, Jr.*	3,442	74,000
Charles L. Ladner	3,673	74,250
Leo E. Linbeck, Jr.	3,607	74,250
Patricia P. McCarter*	2,445	74,250
Steven R. Pruchansky*	3,752	77,250
Norman H. Smith*	3,721	77,250
John P. Toolan*	3,673	74,250

Total \$34,505 \$ 747,750

- (1) Compensation for the fiscal year ended May 31, 1998.
- (2) The total compensation paid by the John Hancock Fund Complex to the Independent Trustees as of the calendar year ended December 31, 1997. As of this date, there were sixty-seven funds in the John Hancock Funds Complex with each of these Independent Trustees serving on thirty-two funds.

As of December 31, 1997, the value of the aggregate deferred compensation from all funds in the John Hancock Funds Complex for Mr. Cunningham was \$220,106, for Mr. Hiser was \$103,868, for Ms. McCarter was \$159,075, for Mr. Pruchansky was \$68,102, for Mr. Smith was \$70,607 and for Mr. Toolan was \$281,131 under the John Hancock Group of Funds Deferred Compensation Plan for Independent Trustees.

INVESTMENT ADVISORY AND OTHER SERVICES

The Adviser, located at 101 Huntington Avenue, Boston, Massachusetts 02199-7603, was organized in 1968 and has more than \$30 billion in assets under management in its capacity as investment adviser to the Fund and the other mutual funds and publicly traded investment companies in the John Hancock group of funds, having a combined total of over 1,400,000 shareholders. The Adviser is an affiliate of the Life Company, one of the most recognized and respected financial institutions in the nation. With total assets under management of more than \$100 billion, the Life Company is one of the ten largest life insurance companies in the United States, and carries a high rating from Standard & Poor's and A.M. Best. Founded in 1862, the Life Company has been serving clients for over 130 years.

The Fund has entered into an investment management contract (the "Advisory Agreement") with the Adviser which was approved by the Fund's shareholders. Pursuant to the Advisory Agreements, the Adviser will: (a) furnish continuously an investment program for the Fund and determine, subject to the overall supervision and review of the Trustees, which investments should be purchased, held, sold or exchanged and (b) provide supervision over all aspects of the Fund's operations except those which are delegated to a custodian, transfer agent or other agent.

The Fund bears all cost of its organization and operation, including but not limited to expenses of preparing, printing and mailing all shareholders' reports, notices, prospectuses, proxy statements and reports to regulatory agencies; expenses relating to the issuance, registration and qualification of shares; government fees; interest charges; expenses of furnishing to shareholders their account statements; taxes; expenses of redeeming shares; brokerage and other expenses connected with the execution of portfolio securities transactions; expenses pursuant to the Fund's plan of distribution; fees and expenses of custodian including those for keeping books and accounts, maintaining a committed line of credit, and calculating the net asset value of shares; fees and expenses of transfer agents and dividend disbursing agents; legal, accounting, financial, management, tax and auditing fees and expenses of the Fund (including and allocable portion of the cost of the Adviser's employees rendering such services to the Fund); the compensation and expenses of Trustees who are not otherwise affiliated with the Trust, the Adviser or any of their affiliates; expenses of Trustees' and shareholders' meeting; trade association memberships; insurance premiums; and any extraordinary expenses.

As compensation for its services under the Advisory Agreements, the Fund pays the Adviser monthly a fee based on a stated percentage of the average of the daily net assets of the Fund as follows:

Average Daily Net Assets -----	Fee (Annual Rate) -----
First \$200 million	0.650%
Next \$300 million	0.625%
Over \$500 million	0.600%

From time to time, the Adviser may reduce its fee or make other arrangements to limit the Fund's expenses to a specified percentage of average daily net assets. The Adviser retains the right to reimpose a fee and recover any other payments to the extent that, at the end of any fiscal year, the Fund's annual expenses fall below this limit. Effective after December 4, 1998, the Adviser has temporarily reduced its advisory fee to 0.50% of the average of the daily net assets of the Fund.

Securities held by the Fund may also be held by other funds or investment advisory clients for which the Adviser or its affiliates provide investment advice. Because of different investment objectives or other factors, a particular security may be bought for one or more funds or clients when one or more are selling the same security. If opportunities for purchase or sale of securities by the Adviser for the Fund or for other funds or clients for which the Adviser renders investment advice arise for consideration at or about the same time, transactions in such securities will be made, insofar as feasible, for the Fund or clients in a manner deemed equitable to all of them. To the extent that transactions on behalf of more than one client of the Adviser or its affiliates may increase the demand for securities being purchased or the supply of securities being sold, there may be an adverse effect on price.

Pursuant to the Advisory Agreement, the Adviser is not liable for any error of judgment or mistake of law or for any loss suffered by the Fund in connection with the matters to which their respective contracts relate, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Adviser in the performance of its duties or from its reckless disregard of the obligations and duties under the Advisory Agreement.

Under the Advisory Agreement, the Fund may use the name "John Hancock" or any name derived from or similar to it only for as long as the Advisory Agreement or any extension, renewal or amendment thereof remains in effect. If the Fund's Advisory Agreement is no longer in effect, the Fund (to the extent that it lawfully can) will cease to use such name or any other name indicating that it is advised by or otherwise connected with the Adviser. In addition, the Adviser or the Life Company may grant the non-exclusive right to use the name "John Hancock" or any similar name to any other corporation or entity, including but not limited to any investment company of which the Life Company or any subsidiary or affiliate thereof or any successor to the business of any subsidiary or affiliate thereof shall be the investment adviser.

The continuation of the Advisory Agreement and Distribution Agreement was approved by all of the Trustees. The Advisory Agreement and the Distribution Agreement discussed below will continue in effect from year to year, provided that its continuance is approved annually both (i) by the holders of a majority of the outstanding voting securities of the Trust or by the Trustees, and (ii) by a majority of the Trustees who are not parties to the Agreement, or "interested persons" of any such parties. Both Agreements may be terminated on 60 days written notice by any party or by a vote of a majority of the outstanding voting securities of the Fund and will terminate automatically if assigned.

The Advisory fees payable by the Fund to the Adviser, were as follows:

12/22/94-10/31/95	\$1,612,806
11/1/95-10/31/96	\$3,952,669
11/1/96-5/31/97	\$1,999,643
6/1/97-5/31/98	\$3,155,183

Administrative Services Agreement. The Fund previously was a party to an administrative services agreement (the "Services Agreement") with Transamerica Fund Management Company ("TFMC"), pursuant to which TFMC performed bookkeeping and accounting services and functions, including preparing and maintaining various accounting books, records and other documents and keeping such general ledgers and portfolio accounts as are reasonably necessary for the operation of the Fund. Other administrative services included communications in response to shareholder inquiries and certain printing expenses of various financial reports. In addition, such staff and office space, facilities and equipment was provided as necessary to provide administrative services to the Fund. The Services Agreement was amended in connection with the appointment of the Adviser as adviser to the Fund to permit services under the Agreement to be provided to the Fund by the Adviser and its affiliates. The Services Agreement was terminated during the 1995 fiscal year.

The amount of \$16,694 for the Fund reflects the total of administrative services fees paid to the Adviser for the fiscal year ended October 31, 1995:

Accounting and Legal Services Agreement. The Trust, on behalf the Fund, is a party to an Accounting and Legal Services Agreement with the Adviser. Pursuant to this agreement, the Adviser provides the Fund with certain tax, accounting and legal services. For the fiscal year ended October 31, 1996, the Fund paid the Adviser \$96,304 for services under this agreement. For the period from November 1, 1996 to May 31, 1997, the Fund paid the Adviser \$59,313 for services under this agreement. For the fiscal year ended May 31, 1998, the Fund paid the

Adviser \$88,284 under this agreement.

In order to avoid conflicts with portfolio trades for the Fund, the Adviser and the Fund have adopted extensive restrictions on personal securities trading by personnel of the Adviser and its affiliates. Some of these restrictions are: pre-clearance for all personal trades and a ban on the purchase of initial public offerings, as well as contributions to specified charities of profits on securities held for less than 91 days. These restrictions are a continuation of the basic principle that the interests of the Fund and its shareholders come first.

DISTRIBUTION CONTRACTS

The Fund has a Distribution Agreement with John Hancock Funds. Under the agreement, John Hancock Funds is obligated to use its best efforts to sell shares of each class of the Fund. Shares of the Fund are also sold by selected broker-dealers (the "Selling Brokers") which have entered into selling agency agreements with John Hancock Funds. John Hancock Funds accepts orders for the purchase of the shares of the Fund that are continually offered at net asset value next determined, plus any applicable sales charge, if any. In connection with the sale of Fund shares, John Hancock Funds and Selling Brokers receive compensation from a sales charge imposed, in the case of Class A shares, at the time of sale. In the case of Class B or Class C shares, the broker receives compensation immediately but John Hancock Funds is compensated on a deferred basis.

For the fiscal years ended October 31, 1995, 1996, for the period from November 1, 1996 to May 31, 1997 and for the fiscal year ended May 31, 1998, the following amounts reflect (a) the total underwriting commissions for sales of the Fund's Class A shares and (b) the portion of such amount retained by John Hancock Funds. The remainder of the underwriting commissions were reallocated to Selling Brokers.

10/31/1995	(a) \$35,314	and	(b) \$6,442
10/31/1996	(a) \$515,753	and	(b) \$65,449
11/1/96-5/31/97	(a) \$105,964	and	(b) \$115,430
6/1/97-5/31/98	(a) \$176,340	and	(b) \$20,547

The Fund's Trustees adopted Distribution Plans with respect to each class of shares (the "Plans") pursuant to Rule 12b-1 under the Investment Company Act of 1940. Under the Plans, the Fund will pay distribution and service fees at an aggregate annual rate of up to 0.25% for Class A shares and 1.00% for Class B and Class C shares, of the Fund's average daily net assets attributable to shares of that class. However, the service fee will not exceed 0.25% of the Fund's average daily net assets attributable to each class of shares. The distribution fees will be used to reimburse John Hancock Funds for its distribution expenses, including but not limited to: (i) initial and ongoing sales compensation to Selling Brokers and others (including affiliates of John Hancock Funds) engaged in the sale of Fund shares; (ii) marketing, promotional and overhead expenses incurred in connection with the distribution of Fund shares; and (iii) with respect to Class B and Class C shares only, interest expenses on unreimbursed distribution expenses. The service fees will be used to

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compensate Selling Brokers and others for providing personal and account maintenance services to shareholders. In the event that John Hancock Funds is not fully reimbursed for payments or expenses under the Class A Plan, these expenses will not be carried beyond twelve months from the date they were incurred. Unreimbursed expenses under the Class B and Class C Plans will be carried forward together with interest on the balance of these unreimbursed expenses. The Fund does not treat unreimbursed expenses under Class B and Class C Plans as a liability of the Fund, because the Trustees may terminate the Class B and/or Class C Plans at any time. For the fiscal year ended May 31, 1998 an aggregate of \$12,062,593 of distribution expenses or 8.40% of the average net assets of the Fund's Class B shares was not reimbursed or recovered by John Hancock Funds through the receipt of deferred sales charges or Rules 12b-1 fees in prior periods. Class C shares of the Fund did not commence operations until April 1, 1999; therefore there are no unreimbursed expenses to report.

The Plans were approved by a majority of the voting securities of the Fund. The Plans and all amendments were approved by the Trustees, including a majority of the Trustees who are not interested persons of the Fund and who have no direct or indirect financial interest in the operation of the Plans (the "Independent Trustees"), by votes cast in person at meetings called for the purpose of voting on such Plans.

Pursuant to the Plans, at least quarterly, John Hancock Funds provide the Fund with a written report of the amounts expended under the Plans and the purpose for which these expenditures were made. The Trustees review these reports on a quarterly basis to determine their continued appropriateness.

The Plans provide that they will continue in effect only so long as their continuance is approved at least annually by a majority of both the Trustees and Independent Trustees. The Plans provide that they may be terminated without penalty, (a) by vote of a majority of the Independent Trustees, (b) by a vote of a majority of the Fund's outstanding shares of the applicable class upon 60 days' written notice to John Hancock Funds, and (c) automatically in the event of assignment. Each of the Plans further provides that it may not be amended to increase the maximum amount of the fees for the services described therein without the approval of a majority of the outstanding shares of the class of the applicable Fund which has voting rights to that Plan. Each of the Plans provide that no material amendment to the Plan will be effective unless it is approved by a vote of a majority of the Trustees and the Independent Trustees of the Fund. The holders of Class A, Class B and Class C shares have exclusive voting rights with respect to the Plan applicable to their respective class of shares. In adopting the Plans, the Trustees concluded that, in their judgment, there is a reasonable likelihood that the Plans will benefit the holders of the applicable class of shares of the Fund.

Amounts paid to John Hancock Funds by any class of shares of the Fund will not be used to pay the expenses incurred with respect to any other class of shares of the Fund; provided, however, that expenses attributable to the Fund as a whole will be allocated, to the extent permitted by law, according to a formula based upon gross sales dollars and/or average daily net assets of each such class, as may be approved from time to time by vote of a majority of Trustees. From time to time, the Fund may participate in joint distribution activities with other Funds and the costs of those activities will be borne by the Fund in proportion to the relative net asset value of the participating Funds.

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During the fiscal year ended May 31, 1998, the Fund paid John Hancock Funds the following amounts of expenses in connection with their services. Class C shares did not commence operations until April 1, 1999; therefore, there are not expenses to report.

<TABLE>
<CAPTION>

	Expense Items				
	Advertising	Printing and Mailing of Prospectuses to New Shareholders	Compensation to Selling Brokers	Expenses of John Hancock Funds	Interest, Carrying or Other Finance Charges
<S>	<C>	<C>	<C>	<C>	<C>
Class A	\$14,308	\$1,954	\$188,804	\$24,236	\$0
Class B	\$ 9,863	\$1,536	\$ 86,654	\$16,580	\$0

SALES COMPENSATION

As part of their business strategies, each of the John Hancock funds, along with John Hancock Funds, pay compensation to financial services firms that sell the funds' shares. These firms typically pass along a portion of this compensation to your financial representative.

Compensation payments originate from two sources: from sales charges and from 12b-1 fees that are paid out of the funds' assets. The sales charges and 12b-1 fees paid by investors are detailed in the prospectus and under "Distribution Contracts" in this Statement of Additional Information. The portions of these expenses that are reallocated to financial services firms are shown on the next page.

Whenever you make an investment in the Fund, the financial services firm receives either a allowance from the initial sales charge or a commission, as described below. The firm also receives the first year's service fee at this time. Beginning with the second year after an investment is made, the financial services firm receives an annual service fee of 0.25% of its total eligible net assets. This fee is paid quarterly in arrears.

Financial services firms selling large amounts of fund shares may receive extra compensation. This compensation, which John Hancock Funds pays out of its own resources, may include asset retention fees as well as reimbursement for marketing expenses.

<TABLE>
<CAPTION>

	Sales charge paid by investors (% of offering price)	Maximum Reallowance or commission (% of offering price)	First year Service fee (% of net investment)	Maximum Total compensation (1) (% of offering price)
<S>	<C>	<C>	<C>	<C>
Class A Investments				
Up to \$99,999	4.50%	3.76%	0.25%	4.00%
\$100,000 - \$249,999	3.75%	3.01%	0.25%	4.00%
\$250,000 - \$499,999	2.75%	2.06%	0.25%	2.30%
\$500,000 - \$999,999	2.00%	1.51%	0.25%	1.75%
Regular investments of \$1 million Or more				
First \$1M - \$4,999,999	--	0.75%	0.25%	1.00%
Next \$1M - \$5M above that	--	0.25%	0.25%	0.50% (2)
Next \$1 or more above that	--	0.00%	0.25%	0.25% (2)
Class B Investments		Maximum Reallowance or commission (% of offering price)	First year service fee (% of net investment)	Maximum total compensation (% of offering price)
All amounts		3.75%	0.25%	4.00%
Class C investments		Maximum reallowance or commission (% of offering price)	First year service fee (% of net investment)	Maximum total compensation (% of offering price)
All amounts		0.75%	0.25%	1.00%

(1) Reallowance/commission percentages and service fee percentages are calculated from different amounts, and therefore may not equal total compensation percentages if combined using simple addition.

(2) For Group Investment Program sales, the maximum total compensation for investments of \$1 million or more is 1.00% of the offering price (one year CDSC of 1.00% applies for each sale.)

CDSC revenues collected by John Hancock Funds may be used to pay commissions when there is no initial sales charge.

NET ASSET VALUE

For purposes of calculating the net asset value ("NAV") of the shares of the Fund, the following procedures are utilized wherever applicable.

Debt investment securities are valued on the basis of valuations furnished by a principal market maker or a pricing service, both of which generally utilize electronic data processing techniques to determine valuations for normal institutional size trading units of debt securities without exclusive reliance upon quoted prices.

Equity securities traded on a principal exchange or NASDAQ National Market Issues are generally valued at last sale price on the day of valuation. Securities in the aforementioned category for which no sales are reported and other securities traded over-the-counter are generally valued at the mean between the current closing bid and asked prices.

Short-term debt investments which have a remaining maturity of 60 days or less are generally valued at amortized cost which approximates market value. If market quotations are not readily available or if in the opinion of the Adviser any quotation or price is not representative of true market value, the fair

value of the security may be determined in good faith in accordance with procedures approved by the Trustees.

Foreign securities are valued on the basis of quotations from the primary market in which they are traded. Any assets or liabilities expressed in terms of foreign currencies are translated into U.S. dollars by the custodian bank based on London currency exchange quotations as of 5:00 p.m., London time (12:00 noon, New York time) on the date of any determination of the Fund's NAV. If quotations are not readily available, or the value has been materially affected by the events occurring after closing of a foreign market, assets are valued by a method that Trustees believe accurately reflects fair value.

The NAV for each class of the Fund is determined each business day at the close of regular trading on the New York Stock Exchange (typically 4:00 p.m. Eastern Time) by dividing a class net assets by the number of its shares outstanding. On any day an international market is closed and the New York Stock Exchange is open, any foreign securities will be valued at the prior day's close with the current day's exchange rate. Trading of foreign securities may take place on Saturdays and U.S. business holidays on which the Fund's NAV is not calculated. Consequently, the Fund's portfolio securities may trade and the NAV of the Fund's redeemable securities may be significantly affected on days when a shareholder has no access to the Fund.

INITIAL SALES CHARGE ON CLASS A SHARES

Shares of the Fund are offered at a price equal to their net asset value plus a sales charge which, at the option of the purchaser, may be imposed either at the time of purchase (the "initial sales charge alternative") or on a contingent deferred basis (the "deferred sales charge alternative"). Share certificates will not be issued unless requested by the shareholder in writing, and then only will be issued for full shares. The Trustees of the Fund reserve the right to change or waive the Fund's minimum investment requirements and to reject any order to purchase shares (including purchase by exchange) when in the judgment of the Adviser such rejection is in the Fund's best interest.

The sales charges applicable to purchases of Class A shares of the Fund are described in the Prospectus. Methods of obtaining reduced sales charges referred to generally in the Prospectus are described in detail below. In calculating the sales charge applicable to current purchases of Class A shares, the investor is entitled to accumulate current purchases with the greater of the current value (at offering price) of the Class A shares of the Fund, owned by the investor, or if John Hancock Signature Services, Inc. ("Signature Services") is notified by the investor's dealer or the investor at the time of the purchase, the cost of the Class A shares owned.

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Without Sales Charge. Class A shares may be offered without a front-end sales charge or contingent deferred sales charges ("CDSC") to various individuals and institutions as follows:

- o A Trustee or officer of the Trust; a Director or officer of the Adviser and its affiliates or Selling Brokers; employees or sales representatives of any of the foregoing; retired officers, employees or Directors of any of the foregoing; a member of the immediate family (spouse, children, grandchildren, mother, father, sister, brother, mother-in-law, father-in-law, daughter-in-law, son-in-law, niece, nephew, grandparents and same sex domestic partner) of any of the foregoing, or any fund, pension, profit sharing or other benefit plan of the individuals described above.
- o A broker, dealer, financial planner, consultant or registered investment advisor that has entered into a signed agreement with John Hancock Funds providing specifically for the use of Fund shares in fee-based investment products or services made available to their clients.
- o A former participant in an employee benefit plan with John Hancock funds, when he or she withdraws from his or her plan and transfers any or all of his or her plan distributions directly to the Fund.
- o A member of a class action lawsuit against insurance companies who is investing settlement proceeds.
- o Retirement plans participating in Merrill Lynch servicing programs, if the Plan has more than \$3 million in assets or 500 eligible employees at the date the Plan Sponsor signs the Merrill Lynch Recordkeeping Service Agreement. See your Merrill Lynch financial consultant for further information.
- o Retirement plans investing through the PruArray Program sponsored by Prudential Securities.

- o Pension plans transferring assets from a John Hancock variable annuity contract to the Fund pursuant to an exemptive application approved by the Securities Exchange Commission.
- o Existing full service clients of the Life Company who were group annuity contract holders as of September 1, 1994, and participant directed retirement plans with at least 100 eligible employees at the inception of the Fund account. Each of these investors may purchase Class A shares with no initial sales charge. However, if the shares are redeemed within 12 months after the end of the calendar year in which the purchase was made, a CDSC will be imposed at the following rate:

Amount Invested -----	CDSC Rate -----
\$1 to \$4,999,999	1.00%
Next \$5 million to \$9,999,999	0.50%
Amounts of \$10 million and over	0.25%

Class A shares may also be purchased without an initial sales charge in connection with certain liquidation, merger or acquisition transactions involving other investment companies or personal holding companies.

Combination Privilege. In calculating the sales charge applicable to purchases of Class A shares made at one time, the purchases will be combined to reduce sales charges if made by (a) an individual, his or her spouse and their children under the age of 21, purchasing securities for his or their own account, (b) a trustee or other fiduciary purchasing for a single trust, estate or fiduciary account and (c) groups which qualify for the Group Investment Program (see below). A company's (not an individual's) qualified and non-qualified retirement plan investments can be combined to take advantage of this privilege. Further information about combined purchases, including certain restrictions on combined group purchases, is available from Signature Services or a Selling Broker's representative.

Accumulation Privilege. Investors (including investors combining purchases) who are already Class A shareholders may also obtain the benefit of the reduced sales charge by taking into account not only the amount being invested but also the investor's purchase price or current value of the Class A shares of all John Hancock funds which carry a sales charge already held by such person. Class A shares of John Hancock money market funds will only be eligible for the accumulation privilege if the investor has previously paid a sales charge on the amount of those shares. Retirement plan investors may include the value of Class B shares if Class B shares held are greater than \$1 million. Retirement plans must notify Signature Services to utilize. A company's (not an individual's) qualified and non-qualified retirement plan investments can be combined to take advantage of this privilege.

Group Investment Program. Under the Combination and Accumulation Privileges, all members of a group may combine their individual purchases of Class A shares to potentially qualify for breakpoints in the sales charge schedule. This feature is provided to any group which (1) has been in existence for more than six months, (2) has a legitimate purpose other than the purchase of mutual fund shares at a discount for its members, (3) utilizes salary deduction or similar group methods of payment, and (4) agrees to allow sales materials of the fund in its mailings to members at a reduced or no cost to John Hancock Funds.

Letter of Intention. Reduced sales charges are also applicable to investments made pursuant to a Letter of Intention (the "LOI"), which should be read carefully prior to its execution by an investor. The Fund offers two options regarding the specified period for making investments under the LOI. All investors have the option of making their investments over a specified period of thirteen (13) months. Investors who are using the Fund as a funding medium for a retirement plan, however, may opt to make the necessary investments called for by the LOI over a forty-eight (48) month period. These retirement plans include traditional, Roth and Education IRAs, SEP, SARSEP, 401(k), 403(b) (including TSAs), SIMPLE IRA, SIMPLE 401(k), Money Purchase Pension, Profit Sharing and Section 457 plans. An individual's non-qualified and qualified retirement plan investments cannot be combined to satisfy LOI of 48 months. Non-qualified and qualified retirement plan investments cannot be combined to satisfy an LOI of 48 months. Such an investment (including accumulations and combinations but not including reinvested dividends) must aggregate \$100,000 or more invested during the specified period from the date of the LOI or from a date within ninety (90) days prior thereto, upon written request to Signature Services. The sales charge applicable to all amounts invested under the LOI is computed as if the aggregate amount intended to be invested had been invested immediately. If such aggregate

amount is not actually invested, the difference in the sales charge actually paid and the sales charge payable had the LOI not been in effect is due from the investor. However, for the purchases actually made with the specified period (either 13 or 48 months), the sales charge applicable will not be higher than that which would have been applied (including accumulations and combinations) had the LOI been for the amount actually invested.

The LOI authorizes Signature Services to hold in escrow sufficient Class A shares (approximately 5% of the aggregate) to make up any difference in sales charges on the amount intended to be invested and the amount actually invested, until such investment is completed within the specified period, at which time the escrow shares will be released. If the total investment specified in the LOI is not completed, the Class A shares held in escrow may be redeemed and the proceeds used as required to pay such sales charges as may be due. By signing the LOI, the investor authorizes Signature Services to act as his attorney-in-fact to redeem any escrowed Class A shares and adjust the sales charge, if necessary. A LOI does not constitute a binding commitment by an investor to purchase, or by the Fund to sell, any additional shares and may be terminated at any time.

DEFERRED SALES CHARGE ON CLASS B AND CLASS C SHARES

Investments in Class B and Class C shares are purchased at net asset value per share without the imposition of an initial sales charge so that the Fund will receive the full amount of the purchase payment.

Contingent Deferred Sales Charge. Class B and Class C shares which are redeemed within six years or one year of purchase, respectively, will be subject to a CDSC at the rates set forth in the Prospectus as a percentage of the dollar amount subject to the CDSC. The charge will be assessed on an amount equal to the lesser of the current market value or the original purchase cost of the Class B or Class C shares being redeemed. No CDSC will be imposed on increases in account value above the initial purchase prices, including all shares derived from reinvestment of dividends or capital gains distributions.

Class B shares are not available to full-service retirement plans administered by Signature Services or the Life Company that had more than 100 eligible employees at the inception of the Fund account.

The amount of the CDSC, if any, will vary depending on the number of years from the time of payment for the purchase of Class B shares until the time of redemption of such shares. Solely for purposes of determining the number of years from the time of any payment for the purchase of both Class B and Class C shares, all payments during a month will be aggregated and deemed to have been made on the first day of the month.

In determining whether a CDSC applies to a redemption, the calculation will be determined in a manner that results in the lowest possible rate being charged. It will be assumed that your redemption comes first from shares you have held beyond the six-year CDSC redemption period for Class B or one year CDSC redemption period for Class C or those you acquired through dividend and capital gain reinvestment, and next from the shares you have held the longest during the six-year period for Class B shares. For this purpose, the amount of any increase in a share's value above its initial purchase price is not regarded as a share exempt from CDSC. Thus, when a share that has appreciated in value is redeemed during the CDSC period, a CDSC is assessed only on its initial purchase price.

When requesting a redemption for a specific dollar amount, please indicate if you require the proceeds to equal the dollar amount requested. If not indicated, only the specified dollar amount will be redeemed from your account and the proceeds will be less any applicable CDSC.

Example:

You have purchased 100 shares at \$10 per share. The second year after your purchase, your investment's net asset value per share has increased by \$2 to \$12, and you have gained 10 additional shares through dividend reinvestment. If you redeem 50 shares at this time your CDSC will be calculated as follows:

o Proceeds of 50 shares redeemed at \$12 per shares (50 x 12)	\$600.00
o *Minus Appreciation (\$12 - \$10) x 100 shares	(200.00)
o Minus proceeds of 10 shares not subject to CDSC (dividend reinvestment)	(120.00)

*The appreciation is based on all 100 shares in the lot not just the shares being redeemed.

Proceeds from the CDSC are paid to John Hancock Funds and are used in whole or in part by John Hancock Funds to defray its expenses related to providing distribution-related services to the Fund in connection with the sale of the Class B and Class C shares, such as the payment of compensation to select Selling Brokers for selling Class B and Class C shares. The combination of the CDSC and the distribution and service fees facilitates the ability of the Fund to sell the Class B and Class C shares without a sales charge being deducted at the time of the purchase.

Waiver of Contingent Deferred Sales Charge. The CDSC will be waived on redemptions of Class B and Class C shares and of Class A shares that are subject to a CDSC, unless indicated otherwise, in the circumstances defined below:

For all account types:

- * Redemptions made pursuant to the Fund's right to liquidate your account if you own shares worth less than \$1,000.
- * Redemptions made under certain liquidation, merger or acquisition transactions involving other investment companies or personal holding companies.
- * Redemptions due to death or disability. (Does not apply to trust accounts unless trust is being dissolved.)
- * Redemptions made under the Reinstatement Privilege, as described in "Sales Charge Reductions and Waivers" in the Prospectus.
- * Redemptions where the proceeds are used to purchase a John Hancock Declaration Variable annuity.
- * Redemptions of Class B (but not Class C) shares made under a periodic withdrawal plan, or redemptions for fees charged by planners or advisors for advisory services, as long as your annual redemptions do not exceed 12% of your account value, including reinvested dividends, at the time you established your periodic withdrawal plan and 12% of the value of subsequent investments (less redemptions) in that account at the time you notify Signature Services. (Please note that this waiver does not apply to periodic withdrawal plan redemptions of Class A or Class C shares that are subject to a CDSC.)

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- * Redemptions by Retirement plans participating in Merrill Lynch servicing programs, if the Plan has less than \$3 million in assets or 500 eligible employees at the date the Plan Sponsor signs the Merrill Lynch Recordkeeping Service Agreement. See your Merrill Lynch financial consultant for further information.
- * Redemptions of Class A shares by retirement plans that invested through the PruArray Program sponsored by Prudential Securities.

For Retirement Accounts (such as traditional, Roth and Education IRAs, SIMPLE IRA, SIMPLE 401(k), Rollover IRA, TSA, 457, 403(b), 401(k), Money Purchase Pension Plan, Profit-Sharing Plan and other plans as described in the Internal Revenue Code) unless otherwise noted.

- * Redemptions made to effect mandatory or life expectancy distributions under the Internal Revenue Code.
- * Returns of excess contributions made to these plans.
- * Redemptions made to effect distributions to participants or beneficiaries from employer sponsored retirement plans under sections 401(a) (such as Money Purchase Pension Plans and Profit-Sharing/401(k) Plans, 457 and 408 (SEPs and SIMPLE IRAs) of the Internal Revenue Code.
- * Redemptions from certain IRA and retirement plans that purchased shares prior to October 1, 1992 and certain IRA plans that purchased shares prior to May 15, 1995.

Please see matrix for some examples.

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<TABLE>
<CAPTION>

CDSC Waiver Matrix for Class B and Class C

<S>	<C>	<C>	<C>	<C>	<C>
Type of Distribution	401 (a) Plan (401 (k), MPP, PSP)	403 (b)	457	IRA, IRA Rollover	Non-retirement
Death or Disability	Waived	Waived	Waived	Waived	Waived
Over 70 1/2	Waived	Waived	Waived	Waived for mandatory distributions or 12% of account value annually in periodic payments.	12% of account value annually in periodic payments
Between 59 1/2 and 70 1/2	Waived	Waived	Waived	Waived for Life Expectancy or 12% of account value annually in periodic payments.	12% of account value annually in periodic payments
Under 59 1/2 (Class B only)	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	12% of account value annually in periodic payments
Loans	Waived	Waived	N/A	N/A	N/A
Termination of Plan	Not Waived	Not Waived	Not Waived	Not Waived	N/A
Hardships	Waived	Waived	Waived	N/A	N/A
Qualified Domestic Relations Orders	Waived	Waived	Waived	N/A	N/A
Termination of Employment Before Normal Retirement Age	Waived	Waived	Waived	N/A	N/A
Return of Excess	Waived	Waived	Waived	Waived	N/A

</TABLE>

If you qualify for a CDSC waiver under one of these situations, you must notify Signature Services at the time you make your redemption. The waiver will be granted once Signature Services has confirmed that you are entitled to the waiver.

SPECIAL REDEMPTIONS

Although it would not normally do so, the Fund has the right to pay the redemption price of shares of the Fund in whole or in part in portfolio securities as prescribed by the Trustees. When the shareholder sells portfolio securities received in this fashion, the shareholder will incur a brokerage charge. Any such security would be valued for the purpose of making such payment at the same value as used in determining the Fund's net asset value. The Fund has elected to be governed by Rule 18f-1 under the Investment Company Act. Under that rule, the Fund must redeem their shares for cash except to the extent to that the redemption payments to any shareholder during any 90-day period would exceed the lesser of \$250,000 or 1% of the Fund's net asset value at the beginning of such period.

Exchange Privilege. The Fund permits exchanges of shares of any class of the Fund for shares of the same class in any other John Hancock fund offering that class.

Exchanges between funds with shares that are not subject to a CDSC are based on their respective net asset values. No sales charge or transaction charge is imposed. Shares of the Fund which are subject to a CDSC may be exchanged into shares of any of the other John Hancock funds that are subject to a CDSC without incurring the CDSC; however, the shares acquired in an exchange will be subject to the CDSC schedule of the shares acquired if and when such shares are redeemed (except that shares exchanged into John Hancock Short-Term Strategic Income Fund and John Hancock Intermediate Government Fund will retain the exchanged fund's CDSC schedule). For purposes of computing the CDSC payable upon redemption of shares acquired in an exchange, the holding period of the original shares is added to the holding period of the shares acquired in an exchange.

If a shareholder exchanges Class B shares purchased prior to January 1, 1994 (except John Hancock Short-Term Strategic Income Fund) for Class B shares of any other John Hancock fund, the acquired shares will continue to be subject to the CDSC schedule that was in effect when the exchanged shares were purchased.

The Fund reserves the right to require that previously exchanged shares (and reinvested dividends) be in the Fund for 90 days before a shareholder is permitted a new exchange.

The Fund may refuse any exchange order. The Fund may change or cancel its exchange policies at any time, upon 60 days' notice to its shareholders.

An exchange of shares is treated as a redemption of shares of one fund and the purchase of shares of another for Federal Income Tax purposes. An exchange may result in a taxable gain or loss. See "TAX STATUS".

Systematic Withdrawal Plan. The Fund permits the establishment of a Systematic Withdrawal Plan. Payments under this plan represent proceeds from the redemption of shares of the Fund. Since the redemption price of the shares of the Fund may be more or less than the shareholder's cost, depending upon the market value of the securities owned by the Fund at the time of redemption, the distribution of cash pursuant to this plan may result in realization of gain or loss for purposes of Federal, state and local income taxes. The maintenance of a Systematic Withdrawal Plan concurrently with purchases of additional shares of the Fund could be disadvantageous to a shareholder because of the initial sales charge payable on such purchases of Class A shares and the CDSC imposed on redemptions of Class B and Class C shares and because redemptions are taxable events. Therefore, a shareholder should not purchase shares at the same time a Systematic Withdrawal Plan is in effect. The Fund reserve the right to modify or discontinue the Systematic Withdrawal Plan of any shareholder on 30 days' prior written notice to such shareholder, or to discontinue the availability of such plan in the future. The shareholder may terminate the plan at any time by giving proper notice to Signature Services.

Monthly Automatic Accumulation Program ("MAAP"). The program is explained in the Prospectus. The program, as it relates to automatic investment checks, is subject to the following conditions:

The investments will be drawn on or about the day of the month indicated.

The privilege of making investments through the MAAP may be revoked by Signature Services without prior notice if any investment is not honored by the shareholder's bank. The bank shall be under no obligation to notify the shareholder as to the non-payment of any checks.

The program may be discontinued by the shareholder either by calling Signature Services or upon written notice to Signature Services which is received at least five (5) business days prior to the order date of any investment.

Reinstatement and Reinvestment Privilege. If Signature Services is notified prior to reinvestment, a shareholder who has redeemed the Fund's shares may, within 120 days after the date of redemption, reinvest without payment of a sales charge any part of the redemption proceeds in shares of the same class of the Fund or another John Hancock fund, subject to the minimum investment limit of that fund. The proceeds from the redemption of Class A shares may be reinvested at net asset value without paying a sales charge in Class A shares of any John Hancock fund. If a CDSC was paid upon a redemption, a shareholder may reinvest the proceeds from this redemption at net asset value in additional shares of the class from which the redemption was made. The shareholder's account will be credited with the amount of any CDSC charged upon the prior redemption and the new shares will continue to be subject to the CDSC. The holding period of the shares acquired through reinvestment will, for purposes of

computing the CDSC payable upon a subsequent redemption, include the holding period of the redeemed shares.

To protect the interests of other investors in the Fund, the Fund may cancel the reinvestment privilege of any parties that, in the opinion of the Fund, are using market timing strategies or making more than seven exchanges per owner or controlling party per calendar year. Also, the Fund may refuse any reinvestment request.

The Fund may change or cancel its reinvestment policies at any time.

A redemption or exchange of Fund shares is a taxable transaction for Federal income tax purposes even if the reinvestment privilege is exercised, and any gain or loss realized by a shareholder on the redemption or other disposition of Fund shares will be treated for tax purposes as described under the caption "TAX STATUS".

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Retirement plans participating in Merrill Lynch's servicing programs:

Class A shares are available at net asset value for plans with \$3 million in plan assets or 500 eligible employees at the date the Plan Sponsor signs the Merrill Lynch Recordkeeping Service Agreement. If the plan does not meet either of these limits, Class A shares are not available.

For participating retirement plans investing in Class B shares, shares will convert to Class A shares after eight years, or sooner if the plan attains assets of \$5 million (by means of a CDSC-free redemption/purchase at net asset value).

DESCRIPTION OF THE FUND'S SHARES

The Trustees of the Trust are responsible for the management and supervision of the Fund. The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest of the Fund without par value. Under the Declaration of Trust, the Trustees have the authority to create and classify shares of beneficial interest in separate series and in one or more classes, without further action by shareholders. The Trustees have also authorized shares of this Fund and one other series and the issuance of three classes of shares of the Fund, designated as Class A, Class B and Class C. Additional series may be added in the future.

The shares of each class of the Fund represent an equal proportionate interest in the aggregate net assets attributable to the classes of the Fund. Holders of each class of shares have certain exclusive voting rights on matters relating to their respective distribution plans. The different classes of the Fund may bear different expenses relating to the cost of holding shareholder meetings necessitated by the exclusive voting rights of any class of shares.

Dividends paid by the Fund, if any, with respect to each class of shares will be calculated in the same manner, at the same time and on the same day and will be in the same amount, except for differences resulting from the facts that (i) the distribution and service fees relating to each class of shares will be borne exclusively by that class, (ii) Class B and Class C shares will pay higher distribution and service fees than Class A shares and (iii) each class of shares will bear any class expenses properly allocable to that class of shares, subject to the conditions the Internal Revenue Service imposes with respect to the multiple-class structures. Similarly, the net asset value per share may vary depending on which class of shares are purchased. No interest will be paid on uncashed dividend or redemption checks.

In the event of liquidation, shareholders of each class are entitled to share pro rata in the net assets of the Fund available for distribution to these shareholders. Shares entitle their holders to one vote per share, are freely transferable and have no preemptive, subscription or conversion rights. When issued, shares are fully paid and non-assessable, except as set forth below.

Unless otherwise required by the Investment Company Act or the Declaration of Trust, the Fund has no intention of holding annual meetings of shareholders. Fund shareholders may remove a Trustee by the affirmative vote of at least two-thirds of the Trust's outstanding shares and the Trustees shall promptly call a meeting for such purpose when requested to do so in writing by the record holders of not less than 10% of the outstanding shares of the Trust. Shareholders may, under certain circumstances, communicate with other shareholders in connection with requesting a special meeting of shareholders. However, at any time that less than a majority of the Trustees holding office were elected by the shareholders, the Trustees will call a special meeting of shareholders for the purpose of electing Trustees.

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Under Massachusetts law, shareholders of a Massachusetts business trust could, under certain circumstances, be held personally liable for acts or obligations of the trust. However, the Trust's Declaration of Trust contains an express disclaimer of shareholder liability for acts, obligations and affairs of the Trust. The Declaration of Trust also provides for indemnification out of the Trust's assets for all losses and expenses of any shareholder held personally liable by reason of being or having been a shareholder. The Declaration of Trust also provides that no series of the Trust shall be liable for the liabilities of any other series. Furthermore, no fund included in the Prospectus shall be liable for the liabilities of any other John Hancock fund. Liability is therefore limited to circumstances in which the Trust itself would be unable to meet its obligations, and the possibility of this occurrence is remote.

The Fund reserves the right to reject any application which conflicts with the Fund's internal policies or the policies of any regulatory authority. John Hancock Funds does not accept starter, credit card or third party checks. All checks returned by the post office as undeliverable will be reinvested at net asset value in the fund or funds from which a redemption was made or dividend paid. Information provided on the account application may be used by the Fund to verify the accuracy of the information or for background or financial history purposes. A joint account will be administered as a joint tenancy with right of survivorship, unless the joint owners notify Signature Services of a different intent. A shareholder's account is governed by the laws of The Commonwealth of Massachusetts. For telephone transactions, the transfer agent will take measures to verify the identity of the caller, such as asking for name, account number, Social Security or other taxpayer ID number and other relevant information. If appropriate measures are taken, the transfer agent is not responsible for any losses that may occur to any account due to an unauthorized telephone call. Also for your protection telephone transactions are not permitted on accounts whose names or addresses have changed within the past 30 days. Proceeds from telephone transactions can only be mailed to the address of record.

Selling activities for the Fund may not take place outside the U.S. exempt with U.S. military bases, APO addresses and U.S. diplomats. Brokers of record on Non-U.S. investors' accounts with foreign mailing addresses are required to certify that all sales activities have occurred, and in the future will occur, only in the U.S. A Foreign corporation may purchase shares of the Fund only if it has a U.S. mailing address.

TAX STATUS

Each series of the Trust, including the Fund is treated as a separate entity for tax purposes. The Fund has qualified and elected to be treated as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), and intends to continue to so qualify for each taxable year. As such and by complying with the applicable provisions of the Code regarding the sources of its income, the timing of its distributions, and the diversification of its assets, the Fund will not be subject to Federal income tax on taxable income (including net realized capital gains) which is distributed to shareholders in accordance with the timing requirements of the Code.

The Fund will be subject to a 4% non-deductible Federal excise tax on certain amounts not distributed (and not treated as having been distributed) on a timely basis in accordance with annual minimum distribution requirements. The Fund intends under normal circumstances to seek to avoid or minimize liability for such tax.

Distributions from the Fund's current or accumulated earnings and profits ("E&P") will be taxable under the Code for investors who are subject to tax. If these distributions are paid from the Fund's "investment company taxable income," they will be taxable as ordinary income; and if they are paid from the Fund's "net capital gain," they will be taxable as capital gain. (Net capital gain is the excess (if any) of net long-term capital gain over net short-term capital loss, and investment company taxable income is all taxable income and capital gains, other than those gains and losses included in computing net capital gain, after reduction by deductible expenses). Some distributions may be paid to shareholders as if they had been received on December 31 of the previous year. The tax treatment described above will apply without regard to whether distributions are received in cash or reinvested in additional shares of the Fund.

Distributions, if any, in excess of E&P will constitute a return of capital under the Code, which will first reduce an investor's federal tax basis in Fund shares and then, to the extent such basis is exceeded, will generally give rise to capital gains. Shareholders who have chosen automatic reinvestment of their distributions will have a federal tax basis in each share received pursuant to such a reinvestment equal to the amount of cash they would have received had

they elected to receive the distribution in cash, divided by the number of shares received in the reinvestment.

The Fund may be subject to withholding and other taxes imposed by foreign countries with respect to its investments in foreign securities. Some tax conventions between certain countries and the U.S. may reduce or eliminate such taxes. Investors may be entitled to claim U.S. foreign tax credits or deductions with respect to such taxes, subject to certain provisions and limitations contained in the Code, if the Fund so elects. If more than 50% of the value of the Fund's total assets at the close of any taxable year consists of stock or securities of foreign corporations, the Fund may file an election with the Internal Revenue Service pursuant to which shareholders of the Fund will be required to (i) include in ordinary gross income (in addition to taxable dividends and distributions actually received) their pro rata shares of qualified foreign taxes paid by the Fund even though not actually received by them, and (ii) treat such respective pro rata portions as qualified foreign taxes paid by them. The Fund probably will not satisfy this 50% requirement.

If the Fund makes this election, shareholders may then deduct such pro rata portions of qualified foreign taxes in computing their taxable incomes, or, alternatively, use them as foreign tax credits, subject to applicable limitations, against their U.S. Federal income taxes. Shareholders who do not itemize deductions for Federal income tax purposes will not, however, be able to deduct their pro rata portion of qualified foreign taxes paid by the Fund, although such shareholders will be required to include their share of such taxes in gross income. Shareholders who claim a foreign tax credit for such foreign taxes may be required to treat a portion of dividends received from the Fund as a separate category of income for purposes of computing the limitations on the foreign tax credit. Tax-exempt shareholders will ordinarily not benefit from this election. Each year (if any) that the Fund files the election described above, its shareholders will be notified of the amount of (i) each shareholder's pro rata share of qualified foreign taxes paid by the Fund and (ii) the portion of Fund dividends which represents income from each foreign country. The Fund that cannot or does not make this election may deduct such taxes in determining the amount it has available for distribution to shareholders, and shareholders will not, in this event, include these foreign taxes in their income, nor will they be entitled to any tax deductions or credits with respect to such taxes.

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The amount of the Fund's net realized capital gains, if any, in any given year will vary depending upon the Adviser's current investment strategy and whether the Adviser believes it to be in the best interest of the Fund to dispose of portfolio securities or enter into options or futures transactions that will generate capital gains. At the time of an investor's purchase of Fund shares, a portion of the purchase price is often attributable to realized or unrealized appreciation in the Fund's portfolio. Consequently, subsequent distributions from such appreciation may be taxable to such investor even if the net asset value of the investor's shares is, as a result of the distributions, reduced below the investor's cost for such shares, and the distributions in reality represent a return of a portion of the purchase price.

Upon a redemption or other disposition of shares of the Fund (including by exercise of the exchange privilege) in a transaction that is treated as a sale for tax purposes, a shareholder may realize a taxable gain or loss depending upon the amount of the proceeds and the investor's basis in his shares. Any gain or loss will be treated as capital gain or loss if the shares are capital assets in the shareholder's hands. A sales charge paid in purchasing shares of the Fund cannot be taken into account for purposes of determining gain or loss on the redemption or exchange of such shares within 90 days after their purchase to the extent shares of the Fund or another John Hancock fund are subsequently acquired without payment of a sales charge pursuant to the reinvestment or exchange privilege. Such disregarded load will result in an increase in the shareholder's tax basis in the shares subsequently acquired. Also, any loss realized on a redemption or exchange may be disallowed to the extent the shares disposed of are replaced with other shares of the same Fund within a period of 61 days beginning 30 days before and ending 30 days after the shares are disposed of, such as pursuant to automatic dividend reinvestments. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Any loss realized upon the redemption of shares with a tax holding period of six months or less will be treated as a long-term capital loss to the extent of any amounts treated as distributions of long-term capital gain with respect to such shares. Shareholders should consult their own tax advisers regarding their particular circumstances to determine whether a disposition of Fund shares is properly treated as a sale for tax purposes, as is assumed in the foregoing discussion.

Although its present intention is to distribute, at least annually, all net capital gain, if any, the Fund reserves the right to retain and reinvest all or any portion of the excess, as computed for Federal income tax purposes, of net long-term capital gain over net short-term capital loss in any year. The Fund will not in any event distribute net capital gain realized in any year to the extent that a capital loss is carried forward from prior years against such

gain. To the extent such excess was retained and not exhausted by the carryforward of prior years' capital losses, it would be subject to Federal income tax in the hands of the Fund. Upon proper designation by the Fund, each shareholder would be treated for Federal income tax purposes as if the Fund had distributed to him on the last day of its taxable year his pro rata share of such excess, and he had paid his pro rata share of the taxes paid by the Fund and reinvested the remainder in the Fund. Accordingly, each shareholder would (a) include his pro rata share of such excess as capital gain income in his return for his taxable year in which the last day of such Fund's taxable year falls, (b) be entitled either to a tax credit on his return for, or to a refund of, his pro rata share of the taxes paid by such Fund, and (c) be entitled to increase the adjusted tax basis for his shares in such Fund by the difference between his pro rata share of such excess and his pro rata share of such taxes.

For Federal income tax purposes, the Fund is generally permitted to carry forward a net capital loss in any year to offset its own net capital gains, if any, during the eight years following the year of the loss. To the extent subsequent net capital gains are offset by such losses, they would not result in Federal income tax liability to the Fund and, as noted above, would not be distributed as such to shareholders. The Fund has \$18,749,417 of capital loss carryforwards, available to the extent provided by regulations, to offset future net realized capital gains.

These carryforwards expire at various amounts and times from 2002 through 2006.

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The Fund is required to accrue income on any debt securities that have more than a de minimis amount of original issue discount (or debt securities acquired at a market discount, if the Fund elects to include market discount in income currently) prior to the receipt of the corresponding cash payments. The mark to market or constructive sales rules applicable to certain options, futures and forward contracts may also require the Fund to recognize income or gain without a concurrent receipt of cash. However, the Fund must distribute to shareholders for each taxable year substantially all of its net income and net capital gains, including such income or gain, to qualify as a regulated investment company and avoid liability for any federal income or excise tax. Therefore, the Fund may have to dispose of its portfolio securities under disadvantageous circumstances to generate cash, or borrow cash, to satisfy these distribution requirements.

A state income (and possibly local income and/or intangible property) tax exemption is generally available to the extent (if any) the Fund's distributions are derived from interest on (or, in the case of intangible property taxes, the value of its assets is attributable to) certain U.S. Government obligations, provided in some states that certain thresholds for holdings of such obligations and/or reporting requirements are satisfied. The Fund will not seek to satisfy any threshold or reporting requirements that may apply in particular taxing jurisdictions, although the Fund may in its sole discretion provide relevant information to shareholders.

The Fund will be required to report to the Internal Revenue Service (the "IRS") all taxable distributions to shareholders, as well as gross proceeds from the redemption or exchange of Fund shares, except in the case of certain exempt recipients, i.e., corporations and certain other investors distributions to which are exempt from the information reporting provisions of the Code. Under the backup withholding provisions of Code Section 3406 and applicable Treasury regulations, all such reportable distributions and proceeds may be subject to backup withholding of federal income tax at the rate of 31% in the case of non-exempt shareholders who fail to furnish the Fund with their correct taxpayer identification number and certain certifications required by the IRS or if the IRS or a broker notifies the Fund that the number furnished by the shareholder is incorrect or that the shareholder is subject to backup withholding as a result of failure to report interest or dividend income. The Fund may refuse to accept an application that does not contain any required taxpayer identification number or certification that the number provided is correct. If the backup withholding provisions are applicable, any such distributions and proceeds, whether taken in cash or reinvested in shares, will be reduced by the amounts required to be withheld. Any amounts withheld may be credited against a shareholder's U.S. federal income tax liability. Investors should consult their tax advisers about the applicability of the backup withholding provisions.

The Fund may be required to account for its transactions in forward rolls or swaps, caps, floors and collars in a manner that, under certain circumstances, may limit the extent of its participation in such transactions. Additionally, the Fund may be required to recognize gain, but not loss, if a swap or other transaction is treated as a constructive sale of an appreciated financial position in the Fund's portfolio. The Fund may have to sell portfolio securities under disadvantageous circumstances to generate cash, or borrow cash, to satisfy these distribution requirements.

Investments in debt obligations that are at risk of or are in default present special tax issues for the Fund. Tax rules are not entirely clear about issues such as when the Fund may cease to accrue interest, original issue discount, or

market discount, when and to what extent deductions may be taken for bad debts or worthless securities, how payments received on obligations in default should be allocated between principal and income, and whether exchanges of debt obligations in a workout context are taxable. These and other issues will be addressed by the Fund that holds such obligations in order to reduce the risk of distributing insufficient income to preserve its status as a regulated investment company and seek to avoid becoming subject to Federal income or excise tax.

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Limitations imposed by the Code on regulated investment companies like the Fund may restrict the Fund's ability to enter into options, futures, foreign currency positions and foreign currency forward transactions.

Certain options, futures and forward foreign currency transactions undertaken by the Fund may cause such Fund to recognize gains or losses from marking to market even though its positions have not been sold or terminated and affect the character as long-term or short-term (or, in the case of certain currency forwards, options and futures, as ordinary income or loss) and timing of some capital gains and losses realized by the Fund. Also, certain of the Fund's losses on its transactions involving options, futures and forward foreign currency contracts and/or offsetting or successor portfolio positions may be deferred rather than being taken into account currently in calculating the Fund's taxable income or gains. Certain of such transactions may also cause the Fund to dispose of investments sooner than would otherwise have occurred. These transactions may therefore affect the amount, timing and character of the Fund's distributions to shareholders. The Fund will take into account the special tax rules (including consideration of available elections) applicable to options, futures or forward contracts in order to seek to minimize any potential adverse tax consequences.

Different tax treatment, including penalties on certain excess contributions and deferrals, certain pre-retirement and post-retirement distributions and certain prohibited transactions, is accorded to accounts maintained as qualified retirement plans. Shareholders should consult their tax advisers for more information.

The foregoing discussion relates solely to U.S. Federal income tax law as applicable to U.S. persons (i.e., U.S. citizens or residents and U.S. domestic corporations, partnerships, trusts or estates) subject to tax under such law. The discussion does not address special tax rules applicable to certain classes of investors, such as tax-exempt entities, insurance companies, and financial institutions. Dividends, capital gain distributions, and ownership of or gains realized on the redemption (including an exchange) of Fund shares may also be subject to state and local taxes. Shareholders should consult their own tax advisers as to the Federal, state or local tax consequences of ownership of shares of, and receipt of distributions from, the Fund in their particular circumstances.

Non-U.S. investors not engaged in a U.S. trade or business with which their investment in a Fund is effectively connected will be subject to U.S. Federal income tax treatment that is different from that described above. These investors may be subject to nonresident alien withholding tax at the rate of 30% (or a lower rate under an applicable tax treaty) on amounts treated as ordinary dividends from the Fund and, unless an effective IRS Form W-8 or authorized substitute for Form W-8 is on file, to 31% backup withholding on certain other payments from the Fund. Non-U.S. investors should consult their tax advisers regarding such treatment and the application of foreign taxes to an investment in the Fund.

The Fund is not subject to Massachusetts corporate excise or franchise taxes. The Fund anticipates that, provided that the Fund qualifies as a regulated investment company under the Code, it will also not be required to pay any Massachusetts income tax.

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CALCULATION OF PERFORMANCE

The Fund may advertise yield, where appropriate. For the 30-day period ended November 30, 1998, the yields of the Fund's Class A and Class B shares were 4.48% and 4.00%, respectively. Class C shares commenced operations on April 1, 1999; therefore, there is no yield to report.

