FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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FILER

HANCOCK JOHN CAPITAL SERIES

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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. 47	(X)
REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940	(X)
Amendment No. 26	(X)

JOHN HANCOCK CAPITAL SERIES
(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)

It is proposed that this filing will become effective:
( ) immediately upon filing pursuant to paragraph (b) of Rule 485
(X) on August 30, 1996 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

Pursuant to Rule 24f-2 under the Investment Company Act of 1940, Registrant has registered an indefinite number of securities under the Securities Act of 1933. The Registrant filed the notice required by Rule 24f-2 for the most recent fiscal year of John Hancock Special Value Fund on or about February 26, 1996. The Registrant has filed the notice required by Rule 24f-2 for the most recent fiscal year of John Hancock Independence Equity Fund and John Hancock Utilities Fund on or about July 26, 1996.

JOHN HANCOCK

GROWTH AND
INCOME FUNDS

[John Hancock's Graphic Logo. A Circle Dianond, Triangle and a Cube]

PROSPECTUS
AUGUST 30, 1996

GROWTH AND INCOME FUND

INDEPENDENCE EQUITY FUND

SOVEREIGN BALANCED FUND

SOVEREIGN INVESTORS FUND

SPECIAL VALUE FUND

UTILITIES FUND

This prospectus gives vital information about these funds. For your own benefit and protection, please read it before you invest, and keep it on hand for future reference.

Please note that these funds:
* are not bank deposits
* are not federally insured
* are not endorsed by any bank or government agency
* are not guaranteed to achieve their goal(s)

Like all mutual fund shares, these securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission, nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

[LOGO]JOHN HANCOCK FUNDS
A GLOBAL INVESTMENT MANAGEMENT FIRM

101 Huntington Avenue, Boston, Massachusetts 02199-7603

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FOR MORE INFORMATION BACK COVER

OVERVIEW

GOAL OF THE GROWTH AND INCOME FUNDS
John Hancock growth and income funds invest for varying combinations of income and capital appreciation. Each fund has its own emphasis with regard to income, growth and total return, and has its own strategy and risk/reward profile. Because you could lose money by investing in these funds, be sure to read all risk disclosure carefully before investing.

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

[GOAL GRAPHIC]GOAL AND STRATEGY The fund's particular investment goals and the strategies it intends to use in pursuing those goals.

[PORTFOLIO GRAPHIC]PORTFOLIO SECURITIES The primary types of securities in which the fund invests. Secondary investments are

WHO MAY WANT TO INVEST
These funds may be appropriate for investors who:
* are looking for a more conservative alternative to exclusively growth-oriented funds
* need an investment to form the core of a portfolio
* seek above-average total return over the long term
* are retired or nearing retirement

Growth and income funds may NOT be appropriate if you:
* are investing for maximum return over a long time horizon
* require a high degree of stability of your principal

THE MANAGEMENT FIRM

All John Hancock growth and income funds are managed by John Hancock Advisers, Inc. Founded in described in "More about risk" at the end of the prospectus.

[RISK GRAPHIC]RISK FACTORS The major risk factors associated with the fund.

[TORSO GRAPHIC]PORTFOLIO MANAGEMENT The individual or group (including subadvisers, if any) designated by the investment adviser to handle the fund's day-to-day management.

[% GRAPHIC]EXPENSES The overall costs borne by an investor in the fund, including sales charges and annual expenses.

[$ GRAPHIC]FINANCIAL HIGHLIGHTS A table showing the fund's financial performance for up to ten years, by share class. A bar chart showing total return allows you to compare the fund's historical risk level to those of other funds.

1968, John Hancock Advisers is a wholly owned subsidiary of John Hancock Mutual Life Insurance Company and manages more than $19 billion in assets.

GROWTH AND INCOME FUND

REGISTRANT NAME: JOHN HANCOCK INVESTMENT TRUST   TICKER SYMBOL CLASS A: TAGRX
CLASS B: TSGWX

GOAL AND STRATEGY
[GOAL GRAPHIC]The fund seeks the highest total return (capital appreciation plus current income) that is consistent with reasonable safety of capital. To pursue this goal, the fund invests in a diversified portfolio of stocks, bonds and money market instruments. Although the fund may concentrate in any of these securities, under normal circumstances it invests primarily in stocks. The fund may not invest more than 25% of assets in any one industry.

PORTFOLIO SECURITIES
[PORTFOLIO GRAPHIC]The fund may invest in most types of securities, including:

* common and preferred stocks, warrants and convertible securities
* U.S. Government and agency debt securities, including mortgage-backed securities
* corporate bonds, notes and other debt securities of any maturity

The fund favors stocks that have paid dividends in the past 12 months and show potential for a dividend increase. The fund invests no more than 5% of assets in junk bonds (bonds rated lower than BBB/Baa and their unrated equivalents), but does not invest in bonds rated lower than B.

The fund may invest up to 25% of assets in foreign securities (35% during adverse U.S. market conditions); however, foreign securities typically have not exceeded 5% of assets. To a limited extent the fund also may invest in certain higher-risk securities, and may engage in other investment practices.

For temporary defensive purposes, the fund may invest some or all of its assets in investment-grade short-term securities.

RISK FACTORS
[RISK GRAPHIC]As with any growth and income fund, the value of your investment will fluctuate in response to stock and bond market movements.

To the extent that it invests in certain securities, the fund may be affected by additional risks:

* foreign securities: currency, information, natural event and political risks

* mortgage-backed securities: extension and prepayment risks

These risks are defined in "More about risk" starting on page 26. This section also details other higher-risk securities and practices that the fund may utilize. Before you invest, please read "More about risk" carefully.

PORTFOLIO MANAGEMENT

[TORSO GRAPHIC]Timothy E. Keefe, leader of the fund's portfolio management team since joining John Hancock Funds in July 1996, is a senior vice president of the adviser and has been in the investment business since 1987.

INVESTOR EXPENSES

<TABLE>

[% GRAPHIC]Fund investors pay various expenses, either directly or indirectly. The figures below show the expenses for the past year, adjusted to reflect any changes. Future expenses may be greater or less.

<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	CLASS A	CLASS B
<S>	<C>	<C>
Maximum sales charge imposed on purchases (as a percentage of offering price)	5.00%	none
Maximum sales charge imposed on reinvested dividends	none	none
Maximum deferred sales charge	none(1)	5.00%
Redemption fee(2)	none	none
Exchange fee	none	none

<CAPTION>

ANNUAL FUND OPERATING EXPENSES (AS A % OF AVERAGE NET ASSETS)		
<S>	<C>	<C>
Management fee	0.625%	0.625%
12b-1 fee(3)	0.250%	1.00%
Other expenses	0.445%	0.445%
Total fund operating expenses	1.320%	2.070%

EXAMPLE The table below shows what you would pay if you invested $1,000 over the various time frames indicated. The example assumes you reinvested all dividends and that the average annual return was 5%.

<CAPTION>

SHARE CLASS	YEAR 1	YEAR 3	YEAR 5	YEAR 10
<S>	<C>	<C>	<C>	<C>
Class A shares	$63	$90	$119	$201
Class B shares				
Assuming redemption at end of period	$71	$95	$131	$221
Assuming no redemption	$21	$65	$111	$221

This example is for comparison purposes only and is not a representation of the fund's actual expenses and returns, either past or future.

(1) Except for investments of $1 million or more; see "How sales charges are calculated."
(2) Does not include wire redemption fee (currently $4.00).
(3) Because of the 12b-1 fee, long-term shareholders may indirectly pay more than the equivalent of the maximum permitted front-end sales charge.

</TABLE>

FINANCIAL HIGHLIGHTS

<TABLE>

[$ GRAPHIC]The figures below have been audited by the fund's independent auditors, Ernst & Young LLP.

VOLATILITY, AS INDICATED BY CLASS A YEAR-BY-YEAR TOTAL INVESTMENT RETURN (%) [BAR GRAPH]								
	19.90	22.58	(9.86)	23.47	0.18	23.80	10.47	13.64

<CAPTION>

CLASS A - YEAR ENDED AUGUST 31,	1986	1987	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE								
Net asset value, beginning of period	$ 10.42	$ 11.11	$ 12.04	$ 8.83	$ 10.19	$ 9.87	$ 11.77	$ 12.43
Net investment income (loss)	0.35	0.42	0.50	0.55	0.20	0.20	0.32(2)	0.40(2)