The Fund's yield is computed by dividing net investment income per share determined for a 30-day period by the maximum offering price per share (which

includes the full sales charge) on the last day of the period, according to the following standard formula:

$$\text{Yield} = 2 \left(\left[\frac{(a - b) + 1}{cd} \right]^6 - 1 \right)$$

Where:

- a = dividends and interest earned during the period.
- b = net expenses accrued during the period.
- c = the average daily number of fund shares outstanding during the period that would be entitled to receive dividends.
- d = the maximum offering price per share on the last day of the period (NAV where applicable).

Total Return. Average annual total return is determined separately for each class of shares.

Set forth below are tables showing the performance on a total return basis (i.e., with all dividends and distributions reinvested) of a hypothetical \$1,000 investment in the Class A and Class B shares of the Fund. Class C shares commenced operations on April 1, 1999; therefore, there is no average annual total return to report.

<TABLE>
<CAPTION>

Class A Shares One Year Ended 11/30/98	Class A Shares 9/30/94* to 11/30/98	Class B Shares One Year Ended 11/30/98	Class B Shares Five Years Ended 11/30/98	Class B Shares Ten Years Ended 11/30/98
<S> 4.77%	<C> 7.91%	<C> 3.87%	<C> 5.57%	<C> 7.41%

* Commencement of operations.
</TABLE>

Total Return. The Fund's total return is computed by finding the average annual compounded rate of return over the 1-year, 5-year, and 10-year periods that would equate the initial amount invested to the ending redeemable value according to the following formula:

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$$T = \sqrt[n]{\text{ERV} / P} - 1$$

- P = a hypothetical initial payment of \$1,000.
- T = average annual total return.
- n = number of years.
- ERV = ending redeemable value of a hypothetical \$1,000 investment made at the beginning of the 1-year and life-of-fund periods.

Because each class has its own charge and fee structure, the classes have different performance results. In the case of each class, this calculation assumes the maximum sales charge is included in the initial investment or the CDSC is applied at the end of the period. This calculation assumes that all dividends and distributions are reinvested at net asset value on the reinvestment dates during the period. The "distribution rate" is determined by annualizing the result of dividing the declared dividends of the Fund during the period stated by the maximum offering price or net asset value at the end of the period. Excluding the Fund's sales charge from the distribution rate produces a higher rate.

In addition to average annual total returns, the Fund may quote unaveraged or cumulative total returns reflecting the simple change in value of an investment over a stated period. Cumulative total returns may be quoted as a percentage or as a dollar amount, and may be calculated for a single investment, a series of investments, and/or a series of redemptions, over any time period. Total returns may be quoted with or without taking the Fund's sales charge on Class A shares or the CDSC on Class B or Class C shares into account. Excluding the Fund's sales charge on Class A shares and the CDSC on Class B or Class C shares from a total return calculation produces a higher total return figure.

From time to time, in reports and promotional literature, the Fund's yield and total return will be compared to indices of mutual funds and bank deposit vehicles such as Lipper Analytical Services, Inc.'s "Lipper--Fixed Income Fund Performance Analysis," a monthly publication which tracks net assets, total return, and yield on fixed income mutual funds in the United States. Ibbotson and Associates, CDA Weisenberger and F.C. Towers are also used for comparison purposes, as well as the Russell and Wilshire Indices.

Performance rankings and ratings reported periodically in national financial publications such as MONEY MAGAZINE, FORBES, BUSINESS WEEK, THE WALL STREET JOURNAL, MICROPAL, INC., MORNINGSTAR, STANGER'S and BARRON'S, etc. will also be utilized. The Fund's promotional and sales literature may make reference to the Fund's "beta." Beta reflects the market-related risk of the Fund by showing how responsive the Fund is to the market.

The performance of the Fund is not fixed or guaranteed. Performance quotations should not be considered to be representations of performance of the Fund for any period in the future. The performance of the Fund is a function of many factors including its earnings, expenses and number of outstanding shares. Fluctuating market conditions; purchases, sales and maturities of portfolio securities; sales and redemptions of shares of beneficial interest; and changes in operating expenses are all examples of items that can increase or decrease the Fund's performance.

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BROKERAGE ALLOCATION

Decisions concerning the purchase and sale of portfolio securities and the allocation of brokerage commissions are made by the Adviser pursuant to recommendations made by an investment committee of the Adviser, which consists of officers and directors of the Adviser and affiliates and Trustees who are interested persons of the Fund. Orders for purchases and sales of securities are placed in a manner which, in the opinion of the Adviser, will offer the best price and market for the execution of each such transaction. Purchases from underwriters of portfolio securities may include a commission or commissions paid by the issuer and transactions with dealers serving as market makers reflect a "spread." Debt securities are generally traded on a net basis through dealers acting for their own account as principals and not as brokers; no brokerage commissions are payable on these transactions.

In the U.S. Government securities market, securities are generally traded on a "net" basis with dealers acting as principal for their own account without a stated commission, although the price of the security usually includes a profit to the dealer. On occasion, certain money market instruments and agency securities may be purchased directly from the issuer, in which case no commissions or premiums are paid. In other countries, both debt and equity securities are traded on exchanges at fixed commission rates. Commissions on foreign transactions are generally higher than the negotiated commission rates available in the U.S. There is generally less government supervision and regulation of foreign stock exchanges and broker-dealers than in the U.S.

The Fund's primary policy is to execute all purchases and sales of portfolio instruments at the most favorable prices consistent with best execution, considering all of the costs of the transaction including brokerage commissions. This policy governs the selection of brokers and dealers and the market in which a transaction is executed. Consistent with the foregoing primary policy, the Rules of Fair Practice of the NASD and other policies that the Trustees may determine, the Adviser may consider sales of shares of the Fund as a factor in the selection of broker-dealers to execute a Fund's portfolio transactions.

To the extent consistent with the foregoing, the Fund will be governed in the selection of brokers and dealers, and the negotiation of brokerage commission rates and dealer spreads, by the reliability and quality of the services, including primarily the availability and value of research information and to a lesser extent statistical assistance furnished to the Adviser of the Fund, and their value and expected contribution to the performance of the Fund. It is not possible to place a dollar value on information and services to be received from brokers and dealers, since it is only supplementary to the research efforts of the Adviser. The receipt of research information is not expected to reduce significantly the expenses of the Adviser. The research information and statistical assistance furnished by brokers and dealers may benefit the Life Company or other advisory clients of the Adviser, and conversely, brokerage commissions and spreads paid by other advisory clients of the Adviser may result in research information and statistical assistance beneficial to the Fund. The Fund will make no commitments to allocate portfolio transactions upon any prescribed basis. While the Adviser's officers will be primarily responsible for the allocation of the Fund's brokerage business, the policies and practices of the Adviser in this regard must be consistent with the foregoing and at all times be subject to review by the Trustees.

The negotiated brokerage commissions of the Fund are as follows:

(a) \$25,004 for the fiscal year ended May 31, 1998, (b) \$59,080 for the period from November 1, 1996 to May 31, 1997 (c) \$135,622 for the fiscal year ended October 31, 1996; and (d) \$15,814 for the fiscal year ended October 31, 1995.

As permitted by Section 28(e) of the Securities Exchange Act of 1934, the Fund may pay to a broker which provides brokerage and research services to the Fund an amount of disclosed commission in excess of the commission which another broker would have charged for effecting that transaction. This practice is subject to a good faith determination by the Trustees that the price is reasonable in light of the services provided and to policies that the Trustees may adopt from time to time. For the fiscal year ended May 31, 1998, the Fund did not pay any commissions to compensate brokers for research services such as industry, economic and company reviews and evaluations of securities.

The Adviser's indirect parent, the Life Company is the indirect sole shareholder of Signator Investors, Inc., a broker dealer ("Signator" or "Affiliated Broker"). Pursuant to procedures determined by the Trustees and consistent with the above policy of obtaining best net results, the Fund may execute portfolio transactions with or through Affiliated Brokers. For the fiscal years ended October 31, 1995 and 1996, the Fund paid no brokerage commission to any Affiliated Broker. For the period from November 1, 1996 to May 31, 1997, the Fund paid no brokerage commissions to any Affiliated Broker. For the fiscal year ended May 31, 1998, the Fund paid no brokerage commissions to any Affiliated Broker.

Signator may act as broker for the Fund on exchange transactions, subject, however, to the general policy of the Fund set forth above and the procedures adopted by the Trustees pursuant to the Investment Company Act. Commissions paid to an Affiliated Broker must be at least as favorable as those which the Trustees believe to be contemporaneously charged by other brokers in connection with comparable transactions involving similar securities being purchased or sold. A transaction would not be placed with an Affiliated Broker if the Fund would have to pay a commission rate less favorable than the Affiliated Broker's contemporaneous charges for comparable transactions for its other most favored, but unaffiliated, customers, except for accounts for which the Affiliated Broker acts as a clearing broker for another brokerage firm, and any customers of the Affiliated Broker not comparable to the Fund as determined by a majority of the Trustees who are not interested persons (as defined in the Investment Company Act) of the Fund, the Adviser or the Affiliated Broker. Because the Adviser, which is affiliated with the Affiliated Broker, has, as an investment adviser to the Fund, the obligation to provide investment management services, which includes elements of research and related investment skills, such research and related skills will not be used by the Affiliated Brokers as a basis for negotiating commissions at a rate higher than that determined in accordance with the above criteria.

Other investment advisory clients advised by the Adviser may also invest in the same securities as the Fund. When these clients buy or sell the same securities at substantially the same time, the Adviser may average the transactions as to price and allocate the amount of available investments in a manner which the Adviser believes to be equitable to each client, including the Fund. In some instances, this investment procedure may adversely affect the price paid or received by the Fund or the size of the position obtainable for it. On the other hand, to the extent permitted by law, the Advisers may aggregate securities to be sold or purchased for the Fund with those to be sold or purchased for other clients managed by it in order to obtain best execution.

TRANSFER AGENT SERVICES

John Hancock Signature Services Inc., 1 Hancock Way, Suite 1000, Boston, MA 02217-1000, a wholly-owned indirect subsidiary of the Life Company, is the transfer and dividend paying agent for the Fund. The Fund pays Signature Services an annual fee of \$20.00 for each Class A shareholder account, \$22.50 for each Class B shareholder account and \$20.50 for each Class C shareholder account. The Fund also pays certain out-of-pocket expenses and these expenses are aggregated and charged to the Fund and allocated to each class on the basis of their relative net asset values.

CUSTODY OF PORTFOLIO

Portfolio securities of the Fund are held pursuant to a custodian agreement between the Fund and Investors Bank & Trust Company, 200 Clarendon Street, Boston, Massachusetts 02116. Under the custodian agreement, Investors Bank &

Trust Company performs custody, portfolio and fund accounting services.

INDEPENDENT AUDITORS

Ernst & Young LLP, 200 Clarendon Street, Boston, Massachusetts 02116, has been selected as the independent auditors of the Fund. The financial statements of the Fund included in the Prospectus and this Statement of Additional Information for the Fund's fiscal year ended May 31, 1998 have been audited by Ernst & Young LLP for the periods indicated in their report, appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

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APPENDIX-A

MORE ABOUT RISK

A fund's risk profile is largely defined by the fund's principal securities and investment practices. You may find the most concise description of the fund's risk profile in the prospectus.

A fund is permitted to utilize -- within limits established by the trustees -- certain other securities and investment practices that have higher risks and opportunities associated with them. To the extent that the fund utilizes these securities or practices, its overall performance may be affected, either positively or negatively. On the following pages are brief definitions of certain associated risks with them, with examples of related securities and investment practices included in brackets. See the "Investment Objectives and Policies" and "Investment Restrictions" sections of this Statement of Additional Information for a description of this Fund's investment policies. The fund follows certain policies that may reduce these risks.

As with any mutual fund, there is no guarantee that the fund will earn income or show a positive total return over any period of time -- days, months or years.

TYPES OF INVESTMENT RISK

Correlation risk The risk that changes in the value of a hedging instrument will not match those of the asset being hedged (hedging is the use of one investment to offset the effects of another investment). Incomplete correlation can result in unanticipated risks. (e.g., currency contracts, futures and related options, options on securities and indices, swaps, caps, floors and collars).

Credit risk The risk that the issuer of a security, or the counterparty to a contract, will default or otherwise become unable to honor a financial obligation. (e.g., non-investment-grade debt securities, borrowing; reverse repurchase agreements, covered mortgage dollar roll transactions, repurchase agreements, securities lending, brady bonds, foreign debt securities, in-kind, delayed and zero coupon debt securities, asset-backed securities, mortgage-backed securities, participation interest, options on securities, structured securities and swaps, caps floors and collars).

Currency risk The risk that fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect an investment. Adverse changes in exchange rates may erode or reverse any gains produced by foreign currency-denominated investments, and may widen any losses. (e.g., foreign debt securities, currency contracts, swaps, caps, floors and collars).

Extension risk The risk that an unexpected rise in interest rates will extend the life of a mortgage-backed security beyond the expected prepayment time, typically reducing the security's value. (e.g. mortgage-backed securities and structured securities).

Interest rate risk The risk of market losses attributable to changes in interest rates. With fixed-rate securities, a rise in interest rates typically causes a fall in values, while a fall in rates typically causes a rise in values. (e.g., non-investment-grade debt securities, covered mortgage dollar roll transactions, brady bonds, foreign debt securities, in-kind, delayed and zero coupon debt securities, asset-backed securities, mortgage-backed securities, participation interest, swaps, caps, floors and collars).

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Leverage risk Associated with securities or practices (such as borrowing) that multiply small index or market movements into large changes in value. (e.g.

borrowing; reverse repurchase agreements, covered mortgage dollar roll transactions, when-issued securities and forward commitments, currency contracts, financial futures and options; securities and index options, structured securities, swaps, caps, floors and collars).

- o Hedged When a derivative (a security whose value is based on another security or index) is used as a hedge against an opposite position that the fund also holds, any loss generated by the derivative should be substantially offset by gains on the hedged investment, and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains.
- o Speculative To the extent that a derivative is not used as a hedge, the fund is directly exposed to the risks of that derivative. Gains or losses from speculative positions in a derivative may be substantially greater than the derivative's original cost.

Liquidity risk The risk that certain securities may be difficult or impossible to sell at the time and the price that the seller would like. The seller may have to lower the price, sell other securities instead, or forego an investment opportunity, any of which could have a negative effect on fund management or performance. (e.g. non-investment-grade debt securities, restricted and illiquid securities, mortgage-backed securities, participation interest, currency contracts, futures and related options; securities and index options, structured securities, swaps, caps, floors and collars).

Management risk The risk that a strategy used by a fund's management may fail to produce the intended result. Common to all mutual funds.

Market risk The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector of the bond market or the market as a whole. Common to all stocks and bonds and the mutual funds that invest in them. (e.g. covered mortgage dollar roll transactions, short-term trading, when-issued securities and forward commitments, brady bonds, foreign debt securities, in-kind, delayed and zero coupon debt securities, restricted and illiquid securities, rights and warrants, financial futures and options; and securities and index options, structured securities).

Natural event risk The risk of losses attributable to natural disasters, crop failures and similar events.

Opportunity risk The risk of missing out on an investment opportunity because the assets necessary to take advantage of it are tied up in less advantageous investments. (e.g. covered mortgage dollar roll transactions, when-issued securities and forward commitments, currency contracts, financial futures and options; securities and securities and index options).

Political risk The risk of losses attributable to government or political actions, from changes in tax or trade statutes to governmental collapse and war. (e.g., brady bonds and foreign debt securities).

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Prepayment risk The risk that unanticipated prepayments may occur during periods of falling interest rates, reducing the value of mortgage-backed securities. (e.g., mortgage backed securities).

Valuation risk The risk that a fund has valued certain of its securities at a higher price than it can sell them for. (e.g., non-investment-grade debt securities, participation interest, structured securities, swaps, caps, floors and collars).

A-3

APPENDIX B

DESCRIPTION OF BOND RATINGS

The ratings of Moody's Investors Service, Inc. and Standard & Poor's Ratings Group represent their opinions as to the quality of various debt instruments they undertake to rate. It should be emphasized that ratings are not absolute standards of quality. Consequently, debt instruments with the same maturity, coupon and rating may have different yields while debt instruments of the same maturity and coupon with different ratings may have the same yield.

Aaa: Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa: Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuations of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A: Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment at some time in the future.

Baa: Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba: Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B: Bonds which are rated B generally lack the characteristics of desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa: Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca: Bonds which are rated Ca represented obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

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STANDARD & POOR'S RATINGS GROUP

AAA: Debt rated AAA has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA: Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.

A: Debt rated A has a strong capacity to pay interest and repay principal, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB: Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

BB, B: Debt rated BB, and B is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and CC the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

CCC: Debt rated 'CCC' has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The 'CCC' rating category is also used for debt subordinated to senior debt that is assigned an actual or implied 'B' or 'B-' rating.

CC: The rating 'CC' is typically applied to debt subordinated to senior debt that is assigned an actual or implied 'CCC' rating.

FITCH INVESTORS SERVICE ("Fitch")

AAA, AA, A, BBB - Bonds rated AAA are considered to be investment grade and of the highest quality. The obligor has an extraordinary ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events. Bonds rated AA are considered to be investment grade and of high quality. The obligor's ability to pay interest and repay principal, while very strong, is somewhat less than for AAA rated securities or more subject to possible change over the term of the issue. Bonds rated A are considered to be investment grade and of good quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings. Bonds rated BBB are considered to be investment grade and of satisfactory quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to weaken this ability than bonds with higher ratings.

B-2

TAX-EXEMPT NOTE RATINGS

Moody's - MIG-1 and MIG-2. Notes rated MIG-1 are judged to be of the best quality, enjoying strong protection from established cash flow or funds for their services or from established and broad-based access to the market for refinancing or both. Notes rated MIG-2 are judged to be of high quality with ample margins of protection, though not as large as MIG-1.

S&P - SP-1 and SP-2. SP-1 denotes a very strong or strong capacity to pay principal and interest. Issues determined to possess overwhelming safety characteristics are given a plus (+) designation (SP-1+). SP-2 denotes a satisfactory capacity to pay principal and interest.

Fitch - FIN-1 and FIN-2. Notes assigned FIN-1 are regarded as having the strongest degree of assurance for timely payment. A plus symbol may be used to indicate relative standing. Notes assigned FIN-2 reflect a degree of assurance for timely payment only slightly less in degree than the highest category.

CORPORATE AND TAX-EXEMPT COMMERCIAL PAPER RATINGS

Moody's - Commercial Paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months. Prime-1, indicates highest quality repayment capacity of rated issue and Prime-2 indicates higher quality.

S&P - Commercial Paper ratings are a current assessment of the likelihood of timely payment of debts having an original maturity of no more than 365 days. Issues rated A have the greatest capacity for a timely payment and the designation 1, 2 and 3 indicates the relative degree of safety. Issues rated "A-1+" are those with an "overwhelming degree of credit protection."

Fitch - Commercial Paper ratings reflect current appraisal of the degree of assurance of timely payment. F-1 issues are regarded as having the strongest degree of assurance for timely payment. (+) is used to designate the relative position of an issuer within the rating category. F-2 issues reflect an assurance of timely payment only slightly less in degree than the strongest issues. The symbol (LOC) may follow either category and indicates that a letter of credit issued by a commercial bank is attached to the commercial paper note.

Other Considerations - The ratings of S&P, Moody's, and Fitch represent their respective opinions of the quality of the municipal securities they undertake to rate. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, municipal securities with the same maturity, coupon and ratings may have different yields and municipal securities of the same maturity and coupon with different ratings may have the same yield.

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FINANCIAL STATEMENTS

The financial statements listed below are included in the Fund's respective 1998 Annual Report to Shareholders for the year ended May 31, 1998 (filed electronically on July 30, 1998, accession number 0001010521-98-000300) and 1998

Semiannual Report to Shareholders for the year ended November 30, 1998 (filed electronically on January 29, 1999, accession number 0001010521-99-000087) and are included in and incorporated by reference into Part B of this registration statement of John Hancock Government Income Fund (files nos. 811-03006 and 2-66906).

John Hancock Bond Trust
 John Hancock Government Income Fund

Statement of Assets and Liabilities as of May 31, 1998.
 Statement of Operations for the fiscal year ended May 31, 1998
 Statement of Changes in Net Assets for each of the periods indicated therein.
 Financial Highlights for each of the periods indicated therein.
 Schedule of Investments as of May 31, 1998.
 Notes to Financial Statements.
 Report to Independent Auditors.

Statement of Assets and Liabilities as of November 30, 1998. (unaudited)
 Statement of Operations for the fiscal year ended
 November 30, 1998. (unaudited)
 Statement of Changes in Net Assets for each of the periods indicated therein. (unaudited)
 Financial Highlights for each of the periods indicated therein. (unaudited)
 Schedule of Investments as of November 30, 1998. (unaudited)
 Notes to Financial Statements.

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JOHN HANCOCK HIGH YIELD BOND FUND
 Class A, Class B and Class C Shares

Statement of Additional Information

April 1, 1999

This Statement of Additional Information provides information about John Hancock High Yield Bond Fund (the "Fund"), in addition to the information that is contained in the combined Income Funds' Prospectus dated April 1, 1999 (the "Prospectus"). The Fund is a diversified series of John Hancock Bond Trust (the "Trust").

This Statement of Additional Information is not a prospectus. It should be read in conjunction with the Prospectus, a copy of which can be obtained free of charge by writing or telephoning:

John Hancock Signature Services Inc.
 1 John Hancock Way, Suite 1000
 Boston, Massachusetts 02217-1000
 1-800-225-5291

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ORGANIZATION OF THE FUND

The Fund is a series of the Trust, an open-end investment management company organized as a Massachusetts business trust under the laws of The Commonwealth of Massachusetts. Prior to August 30, 1996, the Fund was a series of John Hancock Series, Inc., a Maryland corporation.

John Hancock Advisers, Inc. (the "Adviser") is the Fund's investment adviser. The Adviser is an indirect wholly-owned subsidiary of John Hancock Mutual Life Insurance Company (the "Life Company"), a Massachusetts life insurance company chartered in 1862, with national headquarters at John Hancock Place, Boston, Massachusetts.

INVESTMENT OBJECTIVE AND POLICIES

The following information supplements the discussion of the Fund's investment objective and policies discussed in the Prospectus. Appendix A contains further information describing investment risks. The investment objective of the Fund is non-fundamental. There is no assurance that the Fund will achieve its investment objective.

The Fund's primary investment objective is to maximize current income without assuming undue risk by investing in a diversified portfolio consisting primarily of lower-rated, high yielding, fixed income securities, such as: domestic and foreign corporate bonds; debentures and notes; convertible securities; preferred stocks; and domestic and foreign government obligations. As a secondary objective, the Fund seeks capital appreciation, but only when it is consistent with the primary objective of maximizing current income.

Under normal market conditions, at least 65% of the Fund's total assets may be invested in bonds or debentures rated "Baa" or lower by Moody's, or "BBB" or lower by S&P; however, no more than 30% of the Fund's total assets may be invested in securities that are rated as low as "CC" by S&P or "Ca" by Moody's. Unrated securities will also be considered for investment by the Fund when the Adviser believes that the issuer's financial condition, or the protection afforded by the terms of the securities themselves, limits the risk to the Fund to a degree comparable to that of rated securities consistent with the Fund's objectives and policies.

The Fund's investments in debt securities may include zero coupon bonds and payment-in-kind bonds. Zero coupon bonds are issued at a significant discount from their principal amount in lieu of paying interest periodically. Payment-in-kind bonds allow the issuer, at its option, to make current interest payments on the bonds either in cash or in additional bonds. The market prices of zero coupon and payment-in-kind bonds are affected to a greater extent by interest rate changes, and thereby tend to be more volatile than securities which pay interest periodically and in cash. The Fund accrues income on these securities for tax and accounting purposes, and this income is required to be distributed to shareholders. Because no cash is received at the time income accrues on these securities, the Fund may be forced to liquidate other investments to make distributions. At times when the Fund invests in zero-coupon and payment-in-kind bonds, it will not be pursuing its primary objective of maximizing current income.

Although the Fund intends to maintain investment emphasis on debt securities of domestic issuers, the Fund may invest without limitation in debt securities of foreign issuers, including those issued by supranational entities such as the World Bank. The Fund may also purchase debt securities issued in any country developed or undeveloped. Investments in securities of issuers in non-industrialized countries generally involve more risk and may be considered speculative. The Fund may also enter into forward foreign currency exchange contracts for the purchase or sale of foreign currency for hedging purposes. The risks of foreign investments should be carefully considered by investors.

Included among domestic debt securities eligible for purchase by the Fund are adjustable and variable or floating rate securities, mortgage related securities (including stripped securities, collateralized mortgage obligations and multi-class pass-through securities), asset-backed securities and callable bonds. Callable bonds have a provision permitting the issuer, at its option to "call" or redeem the bonds. If an issuer were to redeem bonds held by the Fund

during a time of declining interest rates, the Fund might not be able to reinvest the proceeds in bonds providing the same coupon return as the bonds redeemed.

To the extent that the Fund does not invest in the securities described above, the Fund may:

1. invest (for liquidity purposes) in high quality, short-term debt securities with remaining maturities of one year or less ("money market instruments") including government obligations, certificates of deposit, bankers' acceptances, short-term corporate debt securities, commercial paper and related repurchase agreements;

2. invest up to 10% of its total assets in municipal obligations, including municipal bonds issued at a discount, in circumstances where the Adviser determines that investing in such obligations would facilitate the Fund's ability to accomplish its investment objectives;

3. lend its portfolio securities, enter into repurchase agreements and reverse repurchase agreements, purchase restricted and illiquid securities and purchase securities on a when issued or forward commitment basis;

4. write (sell) covered call and put options and purchase call and put options on debt securities and securities indices in an effort to increase current income and for hedging purposes; and

5. purchase and sell interest rate futures contracts on debt securities and securities index futures contracts, and write and purchase options on these futures contracts for hedging purposes.

During periods of unusual market conditions when the Adviser believes that investing for temporary defensive purposes is appropriate, part or all of the assets of the Fund may be invested in cash or cash equivalents consisting of:

1. obligations of banks (including certificates of deposit, bankers' acceptances and repurchase agreements) with assets of \$100,000,000 or more;

2. commercial paper rated within the two highest rating categories of a nationally recognized rating organization;

3. investment grade short-term notes;

4. obligations issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities; and

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5. related repurchase agreements.

Common Stock. The Fund may invest up to 20% of net assets in common stocks of U.S. and foreign companies. Stock market movements may lower the value of the Fund's investments in stocks. A company's stock price may also fluctuate significantly in response to other factors such as disappointing earnings reports, loss of major customers, litigation or changes in government regulations affecting the company or its industry. The Fund can invest in companies of any size including small-capitalization companies, whose stock prices may be more volatile than those of larger companies.

Government Securities. The Fund may invest in U.S. Government securities, which are obligations issued or guaranteed by the U.S. Government and its agencies, authorities or instrumentalities. Certain U.S. Government securities, including U.S. Treasury bills, notes and bonds, and Government National Mortgage Association certificates ("Ginnie Maes"), are supported by the full faith and credit of the United States. Certain other U.S. Government securities, issued or guaranteed by Federal agencies or government sponsored enterprises, are not supported by the full faith and credit of the United States, but may be supported by the right of the issuer to borrow from the U.S. Treasury. These securities include obligations of the Federal Home Loan Mortgage Corporation ("Freddie Macs"), and obligations supported by the credit of the instrumentality, such as Federal National Mortgage Association Bonds ("Fannie Maes").

Custodial Receipts. The Fund may acquire custodial receipts for U.S. government securities. Custodial receipts evidence ownership of future interest payments, principal payments or both, and include Treasury Receipts, Treasury Investors Growth Receipts ("TIGRs"), and Certificates of Accrual on Treasury Securities ("CATS"). Custodial receipts are not considered U.S. government securities.

Bank and Corporate Obligations. The Fund may invest in commercial paper. Commercial paper represents short-term unsecured promissory notes issued in bearer form by banks or bank holding companies, corporations and finance companies. The commercial paper purchased by the Fund consists of direct U.S.

dollar denominated obligations of domestic or foreign issuers. Bank obligations in which the Fund may invest include certificates of deposit, bankers' acceptances and fixed time deposits. Certificates of deposit are negotiable certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified return.

Bankers' acceptances are negotiable drafts or bills of exchange, normally drawn by an importer or exporter to pay for specific merchandise, which are "accepted" by a bank, meaning, in effect, that the bank unconditionally agrees to pay the face value of the instrument on maturity. Fixed time deposits are bank obligations payable at a stated maturity date and bearing interest at a fixed rate. Fixed time deposits may be withdrawn on demand by the investor, but may be subject to early withdrawal penalties which vary depending upon market conditions and the remaining maturity of the obligation. There are no contractual restrictions on the right to transfer a beneficial interest in a fixed time deposit to a third party, although there is no market for such deposits. Bank notes and bankers' acceptances rank junior to domestic deposit liabilities of the bank and pari passu with other senior, unsecured obligations of the bank. Bank notes are not insured by the Federal Deposit Insurance Corporation or any other insurer. Deposit notes are insured by the Federal Deposit Insurance Corporation only to the extent of \$100,000 per depositor per bank.

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Municipal Obligations. The Fund may invest in a variety of municipal obligations which consist of municipal bonds, municipal notes and municipal commercial paper.

Municipal Bonds. Municipal bonds are issued to obtain funds for various public purposes including the construction of a wide range of public facilities such as airports, highways, bridges, schools, hospitals, housing, mass transportation, streets and water and sewer works. Other public purposes for which municipal bonds may be issued include refunding outstanding obligations, obtaining funds for general operating expenses and obtaining funds to lend to other public institutions and facilities. In addition, certain types of industrial development bonds are issued by or on behalf of public authorities to obtain funds for many types of local, privately operated facilities. Such debt instruments are considered municipal obligations if the interest paid on them is exempt from federal income tax. The payment of principal and interest by issuers of certain obligations purchased by the Fund may be guaranteed by a letter of credit, note repurchase agreement, insurance or other credit facility agreement offered by a bank or other financial institution. Such guarantees and the creditworthiness of guarantors will be considered by the Adviser in determining whether a municipal obligation meets the Fund's investment quality requirements. No assurance can be given that a municipality or guarantor will be able to satisfy the payment of principal or interest on a municipal obligation.

Municipal Notes. Municipal notes are short-term obligations of municipalities, generally with a maturity ranging from six months to three years. The principal types of such notes include tax, bond and revenue anticipation notes and project notes.

Municipal Commercial Paper. Municipal commercial paper is a short-term obligation of a municipality, generally issued at a discount with a maturity of less than one year. Such paper is likely to be issued to meet seasonal working capital needs of a municipality or interim construction financing. Municipal commercial paper is backed in many cases by letters of credit, lending agreements, note repurchase agreements or other credit facility agreements offered by banks and other institutions.

Federal tax legislation enacted in the 1980s placed substantial new restrictions on the issuance of the bonds described above and in some cases eliminated the ability of state or local governments to issue municipal obligations for some of the above purposes. Such restrictions do not affect the Federal income tax treatment of municipal obligations in which the Fund may invest which were issued prior to the effective dates of the provisions imposing such restrictions. The effect of these restrictions may be to reduce the volume of newly issued municipal obligations.

Issuers of municipal obligations are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Act, and laws, if any, which may be enacted by Congress or state legislatures extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations. There is also the possibility that as a result of litigation or other conditions the power or ability of any one or more issuers to pay when due the principal of and interest on their municipal obligations may be affected.

The yields of municipal bonds depend upon, among other things, general money market conditions, general conditions of the municipal bond market, size of a particular offering, the maturity of the obligation and rating of the issue. The

ratings of S&P, Moody's and Fitch Investors Service ("Fitch") represent their respective opinions on the quality of the municipal bonds they undertake to rate. It should be emphasized, however, that ratings are general and not absolute standards of quality. Consequently, municipal bonds with the same maturity, coupon and rating may have different yields and municipal bonds of the same maturity and coupon with different ratings may have the same yield. See Appendix B for a description of ratings. Many issuers of securities choose not to have their obligations rated. Although unrated securities eligible for purchase by the Fund must be determined to be comparable in quality to securities having certain specified ratings, the market for unrated securities may not be as broad as for rated securities since many investors rely on rating organizations for credit appraisal.

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Mortgage-Backed Securities. The Fund may invest in mortgage pass-through certificates and multiple-class pass-through securities, such as real estate mortgage investment conduits REMIC, CMOs and stripped mortgage-backed securities ("SMBS"), and other types of "Mortgage-Backed Securities" that may be available in the future.

Guaranteed Mortgage Pass-Through Securities. Guaranteed mortgage pass-through securities represent participation interests in pools of residential mortgage loans and are issued by U.S. Governmental or private lenders and guaranteed by the U.S. Government or one of its agencies or instrumentalities, including but not limited to Ginnie Mae, Fannie Mae and Freddie Macs.

Multiple-Class Pass-Through Securities and Collateralized Mortgage Obligations. CMOs and REMIC pass-through or participation certificates may be issued by, among others, U.S. Government agencies and instrumentalities as well as private lenders. CMOs and REMIC certificates are issued in multiple classes and the principal of and interest on the mortgage assets may be allocated among the several classes of CMOs or REMIC certificates in various ways. Each class of CMOs or REMIC certificates, often referred to as a "tranche," is issued at a specific adjustable or fixed interest rate and must be fully retired no later than its final distribution date. Generally, interest is paid or accrues on all classes of CMOs or REMIC certificates on a monthly basis.

Typically, CMOs are collateralized by Ginnie Mae, Fannie Mae or Freddie Mac certificates but also may be collateralized by other mortgage assets such as whole loans or private mortgage pass-through securities. Debt service on CMOs is provided from payments of principal and interest on collateral of mortgaged assets and any reinvestment income thereon.

A REMIC is a CMO that qualifies for special tax treatment under the Internal Revenue Code of 1986, as amended (the "Code"), and invests in certain mortgages primarily secured by interests in real property and other permitted investments. Investors may purchase "regular" or "residual" interests in REMICs, although the Fund does not intend, absent a change in current tax law, to invest in residual interests.

Stripped Mortgage-Backed Securities. SMBS are derivative multiple-class mortgage-backed securities. SMBS are usually structured with two classes that receive different proportions of interest and principal distributions on a pool of mortgage assets. A typical SMBS will have one class receiving some of the interest and most of the principal, while the other class will receive most of the interest and the remaining principal. In the most extreme case, one class will receive all of the interest (the "interest only" class) while the other class will receive all of the principal (the "principal only" class). The yields and market risk of interest only and principal only SMBS, respectively, may be more volatile than those of other fixed income securities. The staff of the SEC considers privately issued SMBS to be illiquid.

Structured or Hybrid Notes. The Fund may invest in "structured" or "hybrid" notes. The distinguishing feature of a structured or hybrid note is that the amount of interest and/or principal payable on the note is based on the performance of a benchmark asset or market other than fixed income securities or interest rates. Examples of these benchmarks include stock prices, currency exchange rates and physical commodity prices. Investing in a structured note allows the Fund to gain exposure to the benchmark market while fixing the maximum loss that the Fund may experience in the event that market does not perform as expected. Depending on the terms of the note, the Fund may forego all or part of the interest and principal that would be payable on a comparable conventional note; the Fund's loss cannot exceed this foregone interest and/or principal. An investment in structured or hybrid notes involves risks similar to those associated with a direct investment in the benchmark asset.

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Participation Interests. The Fund may invest in participation interests. Participation interests, which may take the form of interests in, or assignments of certain loans, are acquired from banks who have made these loans or are members of a lending syndicate. The Fund's investments in participation interests may be subject to its 15% of total assets limitation on investments in illiquid securities.

Risk Factors Associated with Mortgage-Backed Securities. Investing in Mortgage-Backed Securities involves certain risks, including the failure of a counter-party to meet its commitments, adverse interest rate changes and the effects of prepayments on mortgage cash flows. In addition, investing in the lowest tranche of CMOs and REMIC certificates involves risks similar to those associated with investing in equity securities. Further, the yield characteristics of Mortgage-Backed Securities differ from those of traditional fixed income securities. The major differences typically include more frequent interest and principal payments (usually monthly), the adjustability of interest rates, and the possibility that prepayments of principal may be made substantially earlier than their final distribution dates.

Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic, social and other factors and cannot be predicted with certainty. Both adjustable rate mortgage loans and fixed rate mortgage loans may be subject to a greater rate of principal prepayments in a declining interest rate environment and to a lesser rate of principal prepayments in an increasing interest rate environment. Under certain interest rate and prepayment rate scenarios, the Fund may fail to recoup fully its investment in Mortgage-Backed Securities notwithstanding any direct or indirect governmental, agency or other guarantee. When the Fund reinvests amounts representing payments and unscheduled prepayments of principal, it may receive a rate of interest that is lower than the rate on existing adjustable rate mortgage pass-through securities. Thus, Mortgage-Backed Securities, and adjustable rate mortgage pass-through securities in particular, may be less effective than other types of U.S.

Government securities as a means of "locking in" interest rates.

Conversely, in a rising interest rate environment, a declining prepayment rate will extend the average life of many Mortgage-Backed Securities. This possibility is often referred to as extension risk. Extending the average life of a Mortgage-Backed Security increases the risk of depreciation due to future increases in market interest rates.

Indexed Securities. The Fund may invest in indexed securities, including floating rate securities that are subject to a maximum interest rate ("capped floaters") up to 10% of the Fund's total assets and leveraged inverse floating rate securities ("inverse floaters"). The interest rate or, in some cases, the principal payable at the maturity of an indexed security may change positively or inversely in relation to one or more interest rates, financial indices or other financial indicators ("reference prices"). An indexed security may be leveraged to the extent that the magnitude of any change in the interest rate or principal payable on an indexed security is a multiple of the change in the reference price. Thus, indexed securities may decline in value due to adverse market changes in interest rates or other reference prices.

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Risk Associated with Specific Types of Derivative Debt. Different types of derivative debt securities are subject to different combinations of prepayment, extension and/or interest rate risk. Conventional mortgage pass-through securities and sequential pay CMOs are subject to all of these risks, but are typically not leveraged. Thus, the magnitude of exposure may be less than for more leveraged Mortgage-Backed Securities.

The risk of early prepayments is the primary risk associated with interest only debt securities ("IOs"), super floaters, other leveraged floating rate instruments and Mortgage-Backed Securities purchased at a premium to their par value. In some instances, early prepayments may result in a complete loss of investment in certain of these securities. The primary risks associated with certain other derivative debt securities are the potential extension of average life and/or depreciation due to rising interest rates.

These securities include floating rate securities based on the Cost of Funds Index ("COFI floaters"), other "lagging rate" floating rate securities, floating rate securities that are subject to a maximum interest rate ("capped floaters"), Mortgage-Backed Securities purchased at a discount, leveraged inverse floating rate securities ("inverse floaters"), principal only debt securities ("POs"), certain residual or support tranches of CMOs and index amortizing notes. Index amortizing notes are not Mortgage-Backed Securities, but are subject to extension risk resulting from the issuer's failure to exercise its option to call or redeem the notes before their stated maturity date. Leveraged inverse IOs combine several elements of the Mortgage-Backed Securities described above

and thus present an especially intense combination of prepayment, extension and interest rate risks.

Planned amortization class ("PAC") and target amortization class ("TAC") CMO bonds involve less exposure to prepayment, extension and interest rate risk than other Mortgage-Backed Securities, provided that prepayment rates remain within expected prepayment ranges or "collars." To the extent that prepayment rates remain within these prepayment ranges, the residual or support tranches of PAC and TAC CMOs assume the extra prepayment, extension and interest rate risk associated with the underlying mortgage assets.

Other types of floating rate derivative debt securities present more complex types of interest rate risks. For example, range floaters are subject to the risk that the coupon will be reduced to below market rates if a designated interest rate floats outside of a specified interest rate band or collar. Dual index or yield curve floaters are subject to depreciation in the event of an unfavorable change in the spread between two designated interest rates. X- reset floaters have a coupon that remains fixed for more than one accrual period. Thus, the type of risk involved in these securities depends on the terms of each individual X-reset floater.

Convertible Securities. The Fund may invest in convertible securities. Convertible securities may be converted at either a stated price or stated rate into underlying shares of common stock of the same issuer. Convertible securities have general characteristics similar to both fixed income and equity securities. The market value of convertible securities declines as interest rates increase, and increases as interest rates decline. In addition, because of the conversion feature, the market value of convertible securities tends to vary with fluctuations in the market value of the underlying common stocks and therefore will also react to variations in the general market for equity securities. A unique feature of convertible securities is that as the market price of the underlying common stock declines, convertible securities tend to trade increasingly on a yield basis, and consequently may not experience market value declines to the same extent as the underlying common stock. When the market price of the underlying common stock increases, the prices of the convertible securities tend to rise as a reflection of the value of the underlying common stock. While no securities investments are without risk, investments in convertible securities generally entail less risk than investments in common stock of the same issuer. However, the issuers of convertible securities may default on their obligations.

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Mortgage "Dollar Roll" Transactions. The Fund may enter into mortgage "dollar roll" transactions with selected banks and broker-dealers pursuant to which the Fund sells Mortgage-Backed Securities and simultaneously contracts to repurchase substantially similar (same type, coupon and maturity) securities on a specified future date. The Fund will only enter into covered rolls. A "covered roll" is a specific type of dollar roll for which there is an offsetting cash position or a cash equivalent security position which matures on or before the forward settlement date of the dollar roll transaction. Covered rolls are not treated as a borrowing or other senior security and will be excluded from the calculation of the Fund's borrowing and other senior securities. For financial reporting and tax purposes, the Fund treats mortgage dollar rolls as two separate transactions; one involving the purchase of a security and a separate transaction involving a sale. The Fund does not currently intend to enter into mortgage rolls that are accounted for as financing.

Pay-In-Kind, Delayed and Zero Coupon Bonds. The Fund may invest in pay-in-kind, delayed and zero coupon bonds. These are securities issued at a discount from their face value because interest payments are typically postponed until maturity. The amount of the discount rate varies depending on factors including the time remaining until maturity, prevailing interest rates, the security's liquidity and the issuer's credit quality. These securities also may take the form of debt securities that have been stripped of their interest payments. A portion of the discount with respect to stripped tax-exempt securities or their coupons may be taxable. The market prices of pay-in-kind, delayed and zero coupon bonds generally are more volatile than the market prices of interest-bearing securities and are likely to respond to a greater degree to changes in interest rates than interest-bearing securities having similar maturities and credit quality. The Fund's investments in pay-in-kind, delayed and zero coupon bonds may require the Fund to sell certain of its portfolio securities to generate sufficient cash to satisfy certain income distribution requirements. See "Tax Status." At times when the Fund invests in pay-in-kind, delayed and zero coupon bonds, it will not be pursuing its primary objective of maximizing current income.

Swaps, Caps, Floors and Collars. As one way of managing its exposure to different types of investments, the Fund may enter into interest rate swaps and other types of swap agreements such as caps, collars and floors. The Fund may

enter into currency swaps, caps, collars and floors. In a typical interest rate swap, one party agrees to make regular payments equal to a floating interest rate times a "notional principal amount," in return for payments equal to a fixed rate times the same amount, for a specified period of time. If a swap agreement provides for payment in different currencies, the parties might agree to exchange the notional principal amount as well. Swaps may also depend on other prices or rates, such as the value of an index or mortgage prepayment rates.

In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payment to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

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Swap agreements will tend to shift the Fund's investment exposure from one type of investment to another. For example, if the Fund agreed to exchange payments in dollars for payments in a foreign currency, the swap agreement would tend to decrease the Fund's exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund's investments and its share price and yield.

Swap agreements are sophisticated hedging instruments that typically involve a small investment of cash relative to the magnitude of risks assumed. As a result, swaps can be highly volatile and may have a considerable impact on the Fund's performance. Swap agreements are subject to risks related to the counterparty's ability to perform, and may decline in value if the counterparty's creditworthiness deteriorates. The Fund may also suffer losses if it is unable to terminate outstanding swap agreements or reduce its exposure through offsetting transactions. The Fund will maintain in a segregated account with its custodian, cash or liquid securities equal to the net amount, if any, of the excess of the Fund's obligations over its entitlements with respect to swap, cap, collar or floor transactions.

Asset-Backed Securities. The Fund may invest a portion of their assets in asset-backed securities. Asset backed securities, like Ginnie Mae certificates, are securities which represent a participation in or are secured by and payable from, a stream of payments generated by particular assets, most often a pool of assets similar to one another. Types of other asset backed securities include automobile receivable securities, credit card receivable securities and mortgage backed securities such as collateralized mortgage obligations ("CMOs") and real estate mortgage investment conduits ("REMICs").

Asset-backed securities are often subject to more rapid repayment than their stated maturity date would indicate as a result of the pass-through of prepayments of principal on the underlying loans. During periods of declining interest rates, prepayment of loans underlying asset-backed securities can be expected to accelerate. Accordingly, the Fund's ability to maintain positions in such securities will be affected by reductions in the principal amount of such securities resulting from prepayments, and its ability to reinvest the returns of principal at comparable yields is subject to generally prevailing interest rates at that time.

Credit card receivables are generally unsecured and the debtors on such receivables are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set-off certain amounts owed on the credit cards, thereby reducing the balance due. Automobile receivables generally are secured, but by automobiles rather than residential real property. Most issuers of automobile receivables permit the loan servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in the underlying automobiles. Therefore, there is the possibility that, in some cases, recoveries on repossessed collateral may not be available to support payments on these securities.

Lower Rated High Yield Debt Obligations. The Fund may invest in high yielding, fixed income securities rated below investment grade (e.g., rated below Baa by Moody's or below BBB by S&P), sometimes referred to as junk bonds. Ratings are based largely on the historical financial condition of the issuer. Consequently, the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition, which may be better or worse than

the rating would indicate.

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See Appendix B to this Statement of Additional Information which describes the characteristics of corporate bonds in the various rating categories. The Fund may invest in comparable quality unrated securities which, in the opinion of the Adviser, offer comparable yields and risks to those securities which are rated.

Debt obligations rated in the lower ratings categories, or which are unrated, involve greater volatility of price and risk of loss of principal and income. In addition, lower ratings reflect a greater possibility of an adverse change in financial condition affecting the ability of the issuer to make payments of interest and principal. The high yield fixed income market is relatively new and its growth occurred during a period of economic expansion. The market has not yet been fully tested by an economic recession.

The market price and liquidity of lower rated fixed income securities generally respond to short term corporate and market developments to a greater extent than do the price and liquidity of higher rated securities because such developments are perceived to have a more direct relationship to the ability of an issuer of such lower rated securities to meet its ongoing debt obligations.

Reduced volume and liquidity in the high yield bond market or the reduced availability of market quotations will make it more difficult to dispose of the bonds and to value accurately the Fund's assets. The reduced availability of reliable, objective data may increase the Fund's reliance on management's judgment in valuing high yield bonds. In addition, the Fund's investments in high yield securities may be susceptible to adverse publicity and investor perceptions, whether or not justified by fundamental factors. The Fund's investments, and consequently its net asset value, will be subject to the market fluctuations and risks inherent in all securities.

Ratings as Investment Criteria In general, the ratings of Moody's and S&P represent the opinions of these agencies as to the quality of the securities which they rate. It should be emphasized however, that ratings are relative and subjective and are not absolute standards of quality. These rating will be used by the Fund as initial criteria for the selection of portfolio securities. Among the factors which will be considered are the long-term ability of the issuer to pay principal and interest and general economic trends. Appendix B contains further information concerning the rating of Moody's and S&P and their significance. Subsequent to its purchase by the Fund, an issue of securities may cease to be rated, or its rating may be reduced below the minimum required for purchase by the Fund. Neither of these events will require the sale of the securities by the Fund.

Subsequent to its purchase by the Fund, an issue of securities may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither of these events will require the sale of the securities by the Fund, but the Adviser will consider the event in its determination of whether the Fund should continue to hold the securities.

Investments in Foreign Securities. The Fund may invest in securities of foreign issuers, including debt and equity securities of corporate and governmental issuers in countries with emerging economies or securities markets. The Fund may also invest in American Depository Receipts ("ADRs"), European Depository Receipts ("EDRs") or other securities convertible into securities of foreign issuers. These securities may not necessarily be denominated in the same currency as the securities into which they may be converted but rather in the currency of the market in which they are traded. ADRs are receipts typically issued by an American bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. EDRs are receipts issued in Europe by banks or depositories which evidence a similar ownership arrangement. Generally, ADRs, in registered form, are designed for use in U.S. securities markets and EDRs, in bearer form, are designed for use in European securities markets.

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Foreign Currency Transactions. The Fund may engage in foreign currency transactions. The foreign currency exchange transactions of the Fund may be conducted on a spot (i.e., cash) basis at the spot rate for purchasing or selling currency prevailing in the foreign exchange market. The Fund may enter into forward foreign currency exchange contracts involving currencies of the different countries in which it may invest as a hedge against possible variations in the foreign exchange rate between these currencies. Forward contracts are agreements to purchase or sell a specified currency at a specified future date and price set at the time of the contract. Transaction hedging is the purchase or sale of forward foreign currency contracts with respect to

specific receivables or payables of the Fund accruing in connection with the purchase and sale of its portfolio securities quoted or denominated in the same or related foreign currencies. Portfolio hedging is the use of forward foreign currency contracts to offset portfolio security positions denominated or quoted in the same or related foreign currencies. The Fund's dealings in forward foreign currency exchange contracts will be limited to hedging either specified transactions or portfolio positions. The Fund will not attempt to hedge all of its foreign portfolio positions.

If the Fund enters into a forward contract requiring it to purchase foreign currency, its custodian bank will segregate cash or liquid securities, of any type or maturity, in a separate account of the Fund in an amount necessary to complete the forward contract. These assets will be valued at market daily and if the value of the securities in the separate account declines, additional cash or securities will be placed in the account so that the value of the account will equal the amount of the Fund's commitment in purchased forward contracts.

Hedging against a decline in the value of currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of these securities decline. These transactions also preclude the opportunity for gain if the value of the hedged currency rises. Moreover, it may not be possible for the Fund to hedge against a devaluation that is so generally anticipated that the Fund is not able to contract to sell the currency at a price above the devaluation level it anticipates.

The cost to the Fund of engaging in foreign currency exchange transactions varies with factors such as the currency involved, the length of the contract period and the prevailing market conditions. Since transactions in foreign currency are usually conducted on a principal basis, no fees or commissions are involved.

Risks of Foreign Securities. Investments in foreign securities may involve a greater degree of risk than those in domestic securities. There is generally less publicly available information about foreign companies in the form of reports and ratings similar to those that are published about issuers in the United States. Also, foreign issuers are generally not subject to uniform accounting, auditing and financial reporting requirements comparable to those applicable to United States issuers.

Because foreign securities may be denominated in currencies other than the U.S. dollar, changes in foreign currency exchange rates will affect the Fund's net asset value, the value of dividends and interest earned, gains and losses realized on the sale of securities, and any net investment income and gains that the Fund distributes to shareholders. Securities transactions undertaken in some foreign markets may not be settled promptly, so that the Fund's investments on foreign exchanges may be less liquid and subject to the risk of fluctuating currency exchange rates pending settlement.

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Foreign securities will be purchased in the best available market, whether through over-the-counter markets or exchanges located in the countries where principal offices of the issuers are located. Foreign securities markets are generally not as developed or efficient as those in the United States. While growing in volume, they usually have substantially less volume than the New York Stock Exchange, and securities of some foreign issuers are less liquid and more volatile than securities of comparable United States issuers. Fixed commissions on foreign exchanges are generally higher than negotiated commissions on United States exchanges, although the Fund will endeavor to achieve the most favorable net results on its portfolio transactions. There is generally less government supervision and regulation of securities exchanges, brokers and listed issuers than in the United States.

With respect to certain foreign countries, there is the possibility of adverse changes in investment or exchange control regulations, expropriation, nationalization or confiscatory taxation, limitations on the removal of funds or other assets of the Fund, political or social instability, or diplomatic developments which could affect United States investments in those countries. Moreover, individual foreign economies may differ favorably or unfavorably from the United States economy in terms of growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position.

The dividends in some cases, capital gains, and interest payable on certain of the Fund's foreign portfolio securities may be subject to foreign withholding or other foreign taxes, thus reducing the net amount of income or gains available for distribution to the Fund's shareholders.

Repurchase Agreements. The Fund may invest in repurchase agreements. In a repurchase agreement the Fund buys a security for a relatively short period (usually not more than 7 days) subject to the obligation to sell it back to the issuer at a fixed time and price plus accrued interest. The Fund will enter into

repurchase agreements only with member banks of the Federal Reserve System and with "primary dealers" in U.S. Government securities. The Adviser will continuously monitor the creditworthiness of the parties with whom the Fund enters into repurchase agreements.

The Fund has established a procedure providing that the securities serving as collateral for each repurchase agreement must be delivered to the Fund's custodian either physically or in book-entry form and that the collateral must be marked to market daily to ensure that each repurchase agreement is fully collateralized at all times. In the event of bankruptcy or other default by a seller of a repurchase agreement, the Fund could experience delays in liquidating the underlying securities during the period in which the Fund seeks to enforce its rights thereto, possible subnormal levels of income, a decline in value of the underlying securities or lack of access to income during this period, and the expense of enforcing its rights.

Reverse Repurchase Agreements. The Fund may also enter into reverse repurchase agreements which involve the sale of government securities held in its portfolio to a bank with an agreement that the Fund will buy back the securities at a fixed future date at a fixed price plus an agreed amount of "interest" which may be reflected in the repurchase price. Reverse repurchase agreements are considered to be borrowings by the Fund. Reverse repurchase agreements involve the risk that the market value of securities purchased by the Fund with proceeds of the transaction may decline below the repurchase price of the securities sold by the Fund which it is obligated to repurchase. The Fund will also continue to be subject to the risk of a decline in the market value of the securities sold under the agreements because it will reacquire those securities upon effecting their repurchase. To minimize various risks associated with reverse repurchase agreements, the Fund will establish a separate account consisting of liquid securities, of any type or maturity, in an amount at least equal to the repurchase prices of the securities (plus any accrued interest thereon) under such agreements. The Fund will not enter into reverse repurchase agreements and other borrowings exceeding in the aggregate more than 33 1/3% of the market value of its total assets. The Fund will enter into reverse repurchase agreements only with federally insured banks or savings and loan associations which are approved in advance as being creditworthy by the Trustees. Under procedures established by the Trustees, the Adviser will monitor the creditworthiness of the banks involved.

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Restricted Securities. The Fund may purchase securities that are not registered ("restricted securities") under the Securities Act of 1933 ("1933 Act"), including commercial paper issued in reliance on section 4(2) of the 1933 Act and securities offered and sold to "qualified institutional buyers" under Rule 144A under the 1933 Act. The Fund will not invest more than 15% of its net assets in illiquid investments. If the Trustees determine, based upon a continuing review of the trading markets for specific Section 4(2) paper or Rule 144A securities, that they are liquid, they will not be subject to the 15% limit on illiquid investments. The Trustees may adopt guidelines and delegate to the Adviser the daily function of determining and monitoring the liquidity of restricted securities. The Trustees, however, will retain sufficient oversight and be ultimately responsible for the determinations. The Trustees will carefully monitor the Fund's investments in these securities, focusing on such important factors, among others, as valuation, liquidity and availability of information. This investment practice could have the effect of increasing the level of illiquidity in the Fund if qualified institutional buyers become for a time uninterested in purchasing these restricted securities.