Net realized and unrealized gain (loss) on investments	1.48	1.77	(1.73)	1.42	(0.18)	2.07	0.89	1.12
Total from investment operations	1.83	2.19	(1.23)	1.97	0.02	2.27	1.21	1.52
Less distributions:								
Dividends from net investment income	(0.36)	(0.38)	(0.49)	(0.61)	(0.27)	(0.19)	(0.25)	(0.42)
Distributions from net realized gain on investments sold	(0.78)	(0.88)	(1.49)	--	(0.07)	(0.18)	(0.30)	(1.45)
Total distributions	(1.14)	(1.26)	(1.98)	(0.61)	(0.34)	(0.37)	(0.55)	(1.87)
Net asset value, end of period	$ 11.11	$ 12.04	$ 8.83	$ 10.19	$ 9.87	$ 11.77	$ 12.43	$ 12.08
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	19.90	22.58	(9.86)	23.47	0.18	23.80	10.47	13.64
RATIOS AND SUPPLEMENTAL DATA								
Net assets, end of period (000s omitted)($)	69,516	90,974	69,555	70,513	63,150	77,461	89,682	115,780
Ratio of expenses to average net assets (%)	1.12	1.21	1.29	1.12	1.29	1.38	1.34	1.29
Ratio of net investment income (loss) to average net assets (%)	3.53	3.86	5.45	6.07	1.96	1.90	2.75	3.43
Portfolio turnover rate (%)	150	138	120	214	69	70	119	107
Average brokerage commission rate(6) ($)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

VOLATILITY, AS INDICATED BY CLASS A [BAR GRAPH]
YEAR-BY-YEAR TOTAL INVESTMENT RETURN (%) (2.39) 19.22 12.58(4)

<CAPTION>

CLASS A - YEAR ENDED AUGUST 31,	1994	1995	1996(1)
<S>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE			
Net asset value, beginning of period	$ 12.08	$ 11.42	$ 13.38
Net investment income (loss)	0.32(2)	0.21(2)	0.11
Net realized and unrealized gain (loss) on investments	(0.61)	1.95	1.56
Total from investment operations	(0.29)	2.16	1.67
Less distributions:			
Dividends from net investment income	(0.37)	(0.20)	(0.11)
Distributions from net realized gain on investments sold	--	--	(0.15)
Total distributions	(0.37)	(0.20)	(0.26)
Net asset value, end of period	$ 11.42	$ 13.38	$ 14.79
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	(2.39)	19.22	12.58(4)
RATIOS AND SUPPLEMENTAL DATA			
Net assets, end of period (000s omitted)($)	121,160	130,183	135,820
Ratio of expenses to average net assets (%)	1.31	1.30	1.16(5)
Ratio of net investment income (loss) to average net assets (%)	2.82	1.82	1.60(5)
Portfolio turnover rate (%)	195	99	36
Average brokerage commission rate(6) ($)	N/A	N/A	0.0658

<CAPTION>

CLASS B - YEAR ENDED AUGUST 31,	1991(7)	1992	1993	1994	1995	1996(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE						
Net asset value, beginning of period	$11.52	$ 11.77	$ 12.44	$ 12.10	$ 11.44	$ 13.41
Net investment income (loss)	--	0.23(2)	0.30(2)	0.24(2)	0.13(2)	0.07
Net realized and unrealized gain (loss) on investments	0.25	0.89	1.12	(0.61)	1.96	1.56
Total from investment operations	0.25	1.12	1.42	(0.37)	2.09	1.63
Less distributions:						
Dividends from net investment income	--	(0.15)	(0.31)	(0.29)	(0.12)	(0.07)
Distributions from net realized gain on investments sold	--	(0.30)	(1.45)	--	--	(0.15)
Total distributions	--	(0.45)	(1.76)	(0.29)	(0.12)	(0.22)
Net asset value, end of period	$11.77	$ 12.44	$ 12.10	$ 11.44	$ 13.41	$ 14.82
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	2.17(4)	9.67	12.64	(3.11)	18.41	12.18(4)
RATIOS AND SUPPLEMENTAL DATA						
Net assets, end of period (000s omitted) ($)	7,690	29,826	65,010	114,025	114,723	125,071
Ratio of expenses to average net assets (%)	2.19(5)	2.07	2.19	2.06	2.03	1.87(5)
Ratio of net investment income (loss) to average net assets (%)	1.46(5)	2.02	2.53	2.07	1.09	0.89(5)
Portfolio turnover rate (%)	70	119	107	195	99	36
Average brokerage commission rate(6) ($)	N/A	N/A	N/A	N/A	N/A	0.0658

(1) Six months ended February 29, 1996. (Unaudited.)
(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) Per portfolio share traded. Required for fiscal years that began September 1, 1995 or later.

(7) Class B shares commenced operations on August 22, 1991.
</TABLE>

INDEPENDENCE EQUITY FUND

REGISTRANT NAME: JOHN HANCOCK CAPITAL SERIES

TICKER SYMBOL CLASS A: JHDCX
CLASS B: JHIDX

GOAL AND STRATEGY

[LOGO]The fund seeks above-average total return (capital appreciation plus current income). To pursue this goal, the fund invests primarily in a diversified stock portfolio whose risk profile is similar to that of the S&P 500 index. The fund does not invest exclusively in S&P 500 stocks.

In choosing stocks, the fund uses a proprietary computer model (NIXDEX) to identify stocks that appear to be undervalued. The fund favors those undervalued stocks that are selected by its model and that are believed to have improving fundamentals. The fund may not invest more than 25% of assets in any one industry.

PORTFOLIO SECURITIES

[LOGO]Under normal circumstances, the fund invests at least 65% of assets in common stocks. It may also invest in warrants, preferred stocks and investment-grade convertible debt securities.

The fund may invest in foreign securities in the form of American Depository Receipts (ADRs) and U.S. dollar-denominated securities of foreign issuers traded on U.S. exchanges. To a limited extent the fund also may invest in certain higher-risk securities, and may engage in other investment practices.

For temporary defensive purposes, the fund may invest some or all of its assets in investment-grade short-term securities.

RISK FACTORS

[LOGO]As with any growth and income fund, the value of your investment will fluctuate in response to stock and bond market movements. Because the fund follows an index-tracking strategy, it is likely to remain fully invested even if the fund's managers anticipate a market downturn.

To the extent that it invests in foreign securities, the fund may be affected by additional risks, such as information, natural event and political risks. These risks are defined in "More about risk" starting on page 26. This section also details other higher-risk securities and practices that the fund may utilize. Please read "More about risk" carefully before you invest.

MANAGEMENT/SUBADVISER

[LOGO]The fund's investment decisions are made by a portfolio management team, and no individual is primarily responsible for making them. Team members are employees of Independence Investment Associates, Inc., the fund's subadviser and a subsidiary of John Hancock Mutual Life Insurance Company.

INVESTOR EXPENSES

[LOGO]Fund investors pay various expenses, either directly or indirectly. The figures below show the expenses for the past year, adjusted to reflect any changes. Future expenses may be greater or less.

<TABLE>
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	CLASS A	CLASS B
<S>	<C>	<C>
Maximum sales charge imposed on purchases (as a percentage of offering price)	5.00%	none
Maximum sales charge imposed on reinvested dividends	none	none
Maximum deferred sales charge	none(1)	5.00%
Redemption fee(2)	none	none
Exchange fee	none	none

ANNUAL FUND OPERATING EXPENSES (AS A % OF AVERAGE NET ASSETS)		
Management fee (after expense limitation)(3)	0.00%	0.00%

12b-1 fee(4)	0.30%	1.00%
Other expenses	1.00%	1.00%
Total fund operating expenses (after limitation)(3)	1.30%	2.00%

EXAMPLE The table below shows what you would pay if you invested $1,000 over the various time frames indicated. The example assumes you reinvested all dividends and that the average annual return was 5%.

<CAPTION>

SHARE CLASS	YEAR 1	YEAR 3	YEAR 5	YEAR 10
Class A shares	$63	$89	$118	$199
Class B shares				
Assuming redemption at end of period	$70	$93	$128	$215
Assuming no redemption	$20	$63	$108	$215

This example is for comparison purposes only and is not a representation of the fund's actual expenses and returns, either past or future.

(1) Except for investments of $1 million or more; see "How sales charges are calculated."
(2) Does not include wire redemption fee (currently $4.00).
(3) Reflects the adviser's temporary agreement to limit expenses. Without this limitation, management fee would be 0.75% for each class and total fund operating expenses would be 2.05% for Class A and 2.75% for Class B. Management fee includes a subadviser fee equal to 55% of the management fee.
(4) Because of the 12b-1 fee, long-term shareholders may indirectly pay more than the equivalent of the maximum permitted front-end sales charge.

</TABLE>

FINANCIAL HIGHLIGHTS

<TABLE>
[LOGO]The figures below have been audited by the fund's independent auditors, Price Waterhouse LLP.