Options on Securities, Securities Indices and Currency. The Fund may purchase and write (sell) call and put options on any securities in which it may invest, on any securities index based on securities in which it may invest or on any currency in which Fund investments may be denominated. These options may be listed on national domestic securities exchanges or foreign securities exchanges or traded in the over-the-counter market. The Fund may write covered put and call options and purchase put and call options to enhance total return, as a substitute for the purchase or sale of securities or currency, or to protect against declines in the value of portfolio securities and against increases in the cost of securities to be acquired.

Writing Covered Options. A call option on securities or currency written by the Fund obligates the Fund to sell specified securities or currency to the holder of the option at a specified price if the option is exercised at any time before the expiration date. A put option on securities or currency written by the Fund obligates the Fund to purchase specified securities or currency from the option holder at a specified price if the option is exercised at any time before the expiration date. Options on securities indices are similar to options on securities, except that the exercise of securities index options requires cash settlement payments and does not involve the actual purchase or sale of securities. In addition, securities index options are designed to reflect price fluctuations in a group of securities or segment of the securities market rather than price fluctuations in a single security. Writing covered call options may

deprive the Fund of the opportunity to profit from an increase in the market price of the securities or foreign currency assets in its portfolio. Writing covered put options may deprive the Fund of the opportunity to profit from a decrease in the market price of the securities or foreign currency assets to be acquired for its portfolio.

All call and put options written by the Fund are covered. A written call option or put option may be covered by (i) maintaining cash or liquid securities, either of which may be quoted or denominated in any currency, in a segregated account with a value at least equal to the Fund's obligation under the option, (ii) entering into an offsetting forward commitment and/or (iii) purchasing an offsetting option or any other option which, by virtue of its exercise price or otherwise, reduces the Fund's net exposure on its written option position. A written call option on securities is typically covered by maintaining the securities that are subject to the option in a segregated account. The Fund may cover call options on a securities index by owning securities whose price changes are expected to be similar to those of the underlying index.

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The Fund may terminate its obligations under an exchange traded call or put option by purchasing an option identical to the one it has written. Obligations under over-the-counter options may be terminated only by entering into an offsetting transaction with the counterparty to such option. Such purchases are referred to as "closing purchase transactions."

Purchasing Options. The Fund would normally purchase call options in anticipation of an increase, or put options in anticipation of a decrease ("protective puts"), in the market value of securities or currencies of the type in which it may invest. The Fund may also sell call and put options to close out its purchased options.

The purchase of a call option would entitle the Fund, in return for the premium paid, to purchase specified securities or currency at a specified price during the option period. The Fund would ordinarily realize a gain on the purchase of a call option if, during the option period, the value of such securities or currency exceeded the sum of the exercise price, the premium paid and transaction costs; otherwise the Fund would realize either no gain or a loss on the purchase of the call option.

The purchase of a put option would entitle the Fund, in exchange for the premium paid, to sell specified securities or currency at a specified price during the option period. The purchase of protective puts is designed to offset or hedge against a decline in the market value of the Fund's portfolio securities or the currencies in which they are denominated. Put options may also be purchased by the Fund for the purpose of affirmatively benefiting from a decline in the price of securities or currencies which it does not own. The Fund would ordinarily realize a gain if, during the option period, the value of the underlying securities or currency decreased below the exercise price sufficiently to cover the premium and transaction costs; otherwise the Fund would realize either no gain or a loss on the purchase of the put option. Gains and losses on the purchase of put options may be offset by countervailing changes in the value of the Fund's portfolio securities.

The Fund's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Adviser. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose certain other sanctions.

Risks Associated with Options Transactions. There is no assurance that a liquid secondary market on a domestic or foreign options exchange will exist for any particular exchange-traded option or at any particular time. If the Fund is unable to effect a closing purchase transaction with respect to covered options it has written, the Fund will not be able to sell the underlying securities or currencies or dispose of assets held in a segregated account until the options expire or are exercised. Similarly, if the Fund is unable to effect a closing sale transaction with respect to options it has purchased, it would have to exercise the options in order to realize any profit and will incur transaction costs upon the purchase or sale of underlying securities or currencies.

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Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options). If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. However, outstanding options on that exchange that had been issued by the Options Clearing Corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

The Fund's ability to terminate over-the-counter options is more limited than with exchange-traded options and may involve the risk that broker-dealers participating in such transactions will not fulfill their obligations. The Adviser will determine the liquidity of each over-the-counter option in accordance with guidelines adopted by the Trustees.

The writing and purchase of options is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. The successful use of options depends in part on the Adviser's ability to predict future price fluctuations and, for hedging transactions, the degree of correlation between the options and securities or currency markets.

Futures Contracts and Options on Futures Contracts. To seek to increase total return or hedge against changes in interest rates, securities prices or currency exchange rates, the Fund may purchase and sell various kinds of futures contracts, and purchase and write call and put options on these futures contracts. The Fund may also enter into closing purchase and sale transactions with respect to any of these contracts and options. The futures contracts may be based on various securities (such as U.S. Government securities), securities indices, foreign currencies and any other financial instruments and indices. All futures contracts entered into by the Fund are traded on U.S. or foreign exchanges or boards of trade that are licensed, regulated or approved by the Commodity Futures Trading Commission ("CFTC").

Futures Contracts. A futures contract may generally be described as an agreement between two parties to buy and sell particular financial instruments or currencies for an agreed price during a designated month (or to deliver the final cash settlement price, in the case of a contract relating to an index or otherwise not calling for physical delivery at the end of trading in the contract).

Positions taken in the futures markets are not normally held to maturity but are instead liquidated through offsetting transactions which may result in a profit or a loss. While futures contracts on securities or currency will usually be liquidated in this manner, the Fund may instead make, or take, delivery of the underlying securities or currency whenever it appears economically advantageous to do so. A clearing corporation associated with the exchange on which futures contracts are traded guarantees that, if still open, the sale or purchase will be performed on the settlement date.

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Hedging and Other Strategies. Hedging is an attempt to establish with more certainty than would otherwise be possible the effective price or rate of return on portfolio securities or securities that a Fund proposes to acquire or the exchange rate of currencies in which portfolio securities are quoted or denominated. When securities prices are falling, the Fund can seek to offset a decline in the value of its current portfolio securities through the sale of futures contracts. When securities prices are rising, the Fund, through the purchase of futures contracts, can attempt to secure better rates or prices than might later be available in the market when it effects anticipated purchases. The Fund may seek to offset anticipated changes in the value of a currency in which its portfolio securities, or securities that it intends to purchase, are quoted or denominated by purchasing and selling futures contracts on such currencies.

The Fund may, for example, take a "short" position in the futures market by selling futures contracts in an attempt to hedge against an anticipated decline in market prices or foreign currency rates that would adversely affect the dollar value of the Fund's portfolio securities. Such futures contracts may include contracts for the future delivery of securities held by the Fund or securities with characteristics similar to those of the Fund's portfolio

securities. Similarly, the Fund may sell futures contracts on any currencies in which its portfolio securities are quoted or denominated or in one currency to hedge against fluctuations in the value of securities denominated in a different currency if there is an established historical pattern of correlation between the two currencies.

If, in the opinion of the Adviser, there is a sufficient degree of correlation between price trends for the Fund's portfolio securities and futures contracts based on other financial instruments, securities indices or other indices, the Fund may also enter into such futures contracts as part of its hedging strategy. Although under some circumstances prices of securities in the Fund's portfolio may be more or less volatile than prices of such futures contracts, the Adviser will attempt to estimate the extent of this volatility difference based on historical patterns and compensate for any differential by having the Fund enter into a greater or lesser number of futures contracts or by attempting to achieve only a partial hedge against price changes affecting the Fund's portfolio securities.

When a short hedging position is successful, any depreciation in the value of portfolio securities will be substantially offset by appreciation in the value of the futures position. On the other hand, any unanticipated appreciation in the value of the Fund's portfolio securities would be substantially offset by a decline in the value of the futures position.

On other occasions, the Fund may take a "long" position by purchasing futures contracts. This would be done, for example, when the Fund anticipates the subsequent purchase of particular securities when it has the necessary cash, but expects the prices or currency exchange rates then available in the applicable market to be less favorable than prices that are currently available. The Fund may also purchase futures contracts as a substitute for transactions in securities or foreign currency, to alter the investment characteristics of or currency exposure associated with portfolio securities or to gain or increase its exposure to a particular securities market or currency.

Options on Futures Contracts. The Fund may purchase and write options on futures for the same purposes as its transactions in futures contracts. The purchase of put and call options on futures contracts will give the Fund the right (but not the obligation) for a specified price to sell or to purchase, respectively, the underlying futures contract at any time during the option period. As the purchaser of an option on a futures contract, the Fund obtains the benefit of the futures position if prices move in a favorable direction but limits its risk of loss in the event of an unfavorable price movement to the loss of the premium and transaction costs.

The writing of a call option on a futures contract generates a premium which may partially offset a decline in the value of the Fund's assets. By writing a call option, the Fund becomes obligated, in exchange for the premium (upon exercise of the option) to sell a futures contract if the option is exercised, which may have a value higher than the exercise price. Conversely, the writing of a put option on a futures contract generates a premium which may partially offset an increase in the price of securities that the Fund intends to purchase. However, the Fund becomes obligated (upon exercise of the option) to purchase a futures contract if the option is exercised, which may have a value lower than the exercise price. The loss incurred by a Fund in writing options on futures is potentially unlimited and may exceed the amount of the premium received.

The holder or writer of an option on a futures contract may terminate its position by selling or purchasing an offsetting option of the same series. There is no guarantee that such closing transactions can be effected. The Fund's ability to establish and close out positions on such options will be subject to the development and maintenance of a liquid market.

Other Considerations. The Fund will engage in futures and related options transactions either for bona fide hedging purposes or to seek to increase total return as permitted by the CFTC. To the extent that the Fund is using futures and related options for hedging purposes, futures contracts will be sold to protect against a decline in the price of securities (or the currency in which they are quoted or denominated) that the Fund owns or futures contracts will be purchased to protect the Fund against an increase in the price of securities or the currency in which they are quoted or denominated) it intends to purchase. The Fund will determine that the price fluctuations in the futures contracts and options on futures used for hedging purposes are substantially related to price fluctuations in securities held by the Fund or securities or instruments which it expects to purchase. As evidence of its hedging intent, the Fund expects that on 75% or more of the occasions on which it takes a long futures or option position (involving the purchase of futures contracts), the Fund will have purchased, or will be in the process of purchasing, equivalent amounts of related securities or assets of the Fund denominated in the related currency in the cash market at the time when the futures or option position is closed out.

However, in particular cases, when it is economically advantageous for the Fund to do so, a long futures position may be terminated or an option may expire without the corresponding purchase of securities or other assets.

To the extent that the Fund engages in nonhedging transactions in futures contracts and options on futures, the aggregate initial margin and premiums required to establish these nonhedging positions will not exceed 5% of the net asset value of the Fund's portfolio, after taking into account unrealized profits and losses on any such positions and excluding the amount by which such options were in-the-money at the time of purchase.

Transactions in futures contracts and options on futures involve brokerage costs, require margin deposits and, in the case of contracts and options obligating the Fund to purchase securities or currencies, require the Fund to establish a segregated account consisting of cash or liquid securities in an amount equal to the underlying value of such contracts and options.

While transactions in futures contracts and options on futures may reduce certain risks, these transactions themselves entail certain other risks. For example, unanticipated changes in interest rates or securities prices or currency exchange rates may result in a poorer overall performance for the Fund than if it had not entered into any futures contracts or options transactions.

Perfect correlation between the Fund's futures positions and portfolio positions will be impossible to achieve. In the event of an imperfect correlation between a futures position and a portfolio position which is intended to be protected, the desired protection may not be obtained and the Fund may be exposed to risk of loss. In addition, it is not possible to hedge fully or protect against currency fluctuations affecting the value of securities denominated in foreign currencies because the value of such securities is likely to fluctuate as a result of independent factors not related to currency fluctuations.

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Some futures contracts or options on futures may become illiquid under adverse market conditions. In addition, during periods of market volatility, a commodity exchange may suspend or limit trading in a futures contract or related option, which may make the instrument temporarily illiquid and difficult to price. Commodity exchanges may also establish daily limits on the amount that the price of a futures contract or related option can vary from the previous day's settlement price. Once the daily limit is reached, no trades may be made that day at a price beyond the limit. This may prevent the Fund from closing out positions and limiting its losses.

Lending of Securities. The Fund may lend portfolio securities to brokers, dealers, and financial institutions if the loan is collateralized by cash or U.S. Government securities according to applicable regulatory requirements. The Fund may reinvest any cash collateral in short-term securities and money markets funds. When the Fund lends portfolio securities, there is a risk that the borrower may fail to return the securities involved in the transaction. As a result, the Fund may incur a loss or, in the event of the borrower's bankruptcy, the Fund may be delayed in or prevented from liquidating the collateral. It is a fundamental policy of the Fund not to lend portfolio securities having a total value exceeding 33 1/3% of its total assets.

Rights and Warrants. The Fund may purchase warrants and rights which are securities permitting, but not obligating, their holder to purchase the underlying securities at a predetermined price subject to the Fund's Fundamental Investment Restriction. Generally, warrants and stock purchase rights do not carry with them the right to receive dividends or exercise voting rights with respect to the underlying securities, and they do not represent any rights in the assets of the issuer. As a result, an investment in warrants and rights may be considered to entail greater investment risk than certain other types of investments. In addition, the value of warrant and rights does not necessarily change with the value of the underlying securities, and they cease to have value if they are not exercised on or prior to their expiration date. Investment in warrants and rights increases the potential profit or loss to be realized from the investment of a given amount of the Fund's assets as compared with investing the same amount in the underlying stock.

Forward Commitment and When-Issued Securities. The Fund may purchase securities on a when-issued or forward commitment basis. "When-issued" refers to securities whose terms are available and for which a market exists, but which have not been issued. The Fund will engage in when-issued transactions with respect to securities purchased for its portfolio in order to obtain what is considered to be an advantageous price and yield at the time of the transaction. For when-issued transactions, no payment is made until delivery is due, often a month or more after the purchase. In a forward commitment transaction, the Fund contracts to purchase securities for a fixed price at a future date beyond customary settlement time.

When the Fund engages in forward commitment and when-issued transactions, it relies on the seller to consummate the transaction. The failure of the issuer or seller to consummate the transaction may result in the Fund losing the opportunity to obtain a price and yield considered to be advantageous. The purchase of securities on a when-issued and forward commitment basis also involves a risk of loss if the value of the security to be purchased declines prior to the settlement date.

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On the date the Fund enters into an agreement to purchase securities on a when-issued or forward commitment basis, the Fund will segregate in a separate account cash or liquid securities, of any type or maturity, equal in value to the Fund's commitment. These assets will be valued daily at market, and additional cash or securities will be segregated in a separate account to the extent that the total value of the assets in the account declines below the amount of the when-issued commitments. Alternatively, the Fund may enter into offsetting contracts for the forward sale of other securities that it owns.

Short-Term Trading and Portfolio Turnover. Short-term trading means the purchase and subsequent sale of a security after it has been held for a relatively brief period of time. The Fund may engage in short-term trading in response to stock market conditions, changes in interest rates or other economic trends and developments, or to take advantage of yield disparities between various fixed income securities in order to realize capital gains or improve income. Short-term trading may have the effect of increasing portfolio turnover rate. A high rate of portfolio turnover (100% or greater) involves correspondingly greater brokerage transaction expenses and may make it more difficult for the Fund to qualify as a regulated investment company for federal income tax purposes. The Fund's portfolio turnover rate is set forth in the table under the caption "Financial Highlights" in the Prospectus.

INVESTMENT RESTRICTIONS

Fundamental Investment Restrictions. The following investment restrictions will not be changed without the approval of a majority of the Fund's outstanding voting securities which, as used in the Prospectus and this Statement of Additional Information, means the approval by the lesser of (1) the holders of 67% or more of the Fund's shares represented at a meeting if more than 50% of the Fund's outstanding shares are present in person or by proxy at that meeting or (2) more than 50% of the Fund's outstanding shares.

The Fund may not:

1. Borrow money, except: (i) for temporary or short-term purposes or for the clearance of transactions in amounts not to exceed 33 1/3% of the value of the fund's total assets (including the amount borrowed) taken at market value; (ii) in connection with the redemption of fund shares or to finance failed settlements of portfolio trades without immediately liquidating portfolio securities or other assets, (iii) in order to fulfill commitments or plans to purchase additional securities pending the anticipated sale of other portfolio securities or assets; (iv) in connection with entering into reverse repurchase agreements and dollar rolls, but only if after each such borrowing there is asset coverage of at least 300% as defined in the 1940 Act; and (v) as otherwise permitted under the 1940 Act. For purposes of this investment restriction, the deferral of trustees' fees and transactions in short sales, futures contracts, options on futures contracts, securities or indices and forward commitment transactions shall not constitute borrowing.
2. Act as an underwriter, except to the extent that in connection with the disposition of portfolio securities, the Fund may be deemed to be an underwriter for purposes of the Securities Act of 1933.
3. Purchase, sell or invest in real estate, but subject to its other investment policies and restrictions may invest in securities of companies that deal in real estate or are engaged in the real estate business. These companies include real estate investment trusts and securities secured by real estate or interests in real estate. The fund may hold and sell real estate acquired through default, liquidation or other distributions of an interest in real estate as a result of the fund's ownership of securities.

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4. Invest in commodities or commodity futures contracts, except for transactions in financial derivative contracts, such as forward

currency contracts; financial futures contracts and options on financial futures contracts; options on securities, currencies and financial indices; and swaps, caps, floors, collars and swaptions.

5. Make loans, except that the fund (1) may lend portfolio securities in accordance with the fund's investment policies up to 33 1/3% of the fund's total assets taken at market value, (2) enter into repurchase agreements, and (3) purchase all or a portion of an issue of publicly distributed debt securities, bank loan participation interests, bank certificates of deposit, bankers' acceptances, debentures or other securities, whether or not the purchase is made upon the original issuance of the securities.
6. With respect to 75% of the fund's total assets, the fund may not invest more than 5% of the fund's total assets in the securities of any single issuer or own more than 10% of the outstanding voting securities of any one issuer, in each case other than (i) securities issued or guaranteed by the U.S. Government, its agencies or its instrumentalities or (ii) securities of other investment companies.
7. Issue senior securities, except to the extent permitted by the 1940 Act.
8. Purchase the securities of issuers conducting their principal activity in the same industry if, immediately after such purchase, the value of its investments in such industry would equal or exceed 25% of its total assets taken at market value at the time of such purchase, except that (i) the fund may invest up to 40% of the value of its total assets in the securities of issuers engaged in the electric utility and telephone industries and (ii) this limitation does not apply to investments in obligations of the U.S. Government or any of its agencies or instrumentalities. The fund may not concentrate its investments in the securities of issuers engaged in the electric utility industry or the telephone industry unless yields available for four consecutive weeks in the four highest rating categories on new issue bonds in either industry (issue size of \$50 million or more) have averaged greater than the yields of new issue long-term industrial bonds similarly rated (issue size of \$50 million or more) and, in the opinion the adviser, the relative return available from the electric utility or telephone industry and the relative risk, marketability, quality and availability of securities of this industry justifies such an investment.

Non-Fundamental Investment Restrictions. The following investment restrictions are designated as non-fundamental and may be changed by the Trustees without shareholder approval.

1. Purchase a security if, as a result, (i) more than 10% of the fund's total assets would be invested in the securities of other investment companies, (ii) the fund would hold more than 3% of the total outstanding voting securities of any one investment company, or (iii) more than 5% of the Fund's total assets would be invested in the securities of any one investment company. These limitations do not apply to (a) the investment of cash collateral, received by the fund in connection with lending of the fund's portfolio securities, in the securities of open-end investment companies or (b) the purchase of shares of any investment company in connection with a merger, consolidation, reorganization or purchase of substantially all of the assets of another investment company. Subject to the above percentage limitations, the fund may, in connection with the John Hancock Group of Funds Deferred Compensation Plan for Independent Trustees/Directors, purchase securities of other investment companies within the John Hancock Group of Funds.
2. Invest in the securities of an issuer for the purpose of exercising control or management, but it may do so where it is deemed advisable to protect or enhance the value of an existing investment.
3. Purchase securities on margin.
4. Invest more than 15% of its net assets in securities which are illiquid.

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THOSE RESPONSIBLE FOR MANAGEMENT

The business of the Fund is managed by its Trustees who elect officers who are responsible for the day-to-day operations of the Fund and who execute policies formulated by the Trustees. Several of the officers and Trustees of the Fund are also Officers and Directors of the Adviser or Officers and Directors of the Fund's principal distributor, John Hancock Funds, Inc. ("John Hancock Funds").

<TABLE>
<CAPTION>

Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
Edward J. Boudreau, Jr. * 101 Huntington Avenue Boston, MA 02199 October 1944	Trustee, Chairman and Chief Executive Officer (1, 2)	Chairman, Director and Chief Executive Officer, the Adviser; Chairman, Director and Chief Executive Officer, The Berkeley Financial Group, Inc. ("The Berkeley Group"); Chairman and Director, NM Capital Management, Inc. ("NM Capital"), John Hancock Advisers International Limited ("Advisers International") and Sovereign Asset Management Corporation ("SAMCorp"); Chairman and Chief Executive Officer, John Hancock Funds, Inc. ("John Hancock Funds"); Chairman, First Signature Bank and Trust Company; Director, John Hancock Insurance Agency, Inc. ("Insurance Agency, Inc."), John Hancock Advisers International (Ireland) Limited ("International Ireland"), John Hancock Capital Corporation and New England/Canada Business Council; Member, Investment Company Institute Board of Governors; Director, Asia Strategic Growth Fund, Inc.; Trustee, Museum of Science; Director, John Hancock Freedom Securities Corporation (until September 1996); Director, John Hancock Signature Services, Inc. ("Signature Services") (until January 1997).

* Trustee may be deemed to be an "interested person" of the Fund as defined
in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally
exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
Stephen L. Brown* John Hancock Place P.O. Box 111 Boston, MA 02117 July 1937	Trustee	Chairman and Chief Executive Officer, John Hancock Mutual Life Insurance Company; Director, the Adviser, John Hancock Funds, Insurance Agency, John Hancock Subsidiaries, Inc., The Berkeley Group, Federal Reserve Bank of Boston, Signature Services (until January 1997;) Trustee, John Hancock Asset Management (until March 1997).
James F. Carlin 233 West Central Street Natick, MA 01760 April 1940	Trustee	Chairman and CEO, Carlin Consolidated, Inc. (management/investments); Director, Arbella Mutual (insurance), Health Plan Services, Inc., Massachusetts Health and Education Tax Exempt Trust, Flagship Healthcare, Inc.,

Carlin Insurance Agency, Inc., West Insurance Agency, Inc. (until May 1995), Uno Restaurant Corp.; Chairman, Massachusetts Board of Higher Education (since 1995).

* Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
William H. Cunningham 601 Colorado Street O'Henry Hall Austin, TX 78701 January 1944	Trustee	Chancellor, University of Texas System and former President of the University of Texas, Austin, Texas; Lee Hage and Joseph D. Jamail Regents Chair of Free Enterprise; Director, LaQuinta Motor Inns, Inc. (hotel management company) (1985-1998); Jefferson-Pilot Corporation (diversified life insurance company) and LBJ Foundation Board (education foundation); Advisory Director, Chase Bank (formerly Texas Commerce Bank - Austin).
Ronald R. Dion 250 Boylston Street Boston, MA 02116 March 1946	Trustee	President and Chief Executive Officer, R.M. Bradley & Co., Inc.; Director, The New England Council and Massachusetts Roundtable; Trustee, North Shore Medical Center and a corporator of the Eastern Bank; Trustee, Emmanuel College.
Harold R. Hiser, Jr. 123 Highland Avenue Short Hill, NJ 07078 October 1931	Trustee	Executive Vice President, Schering-Plough Corporation (pharmaceuticals) (retired 1996); Director, ReCapital Corporation (reinsurance) (until 1995).

* Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
Anne C. Hodsdon * 101 Huntington Avenue Boston, MA 02199 August 1953	Trustee and President (1,2)	President, Chief Operating Officer, Chief Investment Officer and Director, the Adviser, The Berkeley Group; Executive Vice President and Director, John Hancock Funds; Director, Advisers International, Insurance Agency, Inc. and International Ireland; President and Director, SAMCorp. and NM Capital; Executive Vice President, the Adviser (until December 1994); Director, Signature Services (until January 1997).
Charles L. Ladner	Trustee	Senior Vice President and Chief

UGI Corporation
P.O. Box 858
Valley Forge, PA 19482
February 1938

Financial Officer, UGI Corporation
(Public Utility Holding Company)
(retired 1998); Vice President and
Director for AmeriGas, Inc. (retired
1998); Vice President of AmeriGas
Partners, L.P. (until 1997);
Director, EnergyNorth, Inc. (until
1995).

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- * Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.
- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address -----	Positions Held With the Company -----	Principal Occupation(s) During the Past Five Years -----
<S> Leo E. Linbeck, Jr. 3810 W. Alabama Houston, TX 77027 August 1934	<C> Trustee	<C> Chairman, President, Chief Executive Officer and Director, Linbeck Corporation (a holding company engaged in various phases of the construction industry and warehousing interests); Former Chairman, Federal Reserve Bank of Dallas (1992, 1993); Chairman of the Board, Linbeck Construction Corporation; Director, Duke Energy Corporation (a diversified energy company), Daniel Industries, Inc. (manufacturer of gas measuring products and energy related equipment), GeoQuest International Holdings, Inc. (a geophysical consulting firm); Director, Greater Houston Partnership.
Steven R. Pruchansky 4327 Enterprise Avenue Naples, FL 34104 August 1944	Trustee (1)	Director and President, Mast Holdings, Inc. (since 1991); Director, First Signature Bank & Trust Company (until August 1991); Director, Mast Realty Trust (until 1994); President, Maxwell Building Corp. (until 1991).

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- * Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.
- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address -----	Positions Held With the Company -----	Principal Occupation(s) During the Past Five Years -----
<S> Richard S. Scipione * John Hancock Place P.O. Box 111 Boston, MA 02117 August 1937	<C> Trustee (1)	<C> General Counsel, John Hancock Mutual Life Insurance Company; Director, the Adviser, John Hancock Funds, Signator Investors, Inc., Insurance Agency, Inc., John Hancock Subsidiaries, Inc., SAMCorp. and NM Capital; The Berkeley Group; JH Networking Insurance Agency, Inc.; Signature Services (until January 1997).
Norman H. Smith 243 Mt. Oriole Lane	Trustee	Lieutenant General, United States Marine Corps; Deputy Chief of Staff

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- * Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.
- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
 - (2) A member of the Investment Committee of the Adviser.

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Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
John P. Toolan 13 Chadwell Place Morristown, NJ 07960 September 1930	Trustee	Director, The Smith Barney Muni Bond Funds, The Smith Barney Tax-Free Money Funds, Inc., Vantage Money Market Funds (mutual funds), The Inefficient-Market Fund, Inc. (closed-end investment company) and Smith Barney Trust Company of Florida; Chairman, Smith Barney Trust Company (retired December, 1991); Director, Smith Barney, Inc., Mutual Management Company and Smith Barney Advisers, Inc. (investment advisers) (retired 1991); Senior Executive Vice President, Director and member of the Executive Committee, Smith Barney, Harris Upham & Co., Incorporated (investment bankers) (until 1991).
Osbert M. Hood 101 Huntington Avenue Boston, MA 02199 August 1952	Senior Vice President and Chief Financial Officer	Senior Vice President , Chief Financial Officer and Treasurer, the Adviser, the Berkeley Group and John Hancock Funds, Inc.; Vice President and Chief Financial Officer, John Hancock Mutual Life Insurance Company Retail Sector (until 1997).

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- * Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.
- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
 - (2) A member of the Investment Committee of the Adviser.

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Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
John A. Morin 101 Huntington Avenue Boston, MA 02199 July 1950	Vice President	Vice President and Secretary, the Adviser, The Berkeley Group, Signature Services, John Hancock Funds, NM Capital and SAMCorp.; Clerk, Insurance Agency, Inc.; Counsel, John Hancock Mutual Life Insurance Company (until February 1996).
Susan S. Newton 101 Huntington Avenue Boston, MA 02199 March 1950	Vice President and Secretary	Vice President, the Adviser; John Hancock Funds, Signature Services and The Berkeley Group.
James J. Stokowski	Vice President, Treasurer and Chief	Vice President, the Adviser.

 * Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.
 (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
 (2) A member of the Investment Committee of the Adviser.
 </TABLE>

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All of the officers listed are officers or employees of the Adviser or affiliated companies. Some of the Trustees and officers may also be officers and/or Directors and/or Trustees of one or more of the other funds for which the Adviser serves as investment adviser.

As of March 3, 1999 the officers and Trustees of the Fund as a group beneficially owned less than 1% of the outstanding shares of the Fund. As of that date, the following shareholders were the only record holders that beneficially owned 5% or more of the outstanding shares of the Fund:

Name and Address of Shareholder -----	Class of Shares -----	Percentage of Total Outstanding Shares Of the Class of the Fund -----
MLPF&S For The Sole Benefit of Its Customers Attn: Fund Administration 97BY3 4800 Deerlake Drive East 2nd Floor Jacksonville FL 32246-6484	A	9.25%
MLPFS For The Sole Benefit of Its Customers Attn: Fund Administration 973R9 4800 Deerlake Drive East 2nd Floor Jacksonville FL 32246-6484	B	25.13%
MLPFS For The Sole Benefit of Its Customers Attn: Fund Administration 4800 Deerlake Drive East 2nd Floor Jacksonville FL 32246-6484	C	30.70%

The following tables provide information regarding the compensation paid by the Fund and the other investment companies in the John Hancock Fund Complex to the Independent Trustees for their services for the Fund's most recently completed fiscal year. Messrs. Boudreau and Scipione and Ms. Hodsdon, each a non-Independent Trustee, and each of the officers of the Fund are interested persons of the Adviser, are compensated by the Adviser and/or its affiliates and receive no compensation from the Fund for their services.

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Trustees -----	Aggregate Compensation from the Fund (1) -----	Total Compensation from all Funds in John Hancock Fund Complex to Trustees (2) -----
James F. Carlin	\$5,557	\$74,000
William H. Cunningham*	5,557	74,000
Charles F. Fretz	4,592	74,250
Harold R. Hiser, Jr.*	5,197	74,000
Charles L. Ladner	5,687	74,250
Leo E. Linbeck, Jr.	5,557	74,250
Patricia P. McCarter*	3,777	74,250
Steven R. Pruchansky*	5,785	77,250
Norman H. Smith*	5,717	77,250
John P. Toolan*	5,687	74,250

Total	----- \$53,115	----- \$747,750
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- (1) Compensation for the fiscal year ended May 31, 1998.
- (2) The total compensation paid by the John Hancock Fund Complex to the Independent Trustees as of the calendar year ended December 31, 1997. As of this date, there were sixty-seven funds in the John Hancock Funds Complex with each of these Independent Trustees serving on thirty-two funds.

As of December 31, 1997, the value of the aggregate deferred compensation from all funds in the John Hancock Funds Complex for Mr. Cunningham was \$220,106, for Mr. Hissed was \$103,868, for Ms. McCarter was \$159,075, for Mr. Pruchansky was \$68,102, for Mr. Smith was \$70,607 and for Mr. Toolan was \$281,133 under the John Hancock Group of Funds Deferred Compensation Plan for Independent Trustees.

INVESTMENT ADVISORY AND OTHER SERVICES

The Adviser, located at 101 Huntington Avenue, Boston, Massachusetts 02199-7603, was organized in 1968 and has more than \$30 billion in assets under management in its capacity as investment adviser to the Fund and the other mutual funds and publicly traded investment companies in the John Hancock group of funds, having a combined total of over 1,400,000 shareholders. The Adviser is an affiliate of the Life Company, one of the most recognized and respected financial institutions in the nation. With total assets under management of more than \$100 billion, the Life Company is one of the ten largest life insurance companies in the United States, and carries a high rating from Standard & Poor's and A.M. Best. Founded in 1862, the Life Company has been serving clients for over 130 years.

The Fund has entered into an investment management contract (the "Advisory Agreement") with the Adviser which was approved by the Fund's shareholders. Pursuant to the Advisory Agreements, the Adviser will: (a) furnish continuously an investment program for the Fund and determine, subject to the overall supervision and review of the Trustees, which investments should be purchased, held, sold or exchanged and (b) provide supervision over all aspects of the Fund's operations except those which are delegated to a custodian, transfer agent or other agent.

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The Fund bears all cost of its organization and operation, including but not limited to expenses of preparing, printing and mailing all shareholders' reports, notices, prospectuses, proxy statements and reports to regulatory agencies; expenses relating to the issuance, registration and qualification of shares; government fees; interest charges; expenses of furnishing to shareholders their account statements; taxes; expenses of redeeming shares; brokerage and other expenses connected with the execution of portfolio securities transactions; expenses pursuant to the Fund's plan of distribution; fees and expenses of custodian including those for keeping books and accounts, maintaining a committed line of credit, and calculating the net asset value of shares; fees and expenses of transfer agents and dividend disbursing agents; legal, accounting, financial, management, tax and auditing fees and expenses of the Fund (including and allocable portion of the cost of the Adviser's employees rendering such services to the Fund); the compensation and expenses of Trustees who are not otherwise affiliated with the Trust, the Adviser or any of their affiliates; expenses of Trustees' and shareholders' meeting; trade association memberships; insurance premiums; and any extraordinary expenses.

As compensation for its services under the Advisory Agreements, the Fund pays the Adviser monthly a fee based on a stated percentage of the average of the daily net assets of the Fund as follows:

Average Daily Net Assets	Fee (Annual Rate)
-----	-----
First \$75 million	0.625%
Next \$75 million	0.5625%
Over \$150 million	0.500%

From time to time, the Adviser may reduce its fee or make other arrangements to limit the Fund's expenses to a specified percentage of average daily net assets. The Adviser retains the right to reimpose a fee and recover any other payments to the extent that, at the end of any fiscal year, the Fund's annual expenses fall below this limit.

Securities held by the Fund may also be held by other funds or investment advisory clients for which the Adviser or its affiliates provide investment advice. Because of different investment objectives or other factors, a

particular security may be bought for one or more funds or clients when one or more are selling the same security. If opportunities for purchase or sale of securities by the Adviser for the Fund or for other funds or clients for which the Adviser renders investment advice arise for consideration at or about the same time, transactions in such securities will be made, insofar as feasible, for the Fund or clients in a manner deemed equitable to all of them. To the extent that transactions on behalf of more than one client of the Adviser or its affiliates may increase the demand for securities being purchased or the supply of securities being sold, there may be an adverse effect on price.

Pursuant to the Advisory Agreement, the Adviser is not liable for any error of judgment or mistake of law or for any loss suffered by the Fund in connection with the matters to which their respective contracts relate, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Adviser in the performance of its duties or from its reckless disregard of the obligations and duties under the Advisory Agreement.

Under the Advisory Agreement, the Fund may use the name "John Hancock" or any name derived from or similar to it only for as long as the Advisory Agreement or any extension, renewal or amendment thereof remains in effect. If the Fund's Advisory Agreement is no longer in effect, the Fund (to the extent that it lawfully can) will cease to use such name or any other name indicating that it is advised by or otherwise connected with the Adviser. In addition, the Adviser or the Life Company may grant the non-exclusive right to use the name "John Hancock" or any similar name to any other corporation or entity, including but not limited to any investment company of which the Life Company or any subsidiary or affiliate thereof or any successor to the business of any subsidiary or affiliate thereof shall be the investment adviser.

The continuation of the Advisory Agreement and Distribution Agreement was approved by all of the Trustees. The Advisory Agreement and the Distribution Agreement discussed below will continue in effect from year to year, provided that its continuance is approved annually both (i) by the holders of a majority of the outstanding voting securities of the Trust or by the Trustees, and (ii) by a majority of the Trustees who are not parties to the Agreement, or "interested persons" of any such parties. Both Agreements may be terminated on 60 days written notice by any party or by a vote of a majority of the outstanding voting securities of the Fund and will terminate automatically if assigned.

The Advisory fees payable by the Fund to the Adviser, were as follows:

12/22/94-10/31/95	\$897,349
11/1/95-10/31/96	\$1,326,701
11/1/96-5/31/97	\$1,204,001
6/1/97-5/31/98	\$3,997,329

Administrative Services Agreement. The Fund previously was a party to an administrative services agreement (the "Services Agreement") with Transamerica Fund Management Company ("TFMC"), pursuant to which TFMC performed bookkeeping and accounting services and functions, including preparing and maintaining various accounting books, records and other documents and keeping such general ledgers and portfolio accounts as are reasonably necessary for the operation of the Fund. Other administrative services included communications in response to shareholder inquiries and certain printing expenses of various financial reports. In addition, such staff and office space, facilities and equipment was provided as necessary to provide administrative services to the Fund. The Services Agreement was amended in connection with the appointment of the Adviser as adviser to the Fund to permit services under the Agreement to be provided to the Fund by the Adviser and its affiliates. The Services Agreement was terminated during the 1995 fiscal year.

The amount of \$13,697 for the Fund reflects the total of administrative services fees paid to the Adviser for the fiscal year ended October 31, 1995.

Accounting and Legal Services Agreement. The Trust, on behalf the Fund, is a party to an Accounting and Legal Services Agreement with the Adviser. Pursuant to this agreement, the Adviser provides the Fund with certain tax, accounting and legal services. For the fiscal year ended October 31, 1996, The Fund paid the Adviser \$37,927 for services under this agreement. For the period from November 1, 1996 to May 31, 1997, the Fund paid the Adviser \$42,106 for services under this agreement. For the fiscal year ended May 31, 1998, the Fund paid the Adviser \$136,741 under this agreement.

In order to avoid conflicts with portfolio trades for the Fund, the Adviser and the Fund have adopted extensive restrictions on personal securities trading by personnel of the Adviser and its affiliates. Some of these restrictions are: pre-clearance for all personal trades and a ban on the purchase of initial public offerings, as well as contributions to specified charities of profits on

securities held for less than 91 days. These restrictions are a continuation of the basic principle that the interests of the Fund and its shareholders come first.

DISTRIBUTION CONTRACTS

The Fund has a Distribution Agreement with John Hancock Funds. Under the agreement, John Hancock Funds is obligated to use its best efforts to sell shares of each class of the Fund. Shares of the Fund are also sold by selected broker-dealers (the "Selling Brokers") which have entered into selling agency agreements with John Hancock Funds. John Hancock Funds accepts orders for the purchase of the shares of the Fund which are continually offered at net asset value next determined, plus any applicable sales charge, if any. In connection with the sale of Fund shares, John Hancock Funds and Selling Brokers receive compensation from a sales charge imposed, in the case of Class A shares, at the time of sale. In the case of Class B or Class C shares, the broker receive compensation immediately but John Hancock Funds is compensated on a deferred basis.

For the fiscal years ended October 31, 1995, 1996, for the period from November 1, 1996 to May 31, 1997 and for the fiscal year ended May 31, 1998, the following amounts reflect (a) the total underwriting commissions for sales of the Fund's Class A shares and (b) the portion of such amount retained by John Hancock Funds. The remainder of the underwriting commissions were reallocated to Selling Brokers.

10/31/1995	(a) \$239,238 and (b) \$19,285
11/1/95-10/31/1996	(a) \$696,959 and (b) \$72,221
11/1/96-5/31/1997	(a) \$946,242 and (b)\$115,430
6/1/97-5/31/198	(a)\$4,186,986 and (b)\$461,370

The Fund's Trustees adopted Distribution Plans with respect to each class of shares (the "Plans") pursuant to Rule 12b-1 under the Investment Company Act of 1940. Under the Plans, the Fund will pay distribution and service fees at an aggregate annual rate of up to 0.25% for Class A shares and 1.00% for Class B and Class C shares, of the Fund's average daily net assets attributable to shares of that class. However, the service fee will not exceed 0.25% of the Fund's average daily net assets attributable to each class of shares. The distribution fees will be used to reimburse John Hancock Funds for its distribution expenses, including but not limited to: (i) initial and ongoing sales compensation to Selling Brokers and others (including affiliates of John Hancock Funds) engaged in the sale of Fund shares; (ii) marketing, promotional and overhead expenses incurred in connection with the distribution of the Fund's shares; and (iii) with respect to Class B and Class C shares only, interest expenses on unreimbursed distribution expenses. The service fees will be used to compensate Selling Brokers and others for providing personal and account maintenance services to shareholders. In the event that John Hancock Funds is not fully reimbursed for payments or expenses under the Class A Plan, these expenses will not be carried beyond twelve months from the date they were incurred. Unreimbursed expenses under the Class B and Class C Plans will be carried forward together with interest on the balance of these unreimbursed expenses. The Fund does not treat unreimbursed expenses under Class B and Class C Plans as a liability of the Fund, because the Trustees may terminate the Class B and/or Class C Plans at any time. For the fiscal year ended May 31, 1998 an aggregate of \$13,113,933 of distribution expenses or 2.23% of the average net assets of the Fund's Class B shares was not reimbursed or recovered by John Hancock Funds through the receipt of deferred sales charges or Rules 12b-1 fees in prior periods. Class C shares of the Fund did not commence operations until May 1, 1998; therefore, there are no unreimbursed expenses to report.

The Plans were approved by a majority of the voting securities of the Fund. The Plans and all amendments were approved by the Trustees, including a majority of the Trustees who are not interested persons of the Fund and who have no direct or indirect financial interest in the operation of the Plans (the "Independent Trustees"), by votes cast in person at meetings called for the purpose of voting on such Plans.

Pursuant to the Plans, at least quarterly, John Hancock Funds provide the Fund with a written report of the amounts expended under the Plans and the purpose for which these expenditures were made. The Trustees review these reports on a quarterly basis to determine their continued appropriateness.

The Plans provide that they will continue in effect only so long as their continuance is approved at least annually by a majority of both the Trustees and Independent Trustees. The Plans provide that they may be terminated without

penalty, (a) by vote of a majority of the Independent Trustees, (b) by a vote of a majority of the Fund's outstanding shares of the applicable class upon 60 days' written notice to John Hancock Funds, and (c) automatically in the event of assignment. Each of the Plans further provides that it may not be amended to increase the maximum amount of the fees for the services described therein without the approval of a majority of the outstanding shares of the class of the Fund which has voting rights to that Plan. Each of the Plans provide that no material amendment to the Plan will be effective unless it is approved by a vote of a majority of the Trustees and the Independent Trustees of the Fund. The holders of Class A, Class B and Class C shares have exclusive voting rights with respect to the Plan applicable to their respective class of shares. In adopting the Plans, the Trustees concluded that, in their judgment, there is a reasonable likelihood that the Plans will benefit the holders of the applicable class of shares of the Fund.

Amounts paid to John Hancock Funds by any class of shares of the Fund will not be used to pay the expenses incurred with respect to any other class of shares of the Fund; provided, however, that expenses attributable to the Fund as a whole will be allocated, to the extent permitted by law, according to a formula based upon gross sales dollars and/or average daily net assets of each such class, as may be approved from time to time by vote of a majority of Trustees. From time to time, the Fund may participate in joint distribution activities with other Funds and the costs of those activities will be borne by the Fund in proportion to the relative net asset value of the participating Funds.

During the fiscal year ended May 31, 1998, the Fund paid John Hancock Funds the following amounts of expenses in connection with their services. Class C shares of the Fund did not commence operations until May 1, 1998; therefore, there are no expenses to report.

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<TABLE>
<CAPTION>

	Expense Items -----				
	Advertising -----	Printing and Mailing of Prospectuses to New Shareholders -----	Compensation to Selling Brokers -----	Expenses of John Hancock Funds -----	Interest, Carrying or Other Finance Charges -----
<S>	<C>	<C>	<C>	<C>	<C>
Class A	\$ 100,683	\$ 2,832	\$ 55,829	\$ 295,531	\$0
Class B	\$1,279,619	\$32,558	\$759,899	\$3,819,668	\$0
Class C	\$0	\$0	\$0	\$0	\$0

SALES COMPENSATION

As part of their business strategies, each of the John Hancock funds, along with John Hancock Funds, pay compensation to financial services firms that sell the funds' shares. These firms typically pass along a portion of this compensation to your financial representative.

Compensation payments originate from two sources: from sales charges and from 12b-1 fees that are paid out of the funds' assets. The sales charges and 12b-1 fees paid by investors are detailed in the prospectus and under "Distribution Contracts" in this Statement of Additional Information. The portions of these expenses that are reallocated to financial services firms are shown on the next page.

Whenever you make an investment in the Fund, the financial services firm receives either a reallocation from the initial sales charge or a commission, as described below. The firm also receives the first year's service fee at this time. Beginning with the second year after an investment is made, the financial services firm receives an annual service fee of 0.25% of its total eligible net assets. This fee is paid quarterly in arrears.

Financial services firms selling large amounts of fund shares may receive extra compensation. This compensation, which John Hancock Funds pays out of its own resources, may include asset retention fees as well as reimbursement for marketing expenses.

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<TABLE>

<CAPTION>

Class A Investments -----	Maximum Sales charge paid by investors (% of offering price) -----	Reallowance or commission (% of offering price) -----	First year Service fee (% of net investment) -----	Maximum total compensation (1) (% of offering price) -----
<S>	<C>	<C>	<C>	<C>
Up to \$99,999	4.50%	3.76%	0.25%	4.00%
\$100,000 - \$249,999	3.75%	3.01%	0.25%	4.00%
\$250,000 - \$499,999	2.75%	2.06%	0.25%	2.30%
\$500,000 - \$999,999	2.00%	1.51%	0.25%	1.75%

Regular investments of \$1 million
or more

First \$1M - \$4,999,999	--	0.75%	0.25%	1.00%
Next \$1M - \$5M above that	--	0.25%	0.25%	0.50% (2)
Next \$1 or more above that	--	0.00%	0.25%	0.25% (2)

Class B investments -----	Maximum Reallowance or commission (% of offering price) -----	First year Service fee (% of net investment) -----	Maximum total Compensation (% of offering price) -----
------------------------------	---	--	---

All amounts 3.75% 0.25% 4.00%

Class C investments -----	Maximum reallowance or commission (% of offering price) -----	First year service fee (% of net investment) -----	Maximum total compensation (% of offering price) -----
------------------------------	---	--	---

All amounts 0.75% 0.25% 1.00%

</TABLE>

(1) Reallowance/commission percentages and service fee percentages are calculated from different amounts, and therefore may not equal total compensation percentages if combined using simple addition.

(2) For Group Investment Programs sales, the maximum total compensation for investments of \$1 million or more is 1.00% of the offering price (one year CDSC of 1.00% applies for each sales).

CDSC revenues collected by John Hancock Funds may be used to pay commissions when there is no initial sales charge.

NET ASSET VALUE

For purposes of calculating the net asset value ("NAV") of the shares of the Fund, the following procedures are utilized wherever applicable.

Debt investment securities are valued on the basis of valuations furnished by a principal market maker or a pricing service, both of which generally utilize electronic data processing techniques to determine valuations for normal institutional size trading units of debt securities without exclusive reliance upon quoted prices.

Equity securities traded on a principal exchange or NASDAQ National Market Issues are generally valued at last sale price on the day of valuation. Securities in the aforementioned category for which no sales are reported and other securities traded over-the-counter are generally valued at the mean between the current closing bid and asked prices.

Short-term debt investments which have a remaining maturity of 60 days or less are generally valued at amortized cost which approximates market value. If market quotations are not readily available or if in the opinion of the Adviser any quotation or price is not representative of true market value, the fair value of the security may be determined in good faith in accordance with procedures approved by the Trustees.

Foreign securities are valued on the basis of quotations from the primary market in which they are traded. Any assets or liabilities expressed in terms of

foreign currencies are translated into U.S. dollars by the custodian bank based on London currency exchange quotations as of 5:00 p.m., London time (12:00 noon, New York time) on the date of any determination of the Fund's NAV. If quotations are not readily available, or the value has been materially affected by the events occurring after closing of a foreign market, assets are valued by a method that Trustees believe accurately reflects fair value.

The NAV for each class of the Fund is determined each business day at the close of regular trading on the New York Stock Exchange (typically 4:00 p.m. Eastern Time) by dividing a class net assets by the number of its shares outstanding. On any day an international market is closed and the New York Stock Exchange is open, any foreign securities will be valued at the prior day's close with the current day's exchange rate. Trading of foreign securities may take place on Saturdays and U.S. business holidays on which the Fund's NAV is not calculated. Consequently, the Fund's portfolio securities may trade and the NAV of the Fund's redeemable securities may be significantly affected on days when a shareholder has no access to the Fund.

INITIAL SALES CHARGE ON CLASS A SHARES

Shares of the Fund are offered at a price equal to their net asset value plus a sales charge which, at the option of the purchaser, may be imposed either at the time of purchase (the "initial sales charge alternative") or on a contingent deferred basis (the "deferred sales charge alternative"). Share certificates will not be issued unless requested by the shareholder in writing, and then only will be issued for full shares. The Trustees of the Fund reserve the right to change or waive the Fund's minimum investment requirements and to reject any order to purchase shares (including purchase by exchange) when in the judgment of the Adviser such rejection is in the Fund's best interest.

The sales charges applicable to purchases of Class A shares of the Fund are described in the Prospectus. Methods of obtaining reduced sales charges referred to generally in the Prospectus are described in detail below. In calculating the sales charge applicable to current purchases of Class A shares, the investor is entitled to accumulate current purchases with the greater of the current value (at offering price) of the Class A shares of the Fund, owned by the investor, or if John Hancock Signature Services, Inc. ("Signature Services") is notified by the investor's dealer or the investor at the time of the purchase, the cost of the Class A shares owned.

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Without Sales Charge. Class A shares may be offered without a front-end sales charge or CDSC to various individuals and institutions as follows:

- o A Trustee or officer of the Trust; a Director or officer of the Adviser and its affiliates or Selling Brokers; employees or sales representatives of any of the foregoing; retired officers, employees or Directors of any of the foregoing; a member of the immediate family (spouse, children, grandchildren, mother, father, sister, brother, mother-in-law, father-in-law, daughter-in-law, son-in-law, niece, nephew, grandparents and same sex domestic partner) of any of the foregoing, or any fund, pension, profit sharing or other benefit plan of the individuals described above.
- o A broker, dealer, financial planner, consultant or registered investment advisor that has entered into a signed agreement with John Hancock Funds providing specifically for the use of Fund shares in fee-based investment products or services made available to their clients.
- o A former participant in an employee benefit plan with John Hancock funds, when he or she withdraws from his or her plan and transfers any or all of his or her plan distributions directly to the Fund.
- o A member of a class action lawsuit against insurance companies who is investing settlement proceeds.
- o Retirement plans participating in Merrill Lynch servicing programs, if the Plan has more than \$3 million in assets or 500 eligible employees at the date the Plan Sponsor signs the Merrill Lynch Recordkeeping Service Agreement. See your Merrill Lynch financial consultant for further information.
- o Retirement plans investing through the PruArray Program sponsored by Prudential Securities.
- o Pension plans transferring assets from a John Hancock variable annuity contract to the Fund pursuant to an exemptive application approved by the Securities Exchange Commission.
- o Existing full service clients of the Life Company who were group

annuity contract holders as of September 1, 1994, and participant directed retirement plans with at least 100 eligible employees at the inception of the Fund account. Each of these investors may purchase Class A shares with no initial sales charge. However, if the shares are redeemed within 12 months after the end of the calendar year in which the purchase was made, a CDSC will be imposed at the following rate:

Amount Invested -----	CDSC Rate -----
\$1 to \$4,999,999	1.00%
Next \$5 million to \$9,999,999	0.50%
Amounts of \$10 million and over	0.25%

Class A shares may also be purchased without an initial sales charge in connection with certain liquidation, merger or acquisition transactions involving other investment companies or personal holding companies.

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Combination Privilege. In calculating the sales charge applicable to purchases of Class A shares made at one time, the purchases will be combined to reduce sales charges if made by (a) an individual, his or her spouse and their children under the age of 21, purchasing securities for his or their own account, (b) a trustee or other fiduciary purchasing for a single trust, estate or fiduciary account and (c) groups which qualify for the Group Investment Program (see below). A company's (not an individual's) qualified and non-qualified retirement plan investments can be combined to take advantage of this privilege. Further information about combined purchases, including certain restrictions on combined group purchases, is available from Signature Services or a Selling Broker's representative.

Accumulation Privilege. Investors (including investors combining purchases) who are already Class A shareholders may also obtain the benefit of the reduced sales charge by taking into account not only the amount being invested but also the investor's purchase price or current value of the Class A shares of all John Hancock funds which carry a sales charge already held by such person. Class A shares of John Hancock money market funds will only be eligible for the accumulation privilege if the investor has previously paid a sales charge on the amount of those shares. Retirement plan investors may include the value of Class B shares if Class B shares held are greater than \$1 million. Retirement plans must notify Signature Services to utilize. A company's (not an individual's) qualified and non-qualified retirement plan investments can be combined to take advantage of this privilege.

Group Investment Program. Under the Combination and Accumulation Privileges, all members of a group may combine their individual purchases of Class A shares to potentially qualify for breakpoints in the sales charge schedule. This feature is provided to any group which (1) has been in existence for more than six months, (2) has a legitimate purpose other than the purchase of mutual fund shares at a discount for its members, (3) utilizes salary deduction or similar group methods of payment, and (4) agrees to allow sales materials of the fund in its mailings to members at a reduced or no cost to John Hancock Funds.

Letter of Intention. Reduced sales charges are also applicable to investments made pursuant to a Letter of Intention (the "LOI"), which should be read carefully prior to its execution by an investor. The Fund offers two options regarding the specified period for making investments under the LOI. All investors have the option of making their investments over a specified period of thirteen (13) months. Investors who are using the Fund as a funding medium for a retirement plan, however, may opt to make the necessary investments called for by the LOI over a forty-eight (48) month period. These retirement plans include Traditional, Roth and Education IRAs, SEP, SARSEP, 401(k), 403(b) (including TSAs), SIMPLE IRA, SIMPLE 401(k), Money Purchase Pension, Profit Sharing and Section 457 plans. An individual's non-qualified and qualified retirement plan investments cannot be combined to satisfy an LOI of 48 months. Such an investment (including accumulations and combinations but not including reinvested dividends) must aggregate \$100,000 or more invested during the specified period from the date of the LOI or from a date within ninety (90) days prior thereto, upon written request to Signature Services. The sales charge applicable to all amounts invested under the LOI is computed as if the aggregate amount intended to be invested had been invested immediately. If such aggregate amount is not actually invested, the difference in the sales charge actually paid and the sales charge payable had the LOI not been in effect is due from the investor. However, for the purchases actually made with the specified period (either 13 or 48 months), the sales charge applicable will not be higher than that which would have been applied (including accumulations and combinations) had the LOI been for the amount actually invested.