<CAPTION>
VOLATILITY, AS INDICATED BY CLASS A
YEAR-BY-YEAR TOTAL INVESTMENT RETURN (%) [BAR CHART 10.95(4) 13.58 6.60 16.98 29.12]

CLASS A - YEAR ENDED MAY 31,	1992(1)	1993	1994	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of period	$10.00	$ 10.98	$ 12.16	$ 12.68	$14.41
Net investment income (loss)	0.15	0.22	0.28(2)	0.32(2)	0.20(2)
Net realized and unrealized gain (loss) on investments	0.94	1.25	0.52	1.77	3.88
Total from investment operations	1.09	1.47	0.80	2.09	4.08
Less distributions:					
Dividends from net investment income	(0.11)	(0.23)	(0.23)	(0.28)	(0.22)
Distributions from net realized gain on investments sold	--	(0.06)	(0.05)	(0.08)	(0.29)
Total distributions	(0.11)	(0.29)	(0.28)	(0.36)	(0.51)
Net asset value, end of period	$10.98	$ 12.16	$ 12.68	$ 14.41	$17.98
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	10.95(4)	13.58	6.60	16.98	29.12
Total adjusted investment return at net asset value(3,5) (%)	9.23(4)	11.40	6.15	16.94	28.47
RATIOS AND SUPPLEMENTAL DATA					
Net assets, end of period (000s omitted) ($)	2,622	12,488	66,612	101,418	14,878
Ratio of expenses to average net assets (%)	1.66(6)	0.76	0.70	0.70	0.94
Ratio of adjusted expenses to average net assets(7) (%)	3.38(6)	2.94	1.15	0.74	1.59
Ratio of net investment income (loss) to average net assets (%)	1.77(6)	2.36	2.20	2.43	1.55

Ratio of adjusted net investment income (loss) to average net assets(7) (%)	0.05(6)	0.18	1.75	2.39	0.90
Portfolio turnover rate (%)	53	53	43	71	157
Fee reduction per share ($)	0.15	0.20	0.06(2)	0.005(2)	0.08(2)
Average brokerage commission rate(8) ($)	N/A	N/A	N/A	N/A	N/A

CLASS B - YEAR ENDED MAY 31,	1996(1)
PER SHARE OPERATING PERFORMANCE	
Net asset value, beginning of period	$15.25
Net investment income (loss)	0.09 (2)
Net realized and unrealized gain (loss) on investments	2.71
Total from investment operations	2.80
Less distributions:	
Dividends from net investment income	(0.09)
Net asset value, end of period	$17.96
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	18.46 (4)
Total adjusted investment return at net asset value(3,5) (%)	17.59 (4)
RATIOS AND SUPPLEMENTAL DATA	
Net assets, end of period (000s omitted) ($)	15,125
Ratio of expenses to average net assets (%)	2.00 (6)
Ratio of adjusted expenses to average net assets(7) (%)	3.21 (6)
Ratio of net investment income (loss) to average net assets (%)	0.78 (6)
Ratio of adjusted net investment income (loss) to average net assets(7) (%)	(0.43)(6)
Portfolio turnover rate (%)	157
Fee reduction per share ($)	0.13 (2)
Average brokerage commission rate(8) ($)	N/A

----

(1) Class A and Class B shares commenced operations on June 10, 1991 and September 7, 1995, respectively.
(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) An estimated total return calculation that does not take into consideration fee reductions by the adviser during the periods shown.
(6) Annualized.
(7) Unreimbursed, without fee reduction.
(8) Per portfolio share traded. Required for fiscal years that began September 1, 1995 or later.

</TABLE>

SOVEREIGN BALANCED FUND

REGISTRANT NAME: JOHN HANCOCK SOVEREIGN INVESTORS FUND, INC.
TICKER SYMBOL CLASS A: SVBAX CLASS B: SVBBX

GOAL AND STRATEGY

[LOGO]The fund seeks current income, long-term growth of capital and income, and preservation of capital. To pursue these goals, the fund allocates its assets among a diversified mix of debt and equity securities. While the relative weightings of debt and equity securities will shift over time, at least 25% of assets will be invested in senior debt securities. The fund may not invest more than 25% of assets in any one industry.

PORTFOLIO SECURITIES

[LOGO]The fund may invest in any type or class of security, including (but not limited to) stocks, warrants, U.S. Government and agency securities, corporate debt securities, investment-grade short-term securities, foreign currencies and options and futures contracts.

The fund's stock investments are exclusively in companies that have increased their dividend payout in each of the last ten years. Up to 25% of the fund's bond investments may be rated from BB/Ba to C (junk bonds).

The fund may invest up to 35% of assets in foreign securities; however, these typically have not exceeded 5% of assets. To a limited extent the fund also may invest in certain higher-risk securities, and may engage in other investme nt practices.

For temporary defensive purposes, the fund may invest some or all of its assets in investment-grade short-term securities.

RISK FACTORS

[LOGO]As with any growth and income fund, the value of your investment will fluctuate in response to stock and bond market movements. To the extent that it invests in certain securities, the fund may be affected by additional risks:

* junk bonds: above-average credit, market and other risks
* foreign securities: currency, information, natural event and political risks
* mortgage-backed securities: extension and prepayment risks

These risks are listed and defined in "More about risk" starting on page 26. This section also details other higher-risk securities and practices that the fund may utilize. Please read "More about risk" carefully before you invest.

MANAGEMENT/SUBADVISER

[LOGO]John F. Snyder III and Barry H. Evans lead the fund's portfolio management team. Mr. Snyder, an investment manager since 1971, is an executive vice president of Sovereign Asset Management Corporation, the fund's subadviser and a subsidiary of John Hancock Funds. Mr. Evans, a senior vice president of the adviser, has been in the investment business since joining John Hancock Funds in 1986.

INVESTOR EXPENSES

<TABLE>
[LOGO]Fund investors pay various expenses, either directly or indirectly. The figures below show the expenses for the past year, adjusted to reflect any changes. Future expenses may be greater or less.

<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	CLASS A	CLASS B
<S>	<C>	<C>
Maximum sales charge imposed on purchases (as a percentage of offering price)	5.00%	none
Maximum sales charge imposed on reinvested dividends	none	none
Maximum deferred sales charge	none(1)	5.00%
Redemption fee(2)	none	none
Exchange fee	none	none
ANNUAL FUND OPERATING EXPENSES (AS A % OF AVERAGE NET ASSETS)		
Management fee(3)	0.60%	0.60%
12b-1 fee(4)	0.30%	1.00%
Other expenses	0.39%	0.39%
Total fund operating expenses	1.29%	1.99%

</TABLE>

<TABLE>
EXAMPLE The table below shows what you would pay if you invested $1,000 over the various time frames indicated. The example assumes you reinvested all dividends and that the average annual return was 5%.

<CAPTION>

SHARE CLASS	YEAR 1	YEAR 3	YEAR 5	YEAR 10
<S>	<C>	<C>	<C>	<C>
Class A shares	$62	$89	$117	$198
Class B shares				
Assuming redemption at end of period	$70	$92	$127	$214
Assuming no redemption	$20	$62	$107	$214

This example is for comparison purposes only and is not a representation of the fund's actual expenses and returns, either past or future.

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

(2) Does not include wire redemption fee (currently $4.00).

(3) Management fee includes a subadviser fee equal to 40% of the stock portion of the management fee.

(4) Because of the 12b-1 fee, long-term shareholders may indirectly pay more than the equivalent of the maximum permitted front-end sales charge.

</TABLE>

FINANCIAL HIGHLIGHTS

<TABLE>
[LOGO]The figures below have been audited by the fund's independent auditors, Ernst & Young LLP.

<CAPTION>
VOLATILITY, AS INDICATED BY CLASS A
YEAR-BY-YEAR TOTAL INVESTMENT RETURN (%) [BAR CHART 2.37(4) 11.38 (3.51) 24.23]

CLASS A - YEAR ENDED DECEMBER 31,	1992(1)	1993	1994	1995
<S>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE				
Net asset value, beginning of period	$ 10.00	$ 10.19	$ 10.74	$ 9.84
Net investment income (loss)	0.04	0.46	0.50	0.44(2)
Net realized and unrealized gain (loss) on investments	0.20	0.68	(0.88)	1.91
Total from investment operations	0.24	1.14	(0.38)	2.35
Less distributions:				
Dividends from net investment income	(0.05)	(0.45)	(0.50)	(0.44)
Distributions from net realized gain on investments sold	--	(0.14)	(0.02)	--
Total distributions	(0.05)	(0.59)	(0.52)	(0.44)
Net asset value, end of period	$ 10.19	$ 10.74	$ 9.84	$ 11.75
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	2.37(4)	11.38	(3.51)	24.23
Total adjusted investment return at net asset value(3,5) (%)	2.22(4)	--	--	--
RATIOS AND SUPPLEMENTAL DATA				
Net assets, end of period (000s omitted) ($)	5,796	62,218	61,952	69,811
Ratio of expenses to average net assets (%)	2.79(6)	1.45	1.23	1.27
Ratio of adjusted expenses to average net assets(7) (%)	2.94(6)	--	--	--
Ratio of net investment income (loss) to average net assets (%)	3.93(6)	4.44	4.89	3.99
Ratio of adjusted net investment income (loss) to average net assets(7) (%)	3.78(6)	--	--	--
Portfolio turnover rate (%)	0	85	78	45
Fee reduction per share ($)	0.0016	N/A	N/A	N/A
Average brokerage commission rate(8) ($)	N/A	N/A	N/A	N/A