The LOI authorizes Signature Services to hold in escrow sufficient Class A shares (approximately 5% of the aggregate) to make up any difference in sales charges on the amount intended to be invested and the amount actually invested, until such investment is completed within the specified period, at which time the escrow shares will be released. If the total investment specified in the LOI is not completed, the Class A shares held in escrow may be redeemed and the proceeds used as required to pay such sales charges as may be due. By signing the LOI, the investor authorizes Signature Services to act as his attorney-in-fact to redeem any escrowed Class A shares and adjust the sales charge, if necessary. A LOI does not constitute a binding commitment by an investor to purchase, or by the Fund to sell, any additional shares and may be terminated at any time.

DEFERRED SALES CHARGE ON CLASS B AND CLASS C SHARES

Investments in Class B and Class C shares are purchased at net asset value per share without the imposition of an initial sales charge so the Fund will receive the full amount of the purchase payment.

Contingent Deferred Sales Charge. Class B and Class C shares which are redeemed within six years or one year of purchase, respectively will be subject to a contingent deferred sales charge ("CDSC") at the rates set forth in the Prospectus as a percentage of the dollar amount subject to the CDSC. The charge will be assessed on an amount equal to the lesser of the current market value or the original purchase cost of the Class B or Class C shares being redeemed. No CDSC will be imposed on increases in account value above the initial purchase prices, including all shares derived from reinvestment of dividends or capital gains distributions.

Class B shares are not available to full-service retirement plans administered by Signature Services or the Life Company that had more than 100 eligible employees at the inception of the Fund account.

The amount of the CDSC, if any, will vary depending on the number of years from the time of payment for the purchase of Class B shares until the time of redemption of such shares. Solely for purposes of determining the number of years from the time of any payment for the purchase of both Class B and Class C shares, all payments during a month will be aggregated and deemed to have been made on the first day of the month.

In determining whether a CDSC applies to a redemption, the calculation will be determined in a manner that results in the lowest possible rate being charged. It will be assumed that your redemption comes first from shares you have held beyond the six-year CDSC redemption period for Class B or one year CDSC redemption period for Class C, or those you acquired through dividend and capital gain reinvestment, and next from the shares you have held the longest during the six-year period for Class B shares. For this purpose, the amount of any increase in a share's value above its initial purchase price is not regarded as a share exempt from CDSC. Thus, when a share that has appreciated in value is redeemed during the CDSC period, a CDSC is assessed only on its initial purchase price.

When requesting a redemption for a specific dollar amount, please indicate if you require the proceeds to equal the dollar amount requested. If not indicated, only the specified dollar amount will be redeemed from your account and the proceeds will be less any applicable CDSC.

Example:

You have purchased 100 shares at \$10 per share. The second year after your purchase, your investment's net asset value per share has increased by \$2 to \$12, and you have gained 10 additional shares through dividend reinvestment. If you redeem 50 shares at this time your CDSC will be calculated as follows:

o Proceeds of 50 shares redeemed at \$12 per shares (50 x 12)	\$600.00
o *Minus Appreciation (\$12 - \$10) x 100 shares	(200.00)
o Minus proceeds of 10 shares not subject to CDSC (dividend reinvestment)	(120.00)

o Amount subject to CDSC	\$280.00

*The appreciation is based on all 100 shares in the lot not just the shares

being redeemed.

Proceeds from the CDSC are paid to John Hancock Funds and are used in whole or in part by John Hancock Funds to defray its expenses related to providing distribution-related services to the Fund in connection with the sale of the Class B and Class C shares, such as the payment of compensation to select Selling Brokers for selling Class B and Class C shares. The combination of the CDSC and the distribution and service fees facilitates the ability of the Fund to sell the Class B and Class C shares without a sales charge being deducted at the time of the purchase.

Waiver of Contingent Deferred Sales Charge. The CDSC will be waived on redemptions of Class B and Class C shares and of Class A shares that are subject to a CDSC, unless indicated otherwise, in the circumstances defined below:

For all account types:

- * Redemptions made pursuant to the Fund's right to liquidate your account if you own shares worth less than \$1,000.
- * Redemptions made under certain liquidation, merger or acquisition transactions involving other investment companies or personal holding companies.
- * Redemptions due to death or disability. (Does not apply to Trust accounts unless trust is being dissolved.)
- * Redemptions made under the Reinstatement Privilege, as described in "Sales Charge Reductions and Waivers" in the Prospectus.
- * Redemptions where the proceeds are used to purchase a John Hancock Declaration Variable Annuity.
- * Redemptions of Class B (but not Class C) shares made under a periodic withdrawal plan, or redemptions for fees charged by planners or advisors for advisory services, as long as your annual redemptions do not exceed 12% of your account value, including reinvested dividends, at the time you established your periodic withdrawal plan and 12% of the value of subsequent investments (less redemptions) in that account at the time you notify Signature Services. (Please note that this waiver does not apply to periodic withdrawal plan redemptions of Class A or Class C shares that are subject to a CDSC.)

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- * Redemptions by Retirement plans participating in Merrill Lynch servicing programs, if the Plan has less than \$3 million in assets or 500 eligible employees at the date the Plan Sponsor signs the Merrill Lynch Recordkeeping Service Agreement. See your Merrill Lynch financial consultant for further information.
- * Redemptions of Class A or Class C shares by retirement plans that invested through the PruArray Program sponsored by Prudential Securities.

For Retirement Accounts (such as Traditional, Roth and Education IRAs, SIMPLE IRA, SIMPLE 401(k), Rollover IRA, TSA, 457, 403(b), 401(k), Money Purchase Pension Plan, Profit-Sharing Plan and other plans as described in the Internal Revenue Code) unless otherwise noted.

- * Redemptions made to effect mandatory or life expectancy distributions under the Internal Revenue Code.
- * Returns of excess contributions made to these plans.
- * Redemptions made to effect distributions to participants or beneficiaries from employer sponsored retirement plans under sections 401(a) (such as Money Purchase Pension Plans and Profit-Sharing/401(k) Plans), 457 and 408 (SEPs and SIMPLE IRAs) of the Internal Revenue Code.
- * Redemptions from certain IRA and retirement plans that purchased shares prior to October 1, 1992 and certain IRA plans that purchased shares prior to May 15, 1995.

Please see matrix for some examples.

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<TABLE>
<CAPTION>

CDSC Waiver Matrix for Class B and Class C

<S>	<C>	<C>	<C>	<C>	<C>
Type of Distribution	401 (a) Plan (401 (k), MPP, PSP)	403 (b)	457	IRA, IRA Rollover	Non- retirement
Death or Disability	Waived	Waived	Waived	Waived	Waived
Over 70 1/2	Waived	Waived	Waived	Waived for mandatory distributions or 12% of account value annually in periodic payments.	12% of account value annually in periodic payments
Between 59 1/2 and 70 1/2	Waived	Waived	Waived	Waived for Life Expectancy or 12% of account value annually in periodic payments.	12% of account value annually in periodic payments
Under 59 1/2 (Class B only)	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	12% of account value annually in periodic payments
Loans	Waived	Waived	N/A	N/A	N/A
Termination of Plan	Not Waived	Not Waived	Not Waived	Not Waived	N/A
Hardships	Waived	Waived	Waived	N/A	N/A
Qualified Domestic Relations Orders	Waived	Waived	Waived	N/A	N/A
Termination of Employment Before Normal Retirement Age	Waived	Waived	Waived	N/A	N/A
Return of Excess	Waived	Waived	Waived	Waived	N/A

</TABLE>

If you qualify for a CDSC waiver under one of these situations, you must notify Signature Services at the time you make your redemption. The waiver will be granted once Signature Services has confirmed that you are entitled to the waiver.

SPECIAL REDEMPTIONS

Although the Fund would not normally do so, the Fund has the right to pay the redemption price of shares of the Fund in whole or in part in portfolio securities as prescribed by the Trustees. When the shareholder sells portfolio securities received in this fashion, the shareholder will incur a brokerage charge. Any such security would be valued for the purpose of making such payment at the same value as used in determining the Fund's net asset value. The Fund has elected to be governed by Rule 18f-1 under the Investment Company Act. Under that rule, the Fund must redeem their shares for cash except to the extent to that the redemption payments to any shareholder during any 90-day period would exceed the lesser of \$250,000 or 1% of the Fund's net asset value at the beginning of such period.

Exchange Privilege. The Fund permits exchanges of shares of any class of the fund for shares of the same class in any other John Hancock fund offering that class.

Exchanges between funds with shares that are not subject to a CDSC are based on their respective net asset values. No sales charge or transaction charge is imposed. Shares of the Fund which are subject to a CDSC may be exchanged into shares of any of the other John Hancock funds that are subject to a CDSC without incurring the CDSC; however, the shares acquired in an exchange will be subject to the CDSC schedule of the shares acquired if and when such shares are redeemed (except that shares exchanged into John Hancock Short-Term Strategic Income Fund and John Hancock Intermediate Government Fund will retain the exchanged fund's CDSC schedule). For purposes of computing the CDSC payable upon redemption of shares acquired in an exchange, the holding period of the original shares is added to the holding period of the shares acquired in an exchange.

If a shareholder exchanges Class B shares purchased prior to January 1, 1994 (except John Hancock Short-Term Strategic Income Fund) for Class B shares of any other John Hancock fund, the acquired shares will continue to be subject to the CDSC schedule that was in effect when the exchanged shares were purchased.

The Fund reserves the right to require that previously exchanged shares (and reinvested dividends) be in the Fund for 90 days before a shareholder is permitted a new exchange.

The Fund may refuse any exchange order. The Fund may change or cancel its exchange policies at any time, upon 60 days' notice to its shareholders.

An exchange of shares is treated as a redemption of shares of one fund and the purchase of shares of another for Federal Income Tax purposes. An exchange may result in a taxable gain or loss. See "TAX STATUS".

Systematic Withdrawal Plan. The Fund permits the establishment of a Systematic Withdrawal Plan. Payments under this plan represent proceeds from the redemption of shares of the Fund. Since the redemption price of the shares of the Fund may be more or less than the shareholder's cost, depending upon the market value of the securities owned by the Fund at the time of redemption, the distribution of cash pursuant to this plan may result in realization of gain or loss for purposes of Federal, state and local income taxes. The maintenance of a Systematic Withdrawal Plan concurrently with purchases of additional shares of the Fund could be disadvantageous to a shareholder because of the initial sales charge payable on such purchases of Class A shares and the CDSC imposed on redemptions of Class B and Class C shares and because redemptions are taxable events. Therefore, a shareholder should not purchase shares at the same time a Systematic Withdrawal Plan is in effect. The Fund reserves the right to modify or discontinue the Systematic Withdrawal Plan of any shareholder on 30 days' prior written notice to such shareholder, or to discontinue the availability of such plan in the future. The shareholder may terminate the plan at any time by giving proper notice to Signature Services.

Monthly Automatic Accumulation Program ("MAAP"). The program is explained in the Prospectus. The program, as it relates to automatic investment checks, is subject to the following conditions:

The investments will be drawn on or about the day of the month indicated.

The privilege of making investments through the MAAP may be revoked by Signature Services without prior notice if any investment is not honored by the shareholder's bank. The bank shall be under no obligation to notify the shareholder as to the non-payment of any checks.

The program may be discontinued by the shareholder either by calling Signature Services or upon written notice to Signature Services which is received at least five (5) business days prior to the order date of any investment.

Reinstatement and Reinvestment Privilege. If Signature Services is notified prior to reinvestment, a shareholder who has redeemed the Fund's shares may, within 120 days after the date of redemption, reinvest without payment of a sales charge any part of the redemption proceeds in shares of the same class of the Fund or another John Hancock fund, subject to the minimum investment limit of that fund. The proceeds from the redemption of Class A shares may be reinvested at net asset value without paying a sales charge in Class A shares of any John Hancock fund. If a CDSC was paid upon a redemption, a shareholder may reinvest the proceeds from this redemption at net asset value in additional shares of the class from which the redemption was made. The shareholder's account will be credited with the amount of any CDSC charged upon the prior

redemption and the new shares will continue to be subject to the CDSC. The holding period of the shares acquired through reinvestment will, for purposes of computing the CDSC payable upon a subsequent redemption, include the holding period of the redeemed shares.

To protect the interests of other investors in the Fund, the Fund may cancel the reinvestment privilege of any parties that, in the opinion of the Fund, are using market timing strategies or making more than seven exchanges per owner or controlling party per calendar year. Also, the Fund may refuse any reinvestment request.

The Fund may change or cancel its reinvestment policies at any time.

A redemption or exchange of Fund shares is a taxable transaction for Federal income tax purposes even if the reinvestment privilege is exercised, and any gain or loss realized by a shareholder on the redemption or other disposition of Fund shares will be treated for tax purposes as described under the caption "TAX STATUS".

Retirement plans participating in Merrill Lynch's servicing programs:

Class A shares are available at net asset value for plans with \$3 million in plan assets or 500 eligible employees at the date the Plan Sponsor signs the Merrill Lynch Recordkeeping Service Agreement. If the plan does not meet either of these limits, Class A shares are not available.

For participating retirement plans investing in Class B shares, shares will convert to Class A shares after eight years, or sooner if the plan attains assets of \$5 million (by means of a CDSC-free redemption/purchase at net asset value).

DESCRIPTION OF THE FUND'S SHARES

The Trustees of the Trust are responsible for the management and supervision of the Fund. The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest of the Fund without par value. Under the Declaration of Trust, the Trustees have the authority to create and classify shares of beneficial interest in separate series and in one or more classes, without further action by shareholders. As of the date of this Statement of Additional Information, the Trustees have authorized shares of this Fund and one other series and the issuance of three classes of shares of the Fund, designated as Class A, Class B and Class C. Additional series may be added in the future.

The shares of each class of the Fund represent an equal proportionate interest in the aggregate net assets attributable to the classes of the Fund. Holders of each class of shares have certain exclusive voting rights on matters relating to their respective distribution plans. The different classes of the Fund may bear different expenses relating to the cost of holding shareholder meetings necessitated by the exclusive voting rights of any class of shares.

Dividends paid by the Fund, if any, with respect to each class of shares will be calculated in the same manner, at the same time and on the same day and will be in the same amount, except for differences resulting from the facts that (i) the distribution and service fees relating to each class will be borne exclusively by that class, (ii) Class B and Class C shares will pay higher distribution and service fees than Class A shares and (iii) each class of shares will bear any class expenses properly allocable to that class of shares, subject to the conditions the Internal Revenue Service imposes with respect to the multiple-class structures. Similarly, the net asset value per share may vary depending on which class of shares are purchased. No interest will be paid on uncashed dividend or redemption checks.

In the event of liquidation, shareholders of each class are entitled to share pro rata in the net assets of the Fund available for distribution to these shareholders. Shares entitle their holders to one vote per share, are freely transferable and have no preemptive, subscription or conversion rights. When issued, shares are fully paid and non-assessable, except as set forth below.

Unless otherwise required by the Investment Company Act or the Declaration of Trust, the Fund has no intention of holding annual meetings of shareholders. Fund shareholders may remove a Trustee by the affirmative vote of at least two-thirds of the Trust's outstanding shares and the Trustees shall promptly call a meeting for such purpose when requested to do so in writing by the record holders of not less than 10% of the outstanding shares of the Trust. Shareholders may, under certain circumstances, communicate with other shareholders in connection with requesting a special meeting of shareholders. However, at any time that less than a majority of the Trustees holding office were elected by the shareholders, the Trustees will call a special meeting of

shareholders for the purpose of electing Trustees.

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Under Massachusetts law, shareholders of a Massachusetts business trust could, under certain circumstances, be held personally liable for acts or obligations of the trust. However, the Trust's Declaration of Trust contains an express disclaimer of shareholder liability for acts, obligations and affairs of the Trust. The Declaration of Trust also provides for indemnification out of the Trust's assets for all losses and expenses of any shareholder held personally liable by reason of being or having been a shareholder. The Declaration of Trust also provides that no series of the Trust shall be liable for the liabilities of any other series. Furthermore, no fund included in the Prospectus shall be liable for the liabilities of any other John Hancock fund. Liability is therefore limited to circumstances in which the Trust itself would be unable to meet its obligations, and the possibility of this occurrence is remote.

The Fund reserves the right to reject any application which conflicts with the Fund's internal policies or the policies of any regulatory authority. John Hancock Funds does not accept starter, credit card or third party checks. All checks returned by the post office as undeliverable will be reinvested at net asset value in the fund or funds from which a redemption was made or dividend paid. Information provided on the account application may be used by the Fund to verify the accuracy of the information or for background or financial history purposes. A joint account will be administered as a joint tenancy with right of survivorship, unless the joint owners notify Signature Services of a different intent. A shareholder's account is governed by the laws of The Commonwealth of Massachusetts. For telephone transactions, the transfer agent will take measures to verify the identity of the caller, such as asking for name, account number, Social Security or other taxpayer ID number and other relevant information. If appropriate measures are taken, the transfer agent is not responsible for any losses that may occur to any account due to an unauthorized telephone call. Also for your protection telephone transactions are not permitted on accounts whose names or addresses have changed within the past 30 days. Proceeds from telephone transactions can only be mailed to the address of record.

Selling activities for the Fund may not take place outside the U.S. exempt with U.S. military bases, APO addresses and U.S. diplomats. Brokers of record on Non-U.S. investors' accounts with foreign mailing addresses are required to certify that all sales activities have occurred, and in the future will occur, only in the U.S. A Foreign corporation may purchase shares of the Fund only if it has a U.S. mailing address.

TAX STATUS

Each series of the Trust, including the Fund is treated as a separate entity for tax purposes. The Fund has qualified and elected to be treated as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), and intends to continue to so qualify for each taxable year. As such and by complying with the applicable provisions of the Code regarding the sources of its income, the timing of its distributions, and the diversification of its assets, the Fund will not be subject to Federal income tax on taxable income (including net realized capital gains) which is distributed to shareholders in accordance with the timing requirements of the Code.

The Fund will be subject to a 4% non-deductible Federal excise tax on certain amounts not distributed (and not treated as having been distributed) on a timely basis in accordance with annual minimum distribution requirements. The Fund intends under normal circumstances to seek to avoid or minimize liability for such tax.

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Distributions from the Fund's current or accumulated earnings and profits ("E&P") will be taxable under the Code for investors who are subject to tax. If these distributions are paid from the Fund's "investment company taxable income," they will be taxable as ordinary income; and if they are paid from the Fund's "net capital gain," they will be taxable as capital gain. (Net capital gain is the excess (if any) of net long-term capital gain over net short-term capital loss, and investment company taxable income is all taxable income and capital gains, other than those gains and losses included in computing net capital gain, after reduction by deductible expenses). Some distributions may be paid to shareholders as if they had been received on December 31 of the previous year. The tax treatment described above will apply without regard to whether distributions are received in cash or reinvested in additional shares of the Fund.

Distributions, if any, in excess of E&P will constitute a return of capital

under the Code, which will first reduce an investor's federal tax basis in Fund shares and then, to the extent such basis is exceeded, will generally give rise to capital gains. Shareholders who have chosen automatic reinvestment of their distributions will have a federal tax basis in each share received pursuant to such a reinvestment equal to the amount of cash they would have received had they elected to receive the distribution in cash, divided by the number of shares received in the reinvestment.

Foreign exchange gains and losses realized by the Fund in connection with certain transactions involving foreign currency-denominated debt securities, certain foreign currency futures and options, foreign currency forward contracts, foreign currencies, or payables or receivables denominated in a foreign currency are subject to Section 988 of the Code, which generally causes such gains and losses to be treated as ordinary income and losses and may affect the amount, timing and character of distributions to shareholders. Transactions in foreign currencies that are not directly related to the Fund's investment in stock or securities, possibly including speculative currency positions or currency derivatives not used for hedging purposes, may increase the amount of gain it is deemed to recognize from the sale of certain investments or derivatives held for less than three months, which gain is limited under the Code to less than 30% of gross income for each taxable year, and could under future Treasury regulations produce income not among the types of "qualifying income" from which the Fund must derive at least 90% of its gross income for each taxable year. If the net foreign exchange loss for a year treated as ordinary loss under Section 988 were to exceed the Fund's investment company taxable income computed without regard to such loss but after considering the post-October loss regulations the resulting overall ordinary loss for such year would not be deductible by the Fund or its shareholders in future years.

The Fund may be subject to withholding and other taxes imposed by foreign countries with respect to its investments in foreign securities. Some tax conventions between certain countries and the U.S. may reduce or eliminate such taxes. Investors may be entitled to claim U.S. foreign tax credits or deductions with respect to such taxes, subject to certain provisions and limitations contained in the Code, if the Fund so elects. If more than 50% of the value of the Fund's total assets at the close of any taxable year consists of stock or securities of foreign corporations, the Fund may file an election with the Internal Revenue Service pursuant to which shareholders of the Fund will be required to (i) include in ordinary gross income (in addition to taxable dividends and distributions actually received) their pro rata shares of qualified foreign taxes paid by the Fund even though not actually received by them, and (ii) treat such respective pro rata portions as qualified foreign taxes paid by them. The Fund probably will not satisfy this 50% requirement.

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If the Fund makes this election, shareholders may then deduct such pro rata portions of qualified foreign taxes in computing their taxable incomes, or, alternatively, use them as foreign tax credits, subject to applicable limitations, against their U.S. Federal income taxes. Shareholders who do not itemize deductions for Federal income tax purposes will not, however, be able to deduct their pro rata portion of qualified foreign taxes paid by the Fund, although such shareholders will be required to include their share of such taxes in gross income. Shareholders who claim a foreign tax credit for such foreign taxes may be required to treat a portion of dividends received from the Fund as a separate category of income for purposes of computing the limitations on the foreign tax credit. Tax-exempt shareholders will ordinarily not benefit from this election. Each year (if any) that the Fund files the election described above, its shareholders will be notified of the amount of (i) each shareholder's pro rata share of qualified foreign taxes paid by the Fund and (ii) the portion of Fund dividends which represents income from each foreign country. A Fund that cannot or does not make this election may deduct such taxes in determining the amount it has available for distribution to shareholders, and shareholders will not, in this event, include these foreign taxes in their income, nor will they be entitled to any tax deductions or credits with respect to such taxes.

The Fund is permitted to acquire stock in foreign corporations. If the Fund invests in stock (including an option to acquire stock such as is inherent in a convertible bond) of certain foreign corporations that receive at least 75% of their annual gross income from passive sources (such as interest, dividends, certain rents and royalties or capital gain) or hold at least 50% of their assets in investments producing such passive income ("passive foreign investment companies"), the Fund could be subject to federal income tax and additional interest charges on "excess distributions" received from such companies or gain from the sale of stock in such companies, even if all income or gain actually received by the Fund is timely distributed to its shareholders. The Fund would not be able to pass through to its shareholders any credit or deduction for such a tax. An election may be available to ameliorate these adverse tax consequences, but any such election could require the Fund to recognize taxable income or gain without the concurrent receipt of cash. Those investments could also result in the treatment of associated capital gains as ordinary income. The Fund may limit and/or manage its holdings in passive foreign investment

companies to minimize its tax liability or maximize its return from these investments.

The amount of the Fund's net realized capital gains, if any, in any given year will vary depending upon the Adviser's current investment strategy and whether the Adviser believes it to be in the best interest of the Fund to dispose of portfolio securities or enter into options or futures transactions that will generate capital gains. At the time of an investor's purchase of Fund shares, a portion of the purchase price is often attributable to realized or unrealized appreciation in the Fund's portfolio. Consequently, subsequent distributions from such appreciation may be taxable to such investor even if the net asset value of the investor's shares is, as a result of the distributions, reduced below the investor's cost for such shares, and the distributions in reality represent a return of a portion of the purchase price.

Upon a redemption or other disposition of shares of the Fund (including by exercise of the exchange privilege) in a transaction that is treated as a sale for tax purposes, a shareholder may realize a taxable gain or loss depending upon the amount of the proceeds and the investor's basis in his shares. Any gain or loss will be treated as capital gain or loss if the shares are capital assets in the shareholder's hands. A sales charge paid in purchasing Class A shares of the Fund cannot be taken into account for purposes of determining gain or loss on the redemption or exchange of such shares within 90 days after their purchase to the extent shares of the Fund or another John Hancock fund are subsequently acquired without payment of a sales charge pursuant to the reinvestment or exchange privilege. Such disregarded load will result in an increase in the shareholder's tax basis in the shares subsequently acquired. Also, any loss realized on a redemption or exchange may be disallowed to the extent the shares disposed of are replaced with other shares of the same Fund within a period of 61 days beginning 30 days before and ending 30 days after the shares are disposed of, such as pursuant to automatic dividend reinvestments. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Any loss realized upon the redemption of shares with a tax holding period of six months or less will be treated as a long-term capital loss to the extent of any amounts treated as distributions of long-term capital gain with respect to such shares. Shareholders should consult their own tax advisers regarding their particular circumstances to determine whether a disposition of Fund shares is properly treated as a sale for tax purposes, as is assumed in the foregoing discussion.

Although its present intention is to distribute, at least annually, all net capital gain, if any, the Fund reserves the right to retain and reinvest all or any portion of the excess, as computed for Federal income tax purposes, of net long-term capital gain over net short-term capital loss in any year. The Fund will not in any event distribute net capital gain realized in any year to the extent that a capital loss is carried forward from prior years against such gain. To the extent such excess was retained and not exhausted by the carryforward of prior years' capital losses, it would be subject to Federal income tax in the hands of the Fund. Upon proper designation by the Fund, each shareholder would be treated for Federal income tax purposes as if the Fund had distributed to him on the last day of its taxable year his pro rata share of such excess, and he had paid his pro rata share of the taxes paid by the Fund and reinvested the remainder in the Fund. Accordingly, each shareholder would (a) include his pro rata share of such excess as long-term capital gain income in his return for his taxable year in which the last day of such Fund's taxable year falls, (b) be entitled either to a tax credit on his return for, or to a refund of, his pro rata share of the taxes paid by such Fund, and (c) be entitled to increase the adjusted tax basis for his shares in such Fund by the difference between his pro rata share of such excess and his pro rata share of such taxes.

For Federal income tax purposes, the Fund is generally permitted to carry forward a net capital loss in any year to offset its own net capital gains, if any, during the eight years following the year of the loss. To the extent subsequent net capital gains are offset by such losses, they would not result in Federal income tax liability to the Fund and, as noted above, would not be distributed as such to shareholders. As of May 31, 1998, the Fund has no capital loss carryforwards.

The Fund is required to accrue income on any debt securities that have more than a de minimis amount of original issue discount (or debt securities acquired at a market discount, if the Fund elects to include market discount in income currently) prior to the receipt of the corresponding cash payments. The mark to market or constructive sales rules applicable to certain options, futures and forward contracts may also require the Fund to recognize income or gain without a concurrent receipt of cash. However, the Fund must distribute to shareholders for each taxable year substantially all of its net income and net capital gains, including such income or gain, to qualify as a regulated investment company and avoid liability for any federal income or excise tax. Therefore, the Fund may have to dispose of its portfolio securities under disadvantageous circumstances

to generate cash, or borrow cash, to satisfy these distribution requirements.

A state income (and possibly local income and/or intangible property) tax exemption is generally available to the extent (if any) the Fund's distributions are derived from interest on (or, in the case of intangible property taxes, the value of its assets is attributable to) certain U.S. Government obligations, provided in some states that certain thresholds for holdings of such obligations and/or reporting requirements are satisfied. The Fund will not seek to satisfy any threshold or reporting requirements that may apply in particular taxing jurisdictions, although the Fund may in its sole discretion provide relevant information to shareholders.

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The Fund will be required to report to the Internal Revenue Service (the "IRS") all taxable distributions to shareholders, as well as gross proceeds from the redemption or exchange of Fund shares, except in the case of certain exempt recipients, i.e., corporations and certain other investors distributions to which are exempt from the information reporting provisions of the Code. Under the backup withholding provisions of Code Section 3406 and applicable Treasury regulations, all such reportable distributions and proceeds may be subject to backup withholding of federal income tax at the rate of 31% in the case of non-exempt shareholders who fail to furnish the Fund with their correct taxpayer identification number and certain certifications required by the IRS or if the IRS or a broker notifies the Fund that the number furnished by the shareholder is incorrect or that the shareholder is subject to backup withholding as a result of failure to report interest or dividend income. The Fund may refuse to accept an application that does not contain any required taxpayer identification number or certification that the number provided is correct. If the backup withholding provisions are applicable, any such distributions and proceeds, whether taken in cash or reinvested in shares, will be reduced by the amounts required to be withheld. Any amounts withheld may be credited against a shareholder's U.S. federal income tax liability. Investors should consult their tax advisers about the applicability of the backup withholding provisions.

The Fund may be required to account for its transactions in forward rolls or swaps, caps, floors and collars in a manner that, under certain circumstances, may limit the extent of its participation in such transactions. Additionally, the Fund may be required to recognize gain, but not loss, if a swap or other transaction is treated as a constructive sale of an appreciated financial position in the Fund's portfolio. The Fund may have to sell portfolio securities under disadvantageous circumstances to generate cash, or borrow cash, to satisfy these distribution requirements.

Investments in debt obligations that are at risk of or are in default present special tax issues for the Fund. Tax rules are not entirely clear about issues such as when the Fund may cease to accrue interest, original issue discount, or market discount, when and to what extent deductions may be taken for bad debts or worthless securities, how payments received on obligations in default should be allocated between principal and income, and whether exchanges of debt obligations in a workout context are taxable. These and other issues will be addressed by the Fund that holds such obligations in order to reduce the risk of distributing insufficient income to preserve its status as a regulated investment company and seek to avoid becoming subject to Federal income or excise tax.

Limitations imposed by the Code on regulated investment companies like the Fund may restrict the Fund's ability to enter into options, futures, foreign currency positions and foreign currency forward transactions.

Certain options, futures and forward foreign currency transactions undertaken by the Fund may cause such Fund to recognize gains or losses from marking to market even though its positions have not been sold or terminated and affect the character as long-term or short-term (or, in the case of certain currency forwards, options and futures, as ordinary income or loss) and timing of some capital gains and losses realized by the Fund. Also, certain of the Fund's losses on its transactions involving options, futures and forward foreign currency contracts and/or offsetting or successor portfolio positions may be deferred rather than being taken into account currently in calculating the Fund's taxable income or gains. Certain of such transactions may also cause the Fund to dispose of investments sooner than would otherwise have occurred. These transactions may therefore affect the amount, timing and character of the Fund's distributions to shareholders. The Fund will take into account the special tax rules (including consideration of available elections) applicable to options, futures or forward contracts in order to seek to minimize any potential adverse tax consequences.

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Different tax treatment, including penalties on certain excess contributions and deferrals, certain pre-retirement and post-retirement distributions and certain prohibited transactions, is accorded to accounts maintained as qualified retirement plans. Shareholders should consult their tax advisers for more information.

The foregoing discussion relates solely to U.S. Federal income tax law as applicable to U.S. persons (i.e., U.S. citizens or residents and U.S. domestic corporations, partnerships, trusts or estates) subject to tax under such law. The discussion does not address special tax rules applicable to certain classes of investors, such as tax-exempt entities, insurance companies, and financial institutions. Dividends, capital gain distributions, and ownership of or gains realized on the redemption (including an exchange) of Fund shares may also be subject to state and local taxes. Shareholders should consult their own tax advisers as to the Federal, state or local tax consequences of ownership of shares of, and receipt of distributions from, the Fund in their particular circumstances.

Non-U.S. investors not engaged in a U.S. trade or business with which their investment in the Fund is effectively connected will be subject to U.S. Federal income tax treatment that is different from that described above. These investors may be subject to nonresident alien withholding tax at the rate of 30% (or a lower rate under an applicable tax treaty) on amounts treated as ordinary dividends from the Fund and, unless an effective IRS Form W-8 or authorized substitute for Form W-8 is on file, to 31% backup withholding on certain other payments from the Fund. Non-U.S. investors should consult their tax advisers regarding such treatment and the application of foreign taxes to an investment in the Fund.

The Fund is not subject to Massachusetts corporate excise or franchise taxes. The Fund anticipates that, provided that the Fund qualifies as a regulated investment company under the Code, it will also not be required to pay any Massachusetts income tax.

CALCULATION OF PERFORMANCE

The Fund may advertise yield, where appropriate. For the 30-day period ended November 30, 1998, the yields of the Fund's Class A, Class B and Class C shares were 11.77%, 11.58% and 11.51%, respectively.

The Fund's yield is computed by dividing net investment income per share determined for a 30-day period by the maximum offering price per share (which includes the full sales charge) on the last day of the period, according to the following standard formula:

$$\text{Yield} = 2 \left(\left[\frac{(a - b) + 1}{cd} \right]^6 - 1 \right)$$

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Where:

- a = dividends and interest earned during the period.
- b = net expenses accrued during the period.
- c = the average daily number of fund shares outstanding during the period that would be entitled to receive dividends.
- d = the maximum offering price per share on the last day of the period (NAV where applicable).

Total Return. Average annual total return is determined separately for each class of shares.

Set forth below are tables showing the performance on a total return basis (i.e., with all dividends and distributions reinvested) of a hypothetical \$1,000 investment in the Class A, Class B and Class C shares of the Fund.

Class A Shares	Class A Shares	Class A Shares
One Year Ended	Five Years Ended	6/30/93* to
11/30/98	11/30/98	11/30/98
-----	-----	-----
-13.42%	5.31%	5.97%

Class B Shares	Class B Shares	Class B Shares	
One Year Ended	Five Years Ended	Ten Years Ended	Class C Shares

11/30/98	11/30/98	11/30/98	5/1/98* to 11/30/98
-----	-----	-----	-----
-14.12%	5.23%	7.71%	-29.32%

* Commencement of operations.

Total Return. The Fund's total return is computed by finding the average annual compounded rate of return over the 1-year, 5-year, and 10-year periods that would equate the initial amount invested to the ending redeemable value according to the following formula:

$$T = \sqrt[n]{\text{ERV} / P} - 1$$

P = a hypothetical initial payment of \$1,000.
T = average annual total return.
n = number of years.
ERV = ending redeemable value of a hypothetical \$1,000 investment made at the beginning of the 1-year and life-of-fund periods.

Because each class has its own charge and fee structure, the classes have different performance results. In the case of each class, this calculation assumes the maximum sales charge is included in the initial investment or the CDSC is applied at the end of the period. This calculation assumes that all dividends and distributions are reinvested at net asset value on the reinvestment dates during the period. The "distribution rate" is determined by annualizing the result of dividing the declared dividends of the Fund during the period stated by the maximum offering price or net asset value at the end of the period. Excluding the Fund's sales charge from the distribution rate produces a higher rate.

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In addition to average annual total returns, the Fund may quote unaveraged or cumulative total returns reflecting the simple change in value of an investment over a stated period. Cumulative total returns may be quoted as a percentage or as a dollar amount, and may be calculated for a single investment, a series of investments, and/or a series of redemptions, over any time period. Total returns may be quoted with or without taking the Fund's sales charge on Class A shares or the CDSC on Class B or Class C shares into account. Excluding the Fund's sales charge on Class A shares and the CDSC on Class B or Class C shares from a total return calculation produces a higher total return figure.

From time to time, in reports and promotional literature, the Fund's yield and total return will be compared to indices of mutual funds and bank deposit vehicles such as Lipper Analytical Services, Inc.'s "Lipper--Fixed Income Fund Performance Analysis," a monthly publication which tracks net assets, total return, and yield on fixed income mutual funds in the United States. Ibbotson and Associates, CDA Weisenberger and F.C. Towers are also used for comparison purposes, as well as the Russell and Wilshire Indices.

Performance rankings and ratings reported periodically in national financial publications such as MONEY MAGAZINE, FORBES, BUSINESS WEEK, THE WALL STREET JOURNAL, MICROPAL, INC., MORNINGSTAR, STANGER'S and BARRON'S, etc. will also be utilized. The Fund's promotional and sales literature may make reference to the Fund's "beta." Beta reflects the market-related risk of the Fund by showing how responsive the Fund is to the market.

The performance of the Fund is not fixed or guaranteed. Performance quotations should not be considered to be representations of performance of the Fund for any period in the future. The performance of the Fund is a function of many factors including its earnings, expenses and number of outstanding shares. Fluctuating market conditions; purchases, sales and maturities of portfolio securities; sales and redemptions of shares of beneficial interest; and changes in operating expenses are all examples of items that can increase or decrease the Fund's performance.

BROKERAGE ALLOCATION

Decisions concerning the purchase and sale of portfolio securities and the allocation of brokerage commissions are made by the Adviser pursuant to recommendations made by an investment committee of the Adviser, which consists of officers and directors of the Adviser and affiliates and Trustees who are interested persons of the Fund. Orders for purchases and sales of securities are placed in a manner which, in the opinion of the Adviser, will offer the best price and market for the execution of each such transaction. Purchases from underwriters of portfolio securities may include a commission or commissions paid by the issuer and transactions with dealers serving as market makers reflect a "spread." Debt securities are generally traded on a net basis through dealers acting for their own account as principals and not as brokers; no

brokerage commissions are payable on these transactions.

In the U.S. Government securities market, securities are generally traded on a "net" basis with dealers acting as principal for their own account without a stated commission, although the price of the security usually includes a profit to the dealer. On occasion, certain money market instruments and agency securities may be purchased directly from the issuer, in which case no commissions or premiums are paid. In other countries, both debt and equity securities are traded on exchanges at fixed commission rates. Commissions on foreign transactions are generally higher than the negotiated commission rates available in the U.S. There is generally less government supervision and regulation of foreign stock exchanges and broker-dealers than in the U.S.

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The Fund's primary policy is to execute all purchases and sales of portfolio instruments at the most favorable prices consistent with best execution, considering all of the costs of the transaction including brokerage commissions. This policy governs the selection of brokers and dealers and the market in which a transaction is executed. Consistent with the foregoing primary policy, the Rules of Fair Practice of the NASD and other policies that the Trustees may determine, the Adviser may consider sales of shares of the Fund as a factor in the selection of broker-dealers to execute the Fund's portfolio transactions.

To the extent consistent with the foregoing, the Fund will be governed in the selection of brokers and dealers, and the negotiation of brokerage commission rates and dealer spreads, by the reliability and quality of the services, including primarily the availability and value of research information and to a lesser extent statistical assistance furnished to the Adviser of the Fund, and their value and expected contribution to the performance of the Fund. It is not possible to place a dollar value on information and services to be received from brokers and dealers, since it is only supplementary to the research efforts of the Adviser. The receipt of research information is not expected to reduce significantly the expenses of the Adviser. The research information and statistical assistance furnished by brokers and dealers may benefit the Life Company or other advisory clients of the Adviser, and conversely, brokerage commissions and spreads paid by other advisory clients of the Adviser may result in research information and statistical assistance beneficial to the Fund. The Fund will make no commitments to allocate portfolio transactions upon any prescribed basis. While the Adviser's officers will be primarily responsible for the allocation of the Fund's brokerage business, the policies and practices of the Adviser in this regard must be consistent with the foregoing and at all times be subject to review by the Trustees.

The negotiated brokerage commissions of the Fund are as follows:

(a) \$356,682 for the fiscal year ended May 31, 1998, (b) \$67,481 for the period from November 1, 1996 to May 31, 1997 (c) \$39,163 for the fiscal year ended October 31, 1996; and (d) \$40,228 for the fiscal year ended October 31, 1995.

As permitted by Section 28(e) of the Securities Exchange Act of 1934, the Fund may pay to a broker which provides brokerage and research services to the Fund an amount of disclosed commission in excess of the commission which another broker would have charged for effecting that transaction. This practice is subject to a good faith determination by the Trustees that the price is reasonable in light of the services provided and to policies that the Trustees may adopt from time to time. For the fiscal year ended May 31, 1998, the Fund paid \$12,630 in commissions to compensate brokers for research services such as industry, economic and company reviews and evaluations of securities.

The Adviser's indirect parent, the Life Company is the indirect sole shareholder of Signator Investors, Inc., a broker dealer ("Signator" or "Affiliated Broker"). Pursuant to procedures determined by the Trustees and consistent with the above policy of obtaining best net results, the Fund may execute portfolio transactions with or through Affiliated Brokers. For the fiscal years ended October 31, 1995 and 1996, the Fund paid no brokerage commission to any Affiliated Broker. For the period from November 1, 1996 to May 31, 1997, the Fund paid no brokerage commissions to any Affiliated Broker. For the fiscal year ended May 31, 1998, the Fund paid no brokerage commissions to any Affiliated Broker.

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Signator may act as broker for the Fund on exchange transactions, subject, however, to the general policy of the Fund set forth above and the procedures adopted by the Trustees pursuant to the Investment Company Act. Commissions paid to an Affiliated Broker must be at least as favorable as those which the

Trustees believe to be contemporaneously charged by other brokers in connection with comparable transactions involving similar securities being purchased or sold. A transaction would not be placed with an Affiliated Broker if the Fund would have to pay a commission rate less favorable than the Affiliated Broker's contemporaneous charges for comparable transactions for its other most favored, but unaffiliated, customers, except for accounts for which the Affiliated Broker acts as a clearing broker for another brokerage firm, and any customers of the Affiliated Broker not comparable to the Fund as determined by a majority of the Trustees who are not interested persons (as defined in the Investment Company Act) of the Fund, the Adviser or the Affiliated Broker. Because the Adviser, which is affiliated with the Affiliated Broker, has, as an investment adviser to the Fund, the obligation to provide investment management services, which includes elements of research and related investment skills, such research and related skills will not be used by the Affiliated Brokers as a basis for negotiating commissions at a rate higher than that determined in accordance with the above criteria.

Other investment advisory clients advised by the Adviser may also invest in the same securities as the Fund. When these clients buy or sell the same securities at substantially the same time, the Adviser may average the transactions as to price and allocate the amount of available investments in a manner which the Adviser believes to be equitable to each client, including the Fund. In some instances, this investment procedure may adversely affect the price paid or received by the Fund or the size of the position obtainable for it. On the other hand, to the extent permitted by law, the Advisers may aggregate securities to be sold or purchased for the Fund with those to be sold or purchased for other clients managed by it in order to obtain best execution.

TRANSFER AGENT SERVICES

John Hancock Signature Services Inc., 1 Hancock Way, Suite 1000, Boston, MA 02217-1000, a wholly-owned indirect subsidiary of the Life Company, is the transfer and dividend paying agent for the Fund. The Fund pays Signature Services an annual fee of \$20.00 for each Class A shareholder account, \$22.50 for each Class B shareholder account and \$21.50 for each Class C shareholder account. The Fund also pays certain out-of-pocket expenses and these expenses are aggregated and charged to the Fund and allocated to each class on the basis of their relative net asset values.

CUSTODY OF PORTFOLIO

Portfolio securities of the Fund are held pursuant to a custodian agreement between the Fund and Investors Bank & Trust Company, 200 Clarendon Street, Boston, Massachusetts 02116. Under the custodian agreement, Investors Bank & Trust Company performs custody, portfolio and fund accounting services.

INDEPENDENT AUDITORS

Ernst & Young LLP, 200 Clarendon Street, Boston, Massachusetts 02116, has been selected as the independent auditors of the Fund. The financial statements of the Fund included in the Prospectus and this Statement of Additional Information for the Fund's fiscal year ended May 31, 1998 have been audited by Ernst & Young LLP for the periods indicated in their report, appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

APPENDIX-A

MORE ABOUT RISK

A fund's risk profile is largely defined by the fund's principal securities and investment practices. You may find the most concise description of the fund's risk profile in the prospectus.

A fund is permitted to utilize -- within limits established by the trustees -- certain other securities and investment practices that have higher risks and opportunities associated with them. To the extent that the fund utilizes these securities or practices, its overall performance may be affected, either positively or negatively. On the following pages are brief definitions of certain associated risks with them, with examples of related securities and investment practices included in brackets. See the "Investment Objectives and Policies" and "Investment Restrictions" sections of this Statement of Additional Information for a description of this Fund's investment policies. The fund follows certain policies that may reduce these risks.

As with any mutual fund, there is no guarantee that the fund will earn income or show a positive total return over any period of time -- days, months or years.

TYPES OF INVESTMENT RISK

Correlation risk The risk that changes in the value of a hedging instrument will not match those of the asset being hedged (hedging is the use of one investment to offset the effects of another investment). Incomplete correlation can result in unanticipated risks. (e.g., currency contracts, futures and related options, options on securities and indices, swaps, caps, floors and collars).

Credit risk The risk that the issuer of a security, or the counterparty to a contract, will default or otherwise become unable to honor a financial obligation. (e.g., non-investment-grade debt securities, borrowing; reverse repurchase agreements, covered mortgage dollar roll transactions, repurchase agreements, securities lending, brady bonds, foreign debt securities, in-kind, delayed and zero coupon debt securities, asset-backed securities, mortgage-backed securities, participation interest, options on securities, structured securities and swaps, caps floors and collars).

Currency risk The risk that fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect an investment. Adverse changes in exchange rates may erode or reverse any gains produced by foreign currency-denominated investments, and may widen any losses. (e.g., foreign debt securities, currency contracts, swaps, caps, floors and collars).

Extension risk The risk that an unexpected rise in interest rates will extend the life of a mortgage-backed security beyond the expected prepayment time, typically reducing the security's value. (e.g. mortgage-backed securities and structured securities).

Interest rate risk The risk of market losses attributable to changes in interest rates. With fixed-rate securities, a rise in interest rates typically causes a fall in values, while a fall in rates typically causes a rise in values. (e.g., non-investment-grade debt securities, covered mortgage dollar roll transactions, brady bonds, foreign debt securities, in-kind, delayed and zero coupon debt securities, asset-backed securities, mortgage-backed securities, participation interest, swaps, caps, floors and collars).

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Leverage risk Associated with securities or practices (such as borrowing) that multiply small index or market movements into large changes in value. (e.g. borrowing; reverse repurchase agreements, covered mortgage dollar roll transactions, when-issued securities and forward commitments, currency contracts, financial futures and options; securities and index options, structured securities, swaps, caps, floors and collars).

- o **Hedged** When a derivative (a security whose value is based on another security or index) is used as a hedge against an opposite position that the fund also holds, any loss generated by the derivative should be substantially offset by gains on the hedged investment, and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains.
- o **Speculative** To the extent that a derivative is not used as a hedge, the fund is directly exposed to the risks of that derivative. Gains or losses from speculative positions in a derivative may be substantially greater than the derivative's original cost.

Liquidity risk The risk that certain securities may be difficult or impossible to sell at the time and the price that the seller would like. The seller may have to lower the price, sell other securities instead, or forego an investment opportunity, any of which could have a negative effect on fund management or performance. (e.g. non-investment-grade debt securities, restricted and illiquid securities, mortgage-backed securities, participation interest, currency contracts, futures and related options; securities and index options, structured securities, swaps, caps, floors and collars).

Management risk The risk that a strategy used by a fund's management may fail to produce the intended result. Common to all mutual funds.

Market risk The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector of the bond market or the market as a whole. Common to all stocks and bonds and the mutual funds that invest in them. (e.g. covered mortgage dollar roll transactions, short-term trading, when-issued securities and forward commitments, brady bonds, foreign debt securities, in-kind, delayed and zero coupon debt securities, restricted and illiquid securities, rights and warrants, financial futures and options; and securities and index options, structured securities).

Natural event risk The risk of losses attributable to natural disasters, crop failures and similar events.

Opportunity risk The risk of missing out on an investment opportunity because the assets necessary to take advantage of it are tied up in less advantageous investments.(e.g. covered mortgage dollar roll transactions, when-issued securities and forward commitments, currency contracts, financial futures and options; securities and securities and index options).

Political risk The risk of losses attributable to government or political actions, from changes in tax or trade statutes to governmental collapse and war. (e.g., brady bonds and foreign debt securities).

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Prepayment risk The risk that unanticipated prepayments may occur during periods of falling interest rates, reducing the value of mortgage-backed securities. (e.g., mortgage backed securities).

Valuation risk The risk that a fund has valued certain of its securities at a higher price than it can sell them for. (e.g., non-investment-grade debt securities, participation interest, structured securities, swaps, caps, floors and collars).

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APPENDIX B

DESCRIPTION OF BOND RATINGS

The ratings of Moody's Investors Service, Inc. and Standard & Poor's Ratings Group represent their opinions as to the quality of various debt instruments they undertake to rate. It should be emphasized that ratings are not absolute standards of quality. Consequently, debt instruments with the same maturity, coupon and rating may have different yields while debt instruments of the same maturity and coupon with different ratings may have the same yield.

MOODY'S INVESTORS SERVICE, INC.

Aaa: Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa: Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuations of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A: Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment at some time in the future.

Baa: Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba: Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B: Bonds which are rated B generally lack the characteristics of desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa: Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca: Bonds which are rated Ca represented obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

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STANDARD & POOR'S RATINGS GROUP

AAA: Debt rated AAA has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA: Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the highest rated issues only in small degree.

A: Debt rated A has a strong capacity to pay interest and repay principal, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB: Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

BB, B: Debt rated BB, and B is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and CC the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

CCC: Debt rated 'CCC' has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The 'CCC' rating category is also used for debt subordinated to senior debt that is assigned an actual or implied 'B' or 'B-' rating.

CC: The rating 'CC' is typically applied to debt subordinated to senior debt that is assigned an actual or implied 'CCC' rating.

FITCH INVESTORS SERVICE ("Fitch")

AAA, AA, A, BBB - Bonds rated AAA are considered to be investment grade and of the highest quality. The obligor has an extraordinary ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events. Bonds rated AA are considered to be investment grade and of high quality. The obligor's ability to pay interest and repay principal, while very strong, is somewhat less than for AAA rated securities or more subject to possible change over the term of the issue. Bonds rated A are considered to be investment grade and of good quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings. Bonds rated BBB are considered to be investment grade and of satisfactory quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to weaken this ability than bonds with higher ratings.

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TAX-EXEMPT NOTE RATINGS

Moody's - MIG-1 and MIG-2. Notes rated MIG-1 are judged to be of the best quality, enjoying strong protection from established cash flow or funds for their services or from established and broad-based access to the market for refinancing or both. Notes rated MIG-2 are judged to be of high quality with ample margins of protection, though not as large as MIG-1.

S&P - SP-1 and SP-2. SP-1 denotes a very strong or strong capacity to pay principal and interest. Issues determined to possess overwhelming safety characteristics are given a plus (+) designation (SP-1+). SP-2 denotes a

satisfactory capacity to pay principal and interest.

Fitch - FIN-1 and FIN-2. Notes assigned FIN-1 are regarded as having the strongest degree of assurance for timely payment. A plus symbol may be used to indicate relative standing. Notes assigned FIN-2 reflect a degree of assurance for timely payment only slightly less in degree than the highest category.

CORPORATE AND TAX-EXEMPT COMMERCIAL PAPER RATINGS

Moody's - Commercial Paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months. Prime-1, indicates highest quality repayment capacity of rated issue and Prime-2 indicates higher quality.

S&P - Commercial Paper ratings are a current assessment of the likelihood of timely payment of debts having an original maturity of no more than 365 days. Issues rated A have the greatest capacity for a timely payment and the designation 1, 2 and 3 indicates the relative degree of safety. Issues rated "A-1+" are those with an "overwhelming degree of credit protection."

Fitch - Commercial Paper ratings reflect current appraisal of the degree of assurance of timely payment. F-1 issues are regarded as having the strongest degree of assurance for timely payment. (+) is used to designate the relative position of an issuer within the rating category. F-2 issues reflect an assurance of timely payment only slightly less in degree than the strongest issues. The symbol (LOC) may follow either category and indicates that a letter of credit issued by a commercial bank is attached to the commercial paper note.

Other Considerations - The ratings of S&P, Moody's, and Fitch represent their respective opinions of the quality of the municipal securities they undertake to rate. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, municipal securities with the same maturity, coupon and ratings may have different yields and municipal securities of the same maturity and coupon with different ratings may have the same yield.

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FINANCIAL STATEMENTS

The financial statements listed below are included in the Fund's respective 1998 Annual Report to Shareholders for the year ended May 31, 1998 (filed electronically on July 30, 1998, accession number 0001010521-98-000300) and 1998 Semiannual Report to Shareholders for the year ended November 30, 1998 (filed electronically on January 29, 1999, accession number 0001010521-99-000087) and are included in and incorporated by reference into Part B of this registration statement of John Hancock High Yield Bond Fund (files nos. 811-03006 and 2-66906).

John Hancock Bond Trust
John Hancock High Yield Bond Fund

Statement of Assets and Liabilities as of May 31, 1998.
Statement of Operations for the fiscal year ended May 31, 1998.
Statement of Changes in Net Assets for each of the periods indicated therein.
Financial Highlights for each of the periods indicated therein.
Schedule of Investments as of May 31, 1998.
Notes to Financial Statements.
Report to Independent Auditors.

Statement of Assets and Liabilities as of November 30, 1998. (unaudited)
Statement of Operations for the fiscal year ended
November 30, 1998. (unaudited)
Statement of Changes in Net Assets for each of the periods indicated therein. (unaudited)
Financial Highlights for each of the periods indicated therein. (unaudited)
Schedule of Investments as of November 30, 1998. (unaudited)
Notes to Financial Statements.

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April 1, 1999

This Statement of Additional Information provides information about the John Hancock Intermediate Government Fund (the "Fund"), in addition to the information that is contained in the combined Income Funds' Prospectus dated April 1, 1999 (the "Prospectus"). The Fund is a diversified series of John Hancock Bond Trust (the "Trust").

This Statement of Additional Information is not a prospectus. It should be read in conjunction with the Prospectus, a copy of which can be obtained free of charge by writing or telephoning:

John Hancock Signature Services, Inc.
1 John Hancock Way, Suite 1000
Boston, Massachusetts 02117-1000
1-800-225-5291

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ORGANIZATION OF THE FUND

The Fund is a series of the Trust, an open-end investment management company organized as a Massachusetts business trust under the laws of The Commonwealth of Massachusetts. Prior to April 1, 1999, the fund was called John Hancock Intermediate Maturity Government Fund. Prior to September 22, 1995, the Fund was called John Hancock Adjustable U.S. Government Trust.

John Hancock Advisers, Inc. (the "Adviser") is the Fund's investment adviser. The Adviser is an indirect wholly-owned subsidiary of John Hancock Mutual Life Insurance Company (the "Life Company"), a Massachusetts life insurance company chartered in 1862, with national headquarters at John Hancock Place, Boston, Massachusetts.

INVESTMENT OBJECTIVE AND POLICIES

The following information supplements the discussion of the Fund's investment objective and policies discussed in the Prospectus. Appendix A contains further information describing investment risks. The Fund's investment objective is non-fundamental. There is no assurance that the Fund will achieve its investment objective.

The Fund seeks to earn a high level of current income, consistent with preservation of capital and maintenance of liquidity. The Fund seeks to achieve its investment objective by investing primarily in U.S. Government securities, including mortgage-backed securities issued or guaranteed by U.S. Government agencies. Since the U.S. Government has never defaulted on its obligations, its

securities are considered unmatched as a safe and reliable income source. The Fund may also invest in obligations of the Tennessee Valley Authority and the World Bank and medium-term debt obligations of governmental issuers. Under normal market conditions, the Fund intends to maintain a weighted average remaining maturity or average remaining life of three to ten years.

Under normal conditions, at least 80% of the Fund's total assets will be in U.S. Government securities that consist of the following:

1. U.S. Treasury obligations, which differ only in their interest rates, maturities and time of issuance, including U.S. Treasury bills (maturity of one year or less), U.S. Treasury notes (maturity of one to ten years), and U.S. Treasury bonds (generally maturities greater than ten years); and
2. Obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities which are supported by: (i) the full faith and credit of the U.S. Government (e.g., securities issued by the Government National Mortgage Association ("GNMA")), (ii) the right of the issuer to borrow an amount limited to a specific line of credit from the U.S. Government (e.g., securities of the Federal Home Loan Bank Board) or (iii) the credit of the instrumentality (e.g., bonds issued by the Federal Home Loan Mortgage Association ("FHLMC") or Federal National Mortgage Association ("FNMA")).

In general, investments in shorter and intermediate term (three to ten years) debt securities are less sensitive to interest rate changes and provide more stability than longer-term (ten years or more) investments. Shares of the Fund are not deposits or obligations of, or guaranteed or endorsed by, any bank. Also, Fund shares are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. All temporary defensive investments are required to be high quality.

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Ratings as Investment Criteria. In general, the ratings of Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P") represents the opinions of these agencies as to the quality of the securities that they rate. It should be emphasized, however, that such ratings are relative and subjective and are not absolute standards of quality. These ratings will be used by the Fund as initial criteria for the selection of portfolio securities. Among the factors that will be considered are the long-term ability of the issuer to pay principal and interest and general economic trends. Appendix B contains further information concerning the ratings of Moody's and S&P and their significance. Subsequent to its purchase by the Fund, an issue of securities may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither of these events will require the sale of the securities by the Fund.

Structured Securities. The Fund may invest in structured securities including notes, bonds or debentures, the value of the principal of and/or interest on which is to be determined by reference to changes in the value of specific currencies, interest rates, commodities, indices or other financial indicators (the "Reference") or the relative change in two or more References. The interest rate or the principal amount payable upon maturity or redemption may be increased or decreased depending upon changes in the applicable Reference. The terms of the structured securities may provide that in certain circumstances no principal is due at maturity and, therefore, may result in the loss of the Fund's investment. Structured securities may be positively or negatively indexed, so that appreciation of the Reference may produce an increase or decrease in the interest rate or value of the security at maturity. In addition, the change in interest rate or the value of the security at maturity may be a multiple of the change in the value of the Reference. Consequently, structured securities entail a greater degree of market risk than other types of debt obligations. Structured securities may also be more volatile, less liquid and more difficult to accurately price than less complex fixed income investments.

Mortgage Backed Securities. The Fund may invest in mortgage pass-through certificates and multiple-class pass-through securities, such as real estate mortgage investment conduits ("REMIC") pass-through certificates, collateralized mortgage obligations ("CMOs") and stripped mortgage-backed securities ("SMBS"), and other types of "Mortgage-Backed Securities" that may be available in the future.

Guaranteed Mortgage Pass-Through Securities. Guaranteed mortgage pass-through securities represent participation interests in pools of residential mortgage loans and are issued by U.S. Governmental or private lenders and guaranteed by the U.S. Government or one of its agencies or instrumentalities, including but not limited to the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA certificates are guaranteed by the full faith and credit of the U.S. Government for timely payment of principal and

interest on the certificates. FNMA certificates are guaranteed by FNMA, a federally chartered and privately owned corporation, for full and timely payment of principal and interest on the certificates. FHLMC certificates are guaranteed by FHLMC, a corporate instrumentality of the U.S. Government, for timely payment of interest and the ultimate collection of all principal of the related mortgage loans.

Multiple-Class Pass-Through Securities and Collateralized Mortgage Obligations. CMOs and REMIC pass-through or participation certificates may be issued by, among others, U.S. Government agencies and instrumentalities as well as private lenders. CMOs and REMIC certificates are issued in multiple classes and the principal of and interest on the mortgage assets may be allocated among the several classes of CMOs or REMIC certificates in various ways. Each class of CMOs or REMIC certificates, often referred to as a "tranche," is issued at a specific adjustable or fixed interest rate and must be fully retired no later than its final distribution date. Generally, interest is paid or accrues on all classes of CMOs or REMIC certificates on a monthly basis.

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Typically, CMOs are collateralized by GNMA, FNMA or FHLMC certificates but also may be collateralized by other mortgage assets such as whole loans or private mortgage pass-through securities. Debt service on CMOs is provided from payments of principal and interest on collateral of mortgaged assets and any reinvestment income thereon.

A REMIC is a CMO that qualifies for special tax treatment under the Internal Revenue Code of 1986, as amended (the "Code") and invests in certain mortgages primarily secured by interests in real property and other permitted investments. Investors may purchase "regular" or "residual" interest in REMICS, although the Fund does not intend, absent a change in current tax law, to invest in residual interests.

Stripped Mortgage-Backed Securities. SMBS are derivative multiple-class mortgage-backed securities. SMBS are usually structured with two classes that receive different proportions of interest and principal distributions on a pool of mortgage assets. A typical SMBS will have one class receiving some of the interest and most of the principal, while the other class will receive most of the interest and the remaining principal. In the most extreme case, one class will receive all of the interest (the "interest only" class) while the other class will receive all of the principal (the "principal only" class). The yields and market risk of interest only and principal only SMBS, respectively, may be more volatile than those of other fixed income securities. The staff of the Securities and Exchange Commission ("SEC") considers privately issued SMBS to be illiquid.

Risk Factors Associated with Mortgage-Backed Securities. Investing in Mortgage-Backed Securities involves certain risks, including the failure of a counter-party to meet its commitments, adverse interest rate changes and the effects of prepayments on mortgage cash flows. In addition, investing in the lowest tranche of CMOs and REMIC certificates involves risks similar to those associated with investing in equity securities. Further, the yield characteristics of Mortgage-Backed Securities differ from those of traditional fixed-income securities. The major differences typically include more frequent interest and principal payments (usually monthly), the adjustability of interest rates, and the possibility that prepayments of principal may be made substantially earlier than their final distribution dates.

Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic, social and other factors and cannot be predicted with certainty. Both adjustable rate mortgage loans and fixed rate mortgage loans may be subject to a greater rate of principal prepayments in a declining interest rate environment and to a lesser rate of principal prepayments in an increasing interest rate environment. Under certain interest rate and prepayment rate scenarios, the Fund may fail to recoup fully its investment in Mortgage-Backed Securities notwithstanding any direct or indirect governmental, agency or other guarantee. When the Fund reinvests amounts representing payments and unscheduled prepayments of principal, it may receive a rate of interest that is lower than the rate on existing adjustable rate mortgage pass-through securities. Thus, Mortgage-Backed Securities, and adjustable rate mortgage pass-through securities in particular, may be less effective than other types of U.S. Government securities as a means of "locking in" interest rates.

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Conversely, in a rising interest rate environment, a declining prepayment rate will extend the average life of many Mortgage-Backed Securities. This possibility is often referred to as extension risk. Extending the average life

of a Mortgage-Backed Security increases the risk of depreciation due to future increases in market interest rates.

Risk Associated With Specific Types of Derivative Debt Securities. Different types of derivative debt securities are subject to different combinations of prepayment, extension and/or interest rate risk. Conventional mortgage pass-through securities and sequential pay CMOs are subject to all of these risks, but are typically not leveraged. Thus, the magnitude of exposure may be less than for more leveraged Mortgage-Backed Securities.

Planned amortization class ("PAC") and target amortization class ("TAC") CMO bonds involve less exposure to prepayment, extension and interest rate risk than other Mortgage-Backed Securities, provided that prepayment rates remain within expected prepayment ranges or "collars." To the extent that prepayment rates remain within these prepayment ranges, the residual or support tranches of PAC and TAC CMOs assume the extra prepayment, extension and interest rate risk associated with the underlying mortgage assets.

The risk of early prepayments is the primary risk associated with interest only debt securities ("IOs"), super floaters, other leveraged floating rate instruments and Mortgage-Backed Securities purchased at a premium to their par value. In some instances, early prepayments may result in a complete loss of investment in certain of these securities. The primary risks associated with certain other derivative debt securities are the potential extension of average life and/or depreciation due to rising interest rates.

These securities include floating rate securities based on the Cost of Funds Index ("COFI floaters"), other "lagging rate" floating rate securities, floating rate securities that are subject to a maximum interest rate ("capped floaters"), Mortgage-Backed Securities purchased at a discount, leveraged inverse floating rate securities ("inverse floaters"), principal only debt securities ("POs"), certain residual or support tranches of CMOs and index amortizing notes. Index amortizing notes are not Mortgage-Backed Securities, but are subject to extension risk resulting from the issuer's failure to exercise its option to call or redeem the notes before their stated maturity date. Leveraged inverse IOs combine several elements of the Mortgage-Backed Securities described above and thus present an especially intense combination of prepayment, extension and interest rate risks.

Other types of floating rate derivative debt securities present more complex types of interest rate risks. For example, range floaters are subject to the risk that the coupon will be reduced to below market rates if a designated interest rate floats outside of a specified interest rate band or collar. Dual index or yield curve floaters are subject to depreciation in the event of an unfavorable change in the spread between two designated interest rates. X-reset floaters have a coupon that remains fixed for more than one accrual period. Thus, the type of risk involved in these securities depends on the terms of each individual X-reset floater.

Repurchase Agreements. In a repurchase agreement the Fund buys a security for a relatively short period (usually not more than 7 days) subject to the obligation to sell it back to the issuer at a fixed time and price, plus accrued interest. The Fund will enter into repurchase agreements only with member banks of the Federal Reserve System and with "primary dealers" in U.S. Government securities. The Adviser will continuously monitor the creditworthiness of the parties with whom the Fund enters into repurchase agreements.

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The Fund has established a procedure providing that the securities serving as collateral for each repurchase agreement must be delivered to the Fund's custodian either physically or in book-entry form and that the collateral must be marked to market daily to ensure that each repurchase agreement is fully collateralized at all times. In the event of bankruptcy or other default by a seller of a repurchase agreement, the Fund could experience delays in liquidating the underlying securities during the period in which the Fund seeks to enforce its rights thereto, possible subnormal levels of income or lack of access to income during this period as well as the expense of enforcing its rights.

Reverse Repurchase Agreements. The Fund may also enter into reverse repurchase agreements which involve the sale of U.S. Government securities held in its portfolio to a bank or securities firm with an agreement that the Fund will buy back the securities at a fixed future date at a fixed price plus an agreed amount of interest which may be reflected in the repurchase price. Reverse repurchase agreements are considered to be borrowings by the Fund. The Fund will use proceeds obtained from the sale of securities pursuant to reverse repurchase agreements to purchase other investments. The use of borrowed funds to make investments is a practice known as "leverage," which is considered speculative. Use of reverse repurchase agreements is an investment technique that is intended to increase income. Thus, the Fund will enter into a reverse repurchase agreement only when the Adviser determines that the interest income to be earned

from the investment of the proceeds is greater than the interest expense of the transaction. However, there is a risk that interest expense will nevertheless exceed the income earned. Reverse repurchase agreements involve the risk that the market value of securities purchased by the Fund with proceeds of the transaction may decline below the repurchase price of the securities sold by the Fund that it is obligated to repurchase. The Fund will also continue to be subject to the risk of a decline in the market value of the securities sold under the agreements because it will reacquire those securities upon effecting their repurchase. To minimize various risks associated with reverse repurchase agreements, the Fund will establish a separate account consisting of liquid securities (plus any accrued interest thereon) under such agreements. In addition, the Fund will not enter into reverse repurchase agreements or borrow money, except that as a temporary measure for extraordinary or emergency purposes the Fund may borrow from banks in aggregate amounts at any one time outstanding not exceeding 33 1/3% of the total assets (including the amount borrowed) of the Fund valued at market and the Fund may not purchase any securities at any time when borrowings exceed 5% of the total assets of the Fund (taken at market). Forward commitment transactions shall not constitute borrowings and interest paid on any borrowings will reduce the Fund's net investment income. The Fund will enter into reverse repurchase agreements only with selected registered broker/dealers or with federally insured banks or savings and loan associations that are approved in advance as being creditworthy by the Trustees. Under procedures established by the Trustees, the Adviser will monitor the creditworthiness of the firms involved.

Restricted Securities. The Fund may purchase securities that are not registered ("restricted securities") under the Securities Act of 1933 ("1933 Act"), including commercial paper issued in reliance on Section 4(2) of the 1933 Act and securities offered and sold to "qualified institutional buyers" under Rule 144A under the 1933 Act. The Fund will not invest more than 15% of its net assets in illiquid investments. If the Trustees determine, based upon a continuing review of the trading markets for specific Section 4(2) paper or Rule 144A securities, that they are liquid, they will not be subject to the 15% limit on illiquid investments. The Trustees may adopt guidelines and delegate to the Adviser the daily function of determining the monitoring and liquidity of restricted securities. The Trustees, however, will retain sufficient oversight and be ultimately responsible for the determinations. The Trustees will carefully monitor the Fund's investments in these securities, focusing on such important factors, among others, as valuation, liquidity and availability of information. This investment practice could have the effect of increasing the level of illiquidity in the Fund if qualified institutional buyers become for a time uninterested in purchasing these restricted securities.

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Options on Securities and Securities Indices. The Fund may purchase and write (sell) call and put options on any securities in which it may invest or on any securities index based on securities in which it may invest. These options may be listed on national domestic securities exchanges or traded in the over-the-counter market. The Fund may write covered put and call options and purchase put and call options to enhance total return, as a substitute for the purchase or sale of securities, or to protect against declines in the value of portfolio securities and against increases in the cost of securities to be acquired.

Writing Covered Options. A call option on securities written by the Fund obligates the Fund to sell specified securities to the holder of the option at a specified price if the option is exercised at any time before the expiration date. A put option on securities written by a Fund obligates the Fund to purchase specified securities from the option holder at a specified price if the option is exercised at any time before the expiration date. Options on securities indices are similar to options on securities, except that the exercise of securities index options requires cash settlement payments and does not involve the actual purchase or sale of securities. In addition, securities index options are designed to reflect price fluctuations in a group of securities or segment of the securities market rather than price fluctuations in a single security. Writing covered call options may deprive the Fund of the opportunity to profit from an increase in the market price of the securities in its portfolio. Writing covered put options may deprive the Fund of the opportunity to profit from a decrease in the market price of the securities to be acquired for its portfolio.

All call and put options written by the Funds are covered. A written call option or put option may be covered by (i) maintaining cash or liquid securities in a segregated account with a value at least equal to the Fund's obligation under the option, (ii) entering into an offsetting forward commitment and/or (iii) purchasing an offsetting option or any other option which, by virtue of its exercise price or otherwise, reduces the Fund's net exposure on its written option position. A written call option on securities is typically covered by maintaining the securities that are subject to the option in a segregated account. The Fund may cover call options on a securities index by owning

securities whose price changes are expected to be similar to those of the underlying index.

The Fund may terminate its obligations under an exchange traded call or put option by purchasing an option identical to the one it has written. Obligations under over-the-counter options may be terminated only by entering into an offsetting transaction with the counterparty to such option. Such purchases are referred to as "closing purchase transactions."

Purchasing Options. The Fund would normally purchase call options in anticipation of an increase, or put options in anticipation of a decrease ("protective puts") in the market value of securities of the type in which it may invest. The Fund may also sell call and put options to close out its purchased options.

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The purchase of a call option would entitle the Fund, in return for the premium paid, to purchase specified securities at a specified price during the option period. The Fund would ordinarily realize a gain on the purchase of a call option if, during the option period, the value of such securities exceeded the sum of the exercise price, the premium paid and transaction costs; otherwise the Fund would realize either no gain or a loss on the purchase of the call option.

The purchase of a put option would entitle the Fund, in exchange for the premium paid, to sell specified securities at a specified price during the option period. The purchase of protective puts is designed to offset or hedge against a decline in the market value of the Fund's portfolio securities. Put options may also be purchased by the Fund for the purpose of affirmatively benefiting from a decline in the price of securities which it does not own. The Fund would ordinarily realize a gain if, during the option period, the value of the underlying securities decreased below the exercise price sufficiently to cover the premium and transaction costs; otherwise the Fund would realize either no gain or a loss on the purchase of the put option. Gains and losses on the purchase of put options may be offset by countervailing changes in the value of the Fund's portfolio securities.

The Fund's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Adviser. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose certain other sanctions.

Risks Associated with Options Transactions. There is no assurance that a liquid secondary market on a domestic or foreign options exchange will exist for any particular exchange-traded option or at any particular time. If the Fund is unable to effect a closing purchase transaction with respect to covered options it has written, the Fund will not be able to sell the underlying securities or dispose of assets held in a segregated account until the options expire or are exercised. Similarly, if the Fund is unable to effect a closing sale transaction with respect to options it has purchased, it would have to exercise the options in order to realize any profit and will incur transaction costs upon the purchase or sale of underlying securities.

Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options). If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. However, outstanding options on that exchange that had been issued by the Options Clearing Corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

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The Fund's ability to terminate over-the-counter options is more limited than with exchange-traded options and may involve the risk that broker-dealers participating in such transactions will not fulfill their obligations. The Adviser will determine the liquidity of each over-the-counter option in accordance with guidelines adopted by the Trustees.

The writing and purchase of options is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. The successful use of options depends in part on the Adviser's ability to predict future price fluctuations and, for hedging transactions, the degree of correlation between the options and securities markets.

Futures Contracts and Options on Futures Contracts. To seek to increase total return or hedge against changes in interest rates or securities prices, the Fund may purchase and sell various kinds of futures contracts, and purchase and write call and put options on these futures contracts. The Fund may also enter into closing purchase and sale transactions with respect to any of these contracts and options. The futures contracts may be based on various securities (such as U.S. Government securities), securities indices and any other financial instruments and indices. All futures contracts entered into by the Fund are traded on U.S. exchanges or boards of trade that are licensed, regulated or approved by the Commodity Futures Trading Commission ("CFTC").

Futures Contracts. A futures contract may generally be described as an agreement between two parties to buy and sell particular financial instruments for an agreed price during a designated month (or to deliver the final cash settlement price, in the case of a contract relating to an index or otherwise not calling for physical delivery at the end of trading in the contract).

Positions taken in the futures markets are not normally held to maturity but are instead liquidated through offsetting transactions which may result in a profit or a loss. While futures contracts on securities will usually be liquidated in this manner, the Fund may instead make, or take, delivery of the underlying securities whenever it appears economically advantageous to do so. A clearing corporation associated with the exchange on which futures contracts are traded guarantees that, if still open, the sale or purchase will be performed on the settlement date.

Hedging and Other Strategies. Hedging is an attempt to establish with more certainty than would otherwise be possible the effective price or rate of return on portfolio securities or securities that the Fund proposes to acquire. When securities prices are falling, the Fund can seek to offset a decline in the value of its current portfolio securities through the sale of futures contracts. When securities prices are rising, the Fund, through the purchase of futures contracts, can attempt to secure better rates or prices than might later be available in the market when it effects anticipated purchases.

The Fund may, for example, take a "short" position in the futures market by selling futures contracts in an attempt to hedge against an anticipated decline in market prices that would adversely affect the value of the Fund's portfolio securities. Such futures contracts may include contracts for the future delivery of securities held by the Fund or securities with characteristics similar to those of the Fund's portfolio securities.

If, in the opinion of the Adviser, there is a sufficient degree of correlation between price trends for the Fund's portfolio securities and futures contracts based on other financial instruments, securities indices or other indices, the Fund may also enter into such futures contracts as part of its hedging strategy. Although under some circumstances prices of securities in the Fund's portfolio may be more or less volatile than prices of such futures contracts, the Adviser will attempt to estimate the extent of this volatility difference based on historical patterns and compensate for any differential by having the Fund enter into a greater or lesser number of futures contracts or by attempting to achieve only a partial hedge against price changes affecting the Fund's portfolio securities.

When a short hedging position is successful, any depreciation in the value of portfolio securities will be substantially offset by appreciation in the value of the futures position. On the other hand, any unanticipated appreciation in the value of the Fund's portfolio securities would be substantially offset by a decline in the value of the futures position.

On other occasions, the Fund may take a "long" position by purchasing futures contracts. This would be done, for example, when the Fund anticipates the subsequent purchase of particular securities when it has the necessary cash, but expects the prices then available in the applicable market to be less favorable than prices that are currently available. The Fund may also purchase futures contracts as a substitute for transactions in securities, to alter the investment characteristics of portfolio securities or to gain or increase its

exposure to a particular securities market.

Options on Futures Contracts. The Fund may purchase and write options on futures for the same purposes as its transactions in futures contracts. The purchase of put and call options on futures contracts will give the Fund the right (but not the obligation) for a specified price to sell or to purchase, respectively, the underlying futures contract at any time during the option period. As the purchaser of an option on a futures contract, the Fund obtains the benefit of the futures position if prices move in a favorable direction but limits its risk of loss in the event of an unfavorable price movement to the loss of the premium and transaction costs.

The writing of a call option on a futures contract generates a premium which may partially offset a decline in the value of the Fund's assets. By writing a call option, the Fund becomes obligated, in exchange for the premium (upon exercise of the option) to sell a futures contract if the option is exercised, which may have a value higher than the exercise price. Conversely, the writing of a put option on a futures contract generates a premium which may partially offset an increase in the price of securities that the Fund intends to purchase. However, the Fund becomes obligated (upon exercise of the option) to purchase a futures contract if the option is exercised, which may have a value lower than the exercise price. The loss incurred by the Fund in writing options on futures is potentially unlimited and may exceed the amount of the premium received.

The holder or writer of an option on a futures contract may terminate its position by selling or purchasing an offsetting option of the same series. There is no guarantee that such closing transactions can be effected. The Fund's ability to establish and close out positions on such options will be subject to the development and maintenance of a liquid market.

Other Considerations. The Fund will engage in futures and related options transactions either for bona fide hedging purposes or to seek to increase total return as permitted by the CFTC. To the extent that the Fund is using futures and related options for hedging purposes, futures contracts will be sold to protect against a decline in the price of securities that the Fund owns or futures contracts will be purchased to protect the Fund against an increase in the price of securities it intends to purchase. The Fund will determine that the price fluctuations in the futures contracts and options on futures used for hedging purposes are substantially related to price fluctuations in securities held by the Fund or securities or instruments which it expects to purchase. As evidence of its hedging intent, the Fund expects that on 75% or more of the occasions on which it takes a long futures or option position (involving the purchase of futures contracts), the Fund will have purchased, or will be in the process of purchasing, equivalent amounts of related securities in the cash market at the time when the futures or option position is closed out. However, in particular cases, when it is economically advantageous for the Fund to do so, a long futures position may be terminated or an option may expire without the corresponding purchase of securities or other assets.

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To the extent that the Fund engages in nonhedging transactions in futures contracts and options on futures, the aggregate initial margin and premiums required to establish these nonhedging positions will not exceed 5% of the net asset value of the Fund's portfolio, after taking into account unrealized profits and losses on any such positions and excluding the amount by which such options were in-the-money at the time of purchase.

Transactions in futures contracts and options on futures involve brokerage costs, require margin deposits and, in the case of contracts and options obligating the Fund to purchase securities, require the Fund to establish a segregated account consisting of cash or liquid securities in an amount equal to the underlying value of such contracts and options.

While transactions in futures contracts and options on futures may reduce certain risks, these transactions themselves entail certain other risks. For example, unanticipated changes in interest rates or securities prices may result in a poorer overall performance for the Fund than if it had not entered into any futures contracts or options transactions.

Perfect correlation between the Fund's futures positions and portfolio positions will be impossible to achieve. In the event of an imperfect correlation between a futures position and a portfolio position which is intended to be protected, the desired protection may not be obtained and the Fund may be exposed to risk of loss.

Some futures contracts or options on futures may become illiquid under adverse market conditions. In addition, during periods of market volatility, a commodity exchange may suspend or limit trading in a futures contract or related option, which may make the instrument temporarily illiquid and difficult to price. Commodity exchanges may also establish daily limits on the amount that the price of a futures contract or related option can vary from the previous day's

settlement price. Once the daily limit is reached, no trades may be made that day at a price beyond the limit. This may prevent the Fund from closing out positions and limiting its losses.

Forward Commitment and When-Issued Securities. The Fund may purchase securities on a when-issued or forward commitment basis. "When-issued" refers to securities whose terms are available and for which a market exists, but which have not been issued. The Fund will engage in when-issued transactions with respect to securities purchased for its portfolio in order to obtain what is considered to be an advantageous price and yield at the time of the transaction. For when-issued transactions, no payment is made until delivery is due, often a month or more after the purchase. In a forward commitment transaction, the Fund contracts to purchase securities for a fixed price at a future date beyond customary settlement time.

When the Fund engages in forward commitment and when-issued transactions, it relies on the seller to consummate the transaction. The failure of the issuer or seller to consummate the transaction may result in the Fund's losing the opportunity to obtain a price and yield considered to be advantageous. The purchase of securities on a when-issued and forward commitment basis also involves a risk of loss if the value of the security to be purchased declines prior to the settlement date.

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On the date the Fund enters into an agreement to purchase securities on a when-issued or forward commitment basis, the Fund will segregate in a separate account cash or liquid securities on any type of maturity, equal in value to the Fund's commitment. These assets will be valued daily at market, and additional cash or securities will be segregated in a separate account to the extent that the total value of the assets in the account declines below the amount of the when-issued commitments. Alternatively, the Fund may enter into offsetting contracts for the forward sale of other securities that it owns.

Mortgage "Dollar Roll" Transactions. The Fund may enter into mortgage "dollar roll" transactions with selected banks and broker-dealers pursuant to which the Fund sells mortgage-backed securities and simultaneously contracts to repurchase substantially similar (same type, coupon and maturity) securities on a specified future date. The Fund will only enter into covered rolls. A "covered roll" is a specific type of dollar roll for which there is an offsetting cash position or a cash equivalent security position that matures on or before the forward settlement date of the dollar roll transaction. Covered rolls are not treated as a borrowing or other senior security and will be excluded from the calculation of the Fund's borrowings and other senior securities. For financial reporting and tax purposes, the Fund treats mortgage dollar rolls as two separate transactions; one involving the purchase of a security and a separate transaction involving a sale.

Asset-Backed Securities. The Fund may invest a portion of its assets in asset-backed securities which are rated in the highest rating category by a nationally recognized statistical rating organization (e.g., S&P or Moody's) or if not so rated, of equivalent investment quality in the opinion of the Adviser.

Asset-backed securities are often subject to more rapid repayment than their stated maturity date would indicate as a result of the pass-through of prepayments of principal on the underlying loans. During periods of declining interest rates, prepayment of loans underlying asset-backed securities can be expected to accelerate. Accordingly, the Fund's ability to maintain positions in these securities will be affected by reductions in the principal amount of such securities resulting from prepayments, and its ability to reinvest the returns of principal at comparable yields is subject to generally prevailing interest rates at that time.

Credit card receivables are generally unsecured and the debtors on such receivables are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to set-off certain amounts owed on the credit cards, thereby reducing the balance due. Automobile receivables generally are secured, but by automobiles rather than residential real property. Most issuers of automobile receivables permit the loan servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in the underlying automobiles. Therefore, there is the possibility that, in some cases, recoveries on repossessed collateral may not be available to support payments on these securities.

Swaps, Caps, Floors and Collars. As one way of managing its exposure to different types of investments, the Fund may enter into interest rate swaps and other types of swap agreements such as caps, collars and floors. In a typical interest rate swap, one party agrees to make regular payments equal to a floating interest rate times a "notional principal amount," in return for payments equal to a fixed rate times the same amount, for a specified period of time. Swaps may also depend on other prices or rates, such as the value of an index or mortgage prepayment rates.

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In a typical cap or floor agreement, one party agrees to make payments only under specified circumstances, usually in return for payment of a fee by the other party. For example, the buyer of an interest rate cap obtains the right to receive payments to the extent that a specified interest rate exceeds an agreed-upon level, while the seller of an interest rate floor is obligated to make payments to the extent that a specified interest rate falls below an agreed-upon level. An interest rate collar combines elements of buying a cap and selling a floor.

Swap agreements will tend to shift the Fund's investment exposure from one type of investment to another. Caps and floors have an effect similar to buying or writing options. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a Fund's investments and its share price and yield.

Swap agreements are sophisticated hedging instruments that typically involve a small investment of cash relative to the magnitude of risks assumed. As a result, swaps can be highly volatile and may have a considerable impact on the Fund's performance. Swap agreements are subject to risks related to the counterparty's ability to perform, and may decline in value if the counterparty's creditworthiness deteriorates. The Fund may also suffer losses if it is unable to terminate outstanding swap agreements or reduce its exposure through offsetting transactions. The Fund will maintain in a segregated account with its custodian, cash or liquid securities equal to the net amount, if any, of the excess of the Fund's obligations over its entitlements with respect to swap, cap, collar or floor transactions.

Pay-In-Kind, Delayed and Zero Coupon Bonds. The Fund may invest in pay-in-kind, delayed and zero coupon bonds. These are securities issued at a discount from their face value because interest payments are typically postponed until maturity. The amount of the discount rate varies depending on factors including the time remaining until maturity, prevailing interest rates, the security's liquidity and the issuer's credit quality. These securities also may take the form of debt securities that have been stripped of their interest payments. A portion of the discount with respect to stripped tax-exempt securities or their coupons may be taxable. The market prices in pay-in-kind, delayed and zero coupon bonds generally are more volatile than the market prices of interest-bearing securities and are likely to respond to a greater degree to changes in interest rates than interest-bearing securities having similar maturities and credit quality. The Fund's investments in pay-in-kind, delayed and zero coupon bonds may require the Fund to sell certain of its portfolio securities to generate sufficient cash to satisfy certain income distribution requirements. See "TAX STATUS."

Lending of Securities. The Fund may lend portfolio securities to brokers, dealers, and financial institutions if the loan is collateralized by cash or U.S. Government securities according to applicable regulatory requirements. The Fund may reinvest any cash collateral in short-term securities and money market funds. When the Fund lends portfolio securities, there is a risk that the borrower may fail to return the securities involved in the transaction. As a result, the Fund may incur a loss or, in the event of the borrower's bankruptcy, the Fund may be delayed in or prevented from liquidating the collateral. It is a fundamental policy of the Fund not to lend portfolio securities having a total value exceeding 33 1/3% of its total assets.

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Rights and Warrants. The Fund may purchase warrants and rights which are securities permitting, but not obligating, their holder to purchase the underlying securities at a predetermined price, subject to the Fund's Investment Restrictions. Generally, warrants and stock purchase rights do not carry with them the right to receive dividends or exercise voting rights with respect to the underlying securities, and they do not represent any rights in the assets of the issuer. As a result, an investment in warrants and rights may be considered to entail greater investment risk than certain other types of investments. In addition, the value of warrants and rights does not necessarily change with the value of the underlying securities, and they cease to have value if they are not exercised on or prior to their expiration date. Investment in warrants and

rights increases the potential profit or loss to be realized from the investment of a given amount of the Fund's assets as compared with investing the same amount in the underlying stock.

Short-Term Trading and Portfolio Turnover. Short-term trading means the purchase and subsequent sale of a security after it has been held for a relatively brief period of time. The Fund does not invest for the purpose of seeking short-term profits. The Fund's investment securities may be changed, however, without regard to the holding period of these securities (subject to certain tax restrictions), when the Adviser deems that this action will help achieve the Fund's objective given a change in an issuer's operations or changes in general market conditions. Short-term trading may have the effect of increasing portfolio turnover rate. A high rate of portfolio turnover (100% or greater) involves correspondingly greater expenses. The Fund's portfolio rate is set forth in the table under the caption "Financial Highlights" in the Prospectus.

INVESTMENT RESTRICTIONS

Fundamental Investment Restrictions. The following investment restrictions will not be changed without the approval of a majority of the Fund's outstanding voting securities which, as used in the Prospectus and this Statement of Additional Information, means the approval by the lesser of (1) the holders of 67% or more of the Fund's shares represented at a meeting if more than 50% of the Fund's outstanding shares are present in person or by proxy at that meeting or (2) more than 50% of the Fund's outstanding shares.

The Fund may not:

1. borrow money, except that as a temporary measure for extraordinary or emergency purposes the Fund may borrow from banks in aggregate amounts at any one time outstanding not exceeding 33 1/3% of the total assets (including the amount borrowed) of the Fund valued at market; and the Fund may not purchase any securities at any time when borrowings exceed 5% of the total assets of the Fund (taken at market value). This borrowing restriction does not prohibit the use of reverse repurchase agreements (see "Reverse Repurchase Agreements"). For purposes of this investment restriction, forward commitment transactions shall not constitute borrowings. Interest paid on any borrowings will reduce the Fund's net investment income;
 2. make short sales of securities or purchase any security on margin, except that the Fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of securities (this restriction does not apply to securities purchased on a when-issued basis);
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3. underwrite securities issued by other persons, except insofar as the Fund may technically be deemed an underwriter under the Securities Act of 1933 in selling a security, and except that the Fund may invest all or substantially all of its assets in another registered investment company having substantially the same investment objectives as the Fund;
 4. make loans to other persons except (a) through the lending of securities held by the Fund, (b) through the purchase of debt securities in accordance with the investment policies of the Fund (the entry into repurchase agreements is not considered a loan for purposes of this restriction);
 5. with respect to 75% of its total assets, purchase the securities of any one issuer (except securities issued or guaranteed by the U.S. Government and its agencies or instrumentalities, as to which there are no percentage limits or restrictions) if immediately after and as a result of such purchase (a) more than 5% of the value of its assets would be invested in that issuer, or (b) the Fund would hold more than 10% of the outstanding voting securities of that issuer, except that the Fund may invest all or substantially all of its assets in another registered investment company having substantially the same investment objectives as the Fund;
 6. purchase or sell real estate (including limited partnership interests) other than securities secured by real estate or interests therein including mortgage-related securities or interests in oil, gas or mineral leases in the ordinary course of business (the Fund reserves the freedom of action to hold and to sell real estate acquired as a result of the ownership of securities);
 7. invest more than 25% of its total assets in the securities of issuers whose principal business activities are in the same industry (excluding obligations of the U.S. Government, its agencies and instrumentalities

and repurchase agreements) except that the Fund may invest all or substantially all of its assets in another registered investment company having substantially the same objectives as the Fund;

8. issue any senior security (as that term is defined in the Investment Company Act of 1940 (the "Investment Company Act")) if such issuance is specifically prohibited by the Investment Company Act or the rules and regulations promulgated thereunder; or
9. invest in securities of any company if, to the knowledge of the Trust, any officer or director of the Trust or its Adviser owns more than 1/2 of 1% of the outstanding securities of such company, and all such officers and directors own in the aggregate more than 5% of the outstanding securities of such company.

Non-Fundamental Investment Restrictions. The following investment restrictions are designated as non-fundamental and may be changed by the Trustees without shareholder approval.

The Fund may not:

- (a) invest in companies for the purpose of exercising control or management, except that the Fund may invest all or substantially all of its assets in another registered investment company having substantially the same investment restrictions as the Fund;

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- (b) purchase a security if, as a result, (i) more than 10% of the Fund's total assets would be invested in the securities of other investment companies, (ii) the Fund would hold more than 3% of the total outstanding voting securities of any one investment company, or (iii) more than 5% of the Fund's total assets would be invested in the securities of any one investment company. These limitations do not apply to (a) the investment of cash collateral, received by the Fund in connection with lending the Fund's portfolio securities, in the securities of open-end investment companies or (b) the purchase of shares of any investment company in connection with a merger, consolidation, reorganization or purchase of substantially all of the assets of another investment company. Subject to the above percentage limitations, the Fund may, in connection with the John Hancock Group of Funds Deferred Compensation Plan for Independent Trustees/Directors, purchase securities of other investment companies within the John Hancock Group of Funds.
- (c) invest in commodities, except that the Fund may purchase and sell: forward commitments, when-issued securities, securities index put or call warrants, repurchase agreements, options on securities and securities indices, futures contracts on securities and securities indices and options on these futures, entered into in accordance with the Fund's investment policies;
- (d) invest more than 15% of its net assets in illiquid securities.

If a percentage restriction on investment or utilization of assets as set forth above is adhered to at the time an investment is made, a later change in percentage resulting from changes in the value of the Fund's assets will not be considered a violation of the restriction.

THOSE RESPONSIBLE FOR MANAGEMENT

The business of the Fund is managed by the Trustees of the Trust who elect officers who are responsible for the day-to-day operations of the Fund and who execute policies formulated by the Trustees. Several of the officers and Trustees of the Trust are also Officers and Directors of the Adviser or Officers and Directors of the Fund's principal distributor, John Hancock Funds, Inc. ("John Hancock Funds").

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<TABLE>
<CAPTION>

Name and Address	Positions Held With the Company	Principal Occupation(s) During the Past Five Years
----- <S>	----- <C>	----- <C>

Edward J. Boudreau, Jr. *
101 Huntington Avenue
Boston, MA 02199
October 1944

Trustee, Chairman and Chief
Executive Officer (1, 2)

Chairman, Director and Chief
Executive Officer, the Adviser;
Chairman, Director and Chief
Executive Officer, The Berkeley
Financial Group, Inc. ("The
Berkeley Group"); Chairman and
Director, NM Capital Management,
Inc. ("NM Capital"), John Hancock
Advisers International Limited
("Advisers International") and
Sovereign Asset Management
Corporation ("SAMCorp"); Chairman
and Chief Executive Officer, John
Hancock Funds, Inc. ("John Hancock
Funds"); Chairman, First Signature
Bank and Trust Company; Director,
John Hancock Insurance Agency, Inc.
("Insurance Agency, Inc."), John
Hancock Advisers International
(Ireland) Limited ("International
Ireland"), John Hancock Capital
Corporation and New England/Canada
Business Council; Member,
Investment Company Institute Board
of Governors; Director, Asia
Strategic Growth Fund, Inc.;
Trustee, Museum of Science;
Director, John Hancock Freedom
Securities Corporation (until
September 1996); Director, John
Hancock Signature Services, Inc.
("Signature Services") (until
January 1997).

* Trustee may be deemed to be an "interested person" of the Fund as defined
in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally
exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
Stephen L. Brown* John Hancock Place P.O. Box 111 Boston, MA 02117 July 1937	Trustee	Chairman and Chief Executive Officer, John Hancock Mutual Life Insurance Company; Director, the Adviser, John Hancock Funds, Insurance Agency, John Hancock Subsidiaries, Inc., The Berkeley Group, Federal Reserve Bank of Boston, Signature Services (until January 1997;) Trustee, John Hancock Asset Management (until March 1997).
James F. Carlin 233 West Central Street Natick, MA 01760 April 1940	Trustee	Chairman and CEO, Carlin Consolidated, Inc. (management/investments); Director, Arbella Mutual (insurance), Health Plan Services, Inc., Massachusetts Health and Education Tax Exempt Trust, Flagship Healthcare, Inc., Carlin Insurance Agency, Inc., West Insurance Agency, Inc. (until May 1995), Uno Restaurant Corp.; Chairman, Massachusetts Board of Higher Education (since 1995).

* Trustee may be deemed to be an "interested person" of the Fund as defined
in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally

- exercise most of the powers of the Board of Trustees.
 (2) A member of the Investment Committee of the Adviser.

18

Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
William H. Cunningham 601 Colorado Street O'Henry Hall Austin, TX 78701 January 1944	Trustee	Chancellor, University of Texas System and former President of the University of Texas, Austin, Texas; Lee Hage and Joseph D. Jamail Regents Chair of Free Enterprise; Director, LaQuinta Motor Inns, Inc. (hotel management company) (1985-1998); Jefferson-Pilot Corporation (diversified life insurance company) and LBJ Foundation Board (education foundation); Advisory Director, Chase Bank (formerly Texas Commerce Bank - Austin).
Ronald R. Dion 250 Boylston Street Boston, MA 02116 March 1946	Trustee	President and Chief Executive Officer, R.M. Bradley & Co., Inc.; Director, The New England Council and Massachusetts Roundtable; Trustee, North Shore Medical Center and a corporator of the Eastern Bank; Trustee, Emmanuel College.
Harold R. Hiser, Jr. 123 Highland Avenue Short Hill, NJ 07078 October 1931	Trustee	Executive Vice President, Schering-Plough Corporation (pharmaceuticals) (retired 1996); Director, ReCapital Corporation (reinsurance) (until 1995).

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- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
 (2) A member of the Investment Committee of the Adviser.

19

Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
Anne C. Hodsdon * 101 Huntington Avenue Boston, MA 02199 August 1953	Trustee and President (1,2)	President, Chief Operating Officer, Chief Investment Officer and Director, the Adviser, The Berkeley Group; Executive Vice President and Director, John Hancock Funds; Director, Advisers International, Insurance Agency, Inc. and International Ireland; President and Director, SAMCorp. and NM Capital; Executive Vice President, the Adviser (until December 1994); Director, Signature Services (until January 1997).
Charles L. Ladner UGI Corporation P.O. Box 858 Valley Forge, PA 19482 February 1938	Trustee	Senior Vice President and Chief Financial Officer, UGI Corporation (Public Utility Holding Company) (retired 1998); Vice President and Director for AmeriGas, Inc. (retired 1998); Vice President of AmeriGas Partners, L.P. (until 1997); Director, EnergyNorth, Inc. (until

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- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
 (2) A member of the Investment Committee of the Adviser.

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Name and Address -----	Positions Held With the Company -----	Principal Occupation(s) During the Past Five Years -----
<S> Leo E. Linbeck, Jr. 3810 W. Alabama Houston, TX 77027 August 1934	<C> Trustee	<C> Chairman, President, Chief Executive Officer and Director, Linbeck Corporation (a holding company engaged in various phases of the construction industry and warehousing interests); Former Chairman, Federal Reserve Bank of Dallas (1992, 1993); Chairman of the Board, Linbeck Construction Corporation; Director, Duke Energy Corporation (a diversified energy company), Daniel Industries, Inc. (manufacturer of gas measuring products and energy related equipment), GeoQuest International Holdings, Inc. (a geophysical consulting firm); Director, Greater Houston Partnership.
Steven R. Pruchansky 4327 Enterprise Avenue Naples, FL 34104 August 1944	Trustee (1)	Director and President, Mast Holdings, Inc. (since 1991); Director, First Signature Bank & Trust Company (until August 1991); Director, Mast Realty Trust (until 1994); President, Maxwell Building Corp. (until 1991).

 * Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
 (2) A member of the Investment Committee of the Adviser.

21

Name and Address -----	Positions Held With the Company -----	Principal Occupation(s) During the Past Five Years -----
<S> Richard S. Scipione * John Hancock Place P.O. Box 111 Boston, MA 02117 August 1937	<C> Trustee (1)	<C> General Counsel, John Hancock Mutual Life Insurance Company; Director, the Adviser, John Hancock Funds, Signator Investors, Inc., Insurance Agency, Inc., John Hancock Subsidiaries, Inc., SAMCorp. and NM Capital; The Berkeley Group; JH Networking Insurance Agency, Inc.; Signature Services (until January 1997).
Norman H. Smith 243 Mt. Oriole Lane Linden, VA 22642 March 1933	Trustee	Lieutenant General, United States Marine Corps; Deputy Chief of Staff for Manpower and Reserve Affairs, Headquarters Marine Corps; Commanding General III Marine Expeditionary Force/3rd Marine Division (retired 1991).

 * Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
John P. Toolan 13 Chadwell Place Morristown, NJ 07960 September 1930	Trustee	Director, The Smith Barney Muni Bond Funds, The Smith Barney Tax-Free Money Funds, Inc., Vantage Money Market Funds (mutual funds), The Inefficient-Market Fund, Inc. (closed-end investment company) and Smith Barney Trust Company of Florida; Chairman, Smith Barney Trust Company (retired December, 1991); Director, Smith Barney, Inc., Mutual Management Company and Smith Barney Advisers, Inc. (investment advisers) (retired 1991); Senior Executive Vice President, Director and member of the Executive Committee, Smith Barney, Harris Upham & Co., Incorporated (investment bankers) (until 1991).
Osbert M. Hood 101 Huntington Avenue Boston, MA 02199 August 1952	Senior Vice President and Chief Financial Officer	Senior Vice President, Chief Financial Officer and Treasurer, the Adviser, the Berkeley Group and John Hancock Funds, Inc.; Vice President and Chief Financial Officer, John Hancock Mutual Life Insurance Company Retail Sector (until 1997).

 * Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.

- (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
- (2) A member of the Investment Committee of the Adviser.

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Name and Address ----- <S>	Positions Held With the Company ----- <C>	Principal Occupation(s) During the Past Five Years ----- <C>
John A. Morin 101 Huntington Avenue Boston, MA 02199 July 1950	Vice President	Vice President and Secretary, the Adviser, The Berkeley Group, Signature Services, John Hancock Funds, NM Capital and SAMCorp.; Clerk, Insurance Agency, Inc.; Counsel, John Hancock Mutual Life Insurance Company (until February 1996).
Susan S. Newton 101 Huntington Avenue Boston, MA 02199 March 1950	Vice President and Secretary	Vice President, the Adviser; John Hancock Funds, Signature Services and The Berkeley Group.
James J. Stokowski	Vice President, Treasurer and Chief	Vice President, the Adviser.

 * Trustee may be deemed to be an "interested person" of the Fund as defined in the Investment Company Act of 1940.
 (1) Member of the Executive Committee. The Executive Committee may generally exercise most of the powers of the Board of Trustees.
 (2) A member of the Investment Committee of the Adviser.
 </TABLE>

All of the officers listed are officers or employees of the Adviser or affiliated companies. Some of the Trustees and officers may also be officers and/or directors and/or Trustees of one or more of the other funds for which the Adviser serves as investment adviser.

As March 3, 1999, the officers and Trustees of the Fund as a group beneficially owned less than 1% of the outstanding shares of the Fund. As of that date, the following shareholders were the only record holders that beneficially owned 5% or more of the outstanding shares of the Fund:

Name and Address of Shareholder -----	Class of Shares -----	Percentage of Total Outstanding Shares of the Class of the Fund -----
MLPF&S For The Sole Benefit of Its Customers Attn: Fund Administration 979E7 4800 Deerlake Drive East 2nd Floor Jacksonville FL 32246-6484	A	5.76%
MLPF&S For The Sole Benefit of Its Customers Attn: Fund Administration 979E7 4800 Deerlake Drive East 2nd Floor Jacksonville FL 32246-6484	B	54.33%

The following tables provide information regarding the compensation paid by the Fund and the other investment companies in the John Hancock Fund Complex to the Independent Trustees for their services. Messrs. Boudreau and Scipione, and Ms. Hodsdon, each a non-Independent Trustees, and each of the officers of the Fund who are interested persons of the Adviser, are compensated by the Adviser and/or its affiliates and receive no compensation from the Fund for their services.

Trustees -----	Aggregate Compensation from the Fund (1) -----	Total Compensation from all Funds in John Hancock Fund Complex to Trustees (2) -----
James F. Carlin	\$ 953	\$ 74,000
William H. Cunningham *	953	74,000
Charles F. Fretz	776	74,250
Harold R. Hiser, Jr. *	889	74,000
Charles L. Ladner	978	74,250
Leo E. Linbeck, Jr.	953	74,250
Patricia P. McCarter	627	74,250
Steven R. Pruchansky	983	77,250
Norman H. Smith	971	77,250
John P. Toolan *	978	74,250
Total	\$9,061	\$747,750

- (1) Compensation for the fiscal year ended May 31, 1998.
- (2) The total compensation paid by the John Hancock Fund Complex to the Independent Trustees as of the calendar year ended December 31, 1997. As of this date, there were sixty-seven funds in the John Hancock Fund Complex with each of these Independent Trustees serving on thirty-two funds.

* As of December 31, 1997, the value of the aggregate deferred compensation from all funds in the John Hancock Fund Complex for Mr. Cunningham was \$220,106 , for Mr. Hiser was \$103,868 , for Ms. McCarter was \$159,075, for Mr. Pruchansky was \$68,102, for Mr. Smith was \$70,607 and for Mr. Toolan was \$281,133 under the John Hancock Deferred Compensation Plan for Independent Trustees. Mr. Fretz and Ms. McCarter resigned effective October 1, 1998.

INVESTMENT ADVISORY AND OTHER SERVICES

The Adviser, located at 101 Huntington Avenue, Boston, Massachusetts 02199-7603, was organized in 1968 and has more than \$30 billion in assets under management in its capacity as investment adviser to the Fund and the other mutual funds and publicly traded investment companies in the John Hancock group of funds, having a combined total of over 1,400,000 shareholders. The Adviser is an affiliate of the Life Company, one of the most recognized and respected financial institutions in the nation. With total assets under management of more than \$100 billion, the Life Company is one of the ten largest life insurance companies in the United States and carries a high rating from Standard & Poor's and A.M. Best. Founded in 1862, the Life Company has been serving clients for over 130 years.

The Fund has entered into an investment management contract (the "Advisory Agreement") with the Adviser which was approved by the Fund's shareholders. Pursuant to the Advisory Agreement, the Adviser will (a) furnish continuously an investment program for the Fund and determine, subject to the overall supervision and review of the Trustees, which investments should be purchased, held, sold or exchanged and (b) provide supervision over all aspects of the Fund's operations except those which are delegated to a custodian, transfer agent or other agent.

The Fund bears all costs of its organization and operation, including but not limited to expenses of preparing, printing and mailing all shareholders' reports, notices, prospectuses, proxy statements and reports to regulatory agencies; expenses relating to the issuance, registration and qualification of shares; government fees; interest charges; expenses of furnishing to shareholders their account statements; taxes; expenses of redeeming shares; brokerage and other expenses connected with the execution of portfolio securities transactions; expenses pursuant to the Fund's plan of distribution; fees and expenses of custodians including those for keeping books and accounts, maintaining a committed line of credit, and calculating the net asset value of shares; fees and expenses of transfer agents and dividend disbursing agents; legal, accounting, financial, management, tax and auditing fees and expenses of the Fund (including an allocable portion of the cost of the Adviser's employees rendering such services to the Fund); the compensation and expenses of Trustees who are not otherwise affiliated with the Trust, the Adviser or any of their affiliates; expenses of Trustees' and shareholders' meetings; trade association memberships; insurance premiums; and any extraordinary expenses.

As compensation for its services under the Advisory Agreement, the Fund pays the Adviser monthly a fee based on a stated percentage, equal on an annual basis to 0.40%, of the average daily net assets of the Fund.

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From time to time, the Adviser may reduce its fee or make other arrangements to limit the Fund's expenses to a specified percentage of average daily net assets. The Adviser retains the right to reimpose a fee and recover any other payments to the extent that, at the end of any fiscal year, the Fund's annual expenses fall below this limit.

Securities held by the Fund may also be held by other funds or investment advisory clients for which the Adviser or its affiliates provides investment advice. Because of different investment objectives or other factors, a particular security may be bought for one or more funds or clients when one or more are selling the same security. If opportunities for purchase or sale of securities by the Adviser for the Fund or for other funds or clients, for which the Adviser renders investment advice arise for consideration at or about the same time transactions in such securities will be made insofar as feasible, for the respective funds or clients in a manner deemed equitable to all of them. To the extent that transactions on behalf of more than one client of the Adviser or its respective affiliates may increase the demand for securities being purchased or the supply of securities being sold, there may be an adverse effect on price.

Pursuant to the Advisory Agreement, the Adviser is not liable for any error of judgment or mistake of law or for any loss suffered by the Fund in connection with the matters to which its Advisory Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Adviser in the performance of its duties or from reckless disregard of the obligations and duties under the Advisory Agreement.

Under the Advisory Agreement, the Fund may use the name "John Hancock" or any name derived from or similar to it only for so long as the applicable Advisory Agreement or any extension, renewal or amendment thereof remains in effect. If the Fund's Advisory Agreement is no longer in effect, the Fund (to the extent that it lawfully can) will cease to use such name or any other name indicating that it is advised by or otherwise connected with the Adviser. In addition, the Adviser or the Life Company may grant the non-exclusive right to use the name "John Hancock" or any similar name to any other corporation or entity, including but not limited to any investment company of which the Life Company or any subsidiary or affiliate thereof or any successor to the business of any subsidiary or affiliate thereof shall be the investment adviser.

Under the Fund's master/feeder structure (which was terminated on September 22, 1995 pursuant to an Agreement and Plan of Liquidation and Termination dated June 13, 1995) existing for the fiscal years ended March 31, 1995 and 1996 (until September 22, 1995), the Fund invested all of its assets in Adjustable U.S. Government Fund (the "Portfolio"). During these years, advisory fees payable by the Portfolio to Transamerica Fund Management Company ("TFMC"), the Portfolio's former investment adviser, and borne indirectly by the Fund, amounted to \$107,596 and \$0, respectively. For the fiscal years ended March 31, 1995, 1996, 1997, for the period April 1, 1997 to May 31, 1997 and for the fiscal year ended May 31, 1998, advisory fees paid by the Portfolio to the Adviser and borne indirectly by the Fund, amounted to \$35,865, \$137,927, \$132,601, \$19,526 and \$412,737, respectively. For the years ended March 31, 1995, 1996, 1997 and for the period April 1, 1997 to May 31, 1997 TFMC (until December 22, 1994), the Adviser received fees of \$0, \$0, \$10,548 and \$0, respectively.

The continuation of the Advisory Agreement and Distribution Agreement was approved by all of the Trustees. The Advisory Agreement and the Distribution Agreement will continue in effect from year to year, provided that its continuance is approved annually both (i) by the holders of a majority of the outstanding voting securities of the Trust or by the Trustees, and (ii) by majority of the Trustees who are not parties to the Agreement or "interested persons" of any such parties. Both agreements may be terminated on 60 days written notice by any party or by a vote of a majority of the outstanding voting securities of the Fund and will terminate automatically if assigned.

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Administration Agreement. Pursuant to an administration agreement, dated December 22, 1994, the Adviser provided the Fund with general office facilities and supervised the overall administration of the Fund including, among other responsibilities, the negotiation of contracts and fees with, and the monitoring of performance and billings of the independent contractors and agents of the Fund, the preparation and filing of all documents required for compliance by the Fund with applicable laws and regulations and arranging for the maintenance of books and records (other than accounting books and records) of the Fund. The Adviser paid all compensation of the Trustees, officers and employees of the Fund who were affiliated persons of the Adviser. The administration agreement terminated in September 1995.