CLASS B - YEAR ENDED DECEMBER 31,	1992(1)	1993	1994	1995
PER SHARE OPERATING PERFORMANCE				
Net asset value, beginning of period	$ 10.00	$ 10.20	$ 10.75	$ 9.84
Net investment income (loss)	0.03	0.37	0.43	0.36(2)
Net realized and unrealized gain (loss) on investments	0.20	0.70	(0.89)	1.90
Total from investment operations	0.23	1.07	(0.46)	2.26
Less distributions:				
Dividends from net investment income	(0.03)	(0.38)	(0.43)	(0.36)
Distributions from net realized gain on investments sold	--	(0.14)	(0.02)	--
Total distributions	(0.03)	(0.52)	(0.45)	(0.36)
Net asset value, end of period	$ 10.20	$ 10.75	$9.84	$11.74
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	2.29(4)	10.63	(4.22)	23.30
Total adjusted investment return at net asset value(3,5) (%)	2.14(4)	--	--	--
RATIOS AND SUPPLEMENTAL DATA				
Net assets, end of period (000s omitted) ($)	14,311	78,775	79,176	87,827
Ratio of expenses to average net assets (%)	3.51(6)	2.10	1.87	1.96
Ratio of adjusted expenses to average net assets(7) (%)	3.66(6)	--	--	--
Ratio of net investment income (loss) to average net assets (%)	3.21(6)	4.01	4.25	3.31
Ratio of adjusted net investment income (loss) to average net assets(7) (%)	3.06(6)	--	--	--
Portfolio turnover rate (%)	0	85	78	45

Fee reduction per share ($)	0.0012	--	--	--
Average brokerage commission rate(8) ($)	N/A	N/A	N/A	N/A

(1) Class A and Class B shares commenced operations on October 5, 1992. This period is covered by the report of other independent auditors (not included herein).
(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) An estimated total return calculation that does not take into consideration fee reductions by the adviser during the periods shown.
(6) Annualized.
(7) Unreimbursed, without fee reduction.
(8) Per portfolio share traded. Required for fiscal years that began September 1, 1995 or later.

</TABLE>

SOVEREIGN INVESTORS FUND

REGISTRANT NAME: JOHN HANCOCK SOVEREIGN INVESTORS FUND, INC.
TICKER SYMBOL CLASS A: SOVIX CLASS B:SOVBX

GOAL AND STRATEGY

[LOGO]The fund seeks long-term growth of capital and of income without assuming undue market risks. Under normal circumstances, the fund invests most of its assets in a diversified selection of stocks, although it may respond to market conditions by investing in other types of securities such as bonds or short-term securities. The fund may not invest more than 25% of assets in any one industry.

Currently, the fund utilizes a "dividend performers" strategy in selecting portfolio stocks, investing exclusively in companies that have increased their dividend payout in each of the last ten years.

PORTFOLIO SECURITIES

[LOGO]The fund may invest in most types of securities, including:

* common and preferred stocks, warrants and convertible securities

* U.S. Government and agency debt securities, including mortgage-backed securities

* corporate bonds, notes and other debt securities of any maturity

The fund's bond investments are primarily investment-grade, although up to 5% of assets may be invested in junk bonds rated as low as C and their unrated equivalents. To a limited extent the fund may invest in certain higher-risk securities, and may engage in other investment practices.

For temporary defensive purposes, the fund may invest some or all of its assets in investment-grade short-term securities.

RISK FACTORS

[LOGO]As with any growth and income fund, the value of your investment will fluctuate in response to stock and bond market movements.

To the extent that the fund invests in higher-risk securities, it takes on additional risks that could adversely affect its performance. Before you invest, please read "More about risk" starting on page 26.