Under the administration agreement, the Adviser would have received from the Fund, a fee at an annual rate of 0.10% of the Fund's average daily net assets, subject to the expense limitation provisions described below. For the fiscal year ended March 31, 1995, administration fees paid by the Fund to TFMC, the Fund's former administrator would have amounted to \$21,511 and the Adviser would have received \$7,171 for the year ended March 31, 1995; however, all such fees were not imposed pursuant to the fee and expense limitation arrangements then in effect.

Under the administration agreement, neither the Adviser nor its personnel was liable for any error of judgment or mistake of law or for any act or omission in the administration of the Fund except for willful misfeasance, bad faith or gross negligence in the performance of its duties or from reckless disregard of its obligations and duties under the administration agreement.

Administrative Services Agreement. During the fiscal year ended March 31, 1995, the Fund was a party to an administrative services agreement with TFMC (the "Services Agreement"), pursuant to which TFMC performed bookkeeping and accounting services and functions, including preparing and maintaining various accounting books, records and other documents and keeping such general ledgers and portfolio accounts as are reasonably necessary for the operation of the Fund. Other administrative services included communications in response to shareholder inquiries and certain printing expenses of various financial reports. In addition, such staff and office space, facilities and equipment was provided as necessary to provide the required administrative services. The Services Agreement was amended in connection with the appointment of the Adviser as administrator to the Fund to permit services under the Agreement to be provided by the Adviser and its affiliates. The Services Agreement was terminated during the fiscal year ended March 31, 1995.

For the fiscal year ended March 31, 1995, the Fund paid to TFMC (pursuant to the

Services Agreement) \$9,604 of which \$8,164 was paid to TFMC and \$1,440 was paid for certain data processing and pricing information services.

For the fiscal year ended March 31, 1995, the Portfolio paid TFMC (pursuant to the Services Agreement) \$24,461 of which \$17,704 was paid to TFMC and \$6,757 was paid for certain data processing and pricing information services.

Accounting and Legal Services Agreement. The Trust, on behalf of the Fund, is a party to an Accounting and Legal Services Agreement with the Adviser. Pursuant to this Agreement, the Adviser provides the Fund with certain tax, accounting and legal services. For the period from April 1, 1997 to May 31, 1997, the Fund paid the Adviser \$915 for services under this Agreement. From the effective date of July 1, 1996 to March 31, 1997, the Fund paid the Adviser \$4,508 under this agreement. For the fiscal year ended May 31, 1998, the Fund paid to the Adviser \$18,259 under this Agreement.

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In order to avoid conflicts with portfolio trades for the Fund, the Adviser and the Fund have adopted extensive restrictions on personal securities trading by personnel of the Adviser and its affiliates. Some of these restrictions are: pre-clearance for all personal trades and a ban on the purchase of initial public offerings, as well as contributions to specified charities of profits on securities held for less than 91 days. These restrictions are a continuation of the basic principle that the interests of the Fund and its shareholders come first.

DISTRIBUTION CONTRACTS

The Fund has a Distribution Agreement with John Hancock Funds. Under the agreement, John Hancock Funds is obligated to use its best efforts to sell shares of each class on behalf of the Fund. Shares of the Fund are also sold by selected broker-dealers (the "Selling Brokers") which have entered into selling agency agreements with John Hancock Funds. John Hancock Funds accepts orders for the purchase of the shares of the Fund that are continually offered at net asset value next determined, plus any applicable sales charge, if any. In connection with the sale of fund shares, John Hancock Funds and Selling Brokers receive compensation from a sales charge imposed, in the case of Class A shares, at the time of sale. In the case of Class B or Class C shares, the broker receives compensation immediately but John Hancock Funds is compensated on a deferred basis.

Total underwriting commissions for sales of the Fund's Class A shares for the fiscal years ended March 31, 1996 and 1997 were \$4,976 and \$26,470, respectively, for the period from April 1, 1997 to May 31, 1997 and for the fiscal year ended May 31, 1998 were \$7,357 and \$96,964, respectively. Of such amounts, \$0, \$6,000, \$557 and \$13,316, respectively, were retained by John Hancock Funds in 1996, 1997, for the period from April 1, 1997 to May 31, 1997 and for the fiscal year ended May 31, 1998. The remainder of the underwriting commissions were reallocated to Selling Brokers.

The Fund's Trustees adopted Distribution Plans with respect to each class of shares (the "Plans"), pursuant to Rule 12b-1 under the Investment Company Act of 1940. Under the Plans the Fund will pay distribution and service fees at an aggregate annual rate of up to 0.25% for Class A shares and 1.00% for Class B and Class C shares, of the Fund's average daily net assets attributable to shares of that class. However, the service fee will not exceed 0.25% of the Fund's average daily net assets attributable to each class of shares. The distribution fees will be used to reimburse the John Hancock Funds for its distribution expenses, including but not limited to: (i) initial and ongoing sales compensation to Selling Brokers and others (including affiliates of the John Hancock Funds) engaged in the sale of Fund shares; (ii) marketing, promotional and overhead expenses incurred in connection with the distribution of Fund shares; and (iii) with respect to Class B and Class C shares only, interest expenses on unreimbursed distribution expenses. The service fees will be used to compensate Selling Brokers and others for providing personal and account maintenance services to shareholders. In the event that John Hancock Funds is not fully reimbursed for payments or expenses under the Class A Plan, these expenses will not be carried beyond twelve months from the date they were incurred. Unreimbursed expenses under the Class B and Class C Plans will be carried forward together with interest on the balance of these unreimbursed expenses. The Fund does not treat unreimbursed expenses under the Class B and Class C Plans as a liability of the Fund, because the Trustees may terminate the Class B and/or Class C Plans at any time. For the fiscal year ended May 31, 1998, an aggregate of \$626,536 of distribution expenses or 5.48% of the average net assets of the Class B shares of the Fund, was not reimbursed or recovered by the John Hancock Funds through the receipt of deferred sales charges or 12b-1 fees in prior periods. Class C shares of the Fund did not commence operations until April 1, 1999; therefore, there are no unreimbursed expenses to report.

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The Plans were approved by a majority of the voting securities of the Fund. The Plans and all amendments were approved by the Trustees, including a majority of the Trustees who are not interested persons of the Fund and who have no direct or indirect financial interest in the operation of the Plans (the "Independent Trustees"), by votes cast in person at meetings called for the purpose of voting on these Plans.

Pursuant to the Plans, at least quarterly, John Hancock Funds provides the Fund with a written report of the amounts expended under the Plans and the purpose for which these expenditures were made. The Trustees review these reports on a quarterly basis to determine their continued appropriateness.

The Plans provide that they will continue in effect only so long as its continuance is approved at least annually by a majority of both the Trustees and the Independent Trustees. The Plans provide that they may be terminated without penalty (a) by a vote of a majority of the Independent Trustees, or (b) by a vote of a majority of the Fund's outstanding shares of the applicable class in each case upon 60 days' written notice to John Hancock Funds and (c) automatically in the event of assignment. The Plans further provide that they may not be amended to increase the maximum amount of the fees for the services described therein without the approval of a majority of the outstanding shares of the class of the Fund which has voting rights with respect to the Plan. Each Plan provides that no material amendment to the Plans will be effective unless it is approved by a majority vote of the Trustees and the Independent Trustees of the Fund. The holders of Class A, Class B and Class C shares have exclusive voting rights with respect to the Plan applicable to their respective class of shares. In adopting the Plans, the Trustees concluded that, in their judgment, there is a reasonable likelihood that the Plans will benefit the holders of the applicable class of shares of the Fund.

Amounts paid to John Hancock Funds by any class of shares of the Fund will not be used to pay the expenses incurred with respect to any other class of shares of the Fund; provided, however, that expenses attributable to the Fund as a whole will be allocated, to the extent permitted by law, according to a formula based upon gross sales dollars and/or average daily net assets of each such class, as may be approved from time to time by vote of a majority of the Trustees. From time to time, the Fund may participate in joint distribution activities with other Funds and the costs of those activities will be borne by each Fund in proportion to the relative net asset value of the participating Funds.

During the fiscal year ended May 31, 1998, the Fund paid John Hancock Funds the following amounts of expenses in connection with their services for the Fund. Class C shares of the Fund did not commence operations until April 1, 1999; therefore, there are no expenses to report.

<TABLE>
<CAPTION>

	Expense Items				
	Advertising	Printing and Mailing of Prospectus to New Shareholders	Compensation to Selling Brokers	Expenses of John Hancock Funds	Interest, Carrying or Other Finance Charges
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Class A	\$24,408	\$7,203	\$159,535	\$38,157	\$0
Class B	\$22,894	\$5,278	\$ 54,987	\$31,474	\$0

</TABLE>

SALES COMPENSATION

As part of their business strategies, each of the John Hancock funds, along with John Hancock Funds, pay compensation to financial services firms that sell the funds' shares. These firms typically pass along a portion of this compensation to your financial representative.

Compensation payments originate from two sources: from sales charges and from 12b-1 fees that are paid out of the funds' assets. The sales charges and 12b-1 fees paid by investors are detailed in the prospectus and under "Distribution Contracts" in this Statement of Additional Information. The portions of these expenses that are reallocated to financial services firms are shown on the next page.

Whenever you make an investment in the fund, the financial services firm receives either a reallowance from the initial sales charge or a commission, as described below. The firm also receives the first year's service fee at this time. Beginning with the second year after an investment is made, the financial services firm receives an annual service fee of 0.25% of its total eligible net assets. This fee is paid quarterly in arrears.

Financial services firms selling large amounts of fund shares may receive extra compensation. This compensation, which John Hancock Funds pays out of its own resources, may include asset retention fees as well as reimbursement for marketing expenses.

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<TABLE>
<CAPTION>

	Sales charge Paid by investors (% of offering price)	Maximum reallowance or commission (% of offering price)	First year Service fee (% of net investment)	Maximum total compensation (1) (% of offering price)
Class A Investments				
<S>	<C>	<C>	<C>	<C>
Up to \$99,999	3.00%	2.26%	0.25%	2.50%
\$100,000 - \$499,999	2.50%	2.01%	0.25%	2.25%
\$500,000 - \$999,999	2.00%	1.51%	0.25%	1.75%
Regular investments of \$1 million or more				
First \$1M - \$4,999,999	--	0.75%	0.25%	1.00%
Next \$1M - \$5M above that	--	0.25%	0.25%	0.50% (2)
Next \$1 or more above that	--	0.00%	0.25%	0.25% (2)
Class B investments		Maximum reallowance or commission (% of offering price)	First year service fee (% of net investment)	Maximum total compensation (% of offering price)
All amounts		2.25%	0.25%	2.50%
Class C investments		Maximum reallowance or commission (% of offering price)	First year service fee (% of net investment)	Maximum total compensation (% of offering price)
All amounts		0.75%	0.25%	1.00%

(1) Reallowance/commission percentages and service fee percentages are calculated from different amounts, and therefore may not equal total compensation percentages if combined using simple addition.

(2) For Group Investment Program sales, the maximum total compensation for investments of \$1 million or more is 1.00% of the offering price (one year CDSC of 1.00% applies for each sale).

CDSC revenues collected by John Hancock Funds may be used to pay commissions when there is no initial sales charge.

NET ASSET VALUE

For purposes of calculating the net asset value ("NAV") of the Fund's shares, the following procedures are utilized wherever applicable.

Debt investment securities are valued on the basis of valuations furnished by a principal market maker or a pricing service, both of which generally utilize electronic data processing techniques to determine valuations for normal institutional size trading units of debt securities without exclusive reliance upon quoted prices.

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Short-term debt investments which have a remaining maturity of 60 days or less are generally valued at amortized cost which approximates market value. If market quotations are not readily available or if in the opinion of the Adviser any quotation or price is not representative of true market value, the fair value of the security may be determined in good faith in accordance with procedures approved by the Trustees.

Foreign securities are valued on the basis of quotations from the primary market in which they are traded. Any assets or liabilities expressed in terms of foreign currencies are translated into U.S. dollars by the custodian bank based on London currency exchange quotations as of 5:00 p.m., London time (12:00 noon, New York time) on the date of any determination of the Fund's NAV. If quotations are not readily available, or the value has been materially affected by the events occurring after closing of a foreign market, assets are valued by a method that Trustees believe accurately reflects fair value.

The NAV for each fund and class is determined each business day at the close of regular trading on the New York Stock Exchange (typically 4:00 p.m. Eastern Time) by dividing a class's net assets by the number of its shares outstanding. On any day an international market is closed and the New York Stock Exchange is open, any foreign securities will be valued at the prior day's close with the current day's exchange rate. Trading of foreign securities may take place on Saturdays and U.S. business holidays on which the Fund's NAV is not calculated. Consequently, the Fund's portfolio securities may trade and the NAV of the Fund's redeemable securities may be significantly affected on days when a shareholder has no access to the Fund.

INITIAL SALES CHARGE ON CLASS A SHARES

Shares of the Fund are offered at a price equal to their net asset value plus a sales charge which, at the option of the purchaser, may be imposed either at the time of purchase (the "initial sales charge alternative") or on a contingent deferred basis (the "deferred sales charge alternative"). Share certificates will not be issued unless requested by the shareholder in writing, and then they will only be issued for full shares. The Trustees reserve the right to change or waive the Fund's minimum investment requirements and to reject any order to purchase shares (including purchase by exchange) when in the judgment of the Adviser such rejection is in the Fund's best interest.

The sales charges applicable to purchases of Class A shares of the Fund are described in the Prospectus. Methods of obtaining reduced sales charges referred to generally in the Prospectus are described in detail below. In calculating the sales charge applicable to current purchases of Class A shares of the Fund, the investor is entitled to accumulate current purchases with the greater of the current value (at offering price) of the Class A shares of the Fund owned by the investor, or if John Hancock Signature Services, Inc. ("Signature Services") is notified by the investor's dealer or the investor at the time of the purchase, the cost of the Class A shares owned.

Without Sales Charge. Class A shares may be offered without a front-end sales charge or CDSC to various individuals and institutions as follows:

- o A Trustee or officer of the Trust; a Director or officer of the Adviser and its affiliates or Selling Brokers; employees or sales representatives of any of the foregoing; retired officers, employees or Directors of any of the foregoing; a member of the immediate family (spouse, children, grandchildren, mother, father, sister, brother, mother-in-law, father-in-law, daughter-in-law, son-in-law, niece, nephew, grandparents and same sex domestic partner) of any of the foregoing; or any fund, pension, profit sharing or other benefit plan for the individuals described above.

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- o A broker, dealer, financial planner, consultant or registered investment advisor that has entered into a signed agreement with John Hancock Funds providing specifically for the use of Fund shares in fee-based investment products or services made available to their clients.

- o A former participant in an employee benefit plan with John Hancock funds, when he or she withdraws from his or her plan and transfers any or all of his or her plan distributions directly to the Fund.

- o A member of a class action lawsuit against insurance companies who is investing settlement proceeds.

- o Retirement plans participating in Merrill Lynch servicing programs, if the Plan has more than \$3 million in assets or 500

eligible employees at the date the Plan Sponsor signs the Merrill Lynch Recordkeeping Service Agreement. See your Merrill Lynch financial consultant for further information.

o Retirement plans investing through the PruArray Program sponsored by Prudential Securities.

o Pension plans transferring assets from a John Hancock variable annuity contract to the Fund pursuant to an exemptive application approved by the Securities Exchange Commission.

o Existing full service clients of the Life Company who were group annuity contract holders as of September 1, 1994, and participant directed retirement plans with at least 100 eligible employees at the inception of the Fund account. Each of these investors may purchase Class A shares with no initial sales charge. However, if the shares are redeemed within 12 months after the end of the calendar year in which the purchase was made, a CDSC will be imposed at the following rate:

Amount Invested -----	CDSC Rate -----
\$1 to \$4,999,999	1.00%
Next \$5 million to \$9,999,999	0.50%
Amounts of \$10 million and over	0.25%

Class A shares may also be purchased without an initial sales charge in connection with certain liquidation, merger or acquisition transactions involving other investment companies or personal holding companies.

Combination Privilege. In calculating the sales charge applicable to purchases of Class A shares made at one time, the purchases will be combined to reduce sales charges if made by (a) an individual, his or her spouse and their children under the age of 21, purchasing securities for his or their own account, (b) a trustee or other fiduciary purchasing for a single trust, estate or fiduciary account and (c) groups which qualify for the Group Investment Program (see below). A company's (not an individual's) qualified and non-qualified retirement plan investments can be combined to take advantage of this privilege. Further information about combined purchases, including certain restrictions on combined group purchases, is available from Signature Services or a Selling Broker's representative.

Accumulation Privilege. Investors (including investors combining purchases) who are already Class A shareholders may also obtain the benefit of the reduced sales charge by taking into account not only the amount being invested but also the investor's purchase price or current value of the Class A shares of all John Hancock funds which carry a sales charge already held by such person. Class A shares of John Hancock money market funds will only be eligible for the accumulation privilege if the investor has previously paid a sales charge on the amount of those shares. Retirement plan investors may include the value of Class B shares if Class B shares held are greater than \$1 million. Retirement plans must notify Signature Services to utilize. A company's (not an individual's) qualified and non-qualified retirement plan investments can be combined to take advantage of this privilege.

Group Investment Program. Under the Combination and Accumulation Privileges, all members of a group may combine their individual purchases of Class A shares to potentially qualify for breakpoints in the sales charge schedule. This feature is provided to any group which (1) has been in existence for more than six months, (2) has a legitimate purpose other than the purchase of mutual fund shares at a discount for its members, (3) utilizes salary deduction or similar group methods of payment, and (4) agrees to allow sales materials of the fund in its mailings to members at a reduced or no cost to John Hancock Funds.

Letter of Intention. Reduced sales charges are also applicable to investments made pursuant to a Letter of Intention (the "LOI"), which should be read carefully prior to its execution by an investor. The Fund offers two options regarding the specified period for making investments under the LOI. All investors have the option of making their investments over a specified period of thirteen (13) months. Investors who are using the Fund as a funding medium for a retirement plan, however, may opt to make the necessary investments called for by the LOI over a forty-eight (48) month period. These retirement plans include traditional, Roth and Education IRAs, SEP, SARSEP, 401(k), 403(b), (including TSAs), SIMPLE IRA, SIMPLE 401(k), Money Purchase Pension, Profit Sharing and Section 457 plans. An individual's non-qualified and qualified retirement plan

investments cannot be combined to satisfy an LOI of 48 months. Such an investment (including accumulations and combinations but not including reinvested dividends) must aggregate \$50,000 or more invested during the specified period from the date of the LOI or from a date within ninety (90) days prior thereto, upon written request to Signature Services. The sales charge applicable to all amounts invested under the LOI is computed as if the aggregate amount intended to be invested had been invested immediately. If such aggregate amount is not actually invested, the difference in the sales charge actually paid and the sales charge payable had the LOI not been in effect is due from the investor. However, for the purchases actually made within the specified period (either 13 or 48 months), the sales charge applicable will not be higher than that which would have been applied (including accumulations and combinations) had the LOI been for the amount actually invested.

The LOI authorizes Signature Services to hold in escrow sufficient Class A shares (approximately 5% of the aggregate) to make up any difference in sales charges on the amount intended to be invested and the amount actually invested, until such investment is completed within the specified period, at which time the escrowed Class A shares will be released. If the total investment specified in the LOI is not completed, the Class A shares held in escrow may be redeemed and the proceeds used as required to pay such sales charge as may be due. By signing the LOI, the investor authorizes Signature Services to act as his or her attorney-in-fact to redeem any escrowed Class A shares and adjust the sales charge, if necessary. A LOI does not constitute a binding commitment by an investor to purchase, or by the Fund to sell, any additional Class A shares and may be terminated at any time.

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DEFERRED SALES CHARGE ON CLASS B AND CLASS C SHARES

Investments in Class B and Class C shares are purchased at net asset value per share without the imposition of an initial sales charge so that the Fund will receive the full amount of the purchase payment.

Contingent Deferred Sales Charge. Class B and Class C shares which are redeemed within four years or one year of purchase, respectively, will be subject to a contingent deferred sales charge ("CDSC") at the rates set forth in the Prospectus as a percentage of the dollar amount subject to the CDSC. The charge will be assessed on an amount equal to the lesser of the current market value or the original purchase cost of the Class B or Class C shares being redeemed. No CDSC will be imposed on increases in account value above the initial purchase prices, including all shares derived from reinvestment of dividends or capital gains distributions.

Class B shares are not available to full-service retirement plans administered by Signature Services or the Life Company that had more than 100 eligible employees at the inception of the Fund account.

The amount of the CDSC, if any, will vary depending on the number of years from the time of payment for the purchase of Class B shares until the time of redemption of such shares. Solely for purposes of determining the number of years from the time of any payment for the purchases of both Class B and Class C shares, all payments during a month will be aggregated and deemed to have been made on the first day of the month.

In determining whether a CDSC applies to a redemption, the calculation will be determined in a manner that results in the lowest possible rate being charged. It will be assumed that your redemption comes first from shares you have held beyond the four-year CDSC redemption period for Class B or one year CDSC redemption period for Class C, or those you acquired through dividend and capital gain reinvestment, and next from the shares you have held the longest during the four-year period for Class B shares. For this purpose, the amount of any increase in a share's value above its initial purchase price is not regarded as a share exempt from CDSC. Thus, when a share that has appreciated in value is redeemed during the CDSC period, a CDSC is assessed only on its initial purchase price.

When requesting a redemption for a specific dollar amount please indicate if you require the proceeds to equal the dollar amount requested. If not indicated, only the specified dollar amount will be redeemed from your account and the proceeds will be less any applicable CDSC.

Example:

You have purchased 100 shares at \$10 per share. The second year after your purchase, your investment's net asset value per share has increased by \$2 to \$12, and you have gained 10 additional shares through dividend reinvestment. If you redeem 50 shares at this time your CDSC will be calculated as follows:

oProceeds of 50 shares redeemed at \$12 per shares (50 x 12)	\$ 600.00
o*Minus Appreciation (\$12 - \$10) x 100 shares	(200.00)
o Minus proceeds of 10 shares not subject to CDSC (dividend reinvest	(120.00)

oAmount subject to CDSC	\$ 280.00

*The appreciation is based on all 100 shares in the lot not just the shares being redeemed.

Proceeds from the CDSC are paid to John Hancock Funds and are used in whole or in part by John Hancock Funds to defray its expenses related to providing distribution-related services to the Fund in connection with the sale of the Class B and Class C shares, such as the payment of compensation to select Selling Brokers for selling Class B and Class C shares. The combination of the CDSC and the distribution and service fees facilitates the ability of the Fund to sell the Class B and Class C shares without a sales charge being deducted at the time of the purchase.

Waiver of Contingent Deferred Sales Charge. The CDSC will be waived on redemptions of Class B and Class C shares and of Class A shares that are subject to a CDSC, unless indicated otherwise, in the circumstances defined below:

For all account types:

- * Redemptions made pursuant to the Fund's right to liquidate your account if you own shares worth less than \$1,000.
- * Redemptions made under certain liquidation, merger or acquisition transactions involving other investment companies or personal holding companies.
- * Redemptions due to death or disability. (Does not apply to trust accounts unless trust is being dissolved.)
- * Redemptions made under the Reinstatement Privilege, as described in "Sales Charge Reductions and Waivers" of the Prospectus.
- * Redemptions where the proceeds are used to purchase a John Hancock Declaration Variable annuity.
- * Redemptions of Class B (but not Class C) shares made under a periodic withdrawal plan, or redemptions for fees charged by planners or advisors for advisory services, as long as your annual redemptions do not exceed 12% of your account value, including reinvested dividends, at the time you established your periodic withdrawal plan and 12% of the value of subsequent investments (less redemptions) in that account at the time you notify Signature Services. (Please note that this waiver does not apply to periodic withdrawal plan redemptions of Class A or Class C shares that are subject to a CDSC.)
- * Redemptions by Retirement plans participating in Merrill Lynch servicing programs, if the Plan has less than \$3 million in assets or 500 eligible employees at the date the Plan Sponsor signs the Merrill Lynch Recordkeeping Service Agreement. See your Merrill Lynch financial consultant for further information.

- * Redemptions of Class A shares by retirement plans that invested through the PruArray Program sponsored by Prudential Securities.

For Retirement Accounts (such as traditional, Roth and Education IRAs, SIMPLE IRA, SIMPLE 401(k), Rollover IRA, TSA, 457, 403(b), 401(k), Money Purchase Pension Plan, Profit-Sharing Plan and other plans as described in the Internal Revenue Code) unless otherwise noted.

- * Redemptions made to effect mandatory or life expectancy distributions under the Internal Revenue Code.
- * Returns of excess contributions made to these plans.
- * Redemptions made to effect distributions to participants or beneficiaries from employer sponsored retirement plans under sections 401(a) (such as Money Purchase Pension Plans and Profit-Sharing/401(k) Plans), 457 and 408 (SEPs and SIMPLE IRAs) of the Internal Revenue Code.

* Redemptions from certain IRA and retirement plans that purchased shares prior to October 1, 1992 and certain IRA accounts that purchased shares prior to May 15, 1995.

Please see matrix for some examples.

<TABLE>
<CAPTION>

CDSC Waiver Matrix for Class B and Class C

<S>	<C>	<C>	<C>	<C>	<C>
Type of Distribution	401 (a) Plan (401 (k), MPP, PSP)	403 (b)	457	IRA, IRA Rollover	Non-retirement
Death or Disability	Waived	Waived	Waived	Waived	Waived
Over 70 1/2	Waived	Waived	Waived	Waived for mandatory distributions or 12% of account value annually in periodic payments.	12% of account value annually in periodic payments
Between 59 1/2 and 70 1/2	Waived	Waived	Waived	Waived for Life Expectancy or 12% of account value annually in periodic payments.	12% of account value annually in periodic payments
Under 59 1/2 (Class B only)	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	Waived for annuity payments (72t) or 12% of account value annually in periodic payments.	12% of account value annually in periodic payments
Loans	Waived	Waived	N/A	N/A	N/A
Termination of Plan	Not Waived	Not Waived	Not Waived	Not Waived	N/A
Hardships	Waived	Waived	Waived	N/A	N/A
Qualified Domestic Relations Orders	Waived	Waived	Waived	N/A	N/A
Termination of Employment Before Normal Retirement Age	Waived	Waived	Waived	N/A	N/A
Return of Excess	Waived	Waived	Waived	Waived	N/A

</TABLE>

If you qualify for a CDSC waiver under one of these situations, you must notify Signature Services at the time you make your redemption. The waiver will be granted once Signature Services has confirmed that you are entitled to the waiver.

SPECIAL REDEMPTIONS

Although it would not normally do so, the Fund has the right to pay the

redemption price of shares of the Fund in whole or in part in portfolio securities as prescribed by the Trustees. When the shareholder sells portfolio securities received in this fashion, the shareholder will incur a brokerage charge. Any such securities would be valued for the purposes of making such payment at the same value as used in determining net asset value. The Fund has elected to be governed by Rule 18f-1 under the Investment Company Act. Under that rule, the Fund must redeem its shares for cash except to the extent that the redemption payments to any shareholder during any 90-day period would exceed the lesser of \$250,000 or 1% of the Fund's net asset value at the beginning of such period.

ADDITIONAL SERVICES AND PROGRAMS

Exchange Privilege. The Fund permits exchanges of shares of any class of a fund for shares of the same class in any other John Hancock fund offering that class.

Exchanges between funds with shares that are not subject to a CDSC are based on their respective net asset values. No sales charge or transaction charge is imposed. Shares of the Fund which are subject to a CDSC may be exchanged into shares of any of the other John Hancock funds that are subject to a CDSC without incurring the CDSC; however, the shares acquired in an exchange will be subject to the CDSC schedule of the shares acquired if and when such shares are redeemed (except that shares exchanged into John Hancock Short-Term Strategic Income Fund, and John Hancock Intermediate Government Fund will retain the exchanged fund's CDSC schedule). For purposes of computing the CDSC payable upon redemption of shares acquired in an exchange, the holding period of the original shares is added to the holding period of the shares acquired in an exchange.

If a shareholder exchanges Class B shares purchased prior to January 1, 1994 (except John Hancock Short-Term Strategic Income Fund) for Class B shares of any other John Hancock fund, the acquired shares will continue to be subject to the CDSC schedule that was in effect when the exchanged shares were purchased.

The Fund reserves the right to require that previously exchanged shares (and reinvested dividends) be in the Fund for 90 days before a shareholder is permitted a new exchange.

The Fund may refuse any exchange order. The Fund may change or cancel its exchange policies at any time, upon 60 days' notice to its shareholders.

An exchange of shares is treated as a redemption of shares of one fund and the purchase of shares of another for Federal Income Tax purposes. An exchange may result in a taxable gain or loss. See "TAX STATUS".

Systematic Withdrawal Plan. The Fund permits the establishment of a Systematic Withdrawal Plan. Payments under this plan represent proceeds arising from the redemption of Fund shares. Since the redemption price of the Fund shares may be more or less than the shareholder's cost, depending upon the market value of the securities owned by the Fund at the time of redemption, the distribution of cash pursuant to this plan may result in realization of gain or loss for purposes of Federal, state and local income taxes. The maintenance of a Systematic Withdrawal Plan concurrently with purchases of additional shares of the Fund could be disadvantageous to a shareholder because of the initial sales charge payable on such purchases of Class A shares and the CDSC imposed on redemptions of Class B and Class C shares and because redemptions are taxable events. Therefore, a shareholder should not purchase shares at the same time a Systematic Withdrawal Plan is in effect. The Fund reserves the right to modify or discontinue the Systematic Withdrawal Plan of any shareholder on 30 days prior written notice to such shareholder, or to discontinue the availability of such plan in the future. The shareholder may terminate the plan at any time by giving proper notice to Signature Services.

Monthly Automatic Accumulation Program ("MAAP"). The program is explained in the Prospectus. The program, as it relates to automatic investment checks, is subject to the following conditions:

The investments will be drawn on or about the day of the month indicated.

The privilege of making investments through the MAAP may be revoked by Signature Services without prior notice if any investment is not honored by the shareholder's bank. The bank shall be under no obligation to notify the shareholder as to the non-payment of any checks.

The program may be discontinued by the shareholder either by calling Signature Services or upon written notice to Signature Services which is received at least five (5) business days prior to the order date of any investment.

Reinstatement or Reinvestment Privilege. If Signature Services is notified prior

to reinvestment, a shareholder who has redeemed Fund shares may, within 120 days after the date of redemption, reinvest without payment of a sales charge any part of the redemption proceeds in shares of the same class of the Fund or another John Hancock fund, subject to the minimum investment limit of that fund. The proceeds from the redemption of Class A shares may be reinvested at net asset value without paying a sales charge in Class A shares of the Fund or in Class A shares of any John Hancock fund. If a CDSC was paid upon a redemption, a shareholder may reinvest the proceeds from this redemption at net asset value in additional shares of the class from which the redemption was made. The shareholder's account will be credited with the amount of any CDSC charged upon the prior redemption and the new shares will continue to be subject to the CDSC. The holding period of the shares acquired through reinvestment will, for purposes of computing the CDSC payable upon a subsequent redemption, include the holding period of the redeemed shares.

To protect the interests of other investors in the Fund, the Fund may cancel the reinvestment privilege of any parties that, in the opinion of the Fund, are using market timing strategies or making more than seven exchanges per owner or controlling party per calendar year. Also, the Fund may refuse any reinvestment request.

The Fund may change or cancel its reinvestment policies at any time.

A redemption or exchange of Fund shares is a taxable transaction for Federal income tax purposes even if the reinvestment privilege is exercised, and any gain or loss realized by a shareholder on the redemption or other disposition of Fund shares will be treated for tax purposes as described under the caption "TAX STATUS."

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Retirement plans participating in Merrill Lynch's servicing programs:

Class A shares are available at net asset value for plans with \$3 million in plan assets or 500 eligible employees at the date the Plan Sponsor signs the Merrill Lynch Recordkeeping Service Agreement. If the plan does not meet either of these limits, Class A shares are not available.

For participating retirement plans investing in Class B shares, shares will convert to Class A shares after eight years, or sooner if the plan attains assets of \$5 million (by means of a CDSC-free redemption/purchase at net asset value).

DESCRIPTION OF THE FUND'S SHARES

The Trustees of the Trust are responsible for the management and supervision of the Fund. The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest of the Fund, without par value. Under the Declaration of Trust, the Trustees have the authority to create and classify shares of beneficial interest in separate series, without further action by shareholders. As of the date of this Statement of Additional Information, the Trust has two Funds and only one series and the Trustees have not authorized any additional series of the Fund, although they may do so in the future. The Declaration of Trust also authorizes the Trustees to classify and reclassify the shares of the Fund, or any new series of the Trust into one or more classes. The Trustees have also authorized the issuance of three classes of shares of the Fund, designated as Class A, Class B and Class C.

The shares of each class of the Fund represent an equal proportionate interest in the aggregate net assets attributable to that class or series of the Fund. Holders of each class of shares have certain exclusive voting rights on matters relating to their respective distribution plans. The different classes of the Fund may bear different expenses relating to the cost of holding shareholder meetings necessitated by the exclusive voting rights of any class of shares.

Dividends paid by the Fund, if any, with respect to each class of shares will be calculated in the same manner, at the same time and on the same day and will be in the same amount, except for differences resulting from the facts that (i) the distribution and service fees relating to each class of shares will be borne exclusively by that class, (ii) Class B and Class C shares will pay higher distribution and service fees than Class A shares and (iii) each Class of shares will bear any class expenses properly allocable to that class of shares, subject to the conditions the Internal Revenue Service imposes with respect to the multiple-class structures. Similarly, the net asset value per share may vary depending on which class of shares are purchased. No interest will be paid on uncashed dividend or redemption checks.

In the event of liquidation, shareholders of each class are entitled to share pro rata in the net assets of the Fund available for distribution to these shareholders. Shares entitle their holders to one vote per share, are freely transferable and have no preemptive, subscription or conversion rights. When issued, shares are fully paid and non-assessable, except as set forth below.

Unless otherwise required by the Investment Company Act or the Declaration of Trust, the Fund has no intention of holding annual meetings of shareholders. Fund shareholders may remove a Trustee by the affirmative vote of at least two-thirds of the Trust's outstanding shares and the Trustees shall promptly call a meeting for such purpose when requested to do so in writing by the record holders of not less than 10% of the outstanding shares of the Trust. Shareholders may, under certain circumstances, communicate with other shareholders in connection with requesting a special meeting of shareholders. However, at any time that less than a majority of the Trustees holding office were elected by the shareholders, the Trustees will call a special meeting of shareholders for the purpose of electing Trustees.

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Under Massachusetts law, shareholders of a Massachusetts business trust could, under certain circumstances, be held personally liable for acts or obligations of the Trust. However, the Declaration of Trust contains an express disclaimer of shareholder liability for acts, obligations or affairs of the Fund. The Declaration of Trust also provides for indemnification out of the Fund's assets for all losses and expenses of any shareholder held personally liable by reason of being or having been a shareholder. The Declaration of Trust also provides that no series of the Trust shall be liable for the liabilities of any other series. Furthermore, no fund included in this Fund's prospectus shall be liable for the liabilities of any other John Hancock Fund. Liability is therefore limited to circumstances in which the Fund itself would be unable to meet its obligations, and the possibility of this occurrence is remote.

The Fund reserves the right to reject any application which conflicts with the Fund's internal policies or the policies of any regulatory authority. John Hancock Funds does not accept starter, credit card or third party checks. All checks returned by the post office as undeliverable will be reinvested at net asset value in the fund or funds from which a redemption was made or dividend paid. Information provided on the account application may be used by the Fund to verify the accuracy of the information or for background or financial history purposes. A joint account will be administered as a joint tenancy with right of survivorship, unless the joint owners notify Signature Services of a different intent. A shareholder's account is governed by the laws of The Commonwealth of Massachusetts. For telephone transactions, the transfer agent will take measures to verify the identity of the caller, such as asking for name, account number, Social Security or other taxpayer ID number and other relevant information. If appropriate measures are taken, the transfer agent is not responsible for any losses that may occur to any account due to an unauthorized telephone call. Also for your protection telephone transactions are not permitted on accounts whose names or addresses have changed within the past 30 days. Proceeds from telephone transactions can only be mailed to the address of record.

Selling activities for the Fund may not take place outside the U.S. exempt with U.S. military bases, APO addresses and U.S. diplomats. Brokers of record on Non-U.S. investors' accounts with foreign mailing addresses are required to certify that all sales activities have occurred, and in the future will occur, only in the U.S. A Foreign corporation may purchase shares of the Fund only if it has a U.S. mailing address.

TAX STATUS

The Fund has qualified and has elected to be treated as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code") and intends to continue to qualify for each taxable year. As such and by complying with the applicable provisions of the Code regarding the sources of its income, the timing of its distributions, and the diversification of its assets, the Fund will not be subject to Federal income tax on its taxable income (including net realized capital gains) which is distributed to shareholders in accordance with the timing requirements of the Code.

The Fund will be subject to a 4% nondeductible Federal excise tax on certain amounts not distributed (and not treated as having been distributed) on a timely basis in accordance with annual minimum distribution requirements. The Fund intends under normal circumstances to seek to avoid or minimize liability for such tax by satisfying such distribution requirements.

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Distributions from the Fund's current or accumulated earnings and profits ("E&P") will be taxable under the Code for investors who are subject to tax. If these distributions are paid from the Fund's "investment company taxable income," they will be taxable as ordinary income; and if they are paid from the Fund's "net capital gain," they will be taxable as capital gain. (Net capital gain is the excess (if any) of net long-term capital gain over net short-term

capital loss, and investment company taxable income is all taxable income and capital gains, other than those gains and losses included in computing net capital gain, after reduction by deductible expenses). Some distributions may be paid to shareholders as if they had been received on December 31 of the previous year. The tax treatment described above will apply without regard to whether distributions are received in cash or reinvested in additional shares of the Fund.

Distributions, if any, in excess of E&P will constitute a return of capital under the Code, which will first reduce an investor's federal tax basis in Fund shares and then, to the extent such basis is exceeded, will generally give rise to capital gains. Shareholders who have chosen automatic reinvestment of their distributions will have a federal tax basis in each share received pursuant to such a reinvestment equal to the amount of cash they would have received had they elected to receive the distribution in cash, divided by the number of shares received in the reinvestment.

The amount of net realized capital gains, if any, in any given year will vary depending upon the Adviser's current investment strategy and whether the Adviser believes it to be in the best interests of the Fund to dispose of portfolio securities and/or engage in options, futures or forward transactions will generate capital gains. At the time of an investor's purchase of Fund shares, a portion of the purchase price is often attributable to realized or unrealized appreciation in the Fund's portfolio. Consequently, subsequent distributions on these shares from such appreciation may be taxable to such investor even if the net asset value of the investor's shares is, as a result of the distributions, reduced below the investor's cost for such shares, and the distributions in reality represent a return of a portion of the purchase price.

Upon a redemption or other disposition of shares of the Fund (including by exercise of the exchange privilege) in a transaction that is treated as a sale for tax purposes, a shareholder may realize a taxable gain or loss depending upon the amount of the proceeds and the investor's basis in his shares. Such gain or loss will be treated as capital gain or loss if the shares are capital assets in the shareholder's hands. A sales charge paid in purchasing shares of the Fund cannot be taken into account for purposes of determining gain or loss on the redemption or exchange of such shares within 90 days after their purchase to the extent shares of the Fund or another John Hancock Fund are subsequently acquired without payment of a sales charge pursuant to the reinvestment or exchange privilege. This disregarded charge will result in an increase in the shareholder's tax basis in the shares subsequently acquired. Also, any loss realized on a redemption or exchange may be disallowed to the extent the shares disposed of are replaced with other shares of the Fund within a period of 61 days beginning 30 days before and ending 30 days after the shares are disposed of, such as pursuant to automatic dividend reinvestments. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss. Any loss realized upon the redemption of shares with a tax holding period of six months or less will be treated as a long-term capital loss to the extent of any amounts treated as distributions of long-term capital gain with respect to such shares. Shareholders should consult their own tax advisers regarding their particular circumstances to determine whether a disposition of Fund shares is properly treated as a sale for tax purposes, as is assumed in the foregoing discussion.

Although its present intention is to distribute, at least annually, all net capital gain, if any, the Fund reserves the right to retain and reinvest all or any portion of the excess, as computed for Federal income tax purposes, of net long-term capital gain over net short-term capital loss in any year. The Fund will not in any event distribute net capital gain realized in any year to the extent that a capital loss is carried forward from prior years against such gain. To the extent such excess was retained and not exhausted by the carryforward of prior years' capital losses, it would be subject to Federal income tax in the hands of the Fund. Upon proper designation of this amount by the Fund, each shareholder would be treated for Federal income tax purposes as if the Fund had distributed to him on the last day of its taxable year his pro rata share of such excess, and he had paid his pro rata share of the taxes paid by the Fund and reinvested the remainder in the Fund. Accordingly, each shareholder would (a) include his pro rata share of such excess as capital gain in his return for his taxable year in which the last day of the Fund's taxable year falls, (b) be entitled either to a tax credit on his return for, or to a refund of, his pro rata share of the taxes paid by the Fund, and (c) be entitled to increase the adjusted tax basis for his shares in the Fund by the difference between his pro rata share of such excess and his pro rata share of such taxes.

For Federal income tax purposes, the Fund is permitted to carry forward a net capital loss in any year to offset its own net capital gains, if any, during the eight years following the year of the loss. To the extent subsequent net capital gains are offset by such losses, they would not result in Federal income tax liability to the Fund and, as noted above, would not be distributed as such to shareholders. The Fund has \$17,040,448 of capital loss carryforwards, available

to the extent provided by regulations, as to offset future net realized capital gains. These carryforwards expire at various amounts and times from 1999 through 2005.

The Fund's dividends and capital gain distributions will not qualify for the corporate dividends-received deduction.

The Fund is required to accrue income on any debt securities that have more than a de minimis amount of original issue discount (or debt securities acquired at a market discount, if the Fund elects to include market discount in income currently) prior to the receipt of the corresponding cash payments. However, the Fund must distribute to shareholders for each taxable year substantially all of its net income, including such income, to qualify as a regulated investment company and avoid liability for any federal income or excise tax. Therefore, the Fund may have to dispose of its portfolio securities under disadvantageous circumstances to generate cash, or borrow cash, to satisfy these distribution requirements.

A state income (and possibly local income and/or intangible property) tax exemption is generally available to the extent (if any) the Fund's distributions are derived from interest on (or, in the case of intangibles property taxes, the value of its assets is attributable to) certain U.S. Government obligations, provided in some states that certain thresholds for holdings of such obligations and/or reporting requirements are satisfied. The Fund will not seek to satisfy any threshold or reporting requirements that may apply in particular taxing jurisdictions, although the Fund may in its sole discretion provide relevant information to shareholders.

The Fund will be required to report to the Internal Revenue Service (the "IRS") all taxable distributions to shareholders, as well as gross proceeds from the redemption or exchange of Fund shares, except in the case of certain exempt recipients, i.e., corporations and certain other investors distributions to which are exempt from the information reporting provisions of the Code. Under the backup withholding provisions of Code Section 3406 and applicable Treasury regulations, all such reportable distributions and proceeds may be subject to backup withholding of federal income tax at the rate of 31% in the case of non-exempt shareholders who fail to furnish the Fund with their correct taxpayer identification number and certain certifications required by the IRS or if the IRS or a broker notifies the Fund that the number furnished by the shareholder is incorrect or that the shareholder is subject to backup withholding as a result of failure to report interest or dividend income. The Fund may refuse to accept an application that does not contain any required taxpayer identification number or certification that the number provided is correct. If the backup withholding provisions are applicable, any such distributions and proceeds, whether taken in cash or reinvested in shares, will be reduced by the amounts required to be withheld. Any amounts withheld may be credited against a shareholder's U.S. federal income tax liability. Investors should consult their tax advisers about the applicability of the backup withholding provisions.

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The Fund may be required to account for its transactions in forward rolls or swaps, caps, floors and collars in a manner that, under certain circumstances, may limit the extent of its participation in such transactions. Additionally, the Fund may be required to recognize gain, but not loss, if a swap or other transaction is treated as a constructive sale of an appreciated financial position in the Fund's portfolio. The Fund may have to sell portfolio securities under disadvantageous circumstances to generate cash, or borrow cash, to satisfy these distribution requirements.

Different tax treatment, including penalties on certain excess contributions and deferrals, certain pre-retirement and post-retirement distributions and certain prohibited transactions, is accorded to accounts maintained as qualified retirement plans. Shareholders should consult their tax advisers for more information.

The foregoing discussion relates solely to U.S. Federal income tax law as applicable to U.S. persons (i.e., U.S. citizens or residents and U.S. domestic corporations, partnerships, trusts or estates) subject to tax under such law. The discussion does not address special tax rules applicable to certain classes of investors, such as tax-exempt entities, insurance companies, and financial institutions. Dividends, capital gain distributions, and ownership of or gains realized on the redemption (including an exchange) of Fund shares may also be subject to state and local taxes. Shareholders should consult their own tax advisers as to the Federal, state or local tax consequences of ownership of shares of, and receipt of distributions from, the Fund in their particular circumstances.

Non-U.S. investors not engaged in a U.S. trade or business with which their investment in the Fund is effectively connected will be subject to U.S. Federal income tax treatment that is different from that described above. These investors may be subject to nonresident alien withholding tax at the rate of 30%

(or a lower rate under an applicable tax treaty) on amounts treated as ordinary dividends from a Fund and, unless an effective IRS Form W-8 or authorized substitute for Form W-8 is on file, to 31% backup withholding on certain other payments from the Fund. Non-U.S. investors should consult their tax advisers regarding such treatment and the application of foreign taxes to an investment in the Fund.

The Fund is not subject to Massachusetts corporate excise or franchise taxes. The Fund anticipates that, provided that the Fund qualifies as a regulated investment company under the Code, it will also not be required to pay any Massachusetts income tax.

CALCULATION OF PERFORMANCE

For the 30-day fiscal period ended November 30, 1998, the annualized yield for the Fund's Class A and Class B shares were 4.48% and 3.87%, respectively. The average annual return for the Fund's Class A and Class B shares for the period from December 31, 1991 (inception of the Fund) through November 30, 1998 were 5.59% and 5.35%, respectively. For the one year fiscal year ended November 30, 1998, the average annual returns were 5.93% and 5.40%, respectively. For the five year period ended November 30, 1998, the average annual returns were 5.66% and 5.48%, respectively. Class C shares commenced operations on April 1, 1999; therefore, there is no yield to report.

The Fund's yield is computed by dividing net investment income per share determined for a 30-day period by the maximum offering price per share (which includes the full sales charge, where applicable) on the last day of the period, according to the following standard formula:

$$\text{Yield} = 2 \left(\left[\frac{(a - b) + 1}{cd} \right]^6 - 1 \right)$$

Where:

- a = dividends and interest earned during the period.
- b = net expenses accrued during the period.
- c = the average daily number of fund shares outstanding during the period that would be entitled to receive dividends.
- d = the maximum offering price per share on the last day of the period (NAV where applicable).

Total return is computed by finding the average annual compounded rate of return over the 1-year, 5-year, and 10-year periods that would equate the initial amount invested to the ending redeemable value according to the following formula:

$$T = \sqrt[n]{\text{ERV} / P} - 1$$

Where:

- P = a hypothetical initial investment of \$1,000.
- T = average annual total return
- n = number of years
- ERV = ending redeemable value of a hypothetical \$1,000 investment made at designated periods or fraction thereof.

Because each class has its own sales charge and fee structure, the classes have different performance results. In the case of each class, this calculation assumes the maximum sales charge is included in the initial investment or the CDSC applied at the end of the period, respectively. This calculation assumes that all dividends and distributions are reinvested at net asset value on the reinvestment dates during the period. The "distribution rate" is determined by annualizing the result of dividing the declared dividends of the Fund during the period stated by the maximum offering price or net asset value at the end of the period. Excluding the Fund's sales charge from the distribution rate produces a higher rate.

In addition to average annual total returns, the Fund may quote unaveraged or cumulative total returns reflecting the simple change in value of an investment

over a stated period. Cumulative total returns may be quoted as a percentage or as a dollar amount, and may be calculated for a single investment, a series of investments, and/or a series of redemptions, over any time period. Total returns may be quoted with or without taking the Fund's sales charge on Class A shares or the CDSC on Class B or Class C shares into account. Excluding the Fund's sales charge on Class A shares and the CDSC on Class B or Class C shares from a total return calculation produces a higher total return figure.

From time to time, in reports and promotional literature, the Fund's total return and/or yield will be compared to indices of mutual funds and bank deposit vehicles such as Lipper Analytical Services, Inc.'s "Lipper -- Fixed Income Fund Performance Analysis," a monthly publication which tracks net assets, total return, and yield on fixed income mutual funds in the United States. Ibbotson and Associates, CDA Weisenberger and F.C. Towers are also used for comparison purposes, as well as the Russell and Wilshire Indices.

Performance rankings and ratings reported periodically in national financial publications such as MONEY Magazine, FORBES, BUSINESS WEEK, THE WALL STREET JOURNAL, MICROPAL, INC., MORNINGSTAR, STANGER'S and BARRON'S, may also be utilized. The Fund's promotional and sales literature may make reference to the Fund's "beta." Beta is a reflection of the market-related risk of the Fund by showing how responsive the Fund is to the market.

The performance of the Fund is not fixed or guaranteed. Performance quotations should not be considered to be representations of performance of the Fund for any period in the future. The performance of the Fund is a function of many factors including its earnings, expenses and number of outstanding shares. Fluctuating market conditions; purchases, sales and maturities of portfolio securities; sales and redemptions of shares of beneficial interest; and changes in operating expenses are all examples of items that can increase or decrease the Fund's performance.

BROKERAGE ALLOCATION

Decisions concerning the purchase and sale of portfolio securities and the allocation of brokerage commissions are made by the Adviser pursuant to recommendations made by an investment committee of the Adviser, which consists of officers and directors of the Adviser and affiliates and Trustees who are interested persons of the Fund. Orders for purchases and sales of securities are placed in a manner which, in the opinion of the Adviser, will offer the best price and market for the execution of each such transaction. Purchases from underwriters of portfolio securities may include a commission or commissions paid by the issuer and transactions with dealers serving as market makers to reflect a "spread." Debt securities are generally traded on a net basis through dealers acting for their own account as principals and not as brokers; no brokerage commissions are payable on these transactions.

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In the U.S. Government securities market, securities are generally traded on a "net" basis with dealers acting as principal for their own account without a stated commission, although the price of the security usually includes a profit to the dealer. On occasion, certain money market instruments and agency securities may be purchased directly from the issuer, in which case no commissions or premiums are paid. In other countries, both debt and equity securities are traded on exchanges at fixed commission rates. Commissions on foreign transactions are generally higher than the negotiated commission rates available in the U.S. There is generally less government supervision and regulation of foreign stock exchanges and broker-dealers than in the U.S.

The Fund's primary policy is to execute all purchases and sales of portfolio instruments at the most favorable prices consistent with best execution, considering all of the costs of the transaction including brokerage commissions. This policy governs the selection of brokers and dealers and the market in which a transaction is executed. Consistent with the foregoing primary policy, the Rules of Fair Practice of the National Association of Securities Dealers, Inc. and other policies as the Trustees may determine, the Adviser may consider sales of shares of the Fund as a factor in the selection of broker-dealers to execute the Fund's portfolio transactions.

To the extent consistent with the foregoing, the Fund will be governed in the selection of brokers and dealers, and the negotiation of brokerage commission rates and dealer spreads, by the reliability and quality of the services, including primarily the availability and value of research information and to a lesser extent statistical assistance furnished to the Adviser of the Fund, and their value and expected contribution to the performance of the Fund. It is not possible to place a dollar value on information and services to be received from brokers and dealers, since it is only supplementary to the research efforts of the Adviser. The receipt of research information is not expected to reduce significantly the expenses of the Adviser. The research information and

statistical assistance furnished by brokers and dealers may benefit the Life Company or other advisory clients of the Adviser, and conversely, brokerage commissions and spreads paid by other advisory clients of the Adviser may result in research information and statistical assistance beneficial to the Fund. The Fund will not make any commitment to allocate portfolio transactions upon any prescribed basis. While the Adviser's officers will be primarily responsible for the allocation of the Fund's brokerage business, the policies in this regard must be consistent with the foregoing and will at all times be subject to review by the Trustees. For the years ended March 31, 1997 and 1996, no negotiated brokerage commissions were paid on portfolio transactions. For the period from April 1, 1997 to May 31, 1997 and for the fiscal year ended May 31, 1998, no negotiated brokerage commissions were paid on portfolio transactions.

As permitted by Section 28(e) of the Securities Exchange Act of 1934, the Fund may pay to a broker which provides brokerage and research services to the Fund an amount of disclosed commission in excess of the commission which another broker would have charged for effecting that transaction. This practice is subject to a good faith determination by the Trustees that such price is reasonable in light of the services provided and to such policies as the Trustees may adopt from time to time. During the fiscal year ended May 31, 1998, the Fund did not pay commissions to compensate any brokers for research services such as industry, economic and company reviews and evaluations of securities.

The Adviser's indirect parent, the Life Company, is the indirect sole shareholder of Signator Investors, Inc., a broker dealer ("Signator" or "Affiliated Broker"). Pursuant to procedures determined by the Trustees and consistent with the above policy of obtaining best net results, the Fund may execute portfolio transactions with or through Affiliated Brokers. During the years ended March 31, 1997 and 1996, the Fund did not execute any portfolio transactions with any Affiliated Broker. For the period from April 1, 1997 to May 31, 1997 and for the fiscal year ended May 31, 1998, the Fund did not execute any portfolio transactions with any Affiliated Broker.

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Signator may act as broker for the Fund on exchange transactions, subject, however, to the general policy of the Fund set forth above and the procedures adopted by the Trustees pursuant to the Investment Company Act. Commissions paid to an Affiliated Broker must be at least as favorable as those which the Trustees believe to be contemporaneously charged by other brokers in connection with comparable transactions involving similar securities being purchased or sold. A transaction would not be placed with an Affiliated Broker if the Fund would have to pay a commission rate less favorable than the Affiliated Broker's contemporaneous charges for comparable transactions for its other most favored, but unaffiliated, customers, except for accounts for which the Affiliated Broker acts as a clearing broker for another brokerage firm, and any customers of the Affiliated Broker not comparable to the Fund as determined by a majority of the Trustees who are not interested persons (as defined in the Investment Company Act) of the Fund, the Adviser or the Affiliated Broker. Because the Adviser, which is affiliated with the Affiliated Brokers, has, as an investment adviser to the Fund, the obligation to provide investment management services, which includes elements of research and related investment skills, such research and related skills will not be used by the Affiliated Broker as a basis for negotiating commissions at a rate higher than that determined in accordance with the above criteria.

Other investment advisory clients advised by the Adviser may also invest in the same securities as the Fund. When these clients buy or sell the same securities at substantially the same time, the Adviser may average the transactions as to price and allocate the amount of available investments in a manner which the Adviser believes to be equitable to each client, including the Fund. In some instances, this investment procedure may adversely affect the price paid or received by the Fund or the size of the position obtainable for it. On the other hand, to the extent permitted by law, the Adviser may aggregate the securities to be sold or purchased for the Fund with those to be sold or purchased for other clients managed by it in order to obtain best execution.

TRANSFER AGENT SERVICES

John Hancock Signature Services, Inc., 1 John Hancock Way, Suite 1000, Boston, MA 02217-1000, a wholly owned indirect subsidiary of the Life Company, is the transfer and dividend paying agent for the Fund. The Fund pays Signature Services an annual fee of \$19.00 for each Class A shareholder account and \$21.50 for each Class B shareholder account and \$20.50 for each Class C shareholder account. The Fund also pays certain out-of-pocket expenses and these expenses are aggregated and charged to the Fund and allocated to each class on the basis of their relative net asset values.

CUSTODY OF PORTFOLIO

Portfolio securities of the Fund are held pursuant to custodian agreements between the Fund and Investors Bank & Trust Company, 200 Clarendon Street,

INDEPENDENT AUDITORS

Ernst & Young LLP, 200 Clarendon Street, Boston, Massachusetts 02116, has been selected as the independent auditors of the Fund. The financial statements of the Fund included in the Prospectus and this Statement of Additional Information for the Fund's fiscal year ended May 31, 1998 have been audited by Ernst & Young LLP for the periods indicated in their report, appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

APPENDIX-A

MORE ABOUT RISK

A fund's risk profile is largely defined by the fund's principal securities and investment practices. You may find the most concise description of the fund's risk profile in the prospectus.

A fund is permitted to utilize -- within limits established by the trustees -- certain other securities and investment practices that have higher risks and opportunities associated with them. To the extent that the fund utilizes these securities or practices, its overall performance may be affected, either positively or negatively. On the following pages are brief definitions of certain associated risks with them, with examples of related securities and investment practices included in brackets. See the "Investment Objectives and Policies" and "Investment Restrictions" sections of this Statement of Additional Information for a description of this Fund's investment policies. The fund follows certain policies that may reduce these risks.

As with any mutual fund, there is no guarantee that the fund will earn income or show a positive total return over any period of time -- days, months or years.

TYPES OF INVESTMENT RISK

Correlation risk The risk that changes in the value of a hedging instrument will not match those of the asset being hedged (hedging is the use of one investment to offset the effects of another investment). Incomplete correlation can result in unanticipated risks. (e.g., currency contracts, futures and related options, options on securities and indices, swaps, caps, floors and collars).

Credit risk The risk that the issuer of a security, or the counterparty to a contract, will default or otherwise become unable to honor a financial obligation. (e.g., non-investment-grade debt securities, borrowing; reverse repurchase agreements, covered mortgage dollar roll transactions, repurchase agreements, securities lending, Brady bonds, foreign debt securities, in-kind, delayed and zero coupon debt securities, asset-backed securities, mortgage-backed securities, participation interest, options on securities, structured securities and swaps, caps floors and collars).

Currency risk The risk that fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect an investment. Adverse changes in exchange rates may erode or reverse any gains produced by foreign currency-denominated investments, and may widen any losses. (e.g., foreign debt securities, currency contracts, swaps, caps, floors and collars).

Extension risk The risk that an unexpected rise in interest rates will extend the life of a mortgage-backed security beyond the expected prepayment time, typically reducing the security's value. (e.g. mortgage-backed securities and structured securities).

Interest rate risk The risk of market losses attributable to changes in interest rates. With fixed-rate securities, a rise in interest rates typically causes a fall in values, while a fall in rates typically causes a rise in values. (e.g.,

non-investment-grade debt securities, covered mortgage dollar roll transactions, brady bonds, foreign debt securities, in-kind, delayed and zero coupon debt securities, asset-backed securities, mortgage-backed securities, participation interest, swaps, caps, floors and collars).

Leverage risk Associated with securities or practices (such as borrowing) that multiply small index or market movements into large changes in value. (e.g. borrowing; reverse repurchase agreements, covered mortgage dollar roll transactions, when-issued securities and forward commitments, currency contracts, financial futures and options; securities and index options, structured securities, swaps, caps, floors and collars).

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- o Hedged When a derivative (a security whose value is based on another security or index) is used as a hedge against an opposite position that the fund also holds, any loss generated by the derivative should be substantially offset by gains on the hedged investment, and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains.
- o Speculative To the extent that a derivative is not used as a hedge, the fund is directly exposed to the risks of that derivative. Gains or losses from speculative positions in a derivative may be substantially greater than the derivative's original cost.

Liquidity risk The risk that certain securities may be difficult or impossible to sell at the time and the price that the seller would like. The seller may have to lower the price, sell other securities instead, or forego an investment opportunity, any of which could have a negative effect on fund management or performance. (e.g. non-investment-grade debt securities, restricted and illiquid securities, mortgage-backed securities, participation interest, currency contracts, futures and related options; securities and index options, structured securities, swaps, caps, floors and collars).

Management risk The risk that a strategy used by a fund's management may fail to produce the intended result. Common to all mutual funds.

Market risk The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector of the bond market or the market as a whole. Common to all stocks and bonds and the mutual funds that invest in them. (e.g. covered mortgage dollar roll transactions, short-term trading, when-issued securities and forward commitments, brady bonds, foreign debt securities, in-kind, delayed and zero coupon debt securities, restricted and illiquid securities, rights and warrants, financial futures and options; and securities and index options, structured securities).

Natural event risk The risk of losses attributable to natural disasters, crop failures and similar events.

Opportunity risk The risk of missing out on an investment opportunity because the assets necessary to take advantage of it are tied up in less advantageous investments.(e.g. covered mortgage dollar roll transactions, when-issued securities and forward commitments, currency contracts, financial futures and options; securities and securities and index options).

Political risk The risk of losses attributable to government or political actions, from changes in tax or trade statutes to governmental collapse and war. (e.g., brady bonds and foreign debt securities).

Prepayment risk The risk that unanticipated prepayments may occur during periods of falling interest rates, reducing the value of mortgage-backed securities. (e.g., mortgage backed securities).

Valuation risk The risk that a fund has valued certain of its securities at a higher price than it can sell them for. (e.g., non-investment-grade debt securities, participation interest, structured securities, swaps, caps, floors and collars).

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APPENDIX B

The ratings of Moody's Investors Service, Inc. and Standard & Poor's Corporation represent their opinions as to the quality of various debt instruments. Their ratings are a generally accepted barometer of credit risk. They are, however,

subject to certain limitations from an investor's standpoint. Such limitations include the following: the rating of an issue is heavily weighted by past developments and does not necessarily reflect probable future conditions; there is frequently a lag between the time a rating is assigned and the time it is updated; and there are varying degrees of difference in credit risk of securities in each rating category. Therefore, it should be understood, that ratings are not absolute standards of quality. Consequently, debt instruments with the same maturity, coupon and rating may have different yields while debt instruments of the same maturity and coupon with different ratings may have the same yield.

Description of Bond Ratings Moody's Investors Service, Inc.

Aaa: Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa: Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuations of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A: Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa: Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba: Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

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B: Bonds which are rated b generally lack the characteristics of desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa: Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principle or interest.

Ca: Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C: Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Standard & Poor's Ratings Group

AAA: Bonds rated AAA have the higher rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA: Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the higher rated issues only in small degree.

A: Bonds rated A have a very strong capacity to pay interest and repay principal, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher rated categories.

BBB: Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.

BB, B, CCC, CC: Debt rated BB, B, CCC and CC is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and CC the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

C: The rating C is reserved for income bonds on which no interest is being paid.

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FINANCIAL STATEMENTS

The financial statements listed below are included in the Fund's respective 1998 Annual Report to Shareholders for the year ended May 31, 1998 (filed electronically on July 30, 1998, accession number 0001010521-98-000300) and 1998 Semiannual Report to Shareholders for the year ended November 30, 1998 (filed electronically on January 29, 1999, accession number 0001010521-99-000087) and are included in and incorporated by reference into Part B of this registration statement of John Hancock Intermediate Government Fund formerly John Hancock Intermediate Maturity Government Fund (files nos. 811-03006 and 2-66906).

John Hancock Bond Trust
John Hancock John Hancock Intermediate Government Fund
formerly John Hancock Intermediate Maturity Government Fund

Statement of Assets and Liabilities as of May 31, 1998.
Statement of Operations for the fiscal year ended May 31, 1998.
Statement of Changes in Net Assets for each of the periods indicated therein.
Financial Highlights for each of the periods indicated therein.
Schedule of Investments as of May 31, 1998.
Notes to Financial Statements.
Report to Independent Auditors.

Statement of Assets and Liabilities as of November 30, 1998. (unaudited)
Statement of Operations for the fiscal year ended
November 30, 1998. (unaudited)
Statement of Changes in Net Assets for each of the periods indicated therein. (unaudited)
Financial Highlights for each of the periods indicated therein. (unaudited)
Schedule of Investments as of November 30, 1998. (unaudited)
Notes to Financial Statements.

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JOHN HANCOCK BOND TRUST

PART C.

OTHER INFORMATION

Item. 23. Exhibits:

The exhibits to this Registration Statement are listed in the Exhibit Index hereto and are incorporated herein by reference.

Item 24. Persons Controlled by or under Common Control with Registrant.

No person is directly or indirectly controlled by or under common control with Registrant.

Item. 25. Indemnification.

Indemnification provisions relating to the Registrant's Trustees, officers, employees and agents is set forth in Article VII of the Registrant's By Laws included as Exhibit 2 herein.

Under Section 12 of the Distribution Agreement, John Hancock Funds, Inc. ("John Hancock Funds") has agreed to indemnify the Registrant and its Trustees, officers and controlling persons against claims arising out of certain acts and statements of John Hancock Funds.

Section 9(a) of the By-Laws of John Hancock Mutual Life Insurance Company ("the Insurance Company") provides, in effect, that the Insurance Company will, subject to limitations of law, indemnify each present and former director, officer and employee of the Insurance Company who serves as a Trustee or officer of the Registrant at the direction or request of the Insurance Company against litigation expenses and liabilities incurred while acting as such, except that such indemnification does not cover any expense or liability incurred or imposed in connection with any matter as to which such person shall be finally adjudicated not to have acted in good faith in the reasonable belief that his action was in the best interests of the Insurance Company. In addition, no such person will be indemnified by the Insurance Company in respect of any final adjudication unless such settlement shall have been approved as in the best interests of the Insurance Company either by vote of the Board of Directors at a meeting composed of directors who have no interest in the outcome of such vote, or by vote of the policyholders. The Insurance Company may pay expenses incurred in defending an action or claim in advance of its final disposition, but only upon receipt of an undertaking by the person indemnified to repay such payment if he should be determined not to be entitled to indemnification.

Article IX of the respective By-Laws of John Hancock Funds and John Hancock Advisers, Inc. ("the Adviser") provide as follows:

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"Section 9.01. Indemnity. Any person made or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was at any time since the inception of the Corporation a director, officer, employee or agent of the Corporation or is or was at any time since the inception of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and the liability was not incurred by reason of gross negligence or reckless disregard of the duties involved in the conduct of his office, and expenses in connection therewith may be advanced by the Corporation, all to the full extent authorized by the law."

"Section 9.02. Not Exclusive; Survival of Rights: The indemnification provided by Section 9.01 shall not be deemed exclusive of any other right to which those indemnified may be entitled, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person."

Insofar as indemnification for liabilities under the Securities Act of 1933 (the "Act") may be permitted to Trustees, officers and controlling persons of the Registrant pursuant to the Registrant's Declaration of Trust and By-Laws of John Hancock Funds, the Adviser, or the Insurance Company or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant in the successful defense of any action, suit or proceeding) is asserted by such Trustee, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 26. Business and Other Connections of Investment Advisers.

For information as to the business, profession, vocation or employment of a substantial nature of each of the officers and Directors of the Adviser, reference is made to Form ADV (801-8124) filed under the Investment Advisers Act of 1940, which is incorporated herein by reference.

Item 27. Principal Underwriters.

(a) John Hancock Funds acts as principal underwriter for the Registrant and also serves as principal underwriter or distributor of shares for John Hancock Cash Reserve, Inc., John Hancock Bond Trust, John Hancock Current Interest, John Hancock Series Trust, John Hancock Tax-Free Bond Trust, John Hancock California Tax-Free Income Fund, John Hancock Capital Series, John Hancock Special Equities Fund, John Hancock Sovereign Bond Fund, John Hancock Tax-Exempt Series, John Hancock Strategic Series, John Hancock World Fund, John Hancock Investment Trust, John Hancock Institutional Series Trust, John Hancock Investment Trust II and John Hancock Investment Trust III.

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(b) The following table lists, for each director and officer of John Hancock Funds, the information indicated.

<TABLE>
<CAPTION>

Name and Principal Business Address ----- <S>	Positions and Offices with Underwriter ----- <C>	Positions and Offices with Registrant ----- <C>
Edward J. Boudreau, Jr. 101 Huntington Avenue Boston, Massachusetts	Director, Chairman, President and Chief Executive Officer	Trustee, Chairman, and Chief Executive Officer
Anne C. Hodsdon 101 Huntington Avenue Boston, Massachusetts	Director, Executive Vice President	Trustee, President, Chief Investment Officer and Chief Operating Officer
Robert H. Watts John Hancock Place P.O. Box 111 Boston, Massachusetts	Director, Executive Vice President and Chief Compliance Officer	None
Osbert M. Hood 101 Huntington Avenue Boston, Massachusetts	Senior Vice President and Chief Financial Officer	None
David A. King 380 Stuart Street Boston, Massachusetts	Director	None
Richard O. Hansen 101 Huntington Avenue Boston, Massachusetts	Senior Vice President	None
John A. Morin 101 Huntington Avenue Boston, Massachusetts	Vice President and Secretary	Vice President
Susan S. Newton 101 Huntington Avenue Boston, Massachusetts </TABLE>	Vice President	Vice President and Secretary

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<TABLE>
<CAPTION>

Name and Principal Business Address ----- <S>	Positions and Offices with Underwriter ----- <C>	Positions and Offices with Registrant ----- <C>
Stephen L. Brown John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None
Thomas E. Moloney John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None
Jeanne M. Livermore John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None
Richard S. Scipione John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	Trustee
John M. DeCiccio John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None
Foster L. Aborn John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None

David F. D'Alessandro John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None
--	----------	------

William C. Fletcher 53 State Street Boston, Massachusetts	Director	None
---	----------	------

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<TABLE>
<CAPTION>

Name and Principal Business Address ----- <S>	Positions and Offices with Underwriter ----- <C>	Positions and Offices with Registrant ----- <C>
James V. Bowhers 101 Huntington Avenue Boston, Massachusetts	President	None
Anthony P. Petrucci 101 Huntington Avenue Boston, Massachusetts	Executive Vice President	None
Charles H. Womack 6501 Americas Parkway Suite 950 Albuquerque, New Mexico	Senior Vice President	None
Kathleen M. Graveline John Hancock Place P.O. Box 111 Boston, Massachusetts	Senior Vice President	None
Keith Hartstein 101 Huntington Avenue Boston, Massachusetts	Senior Vice President	None
Peter Mawn John Hancock Place P.O. Box 111 Boston, Massachusetts	Senior Vice President	None
J. William Bennintende 101 Huntington Avenue Boston, Massachusetts	Vice President	None
Karen F. Walsh 101 Huntington Avenue Boston, Massachusetts	Vice President	None
Gary Cronin 101 Huntington Avenue Boston, Massachusetts	Vice President	None
Kristine Pancare 101 Huntington Avenue Boston, Massachusetts	Vice President	None
Renee M. Humphrey 101 Huntington Avenue Boston, Massachusetts	Vice President	None

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(c) None.

Item 28. Location of Accounts and Records.

The Registrant maintains the records required to be maintained by it under Rules 31a-1 (a), 31a-a(b), and 31a-2(a) under the Investment Company Act of 1940 at its principal executive offices at 101 Huntington Avenue, Boston Massachusetts 02199-7603. Certain records, including records relating to Registrant's shareholders and the physical possession of its securities, may be maintained pursuant to Rule 31a-3 at the main office of Registrant's Transfer Agent and Custodian.

Item 29. Management Services.

Not applicable.

Item 30. Undertakings.

Not applicable

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets all the requirements for effectiveness of this Registration Statement pursuant to Rule 485(b) under the Securities and Exchange Act of 1933 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Boston, and The Commonwealth of Massachusetts on the 26th day of March, 1999.

JOHN HANCOCK BOND TRUST

By: *

Edward J. Boudreau, Jr.
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
-----	-----	-----
<S> * ----- Edward J. Boudreau, Jr.	<C> Chairman and Chief Executive Officer (Principal Executive Officer)	<C> March 26, 1999
/s/James J. Stokowski ----- James J. Stokowski	Senior Vice President, Treasurer and Chief Accounting Officer	
* ----- Stephen L. Brown	Trustee	
* ----- James F. Carlin	Trustee	
* ----- William H. Cunningham	Trustee	
* ----- Ronald R. Dion	Trustee	
* ----- Harold R. Hiser, Jr.	Trustee	
* ----- Anne C. Hodsdon	Trustee	

</TABLE>

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Signature Title Date

 *

 Charles L. Ladner

 *

 Leo E. Linbeck, Jr.

 *

 Steven R. Pruchansky

 *

 Richard S. Scipione

 *

 Norman H. Smith

 *

 John P. Toolan

Trustee
 Trustee
 Trustee
 Trustee
 Trustee
 Trustee

By: /s/Susan S. Newton

 Susan S. Newton,
 Attorney-in-Fact, under
 Powers of Attorney dated
 Filed herewith.

March 26, 1999

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POWER OF ATTORNEY

The undersigned Trustee of John Hancock Bank and Thrift Opportunity Fund, John Hancock Bond Trust, John Hancock California Tax-Free Income Fund, John Hancock Current Interest, John Hancock Institutional Series Trust, John Hancock Investment Trust, John Hancock Patriot Global Dividend Fund, John Hancock Patriot Preferred Dividend Fund, John Hancock Patriot Premium Dividend Fund I, John Hancock Patriot Premium Dividend Fund II, John Hancock Patriot Select Dividend Trust, John Hancock Series Trust, and John Hancock Tax-Free Bond Trust, (each a "Trust"), and Director of John Hancock Cash Reserve, Inc., (a "Corporation") does hereby severally constitute and appoint Edward J. Boudreau, Jr., Susan S. Newton, and James J. Stokowski, and each acting singly, to be my true, sufficient and lawful attorneys, with full power to each of them, and each acting singly, to sign for me, in my name and in the capacity indicated below, any Registration Statement on Form N-1A and any Registration Statement on Form N-14 to be filed by the Trust or the Corporation under the Investment Company Act of 1940, as amended (the "1940 Act"), and under the Securities Act of 1933, as amended (the "1933 Act"), and any and all amendments to said Registration Statements, with respect to the offering of shares and any and all other documents and papers relating thereto, and generally to do all such things in my name and on my behalf in the capacity indicated to enable the Trust or Corporation to comply with the 1940 Act and the 1933 Act, and all requirements of the Securities and Exchange Commission thereunder, hereby ratifying and confirming my signature as it may be signed by said attorneys or each of them to any such Registration Statements and any and all amendments thereto.

IN WITNESS WHEREOF, I have hereunder set my hand on this Instrument as of the 1st day of January, 1999.

/s/James F. Carlin

 Jams F. Carlin, Trustee

 /s/William H. Cunningham

 William H. Cunningham, Trustee

 /s/Ronald R. Dion

 Ronald R. Dion, Trustee

 /s/Harold R. Hiser

/s/Leo E. Linbeck

 Leo E. Linbeck, Jr., Trustee

 /s/Steven R. Pruchansky

 Steven R. Pruchansky, Trustee

 /s/Norman H. Smith

 Norman H. Smith, Trustee

 /s/John P. Toolan

Harold R. Hiser, Jr., Trustee

John P. Toolan, Trustee

/s/Charles L. Ladner

Charles L. Ladner, Trustee

s:corpsecty:trustees\pwrattypanel B

POWER OF ATTORNEY

The undersigned Trustee of John Hancock Bank and Thrift Opportunity Fund, John Hancock Bond Trust, John Hancock California Tax-Free Income Fund, John Hancock Capital Series, John Hancock Current Interest, John Hancock Declaration Trust, John Hancock Income Securities Trust, John Hancock Institutional Series Trust, John Hancock Investment Trust, John Hancock Investment Trust II, John Hancock Investment Trust III, John Hancock Investors Trust, John Hancock Patriot Global Dividend Fund, John Hancock Patriot Preferred Dividend Fund, John Hancock Patriot Premium Dividend Fund I, John Hancock Patriot Premium Dividend Fund II, John Hancock Patriot Select Dividend Trust, John Hancock Series Trust, John Hancock Sovereign Bond Fund, John Hancock Special Equities Fund, John Hancock Strategic Series, John Hancock Tax-Exempt Series Fund, John Hancock Tax-Free Bond Trust, and John Hancock World Fund, (each a "Trust"), and Director of John Hancock Cash Reserve, Inc., (a "Corporation") does hereby severally constitute and appoint Edward J. Boudreau, Jr., Susan S. Newton, and James J. Stokowski, and each acting singly, to be my true, sufficient and lawful attorneys, with full power to each of them, and each acting singly, to sign for me, in my name and in the capacity indicated below, any Registration Statement on Form N-1A and any Registration Statement on Form N-14 to be filed by the Trust or the Corporation under the Investment Company Act of 1940, as amended (the "1940 Act"), and under the Securities Act of 1933, as amended (the "1933 Act"), and any and all amendments to said Registration Statements, with respect to the offering of shares and any and all other documents and papers relating thereto, and generally to do all such things in my name and on my behalf in the capacity indicated to enable the Trust or Corporation to comply with the 1940 Act and the 1933 Act, and all requirements of the Securities and Exchange Commission thereunder, hereby ratifying and confirming my signature as it may be signed by said attorneys or each of them to any such Registration Statements and any and all amendments thereto.

IN WITNESS WHEREOF, I have hereunder set my hand on this Instrument as of the 1st day of January, 1999.

/s/Anne C. Hodsdon

Anne C. Hodsdon, Trustee

/s/Richard S. Scipione

Richard S. Scipione, Trustee

s:corpsecty:trustees\pwrattypanelsAB

POWER OF ATTORNEY

The undersigned Trustee of John Hancock Bank and Thrift Opportunity Fund, John Hancock Bond Trust, John Hancock California Tax-Free Income Fund, John Hancock Capital Series, John Hancock Current Interest, John Hancock Declaration Trust, John Hancock Income Securities Trust, John Hancock Institutional Series Trust, John Hancock Investment Trust, John Hancock Investment Trust II, John Hancock Investment Trust III, John Hancock Investors Trust, John Hancock Patriot Global Dividend Fund, John Hancock Patriot Preferred Dividend Fund, John Hancock Patriot Premium Dividend Fund I, John Hancock Patriot Premium Dividend Fund II, John Hancock Patriot Select Dividend Trust, John Hancock Series Trust, John Hancock Sovereign Bond Fund, John Hancock Special Equities Fund, John Hancock Strategic Series, John Hancock Tax-Exempt Series Fund, John Hancock Tax-Free Bond Trust, and John Hancock World Fund, (each a "Trust"), and Director of John Hancock Cash Reserve, Inc., (a "Corporation") does hereby severally constitute and appoint Susan S. Newton, and James J. Stokowski, and each acting singly, to be my true, sufficient and lawful attorneys, with full power to each of them, and each acting singly, to sign for

me, in my name and in the capacity indicated below, any Registration Statement on Form N-1A and any Registration Statement on Form N-14 to be filed by the Trust or the Corporation under the Investment Company Act of 1940, as amended (the "1940 Act"), and under the Securities Act of 1933, as amended (the "1933 Act"), and any and all amendments to said Registration Statements, with respect to the offering of shares and any and all other documents and papers relating thereto, and generally to do all such things in my name and on my behalf in the capacity indicated to enable the Trust or Corporation to comply with the 1940 Act and the 1933 Act, and all requirements of the Securities and Exchange Commission thereunder, hereby ratifying and confirming my signature as it may be signed by said attorneys or each of them to any such Registration Statements and any and all amendments thereto.

IN WITNESS WHEREOF, I have hereunder set my hand on this Instrument as of the 1st day of January, 1999.

/s/Edward J. Boudreau, Jr.

Edward J. Boudreau, Jr., Trustee

s:corpsecty:trustees\pwrtyattyppanelsAB EJB

POWER OF ATTORNEY

The undersigned Trustee of John Hancock Bank and Thrift Opportunity Fund, John Hancock Bond Trust, John Hancock California Tax-Free Income Fund, John Hancock Capital Series, John Hancock Current Interest, John Hancock Declaration Trust, John Hancock Income Securities Trust, John Hancock Institutional Series Trust, John Hancock Investment Trust, John Hancock Investment Trust II, John Hancock Investment Trust III, John Hancock Investors Trust, John Hancock Patriot Global Dividend Fund, John Hancock Patriot Preferred Dividend Fund, John Hancock Patriot Premium Dividend Fund I, John Hancock Patriot Premium Dividend Fund II, John Hancock Patriot Select Dividend Trust, John Hancock Series Trust, John Hancock Sovereign Bond Fund, John Hancock Special Equities Fund, John Hancock Strategic Series, John Hancock Tax-Exempt Series Fund, John Hancock Tax-Free Bond Trust, and John Hancock World Fund, (each a "Trust"), does hereby severally constitute and appoint Edward J. Boudreau, Jr., Susan S. Newton, and James J. Stokowski, and each acting singly, to be my true, sufficient and lawful attorneys, with full power to each of them, and each acting singly, to sign for me, in my name and in the capacity indicated below, any Registration Statement on Form N-1A and any Registration Statement on Form N-14 to be filed by the Trust or the Corporation under the Investment Company Act of 1940, as amended (the "1940 Act"), and under the Securities Act of 1933, as amended (the "1933 Act"), and any and all amendments to said Registration Statements, with respect to the offering of shares and any and all other documents and papers relating thereto, and generally to do all such things in my name and on my behalf in the capacity indicated to enable the Trust or Corporation to comply with the 1940 Act and the 1933 Act, and all requirements of the Securities and Exchange Commission thereunder, hereby ratifying and confirming my signature as it may be signed by said attorneys or each of them to any such Registration Statements and any and all amendments thereto.

IN WITNESS WHEREOF, I have hereunder set my hand on this Instrument as of the 17th day of March, 1999.

/s/Stephen L Brown

Stephen L. Brown, Trustee

John Hancock Bond Trust

(File no. 2-66906)

INDEX TO EXHIBITS

99. (a) Articles of Incorporation. Amended and Restated Declaration of Trust dated 7/1/96.**

- 99.(a).1 Amendment of Section 5.11 and Establishment and Designation of class C shares of Beneficial Interest of High Yield Bond Fund dated March 10, 1998.+
- 99.(a).2 Amendment of Section 5.11 and Establishment and Designation of Class C shares of Beneficial Interest of Government Income and Intermediate Government dated December 8, 1998.+
- 99.(b) By-Laws. Amended and Restated By-Laws dated November 19, 1996.***
- 99.(c) Instruments Defining Rights of Security Holders. See Exhibit 99.(a) and 99.(b).
- 99.(d) Investment Advisory Contracts. Investment Advisory Agreement between John Hancock Advisers, Inc. and the Registrant on behalf of John Hancock Intermediate Maturity Government Fund.*
- 99.(d).1 Investment Management Contract between John Hancock Advisers, Inc. and the Registrant on behalf of John Hancock Government Income Fund and John Hancock Yield Bond Fund dated August 30, 1996.***
- 99.(e) Underwriting Contracts. Distribution Agreement between John Hancock Broker Distribution Services, Inc. and the Registrant.*
- 99.(e).1 Form of soliciting Dealer Agreement between John Hancock Funds, Inc. and the John Hancock funds.+
- 99.(e).2 Form of Financial Institution Sales and Service Agreement between John Hancock Funds, Inc. and the John Hancock funds.*
- 99.(e).3 Amendment to Distribution Agreement dated August 30, 1996.***
- 99.(f) Bonus or Profit Sharing Contracts. Not Applicable.
- 99.(g) Custodian Agreements. Master Custodian Agreement between the John Hancock Funds and Investors Bank & Trust Company dated December 15, 1992.*
- 99.(h) Other Material Contracts. Amended and Restated Master Transfer Agency and Service Agreement between John Hancock funds and John Hancock Signature Services, Inc. dated June 1, 1998.****
- 99.(i) Legal Opinion. Not Applicable.
- 99.(j) Other Opinions. Auditors Consent.+
- 99.(k) Omitted Financial Statements. Not Applicable.
- 99.(l) Initial Capital Agreements. Not Applicable.
- 99.(m) Rule 12b-1 Plan. Rule 12b-1 Plans for Class A and Class B Shares for John Hancock Intermediate Maturity Government Fund dated December 22, 1994.*
- 99.(m).1 Rule 12b-1 Plans for Class A and Class B Shares for John Hancock High Yield Bond Fund dated August 30, 1996.***
- 99.(m).2 Rule 12b-1 Plans for Class A and Class B Shares for John Hancock Government Income Fund dated August 30, 1996.***
- 99.(m).3 Rule 12b-1 Plan for Class C shares for John Hancock High Yield Bond Fund dated May 1, 1998.+

Financial Data Schedule.

Government Income-Annual
 Government Income-Semiannual
 High Yield Total Return Fund-Annual
 High Yield Total Return Fund-Semiannual
 Intermediate Maturity Government-Annual
 Intermediate Maturity Government-Semiannual

- 99.(o) John Hancock Funds Class A, Class B and Class C amended and restated Multiple Class Plan pursuant to Rule 18f-3 for John Hancock Bond Trust Fund.****

* Previously filed electronically with Registration Statement and/or post-effective amendment no. 30, file nos. 811-03006 and 2-66906 on May 15, 1995, accession number 0000950135-95-001202.

** Previously filed electronically with Registration Statements and/or

post-effective amendment no. 35 file nos. 811-03006 and 2-66906 on August 28, 1996, accession number 0001010521-96-000148.

*** Previously filed electronically with post-effective amendment number 36 (file nos. 811-3006 and 2-66906) on February 28, 1997, accession number 0001010521-97-000232.

**** Previously filed electronically with post-effective amendment number 41 (file nos. 811-3006 and 2-66906) on July 6, 1998, accession number 0001010521-98-000288.

+ Filed herewith.

JOHN HANCOCK BOND TRUST

John Hancock High Yield Bond Fund

Amendment of Section 5.11 and
Establishment and Designation of Class C Shares
of Beneficial Interest of
John Hancock High Yield Bond Fund,
a Series of John Hancock Bond Trust

Amendment of Section 5.11

The undersigned, being a majority of the Trustees of John Hancock Bond Trust, a Massachusetts business trust (the "Trust"), acting pursuant to Section 8.3 of the Amended and Restated Declaration of Trust dated July 1, 1996, as amended from time to time (the "Declaration of Trust"), do hereby amend Section 5.11 as follows:

1. Section 5.11 (a) shall be deleted and replaced with the following:

Without limiting the authority of the Trustees set forth in Section 5.1 to establish and designate any further Series or Classes, the Trustees hereby establish the following Series, each of which consists of Class A Shares and Class B Shares: John Hancock Government Income Fund, John Hancock High Yield Bond Fund, and John Hancock Intermediate Maturity Government Fund (the "Existing Series").

Establishment and Designation of Class C Shares

The undersigned, being a majority of the Trustees of John Hancock Bond Trust, a Massachusetts business trust (the "Trust"), acting pursuant to Sections 5.1 and 5.11 of the Amended and Restated Declaration of Trust dated July 1, 1996, as amended from time to time (the "Declaration of Trust"), do hereby establish and designate an additional class of shares of John Hancock High Yield Bond Fund (the "Fund") as follows:

1. The additional class of Shares of the Fund established and designated hereby is "Class C Shares".
2. Class C Shares shall be entitled to all of the rights and preferences accorded to Shares under the Declaration of Trust.
3. The purchase price of Class C Shares, the method of determining the net

asset value of Class C Shares, and the relative dividend rights of holders of Class C Shares shall be established by the Trustees of the Trust in accordance with the provisions of the Declaration of Trust and shall be as set forth in the Prospectus and Statement of Additional Information of the Fund included in the Trust's Registration Statement, as amended from time to time, under the Securities Act of 1933, as amended and/or the Investment Company Act of 1940, as amended.

The Declaration of Trust is hereby amended to the extent necessary to reflect the amendment of Section 5.11 and the establishment of an additional class of Shares, effective May 1, 1998.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Declaration of Trust.

IN WITNESS WHEREOF, the undersigned have executed this instrument on the 10th day of March 1998.

/s/Edward J. Boudreau, Jr.

Edward J. Boudreau, Jr.

/s/James F. Carlin

James F. Carlin

/s/William H. Cunningham

William H. Cunningham

/s/Harold R. Hiser, Jr.

Harold R. Hiser, Jr.

/s/Anne C. Hodsdon

Anne C. Hodsdon

/s/Charles L. Ladner

Charles L. Ladner

s/ Leo E. Linbeck, Jr.

Leo E. Linbeck, Jr.

/s/Steven R. Pruchansky

Steven R. Pruchansky

Richard S. Scipione

s/Norman H. Smith

Norman H. Smith

/s/John P. Toolan

John P. Toolan

The Declaration of Trust, a copy of which, together with all amendments thereto, is on file in the office of the Secretary of State of The Commonwealth of Massachusetts, provides that no Trustee, officer, employee or agent of the

Trust or any Series thereof shall be subject to any personal liability whatsoever to any Person, other than to the Trust or its shareholders, in connection with Trust Property or the affairs of the Trust, save only that arising from bad faith, willful misfeasance, gross negligence or reckless disregard of his/her duties with respect to such Person; and all such Persons shall look solely to the Trust Property, or to the Trust Property of one or more specific Series of the Trust if the claim arises from the conduct of such Trustee, officer, employee or agent with respect to only such Series, for satisfaction of claims of any nature arising in connection with the affairs of the Trust.

STATE OF FLORIDA)
)ss
COUNTY OF PASCO)

Then personally appeared the above-named Edward J. Boudreau, Jr., James F. Carlin, William H. Cunningham, Charles F. Fretz, Harold R. Hiser, Jr., Anne C. Hodsdon, Charles L. Ladner, Leo E. Linbeck, Jr., Patricia P. McCarter, Steven R. Pruchansky, Richard S. Scipione, Norman H. Smith, and John P. Toolan, who acknowledged the foregoing instrument to be his or her free act and deed, before me, this 10th day of March, 1998.

/s/ Michele N. Jones

Notary Public

My Commission Expires: 8/25/00

s:\dectrust\amendmts\98bond.doc

JOHN HANCOCK BOND TRUST

John Hancock Government Income Fund
John Hancock Intermediate Maturity Government Fund

Amendment of Section 5.11 and
Establishment and Designation of Class C Shares
of Beneficial Interest of
John Hancock Government Income Fund, and
John Hancock Intermediate Maturity Government Fund,
each a Series of John Hancock Bond Trust

Amendment of Section 5.11

The undersigned, being a majority of the Trustees of John Hancock Bond Trust, a Massachusetts business trust (the "Trust"), acting pursuant to Section 8.3 of the Amended and Restated Declaration of Trust dated July 1, 1996, as amended from time to time, do hereby amend Section 5.11, effective April 1, 1999, as follows:

1. Section 5.11 (a) shall be deleted and replaced with the following:

Without limiting the authority of the Trustees set forth in Section 5.1 to establish and designate any further Series or Classes, the Trustees hereby establish the following Series, each of which consists of Class A Shares, Class B Shares, and Class C Shares: John Hancock Government Income Fund, John Hancock High Yield Bond Fund, and John Hancock Intermediate Maturity Government Fund (the "Existing Series").

Establishment and Designation of Class C Shares

The undersigned, being a majority of the Trustees of John Hancock Bond Trust, a Massachusetts business trust (the "Trust"), acting pursuant to Sections 5.1 and 5.11 of the Amended and Restated Declaration of Trust dated July 1, 1996, as amended from time to time (the "Declaration of Trust"), do hereby establish and designate an additional class of shares of John Hancock Government Income Fund and John Hancock Intermediate Maturity Government Fund (the "Funds"), effective April 1, 1999, as follows:

1. The additional class of Shares of the Funds established and designated hereby is "Class C Shares".
2. Class C Shares shall be entitled to all of the rights and preferences

accorded to Shares under the Declaration of Trust.

3. The purchase price of Class C Shares, the method of determining the net asset value of Class C Shares, and the relative dividend rights of holders of Class C Shares shall be established by the Trustees of the Trust in accordance with the provisions of the Declaration of Trust and shall be as set forth in the Prospectus and Statement of Additional Information of the Funds included in the Trust's Registration Statement, as amended from time to time, under the Securities Act of 1933, as amended and/or the Investment Company Act of 1940, as amended.

The Declaration of Trust is hereby amended to the extent necessary to reflect the amendment of Section 5.11 and the establishment of an additional class of Shares, effective April 1, 1999.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Declaration of Trust.

IN WITNESS WHEREOF, the undersigned have executed this instrument on the 8th day of December 1998.

/s/Edward J. Boudreau, Jr.

Edward J. Boudreau, Jr.

/s/James F. Carlin

James F. Carlin

/s/William H. Cunningham

William H. Cunningham

/s/Ronald R. Dion

Ronald R. Dion

/s/Harold R. Hiser, Jr.

Harold R. Hiser, Jr.

/s/Anne C. Hodsdon

Anne C. Hodsdon

/s/Charles L. Ladner

Charles L. Ladner

Leo E. Linbeck, Jr.

/s/Steven R. Pruchansky

Steven R. Pruchansky

/s/Richard S. Scipione

Richard S. Scipione

/s/Norman H. Smith

Norman H. Smith

/s/John P. Toolan

John P. Toolan

Selling Agreement

[JOHN HANCOCK LOGO]

John Hancock Funds, Inc.

Boston Massachusetts 02199-7603

John Hancock Funds, Inc.

101 Huntington Avenue

Boston, MA 02199-7603

Selling Agreement

John Hancock Funds, Inc. ("the Distributor" or "Distributor," "we" or "us") is the principal distributor of the shares of beneficial interest (the "securities") of each of the John Hancock Funds, (the "Funds"). Such Funds are those listed on Schedule A hereto which may be amended or supplemented from time to time by the Distributor to include additional Funds for which the Distributor is the principal distributor. You represent that you are a member of the National Association of Securities Dealers, Inc. (the "NASD"), and, accordingly, we invite you to become a non-exclusive soliciting dealer to distribute the securities of the Funds and you agree to solicit orders for the purchase of the securities on the following terms. Securities are offered pursuant to each Fund's prospectus and statement of additional information, as such prospectus and statement of additional information may be amended from time to time. To the extent that the prospectus or statement of additional information contains provisions that are inconsistent with the terms of this Agreement, the terms of the prospectus or statement of additional information shall be controlling.

Offerings

1. You agree to abide by the Conduct Rules of the NASD and to all other rules and regulations that are now or may become applicable to transactions hereunder, including state and federal rules plus John Hancock Funds administrative procedures.
2. As principal distributor of the Funds, we shall have full authority to take such action as we deem advisable in respect of all matters pertaining to the distribution. This offer of shares of the Funds to you is made only in such jurisdictions in which we may lawfully sell such shares of the Funds.
3. You shall not make any representation concerning the Funds or their securities except those contained in the then-current prospectus or statement of additional information for each Fund.
4. With the exception of listings of product offerings, you agree not to furnish or cause to be furnished to any person or display or publish any information or materials relating to any Fund (including, without limitation, promotional materials, sales literature, advertisements, press releases, announcements, posters, signs and other similar materials), except such information and materials as may be furnished to you by the Distributor or the Fund. All other materials must receive written approval by the Distributor before distribution or display to the public. Use of all approved advertising and sales literature materials is restricted to appropriate distribution channels.
5. You are not authorized to act as our agent. Nothing shall constitute you as a syndicate, association, joint venture, partnership, unincorporated business or other separate entity or otherwise partners with us, but you shall be liable for your proportionate share of any tax, liability or expense based on any claim

arising from the sale of shares of the Funds under this Agreement. We shall not be under any liability to you, except for obligations expressly assumed by us in this Agreement and liabilities under Section 11(f) of the Securities Act of 1933, and no obligations on our part shall be implied or inferred.

6. Dealer Compliance/Suitability Standards - Certain mutual funds distributed by the Distributor are being offered with two or more classes of shares of the same investment portfolio ("Fund") - refer to each Fund prospectus for availability and details. It is essential that the following minimum compliance/suitability standards be adhered to in offering and selling shares of these Funds to investors. All dealers offering shares of the Funds and their associated persons agree to comply with these general suitability and compliance standards.

Suitability

With two classes of shares of certain funds available to individual investors, it is important that each investor purchases not only the fund that best suits his or her investment objective but also the class of shares that offers the most beneficial distribution financing method for the investor based upon his or her particular situation and preferences. Fund share recommendations and orders must be carefully reviewed by you and your registered representatives in light of all the facts and circumstances, to ascertain that the class of shares to be purchased by each investor is appropriate and suitable. These recommendations should be based on several factors, including but not limited to:

- (a) the amount of money to be invested initially and over a period of time;
- (b) the current level of sales loads imposed by the Fund;
- (c) the period of time over which the client expects to retain the investment;
- (d) the anticipated level of yield from fixed income funds;
- (e) any other relevant circumstances such as the availability of reduced sales charges under letters of intent and/or rights of accumulation.

There are instances when one distribution financing method may be more appropriate than another. For example, shares subject to a front-end sales charge may be more appropriate than shares subject to a contingent deferred sales charge for large investors who qualify for a significant quantity discount on the front-end sales charge. In addition, shares subject to a contingent deferred sales charge may be more appropriate for investors whose orders would not qualify for quantity discounts and who, therefore, may prefer to defer sales charges, and also for investors who determine it to be advantageous to have all of their funds invested without deduction of a front-end sales commission. However, if it is anticipated that an investor may redeem his or her shares within a short period of time, the investor may, depending on the amount of his or her purchase, bear higher distribution expenses by purchasing shares subject to a CDSC than if he or she had purchased shares subject to a front-end sales charge.

Compliance

Your supervisory procedures should be adequate to assure that an appropriate person reviews and approves transactions entered into pursuant to this Selling Agreement for compliance with the foregoing standards. In certain instances, it may be appropriate to discuss the purchase with the registered representatives involved or to review the advantages and disadvantages of selecting one class of shares over another with the client. The Distributor will not accept orders for Class B shares in any Fund from you for accounts maintained in street name. Trades for Class B shares will only be accepted in the name of the shareholder.

7. Other Class Shares - Certain mutual funds distributed by the Distributor may be offered with Class shares other than A, B and C. Refer to each Fund prospectus for availability and details. Some Class shares are designed for institutional investors and qualified benefit plans, including pension funds, and are sold without a sales charge or 12b-1 fee. If a commission is paid to you for transactions in Class shares other than A, B and C it will be paid by the Distributor out of its own resources.

Sales

8. Orders for securities received by you from investors will be for the sale of the securities at the public offering price, which will be the net asset value per share as determined in the manner provided in the relevant Fund's prospectus, as now in effect or as amended from time to time, after receipt by us (or the relevant Fund's transfer agent) of the purchase application and payment for the securities, plus the relevant sales charges set forth in the relevant Fund's then-current prospectus (the "Public Offering Price"). The procedures relating to the handling of orders shall be subject to our instructions which we will forward from time to time to you. All orders are subject to acceptance by us, and we reserve the right in our sole discretion to reject any order.

In addition to the foregoing, you acknowledge and agree to the initial and subsequent investment minimums, which may vary from year to year, as described in the then-current prospectus for each Fund.

9. You agree to sell the securities only (a) to your customers at the public offering price then in effect, or (b) back to the Funds at the currently quoted net asset value. No sales may be made to other broker-dealers.

10. The amount of sales charge to be reallocated to you (the "Reallowance") as a percentage of the offering price is set forth in the then-current prospectus of each Fund.

If a sales charge on the purchase is reduced in accordance with the provisions of the relevant Fund's then-current prospectus pertaining to "Methods of Obtaining Reduced Sales Charges," the Reallowance shall be reduced pro rata.

11. We shall pay a Reallowance subject to the provisions of this agreement as set forth in Schedule B hereto on all purchases made by your customers pursuant to orders accepted by us (a) where an order for the purchase of securities is obtained by a registered representative in your employ and remitted to us promptly by you, (b) where a subsequent investment is made to an account established by a registered representative in your employ or (c) where a subsequent investment is made to an account established by a broker/dealer other than you and is accompanied by a signed request from the account shareholder that your registered representative receive the Reallowance for that investment and/or for subsequent investments made in such account. If for any reason, a purchase transaction is reversed, you shall not be entitled to receive or retain any part of the Reallowance on such purchase and shall pay to us on demand in full the amount of the Reallowance received by you in connection with any such purchase. We may withhold and retain from the amount of the Reallowance due you a sum sufficient to discharge any amount due and payable by you to us.

12. Certain of the Funds have adopted a plan under Investment Company Act Rule 12b-1 ("Distribution Plan" as described in the prospectus). To the extent you provide distribution and marketing services in the promotion of the sale of shares of these Funds, including furnishing services and assistance to your customers who invest in and own shares of such Funds and including, but not limited to, answering routine inquiries regarding such Funds and assisting in changing distribution options, account designations and addresses, you may be entitled to receive compensation from us as set forth in Schedule C hereto. All compensation, including 12b-1 fees, shall be payable to you only to the extent that funds are received and in the possession of the Distributor.

13. We will advise you as to the jurisdictions in which we believe the shares have been qualified for sale under the respective securities laws of such jurisdictions, but we assume no responsibility or obligations as to your right to sell the shares of the Funds in any state or jurisdiction.

14. Orders may be placed through:
John Hancock Funds, Inc.
101 Huntington Avenue
Boston, MA 02199-7603

Settlement

15. Settlements for wire orders shall be made within three business days after our acceptance of your order to purchase shares of the Funds. Certificates, when requested, will be delivered to you upon payment in full of the sum due for the sale of the shares of the Funds. If payment is not so received or made, we reserve the right forthwith to cancel the sale, or, at our option, to liquidate the shares of the Fund subject to such sale at the then prevailing net asset value, in which latter case you will agree to be responsible for any loss resulting to the Funds or to us from your failure to make payments as aforesaid.

Indemnification

16. The parties to this agreement hereby agree to indemnify and hold harmless each other, their officers and directors, and any person who is or may be deemed to be a controlling person of each other, from and against any losses, claims, damages, liabilities or expenses (including reasonable fees of counsel), whether joint or several, to which any such person or entity may become subject insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof) arise out of or are based upon (a) any untrue statement or alleged untrue statement of material fact, or any omission or alleged omission to state a material fact made or omitted by it herein, or (b) any willful misfeasance or gross misconduct by it in the performance of its duties and obligations hereunder.

17. National Securities Clearing Corporation (NSCC) Indemnity - Shareholder and House Accounts - In consideration of the Distributor and John Hancock Signature Services ("JHSS") liquidating, exchanging and/or transferring unissued shares of the Funds for your customers without the use of original or underlying documentation supporting such instructions (e.g., a signed stock power or signature guarantee), you hereby agree to indemnify the Distributor, Investor Services and each respective Fund against any losses, including reasonable attorney's fees, that may arise from such liquidation exchange and/or transfer of unissued shares upon your direction. This indemnification shall apply only to the liquidation, exchange and/or transfer of unissued shares in shareholder and house accounts executed as wire orders transmitted via the NSCC's Fund/SERV system. You represent and warrant to the Funds, the Distributor and Investor Services that all such transactions shall be properly authorized by your customers.

The indemnification in this Section 16 shall not apply to any losses (including attorney's fees) caused by a failure of the Distributor, Investor Services or a Fund to comply with any of your instructions governing any of the above transactions, or any negligent act or omission of the Distributor, Investor Services or a Fund, or any of their directors, officers, employees or agents. All transactions shall be settled upon your confirmation through NSCC transmission to Investor Services.

Miscellaneous

18. We will supply to you at our expense additional copies of the prospectus and statement of additional information for each of the Funds and any printed information supplemental to such material in reasonable quantities upon request.

19. Any notice to you shall be duly given if mailed to you at your address as registered from time to time with the NASD.

20. Miscellaneous provisions, if any, are attached hereto and incorporated herein by reference.

21. In the event your firm is appointed or selected by us to sell insurance-related securities products, this agreement will be supplemented by Schedule D, which will include the terms, including additional terms, and

conditions of the distribution by you of such products, and such Schedule is hereby incorporated herein by reference and made a part of this Selling Agreement.

In the case of any conflict between this Selling Agreement and Schedule D with respect to insurance-related securities products, Schedule D shall control.

22. We reserve the right to reject any order received by us from a broker-dealer that does not have an existing selling agreement with us. It is your responsibility to inform us of all clearing arrangements with broker-dealers ordering our funds and to assist us in securing a selling agreement from them or indemnify us for any errors or omissions in the solicitation or ordering of our funds.

Termination

23. This agreement, which shall be construed in accordance with the laws of the Commonwealth of Massachusetts, may be terminated by any party hereto upon a thirty (30) day written notice. This agreement may not be assigned except by written consent of all the parties. Automatic termination of this agreement occurs if the dealer: 1.) Files a bankruptcy petition; 2.) Is terminated as an NASD member; 3.) Uses unapproved sales literature; 4.) Is subject to deregistration by state.

Discretionary termination: Hancock reserves the right to terminate this agreement at any time at its sole discretion upon thirty (30) days' notice. Hancock may also suspend payment of commissions for reasonable cause with or without notice.

<TABLE>
<CAPTION>

DATE: _____

SOLICITING DEALER PROFILE Firm CRD Number: _____

Name of Organization

By: _____
Authorized Signature of Soliciting Dealer

Please Print or Type Name

Title

Print or Type Address

Telephone Number

Mutual Fund Coordinator: _____

In order to service you efficiently, please provide the following information on your Mutual Funds Operations Department:

Operations Manager: _____

Order Room Manager: _____

Operations Address: _____

Telephone: _____ Fax: _____

TO BE COMPLETED BY:
JOHN HANCOCK FUNDS, INC.

TO BE COMPLETED BY:
JOHN HANCOCK SIGNATURE
SERVICES, INC.

By: _____ By: _____

Title

Title

Pay Office Branch Number: _____

(If no pay office branch number is indicated, we will assume #001.)

DEALER NUMBER: _____
(to be assigned by John Hancock Signature Services Corporation)

</TABLE>

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John Hancock Funds, Inc.

[] SCHEDULE A []

Dated January 1, 1998 to the
Selling Agreement Relating to Shares of
John Hancock Funds

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Growth Funds

John Hancock Emerging Growth Fund

John Hancock Financial Industries Fund

John Hancock Growth Fund

John Hancock Regional Bank Fund

John Hancock Special Equities Fund

John Hancock Special Opportunities Fund

John Hancock Special Value Fund

Growth and Income Funds

John Hancock Growth and Income Fund

John Hancock Independence Equity Fund

<C>

Tax-Free Income Funds

John Hancock California Tax-Free Income Fund

John Hancock High Yield Tax-Free Fund

John Hancock Massachusetts Tax-Free Income Fund

John Hancock New York Tax-Free Income Fund

John Hancock Tax-Free Bond Fund

International/Global Funds

John Hancock European Equity Fund

John Hancock Global Fund

John Hancock Global Health Sciences Fund

John Hancock Global Technology Fund

John Hancock Sovereign Balanced Fund	John Hancock International Fund
John Hancock Sovereign Investors Fund	John Hancock Pacific Basin Equities Fund
	John Hancock Short-Term Strategic Income Fund
Income Funds	John Hancock World Bond Fund
John Hancock Bond Fund	
John Hancock Government Income Fund	Money Market
John Hancock High Yield Bond Fund	John Hancock Money Market Fund
John Hancock Intermediate Maturity Government Fund	John Hancock U.S. Government Cash Reserve
John Hancock Sovereign U.S. Government Income Fund	
John Hancock Strategic Income Fund	

</TABLE>

From time to time John Hancock Funds, Inc., as principal distributor of the John Hancock funds, will offer additional funds for sale. These funds will automatically become part of this Agreement and will be subject to all its provisions unless otherwise directed by John Hancock Funds, Inc.

John Hancock Funds, Inc.

[] Schedule B []

Dated May 1, 1998 to the
Selling Agreement Relating to Shares of
John Hancock Funds

Reallowance

I. The Reallowance paid to the selling Brokers for sales of John Hancock Funds is set forth in each Fund's then-current prospectus. No commission will be paid on sales of any John Hancock Fund that is without a sales charge. Purchases of Class A shares of \$1 million or more, or purchases into an account or accounts whose aggregate value of fund shares is \$1 million or more, will be made at net asset value with no initial sales charge. On purchases of this type, John Hancock Funds, Inc. may pay a commission as set forth in each Fund's then-current prospectus. John Hancock Funds, Inc. will pay Brokers for sales of Class B shares of the Funds a marketing fee as set forth in each Fund's then-current prospectus.

II. If, at any time, the sales charges on any class of shares offered herein exceed the maximum sales charges permitted by the NASD Conduct Rules, John Hancock Funds reserves the right to amend, modify or curtail payment of any or all compensation due on such shares immediately and without notice.

John Hancock Funds, Inc.

[] Schedule C []

Dated September 1, 1998 to the
Selling Agreement Relating to Shares of
John Hancock Funds

First Year Service Fees

Pursuant to the Distribution Plan applicable to each of the Funds listed in Schedule A, John Hancock Funds, Inc. will advance to you a First Year Service Fee related to the purchase of Class A shares (only if subject to sales charge) or Class B shares of any of the Funds, as the case may be, sold by your firm. This Service Fee will be compensation for your personal service and/or the maintenance of shareholder accounts ("Customer Servicing") during the twelve-month period immediately following the purchase of such shares, in the amount not to exceed .25 of 1% of net assets invested in Class A shares or Class B shares of the Fund, as the case may be, purchased by your customers.

Service Fee Subsequent to the First Year

Pursuant to the Distribution Plan applicable to each of the Funds listed in Schedule A, the Distributor will pay you quarterly, in arrears, a Service Fee commencing at the end of the twelve-month period immediately following the purchase of Class A shares (only if subject to sales charge) or Class B shares, as the case may be, sold by your firm, for Customer Servicing, in an amount not to exceed .25 of 1% of the average daily net assets attributable to the Class A shares or Class B shares of the Fund, as the case may be, purchased by your customers, provided your firm has under management with the Funds combined average daily net assets for the preceding quarter of no less than \$1 million, or an individual representative of your firm has under management with the Funds combined average daily net assets for the preceding quarter of no less than \$250,000 (an "Eligible Firm").

Effective October 1, 1995 for Dealers that have entered into a Wrap Fee Agreement with the Distributor, the following provisions shall apply with respect to the payment of service fees:

Pursuant to the Distribution Plan applicable to each of the Funds listed in Schedule A, the Distributor will pay you quarterly, in arrears, a Service Fee commencing immediately following the purchase of Class A shares at net asset value sold by your firm, for Customer Servicing, in an amount not to exceed .25 of 1% of the average daily net assets attributable to the Class A shares of the Fund purchased by your customers, provided your firm has under management with John Hancock Funds combined average daily net assets (in any class of shares of funds listed on Schedule A plus assets in wrap (fee-based) accounts) for the preceding quarter of no less than \$1 million, or an individual representative of your firm has under management with the Funds combined average daily net assets for the preceding quarter of no less than \$250,000 (an "Eligible Firm"). This section is only applicable to firms which have executed the SUPPLEMENT TO THE SELLING DEALER AGREEMENT specifically applicable to fee-based arrangements.

Retirement Multi-Fund Family Program

An initial and subsequent service fee will be paid to broker/dealers selling outside funds in the John Hancock Funds, Inc. Retirement Multi-Fund Family Program, according to the schedule outlined below.

Funds offered in the program and the service fees payable are subject to change at the discretion of John Hancock Funds, Inc.

Initial Fee Payable Immediately*

- o State Street Global Advisors
 - S&P 500 Index Fund (SSGA) .00%
- o All Other Funds .50%

Subsequent Fee Payable After One Year

- o State Street Global Advisors
 - S&P 500 Index Fund (SSGA) .00%
- o All Other Funds .15%

* No initial fee is paid upon an exchange between any outside funds and the Distributor.

Amended and Restated Master Transfer Agency and Service Agreement made as of the 1st day of June, 1998 by and between each investment company advised by John Hancock Advisers, Inc., having its principal office and place of business at 101 Huntington Avenue, Boston, Massachusetts, 02199, and John Hancock Signature Services, Inc., a Delaware corporation having its principal office and place of business at 101 Huntington Avenue, Boston, Massachusetts 02199 ("JHSS").

WITNESSETH:

WHEREAS, each investment company desires to appoint JHSS as its transfer agent, dividend disbursing agent and agent in connection with certain other activities; and

WHEREAS, JHSS desires to accept such appointment;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

Article 1 Definitions

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

(a) "Fund" shall mean the investment company which has adopted this agreement and is listed on Appendix A hereto. If the Fund is a Massachusetts business trust or Maryland corporation, it may in the future establish and designate other separate and distinct series of shares, each of which may be called a "series" or a "portfolio"; in such case, the term "Fund" shall also refer to each such separate series or portfolio.

(b) "Board" shall mean the board of directors/trustees/managing general partners/director general partners of the Fund, as the case may be.

Article 2 Terms of Appointment; Duties of JHSS

2.01 Subject to the terms and conditions set forth in this Agreement, the Fund hereby employs and appoints JHSS to act, and JHSS agrees to act, as transfer agent and dividend dispersing agent with respect to the authorized and issued shares of beneficial interest ("Shares") of the Fund subject to this Agreement and to provide to the shareholders of the Fund ("Shareholders") such services in connection therewith as may be set out in the prospectus of the Fund from time to time.

2.02 JHSS agrees that it will perform the following services:

(a) In accordance with procedures established from time to time by agreement between the Fund and JHSS, JHSS shall:

(i) Receive for acceptance, orders for the purchase of Shares, and promptly deliver payment and appropriate documentation therefor to the Fund's Custodian authorized pursuant to the

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Fund's Declaration of Trust or Articles of Incorporation (the "Custodian");

(ii) Pursuant to purchase orders, issue the appropriate number of Shares and hold such Shares in the appropriate Shareholder account;

(iii) Receive for acceptance, redemption requests and redemption directions and deliver the appropriate documentation therefor to the Custodian;

(iv) At the appropriate time as and when it receives monies paid to it by the Custodian with respect to any redemption,

pay over or cause to be paid over in the appropriate manner such monies as instructed by the redeeming Shareholders;

(v) Effect transfers of Shares by the registered owners thereof upon receipt of appropriate instructions;

(vi) Prepare and transmit payments for dividends and distributions declared by the Fund, processing the reinvestment of distributions on the Fund at the net asset value per share for the Fund next computed after the payment (in accordance with the Fund's then-current prospectus);

(vii) Maintain records of account for and advise the Fund and its Shareholders as to the foregoing; and

(viii) Record the issuance of Shares of the Fund and maintain pursuant to Rule 17Ad-10(e) of the rules and regulations of the Securities Exchange Act of 1934 a record of the total number of Shares of the Fund which are authorized, based upon data provided to it by the Fund, and issued and outstanding. JHSS shall also provide the Fund, on a regular basis, with the total number of Shares which are authorized and issued and outstanding and shall have no obligation, when recording the issuance of Shares, to monitor the issuance of these Shares or to take cognizance of any laws relating to the issue or sale of these Shares, which functions shall be the sole responsibility of the Fund.

(b) In calculating the number of Shares to be issued on purchase or reinvestment, or redeemed or repurchased, or the amount of the purchase payment or redemption or repurchase payments owed, JHSS shall use the net asset value per share (as described in the Fund's then-current prospectus) computed by it or such other person as may be designated by the Fund's Board. All issuances, redemptions or repurchases of the Fund's shares shall be effected at net asset values per share next computed after receipt of the orders therefore and said orders shall become irrevocable at the time as of which said value is next computed.

(c) In addition to and not in lieu of the services set forth in the above paragraph (a), JHSS shall: (i) perform all of the customary services of a transfer agent and dividend disbursing agent including but not limited to: maintaining all Shareholder accounts, preparing Shareholder meeting lists, mailing proxies, receiving and tabulating proxies, mailing Shareholder reports and prospectuses to current Shareholders, withholding taxes on U.S. resident and non-resident alien accounts, preparing and filing appropriate forms required with respect to dividends and distributions by federal authorities for all Shareholders, preparing and mailing confirmation forms and statements of account to Shareholders for all purchases and redemptions of Shares and other confirmable transactions in Shareholder accounts, preparing and mailing activity statements for Shareholders, and providing

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Shareholder account information and (ii) provide a system which will enable the Fund to monitor the total number of the Fund's Shares sold in each State.

(d) In addition, the Fund shall (i) identify to JHSS in writing those transactions and assets to be treated as exempt from the blue sky reporting for each State and (ii) verify the establishment of transactions for each State on the system prior to activation and thereafter monitor the daily activity for each State. The responsibility of JHSS for the Fund's blue sky State registration status is solely limited to the initial establishment of transactions subject to blue sky compliance by the Fund and the reporting of these transactions to the Fund as provided above.

(e) Additionally, JHSS shall:

(i) Utilize a system to identify all share transactions which involve purchase and redemption orders that are processed at a time other than the time of the computation of net asset value per share next computed after receipt of such orders, and shall compute the net effect upon the Fund of the transactions so identified on a daily and cumulative basis.

(ii) If upon any day the cumulative net effect of such transactions upon the Fund is negative and exceeds a dollar

amount equivalent to 1/2 of 1 cent per share, JHSS shall promptly make a payment to the Fund in cash or through the use of a credit in the manner described in paragraph (iv) below, in such amount as may be necessary to reduce the negative cumulative net effect to less than 1/2 of 1 cent per share.

(iii) If on the last business day of any month the cumulative net effect upon the Fund of such transactions (adjusted by the amount of all prior payments and credits by JHSS and the Fund) is negative, the Fund shall be entitled to a reduction in the fee next payable under the Agreement by an equivalent amount, except as provided in paragraph (iv) below. If on the last business day in any month the cumulative net effect upon the Fund of such transactions (adjusted by the amount of all prior payments and credits by JHSS and the Fund) is positive, JHSS shall be entitled to recover certain past payments and reductions in fees, and to a credit against all future payments and fee reductions that may be required under the Agreement as herein described in paragraph (iv) below.

(iv) At the end of each month, any positive cumulative net effect upon a Fund of such transactions shall be deemed to be a credit to JHSS which shall first be applied to permit JHSS to recover any prior cash payments and fee reductions made by it to the Fund under paragraphs (ii) and (iii) above during the calendar year, by increasing the amount of the monthly fee under the Agreement next payable in an amount equal to prior payments and fee reductions made by JHSS during such calendar year, but not exceeding the sum of that month's credit and credits arising in prior months during such calendar year to the extent such prior credits have not previously been utilized as contemplated by this paragraph. Any portion of a credit to JHSS not so used by it shall remain as a credit to be used as payment against the amount of any future negative cumulative net effects that would otherwise require a cash payment or fee reduction to be made to the Fund pursuant to paragraphs (ii) or (iii) above (regardless of whether or not the credit or any portion thereof arose in the same calendar year as that in which the negative cumulative net effects or any portion thereof arose).

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(v) JHSS shall supply to the Fund from time to time, as mutually agreed upon, reports summarizing the transactions identified pursuant to paragraph (i) above, and the daily and cumulative net effects of such transactions, and shall advise the Fund at the end of each month of the net cumulative effect at such time. JHSS shall promptly advise the Fund if at any time the cumulative net effects exceeds a dollar amount equivalent to 1/2 of 1 cent per share.

(vi) In the event that this Agreement is terminated for whatever cause, or this provision 2.02 (d) is terminated pursuant to paragraph (vii) below, the Fund shall promptly pay to JHSS an amount in cash equal to the amount by which the cumulative net effect upon the Fund is positive or, if the cumulative net effect upon the Fund is negative, JHSS shall promptly pay to the Fund an amount in cash equal to the amount of such cumulative net effect.

(vii) This provision 2.02 (e) of the Agreement may be terminated by JHSS at any time without cause, effective as of the close of business on the date written notice (which may be by telex) is received by the Fund.

Procedures applicable to certain of these services may be established from time to time by agreement between the Fund and JHSS.

Article 3 Fees and Expenses

3.01 For performance by JHSS pursuant to this Agreement, the Fund agrees to pay JHSS a fee as set out in Appendix A attached hereto. Such fees and out-of-pocket expenses and advances identified under Section 3.02 below may be changed from time to time subject to mutual written agreement between the Fund and JHSS.

3.02 In addition to the fee paid under Section 3.01 above, the Fund agrees to reimburse JHSS for out-of-pocket expenses or advances incurred by JHSS for the

items set out in the fee schedule attached hereto. In addition, any other expenses incurred by JHSS at the request or with the consent of the Fund, will be reimbursed by the Fund.

3.03 The Fund agrees to pay all fees and reimbursable expenses promptly following the mailing of the respective billing notice. Postage for mailing of proxies to all shareholder accounts shall be advanced to JHSS by the Funds at least seven (7) days prior to the mailing date of such materials.

Article 4 Representations and Warranties of JHSS

JHSS represents and warrants to the Fund that:

4.01 It is a corporation duly organized and existing and in good standing under the laws of the State of Delaware, and is duly qualified and in good standing as a foreign corporation under the Laws of The Commonwealth of Massachusetts.

4.02 It has corporate power and authority to enter into and perform its obligations under this Agreement.

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4.03 All requisite corporate proceedings have been taken to authorize it to enter into and perform this Agreement.

4.04 It has and will continue to have access to the necessary facilities, equipment and personnel to perform its duties and obligations under this Agreement.

Article 5 Representations and Warranties of the Fund

The Fund represents and warrants to JHSS that:

5.01 It is a business trust duly organized and existing and in good standing under the laws of The Commonwealth of Massachusetts or, in the case of John Hancock Cash Reserve, Inc., a Maryland corporation duly organized and existing and in good standing under the laws of the State of Maryland.

5.02 It has power and authority to enter into and perform this Agreement.

5.03 All proceedings required by the Fund's Declaration of Trust or Articles of Incorporation and By-Laws have been taken to authorize it to enter into and perform this Agreement.

5.04 It is an open-end investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act").

5.05 A registration statement under the Securities Act of 1933, as amended, with respect to the shares of the Fund subject to this Agreement has become effective, and appropriate state securities law filings have been made and will continue to be made.

Article 6 Indemnification

6.01 JHSS shall not be responsible for, and the Fund shall indemnify and hold JHSS harmless from and against, any and all losses, damages, costs, charges, counsel fees, payments, expenses and liabilities arising out of or attributable to:

(a) All actions of JHSS or its agents or subcontractors required to be taken pursuant to this Agreement, provided that such actions are taken in good faith and without negligence or willful misfeasance.

(b) The Fund's refusal or failure to comply with the terms of this Agreement, or which arise out of the Fund's bad faith, gross negligence or willful misfeasance or which arise out of the reckless disregard of any representation or warranty of the Fund hereunder.

(c) The reliance on or use by JHSS or its agents or subcontractors of information, records and documents which (i) are received by JHSS or its agents or subcontractors and furnished to it by or on behalf of the Fund, and (ii) have been prepared and/or maintained by the Fund or any other person or firm on behalf of the Fund.

(d) The reliance on, or the carrying out by JHSS or its agents or

(e) The offer or sale of Shares in violation of any requirement under the federal securities laws or regulations or the securities laws or regulations of any state that Fund Shares be registered in that state or in violation of any stop order or other determination or ruling by any federal agency or any state with respect to the offer or sale of Shares in that state.

(f) It is understood and agreed that the assets of the Fund may be used to satisfy the indemnity under this Article 6 only to the extent that the loss, damage, cost, charge, counsel fee, payment, expense and liability arises out of or is attributable to services hereunder with respect to the Shares of such Fund.

6.02 JHSS shall indemnify and hold harmless the Fund from and against any and all losses, damages, costs, charges, counsel fees, payments, expenses and liabilities arising out of or attributed to any action or failure or omission to act by JHSS as a result of JHSS's lack of good faith, negligence or willful misfeasance.

6.03 At any time JHSS may apply to any officer of the Fund for instructions, and may consult with legal counsel with respect to any matter arising in connection with the services to be performed by JHSS under this Agreement, and JHSS and its agents or subcontractors shall not be liable and shall be indemnified by the Fund for any action taken or omitted by it in reliance upon such instructions or upon the opinion of such counsel. JHSS, its agents and subcontractors shall be protected and indemnified in acting upon any paper or document furnished by or on behalf of the Fund, reasonably believed to be genuine and to have been signed by the proper person or persons, or upon any instruction, information, data, records or documents provided JHSS or its agents or subcontractors by machine readable input, telex, CRT data entry or other similar means authorized by the Fund, and shall not be held to have notice of any change of authority of any person, until receipt of written notice thereof from the Fund. JHSS, its agents and subcontractors shall also be protected and indemnified in recognizing share certificates which are reasonably believed to bear the proper manual or facsimile signatures of the officer of the Fund, and the proper countersignature of any former transfer agent or registrar, or of a co-transfer agent or co-registrar.

6.04 In the event either party is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes, equipment or transmission failure or damage reasonably beyond its control, or other causes reasonably beyond its control, such party shall not be liable for damages to the other for any damages resulting from such failure to perform or otherwise from such causes.

6.05 Neither party to this Agreement shall be liable to the other party for consequential damages under any provision of this Agreement or for any act or failure to act hereunder.

6.06 In order that the indemnification provisions contained in this Article 6 shall apply, upon the assertion of a claim for which either party may be required to indemnify the other, the party seeking indemnification shall promptly notify the other party of such assertion, and shall keep the other party advised with respect to all developments concerning such claim. The party who may be required to indemnify shall have the option to participate with the party seeking indemnification in the defense of such claim. The party seeking indemnification shall in no case confess any claim or make any compromise in any case in which the other party may be required to indemnify it except with the other party's prior written consent.

Article 7 Covenants of the Fund and JHSS

7.01 The Fund shall promptly furnish to JHSS the following:

(a) A certified copy of the resolution(s) of the Trustees of the Trust or the Directors of the Corporation authorizing the appointment of JHSS and the execution and delivery of this Agreement.

(b) A copy of the Fund's Declaration of Trust or Articles of Incorporation and By-Laws and all amendments thereto.

7.02 JHSS hereby agrees to establish and maintain facilities and procedures reasonably acceptable to the Fund for safekeeping of share certificates and facsimile signature imprinting devices, if any; and for the preparation or use, and for keeping account of, such certificates and devices.

7.03 JHSS shall keep records relating to the services to be performed hereunder, in the form and manner as it may deem advisable. To the extent required by Section 31 of the Investment Company Act of 1940 and the rules and regulations of the Securities and Exchange Commission thereunder, JHSS agrees that all such records prepared or maintained by JHSS relating to the services to be performed by JHSS hereunder are the property of the Fund and will be preserved, maintained and made available in accordance with such Act and rules, and will be surrendered to the Fund promptly on and in accordance with the Fund's request.

7.04 JHSS and the Fund agree that all books, records, information and data pertaining to the business of the other party which are exchanged or received pursuant to the negotiation or the carrying out of this Agreement shall remain confidential, and shall not be voluntarily disclosed to any other person without the consent of the other party to this Agreement, except as may be required by law.

7.05 JHSS agrees that, from time to time or at any time requested by the Fund, JHSS will make reports to the Fund, as requested, of JHSS's performance of the foregoing services.

7.06 JHSS will cooperate generally with the Fund to provide information necessary for the preparation of registration statements and periodic reports to be filed with the Securities and Exchange Commission, including registration statements on Form N-1A, semi-annual reports on Form N-SAR, periodic statements, shareholder communications and proxy materials furnished to holders of shares of the Fund, filings with state "blue sky" authorities and with United States and foreign agencies responsible for tax matters, and other reports and filings of like nature.

7.07 In case of any requests or demands for the inspection of the Shareholder records of the Fund, JHSS will endeavor to notify the Fund and to secure instructions from an authorized officer of the Fund as to such inspection. JHSS reserves the right, however, to exhibit the Shareholder records to any person whenever it is advised by its counsel that it may be held liable for the failure to exhibit the Shareholder records to such person.

7

Article 8 No Partnership or Joint Venture

8.01 The Fund and JHSS are not currently partners of or joint venturers with each other and nothing in this Agreement shall be construed so as to make them partners or joint venturers or impose any liability as such on them.

Article 9 Termination of Agreement

9.01 This Agreement may be terminated by either party upon one hundred twenty (120) days' written notice to the other party.

9.02 Should the Fund exercise its right to terminate, all out-of-pocket expenses associated with the movement of records and material will be borne by the Fund. Additionally, JHSS reserves the right to charge for any other reasonable expenses associated with such termination.

Article 10 Assignment

10.01 Except as provided in Section 10.03 below, neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the written consent of the other party.

10.02 This Agreement shall inure to the benefit of and be binding upon the parties and their respective permitted successors and assigns.

10.03 JHSS may, without further consent on the part of the Fund, subcontract for the performance hereof with (i) Boston Financial Data Services, Inc., a

Massachusetts corporation ("BE") which is duly registered as a transfer agent pursuant to Section 17A(c)(1) of the Securities Exchange Act of 1934 ("Section 17A(c)(1)") or any other entity registered as a transfer agent under Section 17A(c)(1) JHSS deems appropriate in order to comply with the terms and conditions of this Agreement; provided, however, that JHSS shall be as fully responsible to the Fund for the acts and omissions of any subcontractor as it is for its own acts and omissions.

Article 11 Amendment

11.01 This Agreement may be amended or modified by a written agreement executed by both parties and authorized or approved by a resolution of the Trustees of the Trust or Directors of the Corporation.

Article 12 Massachusetts Law to Apply

12.01 This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the internal substantive laws of The Commonwealth of Massachusetts.

Article 13 Merger of Agreement

13.01 This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement with respect to the subject hereof whether oral or written.

8

Article 14 Limitation on Liability

14.01 If the Fund is a Massachusetts business trust, JHSS expressly acknowledges the provision in the Fund's Declaration of Trust limiting the personal liability of the trustees and shareholders of the Fund; and JHSS agrees that it shall have recourse only to the assets of the Fund for the payment of claims or obligations as between JHSS and the Fund arising out of this Agreement, and JHSS shall not seek satisfaction of any such claim or obligation from the trustees or shareholders of the Fund. In any case, each Fund, and each series or portfolio of each Fund, shall be liable only for its own obligations to JHSS under this Agreement and shall not be jointly or severally liable for the obligations of any other Fund, series or portfolio hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names and on their behalf under their seals by and through their duly authorized officers, as of the day and year first above written.

JOHN HANCOCK FUNDS Listed on Appendix A

By: /s/Anne C. Hodsdon

Anne C. Hodsdon
President

JOHN HANCOCK SIGNATURE SERVICES, INC.

By: /s/Charles J. McKenney, Jr.

Charles J. McKenney, Jr.
Vice President

9

EXHIBIT A

TRANSFER AGENT FEE SCHEDULE, EFFECTIVE JUNE 1, 1998

Effective June 1, 1998, the transfer agent fees payable monthly under the transfer agent agreement between each fund and John Hancock Signature

Services, Inc. shall be the following rates plus certain out-of-pocket expenses as described to the Board:

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Annual Rate Per Account

	Class A Shares	Class B Shares	Class C Shares*
	-----	-----	-----
<S>	<C>	<C>	<C>
	\$19.00	\$21.50	\$20.50

Equity Fund

John Hancock Capital Series
 -JH Independence Equity Fund*
 -JH Special Value Fund*
 John Hancock Special Equities Fund
 John Hancock World Fund
 -JH Pacific Basin Fund
 -JH Global Rx Fund
 -JH European Equity Fund
 John Hancock Investment Trust
 -JH Growth and Income Fund*
 -JH Sovereign Balanced Fund
 -JH Sovereign Investors Fund*
 John Hancock Investment Trust II
 -JH Financial Industries Fund
 -JH Regional Bank Fund
 John Hancock Investment Trust III
 -John Hancock Global Fund
 -John Hancock Growth Fund*
 -John Hancock International Fund*
 -John Hancock Special Opportunities Fund*
 John Hancock Series Trust
 -JH Emerging Growth Fund*
 -JH Global Technology Fund
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10

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Annual Rate Per Account

	Class A Shares	Class B Shares	Class C Shares*
	-----	-----	-----
<S>	<C>	<C>	<C>
Money Market Funds	\$20.00	\$22.50	\$21.50

John Hancock Current Interest
 -JH Money Market Fund*
 -JH US Government Cash Reserve
 (Class A Shares only)
 John Hancock Cash Reserve, Inc.
 (Class A Shares only)

Annual Rate Per Account

	Class A Shares	Class B Shares
	-----	-----
<S>	<C>	<C>
Tax Free Funds	\$20.00	\$22.50

John Hancock Tax-Exempt Series Fund
 -JH Massachusetts Tax-Free Income Funds
 -JH New York Tax-Free Income Fund
 John Hancock California Tax-Free Income Fund
 John Hancock Tax-Free Bond Trust
 -JH High Yield Tax-Free Fund
 -JH Tax Free Bond Fund

Annual Rate Per Account

	Class A Shares	Class B Shares	Class C Shares*
<S>	<C>	<C>	<C>
Income Funds	\$20.00	\$22.50	\$21.50

 John Hancock Sovereign Bond Fund
 John Hancock Strategic Series
 -JH Strategic Income Fund*
 -JH Sovereign US Government Income Fund
 John Hancock Investment Trust III
 -JH Short-Term Strategic Income Fund
 -JH World Bond Fund John Hancock Bond Trust
 -JH Government Income Fund
 -JH HighYield Bond Fund*
 -JH Intermediate Maturity Government Fund
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The following funds are at a % of daily net assets of the Fund.
 Out-of-pocket expenses are paid by John Hancock Signature Services, Inc.

% of Daily Net Assets of the Class

Class Y Shares 0.10%

John Hancock Special Equities Fund
 John Hancock Sovereign Investors Fund

% of Daily Net Assets of the Fund

John Hancock Institutional Series Trust 0.05%
 -JH Active Bond Fund
 -JH Dividend Performers Fund
 -JH Small Capitalization Value Fund
 -JH Global Bond Fund
 -JH Independence Balanced Fund
 -JH Independence Diversified Core Equity Fund II
 -JH Independence Growth Fund
 -JH Independence Medium Capitalization Fund
 -JH Independence Value Fund
 -JH International Equity Fund
 -JH Multi-Sector Growth Fund
 -JH Small Capitalization Growth Fund

These fees are agreed to by the undersigned as of June 1, 1998.

/s/Anne C. Hodsdon

 Anne C. Hodsdon
 President of Each Fund

/s/Charles McKenney, Jr.

 Charles McKenney, Jr.
 Vice President of John Hancock
 Signature Services, Inc.

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the references to our firm under the captions "Financial Highlights" for the John Hancock Government Income Fund, John Hancock High Yield Bond Fund and John Hancock Intermediate Government Fund (formerly, John Hancock Intermediate Maturity Government Fund (the three funds comprising the John Hancock Bond Trust) in the John Hancock Income Funds Prospectus and "Independent Auditors" in the John Hancock Government Income Fund Class A, Class B and Class C Shares Statement of Additional Information, the John Hancock High Yield Bond Fund Class A, Class B and Class C Shares Statement of Additional Information and the John Hancock Intermediate Government Fund Class A, Class B and Class C Shares Statement of Additional Information and to the incorporation by reference in Post-Effective Amendment Number 44 to Registration Statement (Form N-1A, No. 2-66906) of our reports dated July 10, 1998 on the financial statements and financial highlights of John Hancock Government Income Fund, John Hancock High Yield Bond Fund and John Hancock Intermediate Maturity Government Fund.

/s/ERNST & YOUNG LLP

ERNST & YOUNG LLP

Boston, Massachusetts
March 24, 1999

JOHN HANCOCK BOND TRUST
JOHN HANCOCK HIGH YIELD BOND FUND

Distribution Plan

Class C Shares

May 1, 1998

Article I. This Plan

This Distribution Plan (the "Plan") sets forth the terms and conditions on which John Hancock Bond Trust (the "Trust") on behalf of John Hancock High Yield Bond Fund (the "Fund"), a series portfolio of the Trust, on behalf of its Class C shares, will, after the effective date hereof, pay certain amounts to John Hancock Funds, Inc. ("JH Funds") in connection with the provision by JH Funds of certain services to the Fund and its Class C shareholders, as set forth herein. Certain of such payments by the Fund may, under Rule 12b-1 of the Securities and Exchange Commission, as from time to time amended (the "Rule"), under the Investment Company Act of 1940, as amended (the "Act"), be deemed to constitute the financing of distribution by the Fund of its shares. This Plan describes all material aspects of such financing as contemplated by the Rule and shall be administered and interpreted, and implemented and continued, in a manner consistent with the Rule. The Fund and JH Funds heretofore entered into a Distribution Agreement, dated December 22, 1994 (the "Agreement"), the terms of which, as heretofore and from time to time continued, are incorporated herein by reference.

Article II. Distribution and Service Expenses

The Fund shall pay to JH Funds a fee in the amount specified in Article III hereof. Such fee may be spent by JH Funds on any activities or expenses primarily intended to result in the sale of Class C shares of the Fund, including, but not limited to the payment of Distribution Expenses (as defined below) and Service Expenses (as defined below). Distribution Expenses include but are not limited to, (a) initial and ongoing sales compensation out of such fee as it is received by JH Funds or other broker-dealers ("Selling Brokers") that have entered into an agreement with JH Funds for the sale of Class C shares of the Fund, (b) direct out-of-pocket expenses incurred in connection with the distribution of Class C shares of the Fund, including expenses related to printing of prospectuses and reports to other than existing Class C shareholders of the Fund, and preparation, printing and distribution of sales literature and advertising materials, (c) an allocation of overhead and other branch office expenses of JH Funds related to the distribution of Class C shares of the Fund, (d) interest expenses on unreimbursed distribution expenses related to Class C shares, as described in Article IV and (e) distribution expenses incurred in

connection with the distribution of a corresponding class of any open-end, registered investment company which sells all or substantially all its assets to the Fund or which merges or otherwise combines with the Fund.

Service Expenses include payments made to, or on account of account executives of selected broker-dealers (including affiliates of JH Funds) and others who furnish personal and shareholder account maintenance services to Class C shareholders of the Fund.

Article III. Maximum Expenditures

The expenditures to be made by the Fund pursuant to this Plan, and the basis upon which such expenditures will be made, shall be determined by the Fund, and in no event shall such expenditures exceed 1.00% of the average daily net asset value of the Class C shares of the Fund (determined in accordance with the Fund's prospectus as from time to time in effect) on an annual basis to cover Distribution Expenses and Service Expenses, provided that the portion of such fee used to cover Service Expenses, shall not exceed an annual rate of up to 0.25% of the average daily net asset value of the Class C shares of the Fund. Such expenditures shall be calculated and accrued daily and paid monthly or at such other intervals as the Trustees shall determine.

Article IV. Unreimbursed Distribution Expenses

In the event that JH Funds is not fully reimbursed for payments made or expenses incurred by it as contemplated hereunder, in any fiscal year, JH Funds shall be entitled to carry forward such expenses to subsequent fiscal years for submission to the Class C shares of the Fund for payment, subject always to the annual maximum expenditures set forth in Article III hereof; provided, however, that nothing herein shall prohibit or limit the Trustees from terminating this Plan and all payments hereunder at any time pursuant to Article IX hereof.

Article V. Expenses Borne by the Fund

Notwithstanding any other provision of this Plan, the Trust, the Fund and its investment adviser, John Hancock Advisers, Inc. (the "Adviser"), shall bear the respective expenses to be borne by them under the Investment Management Contract between them, dated August 30, 1996 as from time to time continued and amended (the "Management Contract"), and under the Fund's current prospectus as it is from time to time in effect. Except as otherwise contemplated by this Plan, the Trust and the Fund shall not, directly or indirectly, engage in financing any activity which is primarily intended to or should reasonably result in the sale of shares of the Fund.

Article VI. Approval by Trustees, etc.

This Plan shall not take effect until it has been approved, together with any related agreements, by votes, cast in person at a meeting called for the purpose of voting on this Plan or such agreements, of a majority (or whatever greater percentage may, from time to time, be required by Section 12(b) of the Act or the rules and regulations thereunder) of (a) all of the Trustees of the Fund and (b) those Trustees of the Fund who are not "interested persons" of the Fund, as such term may be from time to time defined under the Act, and have no direct or indirect financial interest in the operation of this Plan or any agreements related to it (the "Independent Trustees").

Article VII. Continuance

This Plan and any related agreements shall continue in effect for so long as such continuance is specifically approved at least annually in advance in the manner provided for the approval of this Plan in Article VI.

Article VIII. Information

JH Funds shall furnish the Fund and its Trustees quarterly, or at such other intervals as the Fund shall specify, a written report of amounts expended or incurred for Distribution Expenses and Services Expenses pursuant to this Plan and the purposes for which such expenditures were made and such other information as the Trustees may request.

Article IX. Termination

This Plan may be terminated (a) at any time by vote of a majority of the Trustees, a majority of the Independent Trustees, or a majority of the Fund's outstanding voting Class C shares, or (b) by JH Funds on 60 days' notice in writing to the Fund.

Article X. Agreements

Each Agreement with any person relating to implementation of this Plan shall be in writing, and each agreement related to this Plan shall provide:

- (a) That, with respect to the Fund, such agreement may be terminated at any time, without payment of any penalty, by vote of a majority of the Independent Trustees or by vote of a majority of the Fund's then outstanding Class C shares.
- (b) That such agreement shall terminate automatically in the event of its assignment.

Article XI. Amendments

This Plan may not be amended to increase the maximum amount of the fees payable by the Fund hereunder without the approval of a majority of the outstanding voting Class C shares of the Fund. No material amendment to the Plan shall, in any event, be effective unless it is approved in the same manner as is provided for approval of this Plan in Article VII.

Article XII. Limitation of Liability

The names "John Hancock Bond Trust" and "John Hancock High Yield Bond Fund" are the designations of the Trustees under the Amended and Restated Declaration of Trust, dated July 1, 1996, as amended and restated from time to time. The Amended and Restated Declaration of Trust has been filed with the Secretary of State of the Commonwealth of Massachusetts. The obligations of the Trust and the Fund are not personally binding upon, nor shall resort be had to the private property of, any of the Trustees, shareholders, officers, employees or agents of the Fund, but only the Fund's property shall be bound. No series of the Trust shall be responsible for the obligations of any other series of the Trust.

IN WITNESS WHEREOF, the Fund has executed this amended and restated Distribution Plan effective as of the 1st day of May, 1998 in Boston, Massachusetts.

JOHN HANCOCK BOND TRUST --
JOHN HANCOCK HIGH YIELD BOND FUND

By: /s/ Anne C. Hodsdon

President

JOHN HANCOCK FUNDS, INC.

By: /s/ Edward J. Boudreau, Jr.

Chairman, President & CEO

s:\funds\bond\hybond\12b1plnc.doc

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<NUMBER-OF-SHARES-REDEEMED>	7,009,760
<SHARES-REINVESTED>	587,649
<NET-CHANGE-IN-ASSETS>	40,223,214
<ACCUMULATED-NII-PRIOR>	0

<ACCUMULATED-GAINS-PRIOR>	(19,511,299)
<OVERDISTRIB-NII-PRIOR>	(95,659)
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	1,510,575
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	3,097,779
<AVERAGE-NET-ASSETS>	342,783,497
<PER-SHARE-NAV-BEGIN>	9.25
<PER-SHARE-NII>	0.29
<PER-SHARE-GAIN-APPREC>	0.21
<PER-SHARE-DIVIDEND>	(0.29)
<PER-SHARE-DISTRIBUTIONS>	0
<RETURNS-OF-CAPITAL>	0
<PER-SHARE-NAV-END>	9.46
<EXPENSE-RATIO>	1.10
<AVG-DEBT-OUTSTANDING>	0
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<ARTICLE> 6

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<NUMBER> 092

<NAME> JOHN HANCOCK GOVERNMENT INCOME FUND - CLASS B

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	MAY-31-1998
<PERIOD-START>	JUN-01-1998
<PERIOD-END>	NOV-30-1998
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<OTHER-ITEMS-ASSETS>	0
<TOTAL-ASSETS>	557,555,814
<PAYABLE-FOR-SECURITIES>	59,235,949
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	694,567
<TOTAL-LIABILITIES>	59,930,516
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	496,965,421
<SHARES-COMMON-STOCK>	15,701,326
<SHARES-COMMON-PRIOR>	12,742,073
<ACCUMULATED-NII-CURRENT>	0
<OVERDISTRIBUTION-NII>	(96,525)
<ACCUMULATED-NET-GAINS>	(14,078,553)
<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	14,834,955
<NET-ASSETS>	497,625,298
<DIVIDEND-INCOME>	0
<INTEREST-INCOME>	17,405,467
<OTHER-INCOME>	0
<EXPENSES-NET>	3,097,779
<NET-INVESTMENT-INCOME>	14,307,688
<REALIZED-GAINS-CURRENT>	5,432,746
<APPREC-INCREASE-CURRENT>	4,818,353
<NET-CHANGE-FROM-OPS>	24,558,787
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<DISTRIBUTIONS-OTHER>	0
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<SHARES-REINVESTED>	195,588
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<ACCUMULATED-NII-PRIOR>	0

<ACCUMULATED-GAINS-PRIOR>	(19,511,299)
<OVERDISTRIB-NII-PRIOR>	(95,659)
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<GROSS-ADVISORY-FEES>	1,510,575
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<GROSS-EXPENSE>	3,097,779
<AVERAGE-NET-ASSETS>	131,305,187
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<PER-SHARE-GAIN-APPREC>	0.21
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<RETURNS-OF-CAPITAL>	0
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<SERIES>

<NUMBER> 101

<NAME> JOHN HANCOCK HIGH YIELD BOND FUND - CLASS A

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	MAY-31-1998
<PERIOD-START>	NOV-01-1997
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<INVESTMENTS-AT-COST>	1,043,459,657
<INVESTMENTS-AT-VALUE>	1,059,141,441
<RECEIVABLES>	34,798,148
<ASSETS-OTHER>	9,234
<OTHER-ITEMS-ASSETS>	372,474
<TOTAL-ASSETS>	1,094,321,297
<PAYABLE-FOR-SECURITIES>	17,548,248
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	2,131,069
<TOTAL-LIABILITIES>	19,679,317
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	1,039,456,407
<SHARES-COMMON-STOCK>	33,080,281
<SHARES-COMMON-PRIOR>	12,436,729
<ACCUMULATED-NII-CURRENT>	628,343
<OVERDISTRIBUTION-NII>	0
<ACCUMULATED-NET-GAINS>	19,033,474
<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	15,523,756
<NET-ASSETS>	1,074,641,980
<DIVIDEND-INCOME>	5,835,191
<INTEREST-INCOME>	73,598,087
<OTHER-INCOME>	0
<EXPENSES-NET>	11,868,394
<NET-INVESTMENT-INCOME>	67,564,884
<REALIZED-GAINS-CURRENT>	38,263,835
<APPREC-INCREASE-CURRENT>	(604,038)
<NET-CHANGE-FROM-OPS>	105,224,681
<EQUALIZATION>	0
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<DISTRIBUTIONS-OF-GAINS>	2,604,121
<DISTRIBUTIONS-OTHER>	0
<NUMBER-OF-SHARES-SOLD>	31,229,630
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<SHARES-REINVESTED>	1,211,071
<NET-CHANGE-IN-ASSETS>	597,693,091
<ACCUMULATED-NII-PRIOR>	415,886

<ACCUMULATED-GAINS-PRIOR>	(4,858,582)
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	3,997,329
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	11,868,394
<AVERAGE-NET-ASSETS>	181,452,621
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<SERIES>

<NUMBER> 102

<NAME> JOHN HANCOCK HIGH YIELD BOND FUND - CLASS B

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	MAY-31-1998
<PERIOD-START>	NOV-01-1997
<PERIOD-END>	MAY-31-1998
<INVESTMENTS-AT-COST>	1,043,459,657
<INVESTMENTS-AT-VALUE>	1,059,141,441
<RECEIVABLES>	34,798,148
<ASSETS-OTHER>	9,234
<OTHER-ITEMS-ASSETS>	372,474
<TOTAL-ASSETS>	1,094,321,297
<PAYABLE-FOR-SECURITIES>	17,548,248
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	2,131,069
<TOTAL-LIABILITIES>	19,679,317
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	1,039,456,407
<SHARES-COMMON-STOCK>	96,618,698
<SHARES-COMMON-PRIOR>	48,136,933
<ACCUMULATED-NII-CURRENT>	628,343
<OVERDISTRIBUTION-NII>	0
<ACCUMULATED-NET-GAINS>	19,033,474
<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	15,523,756
<NET-ASSETS>	1,074,641,980
<DIVIDEND-INCOME>	5,835,191
<INTEREST-INCOME>	73,598,087
<OTHER-INCOME>	0
<EXPENSES-NET>	11,868,394
<NET-INVESTMENT-INCOME>	67,564,884
<REALIZED-GAINS-CURRENT>	38,263,835
<APPREC-INCREASE-CURRENT>	(604,038)
<NET-CHANGE-FROM-OPS>	105,224,681
<EQUALIZATION>	0
<DISTRIBUTIONS-OF-INCOME>	50,686,687
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<NUMBER-OF-SHARES-REDEEMED>	15,737,486
<SHARES-REINVESTED>	2,683,654
<NET-CHANGE-IN-ASSETS>	597,693,091
<ACCUMULATED-NII-PRIOR>	415,886

<ACCUMULATED-GAINS-PRIOR>	(4,858,582)
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	3,997,329
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	11,868,394
<AVERAGE-NET-ASSETS>	587,564,632
<PER-SHARE-NAV-BEGIN>	7.87
<PER-SHARE-NII>	0.71
<PER-SHARE-GAIN-APPREC>	0.51
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<PER-SHARE-DISTRIBUTIONS>	(0.12)
<RETURNS-OF-CAPITAL>	0
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<AVG-DEBT-PER-SHARE>	0

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<SERIES>

<NUMBER> 101

<NAME> JOHN HANCOCK HIGH YIELD BOND FUND - CLASS A

<S>	<C>
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<FISCAL-YEAR-END>	MAY-31-1998
<PERIOD-START>	JUN-01-1998
<PERIOD-END>	NOV-30-1998
<INVESTMENTS-AT-COST>	1,216,476,633
<INVESTMENTS-AT-VALUE>	1,028,693,475
<RECEIVABLES>	35,273,255
<ASSETS-OTHER>	52,475
<OTHER-ITEMS-ASSETS>	243,193
<TOTAL-ASSETS>	1,064,262,398
<PAYABLE-FOR-SECURITIES>	9,342,394
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	1,483,504
<TOTAL-LIABILITIES>	10,825,898
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	1,249,622,098
<SHARES-COMMON-STOCK>	40,658,351
<SHARES-COMMON-PRIOR>	33,080,281
<ACCUMULATED-NII-CURRENT>	530,525
<OVERDISTRIBUTION-NII>	0
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<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	(187,653,519)
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<DIVIDEND-INCOME>	4,175,300
<INTEREST-INCOME>	55,581,335
<OTHER-INCOME>	0
<EXPENSES-NET>	7,693,752
<NET-INVESTMENT-INCOME>	52,062,883
<REALIZED-GAINS-CURRENT>	(28,096,078)
<APPREC-INCREASE-CURRENT>	(203,177,275)
<NET-CHANGE-FROM-OPS>	(179,210,470)
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<DISTRIBUTIONS-OF-GAINS>	0
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<NUMBER-OF-SHARES-REDEEMED>	11,153,044
<SHARES-REINVESTED>	899,874
<NET-CHANGE-IN-ASSETS>	21,205,480
<ACCUMULATED-NII-PRIOR>	628,343

<ACCUMULATED-GAINS-PRIOR>	19,033,474
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	2,604,438
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	7,693,883
<AVERAGE-NET-ASSETS>	249,828,928
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<SERIES>

<NUMBER> 102

<NAME> JOHN HANCOCK HIGH YIELD BOND FUND - CLASS B

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	MAY-31-1998
<PERIOD-START>	JUN-01-1998
<PERIOD-END>	NOV-30-1998
<INVESTMENTS-AT-COST>	1,216,476,633
<INVESTMENTS-AT-VALUE>	1,028,693,475
<RECEIVABLES>	35,273,255
<ASSETS-OTHER>	52,475
<OTHER-ITEMS-ASSETS>	243,193
<TOTAL-ASSETS>	1,064,262,398
<PAYABLE-FOR-SECURITIES>	9,342,394
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	1,483,504
<TOTAL-LIABILITIES>	10,825,898
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	1,249,622,098
<SHARES-COMMON-STOCK>	116,762,107
<SHARES-COMMON-PRIOR>	96,618,698
<ACCUMULATED-NII-CURRENT>	530,525
<OVERDISTRIBUTION-NII>	0
<ACCUMULATED-NET-GAINS>	(9,062,604)
<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	(187,653,519)
<NET-ASSETS>	1,053,436,500
<DIVIDEND-INCOME>	4,175,300
<INTEREST-INCOME>	55,581,335
<OTHER-INCOME>	0
<EXPENSES-NET>	7,693,752
<NET-INVESTMENT-INCOME>	52,062,883
<REALIZED-GAINS-CURRENT>	(28,096,078)
<APPREC-INCREASE-CURRENT>	(203,177,275)
<NET-CHANGE-FROM-OPS>	(179,210,470)
<EQUALIZATION>	0
<DISTRIBUTIONS-OF-INCOME>	38,059,127
<DISTRIBUTIONS-OF-GAINS>	0
<DISTRIBUTIONS-OTHER>	0
<NUMBER-OF-SHARES-SOLD>	34,908,271
<NUMBER-OF-SHARES-REDEEMED>	16,575,722
<SHARES-REINVESTED>	1,810,860
<NET-CHANGE-IN-ASSETS>	21,205,480
<ACCUMULATED-NII-PRIOR>	628,343

<ACCUMULATED-GAINS-PRIOR>	19,033,474
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	2,604,438
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	7,693,883
<AVERAGE-NET-ASSETS>	751,706,891
<PER-SHARE-NAV-BEGIN>	8.26
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<RETURNS-OF-CAPITAL>	0
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<SERIES>

<NUMBER> 103

<NAME> JOHN HANCOCK HIGH YIELD BOND FUND - CLASS C

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	MAY-31-1998
<PERIOD-START>	JUN-01-1998
<PERIOD-END>	NOV-30-1998
<INVESTMENTS-AT-COST>	1,216,476,633
<INVESTMENTS-AT-VALUE>	1,028,693,475
<RECEIVABLES>	35,273,255
<ASSETS-OTHER>	52,475
<OTHER-ITEMS-ASSETS>	243,193
<TOTAL-ASSETS>	1,064,262,398
<PAYABLE-FOR-SECURITIES>	9,342,394
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	1,483,504
<TOTAL-LIABILITIES>	10,825,898
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	1,249,622,098
<SHARES-COMMON-STOCK>	2,894,781
<SHARES-COMMON-PRIOR>	386,768
<ACCUMULATED-NII-CURRENT>	530,525
<OVERDISTRIBUTION-NII>	0
<ACCUMULATED-NET-GAINS>	(9,062,604)
<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	(187,653,519)
<NET-ASSETS>	1,053,436,500
<DIVIDEND-INCOME>	4,175,300
<INTEREST-INCOME>	55,581,335
<OTHER-INCOME>	0
<EXPENSES-NET>	7,693,752
<NET-INVESTMENT-INCOME>	52,062,883
<REALIZED-GAINS-CURRENT>	(28,096,078)
<APPREC-INCREASE-CURRENT>	(203,177,275)
<NET-CHANGE-FROM-OPS>	(179,210,470)
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<NUMBER-OF-SHARES-SOLD>	2,820,795
<NUMBER-OF-SHARES-REDEEMED>	345,968
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<ACCUMULATED-NII-PRIOR>	628,343

<ACCUMULATED-GAINS-PRIOR>	19,033,474
<OVERDISTRIB-NII-PRIOR>	0
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<GROSS-ADVISORY-FEES>	2,604,438
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	7,693,883
<AVERAGE-NET-ASSETS>	9,263,599
<PER-SHARE-NAV-BEGIN>	8.26
<PER-SHARE-NII>	0.36
<PER-SHARE-GAIN-APPREC>	(1.69)
<PER-SHARE-DIVIDEND>	(0.36)
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<EXPENSE-RATIO>	1.70
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<ARTICLE> 6

<SERIES>

<NUMBER> 051

<NAME> JOHN HANCOCK INTERMEDIATE MATURITY GOVERNMENT FUND - CLASS A

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	MAY-31-1998
<PERIOD-START>	NOV-01-1997
<PERIOD-END>	MAY-31-1998
<INVESTMENTS-AT-COST>	180,139,630
<INVESTMENTS-AT-VALUE>	181,113,447
<RECEIVABLES>	1,839,497
<ASSETS-OTHER>	25,692
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<TOTAL-ASSETS>	182,978,636
<PAYABLE-FOR-SECURITIES>	0
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	507,483
<TOTAL-LIABILITIES>	507,483
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	198,654,009
<SHARES-COMMON-STOCK>	16,813,847
<SHARES-COMMON-PRIOR>	2,405,279
<ACCUMULATED-NII-CURRENT>	14,620
<OVERDISTRIBUTION-NII>	0
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<OVERDISTRIBUTION-GAINS>	0
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<INTEREST-INCOME>	7,733,924
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<NET-INVESTMENT-INCOME>	6,527,017
<REALIZED-GAINS-CURRENT>	1,939,903
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<DISTRIBUTIONS-OF-GAINS>	0
<DISTRIBUTIONS-OTHER>	0
<NUMBER-OF-SHARES-SOLD>	19,270,176
<NUMBER-OF-SHARES-REDEEMED>	5,318,845
<SHARES-REINVESTED>	457,237
<NET-CHANGE-IN-ASSETS>	153,265,270
<ACCUMULATED-NII-PRIOR>	8,468

<ACCUMULATED-GAINS-PRIOR>	(773,899)
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<GROSS-EXPENSE>	1,283,942
<AVERAGE-NET-ASSETS>	91,470,204
<PER-SHARE-NAV-BEGIN>	9.46
<PER-SHARE-NII>	0.62
<PER-SHARE-GAIN-APPREC>	0.26
<PER-SHARE-DIVIDEND>	(0.62)
<PER-SHARE-DISTRIBUTIONS>	0
<RETURNS-OF-CAPITAL>	0
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<EXPENSE-RATIO>	1.09
<AVG-DEBT-OUTSTANDING>	0
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<SERIES>

<NUMBER> 052

<NAME> JOHN HANCOCK INTERMEDIATE MATURITY GOVERNMENT FUND - CLASS B

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	MAY-31-1998
<PERIOD-START>	NOV-01-1997
<PERIOD-END>	MAY-31-1998
<INVESTMENTS-AT-COST>	180,139,630
<INVESTMENTS-AT-VALUE>	181,113,447
<RECEIVABLES>	1,839,497
<ASSETS-OTHER>	25,692
<OTHER-ITEMS-ASSETS>	0
<TOTAL-ASSETS>	182,978,636
<PAYABLE-FOR-SECURITIES>	0
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	507,483
<TOTAL-LIABILITIES>	507,483
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	198,654,009
<SHARES-COMMON-STOCK>	1,967,219
<SHARES-COMMON-PRIOR>	681,925
<ACCUMULATED-NII-CURRENT>	14,620
<OVERDISTRIBUTION-NII>	0
<ACCUMULATED-NET-GAINS>	(17,173,457)
<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	975,981
<NET-ASSETS>	182,471,153
<DIVIDEND-INCOME>	0
<INTEREST-INCOME>	7,733,924
<OTHER-INCOME>	0
<EXPENSES-NET>	1,206,907
<NET-INVESTMENT-INCOME>	6,527,017
<REALIZED-GAINS-CURRENT>	1,939,903
<APPREC-INCREASE-CURRENT>	(317,027)
<NET-CHANGE-FROM-OPS>	8,149,893
<EQUALIZATION>	0
<DISTRIBUTIONS-OF-INCOME>	647,299
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<NUMBER-OF-SHARES-SOLD>	3,198,138
<NUMBER-OF-SHARES-REDEEMED>	1,950,374
<SHARES-REINVESTED>	37,530
<NET-CHANGE-IN-ASSETS>	153,265,270
<ACCUMULATED-NII-PRIOR>	8,468

<ACCUMULATED-GAINS-PRIOR>	(773,899)
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<GROSS-ADVISORY-FEES>	412,737
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<GROSS-EXPENSE>	1,283,942
<AVERAGE-NET-ASSETS>	11,432,023
<PER-SHARE-NAV-BEGIN>	9.46
<PER-SHARE-NII>	0.55
<PER-SHARE-GAIN-APPREC>	0.26
<PER-SHARE-DIVIDEND>	(0.55)
<PER-SHARE-DISTRIBUTIONS>	0
<RETURNS-OF-CAPITAL>	0
<PER-SHARE-NAV-END>	9.72
<EXPENSE-RATIO>	1.84
<AVG-DEBT-OUTSTANDING>	0
<AVG-DEBT-PER-SHARE>	0

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<SERIES>

<NUMBER> 051

<NAME> JOHN HANCOCK INTERMEDIATE MATURITY GOVERNMENT FUND - CLASS A

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	MAY-31-1998
<PERIOD-START>	JUN-01-1998
<PERIOD-END>	NOV-30-1998
<INVESTMENTS-AT-COST>	228,824,117
<INVESTMENTS-AT-VALUE>	230,704,661
<RECEIVABLES>	2,340,465
<ASSETS-OTHER>	25,610
<OTHER-ITEMS-ASSETS>	0
<TOTAL-ASSETS>	233,070,736
<PAYABLE-FOR-SECURITIES>	11,438,177
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	274,220
<TOTAL-LIABILITIES>	11,712,397
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	233,187,880
<SHARES-COMMON-STOCK>	17,269,081
<SHARES-COMMON-PRIOR>	16,813,847
<ACCUMULATED-NII-CURRENT>	9,071
<OVERDISTRIBUTION-NII>	0
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<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	2,000,413
<NET-ASSETS>	221,358,339
<DIVIDEND-INCOME>	0
<INTEREST-INCOME>	7,055,755
<OTHER-INCOME>	0
<EXPENSES-NET>	1,204,245
<NET-INVESTMENT-INCOME>	5,851,510
<REALIZED-GAINS-CURRENT>	3,334,432
<APPREC-INCREASE-CURRENT>	1,024,432
<NET-CHANGE-FROM-OPS>	10,210,374
<EQUALIZATION>	0
<DISTRIBUTIONS-OF-INCOME>	5,015,662
<DISTRIBUTIONS-OF-GAINS>	0
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<NUMBER-OF-SHARES-REDEEMED>	3,146,385
<SHARES-REINVESTED>	0
<NET-CHANGE-IN-ASSETS>	38,887,186
<ACCUMULATED-NII-PRIOR>	14,620

<ACCUMULATED-GAINS-PRIOR>	(17,173,457)
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	398,554
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	1,204,245
<AVERAGE-NET-ASSETS>	166,752,201
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<PER-SHARE-GAIN-APPREC>	0.23
<PER-SHARE-DIVIDEND>	(0.30)
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<RETURNS-OF-CAPITAL>	0
<PER-SHARE-NAV-END>	9.95
<EXPENSE-RATIO>	1.09
<AVG-DEBT-OUTSTANDING>	0
<AVG-DEBT-PER-SHARE>	0

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<SERIES>

<NUMBER> 052

<NAME> JOHN HANCOCK INTERMEDIATE MATURITY GOVERNMENT FUND - CLASS B

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	MAY-31-1998
<PERIOD-START>	JUN-01-1998
<PERIOD-END>	NOV-30-1998
<INVESTMENTS-AT-COST>	228,824,117
<INVESTMENTS-AT-VALUE>	230,704,661
<RECEIVABLES>	2,340,465
<ASSETS-OTHER>	25,610
<OTHER-ITEMS-ASSETS>	0
<TOTAL-ASSETS>	233,070,736
<PAYABLE-FOR-SECURITIES>	11,438,177
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	274,220
<TOTAL-LIABILITIES>	11,712,397
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	233,187,880
<SHARES-COMMON-STOCK>	4,973,183
<SHARES-COMMON-PRIOR>	1,967,219
<ACCUMULATED-NII-CURRENT>	9,071
<OVERDISTRIBUTION-NII>	0
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<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	2,000,413
<NET-ASSETS>	221,358,339
<DIVIDEND-INCOME>	0
<INTEREST-INCOME>	7,055,755
<OTHER-INCOME>	0
<EXPENSES-NET>	1,204,245
<NET-INVESTMENT-INCOME>	5,851,510
<REALIZED-GAINS-CURRENT>	3,334,432
<APPREC-INCREASE-CURRENT>	1,024,432
<NET-CHANGE-FROM-OPS>	10,210,374
<EQUALIZATION>	0
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<DISTRIBUTIONS-OF-GAINS>	0
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<NUMBER-OF-SHARES-SOLD>	4,730,611
<NUMBER-OF-SHARES-REDEEMED>	1,762,417
<SHARES-REINVESTED>	0
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<ACCUMULATED-NII-PRIOR>	14,620

<ACCUMULATED-GAINS-PRIOR>	(17,173,457)
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0
<GROSS-ADVISORY-FEES>	398,554
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	1,204,245
<AVERAGE-NET-ASSETS>	31,980,049
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<RETURNS-OF-CAPITAL>	0
<PER-SHARE-NAV-END>	9.95
<EXPENSE-RATIO>	1.84
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<AVG-DEBT-PER-SHARE>	0

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