MANAGEMENT/SUBADVISER

[LOGO]John F. Snyder III and Barry H. Evans lead the fund's portfolio management team. Mr. Snyder, an investment manager since 1971, is an executive vice president of Sovereign Asset Management Corporation, the fund's subadviser and a subsidiary of John Hancock Funds. Mr. Evans, a senior vice president of the adviser, has been in the investment business since joining John Hancock Funds in 1986.

INVESTOR EXPENSES

<TABLE>
Fund investors pay various expenses, either directly or indirectly. The figures below show the expenses for the past year, adjusted to reflect any changes. Future expenses may be greater or less.

<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	CLASS A	CLASS B
<S>	<C>	<C>
Maximum sales charge imposed on purchases (as a percentage of offering price)	5.00%	none
Maximum sales charge imposed on reinvested dividends	none	none
Maximum deferred sales charge	none(1)	5.00%
Redemption fee(2)	none	none
Exchange fee	none	none
ANNUAL FUND OPERATING EXPENSES (AS A % OF AVERAGE NET ASSETS)		
Management fee(3)	0.58%	0.58%
12b-1 fee(4)	0.30%	1.00%
Other expenses	0.28%	0.34%
Total fund operating expenses	1.16%	1.92%

</TABLE>

<TABLE>
EXAMPLE The table below shows what you would pay if you invested $1,000 over the various time frames indicated. The example assumes you reinvested all dividends and that the average annual return was 5%.

<CAPTION>

SHARE CLASS	YEAR 1	YEAR 3	YEAR 5	YEAR 10
<S>	<C>	<C>	<C>	<C>
Class A shares	$61	$85	$111	$184
Class B shares				
Assuming redemption at end of period	$70	$90	$124	$205
Assuming no redemption	$20	$60	$104	$205

This example is for comparison purposes only and is not a representation of the fund's actual expenses and returns, either past or future.

(1) Except for investments of $1 million or more; see "How sales charges are calculated."
(2) Does not include wire redemption fee (currently $4.00).
(3) Management fee includes a subadviser fee equal to 40% of the management fee.
(4) Because of the 12b-1 fee, long-term shareholders may indirectly pay more than the equivalent of the maximum permitted front-end sales charge.

</TABLE>

FINANCIAL HIGHLIGHTS

<TABLE>
[LOGO]The figures below have been audited by the fund's independent auditors, Ernst & Young LLP.

VOLATILITY, AS INDICATED BY CLASS A [BAR CHART
YEAR-BY-YEAR TOTAL INVESTMENT RETURN (%) 21.70 0.28 11.23 23.76 4.38 30.48 7.23 5.71 (1.85) 29.15

<CAPTION>

CLASS A - YEAR ENDED DECEMBER 31,	1986(1,2)	1987(1)	1988(1)	1989(1)	1990(1)	1991(1,3)	1992(1)	1993	1994	1995
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

PER SHARE OPERATING PERFORMANCE										
Net asset value, beginning of period	$11.31	$12.36	$10.96	$11.19	$12.60	$ 11.94	$ 14.31	$ 14.78	$ 15.10	$ 14.24
Net investment income (loss)	0.58	0.53	0.57	0.59	0.58	0.54	0.47	0.44	0.46	0.40
Net realized and unrealized gain (loss) on investments	1.89	(0.45)	0.65	2.01	(0.05)	3.03	0.54	0.39	(0.75)	3.71
Total from investment operations	2.47	0.08	1.22	2.60	0.53	3.57	1.01	0.83	(0.29)	4.11
Less distributions:										
Dividends from net investment income	(0.55)	(0.58)	(0.61)	(0.61)	(0.59)	(0.53)	(0.45)	(0.42)	(0.46)	(0.40)
Distributions from net realized gain on investments sold	(0.87)	(0.90)	(0.38)	(0.58)	(0.60)	(0.67)	(0.09)	(0.09)	(0.11)	(0.08)
Total distributions	(1.42)	(1.48)	(0.99)	(1.19)	(1.19)	(1.20)	(0.54)	(0.51)	(0.57)	(0.48)
Net asset value, end of period	$12.36	$10.96	$11.19	$12.60	$11.94	$ 14.31	$ 14.78	$ 15.10	$ 14.24	$ 17.87
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(4) (%)	21.70	0.28	11.23	23.76	4.38	30.48	7.23	5.71	(1.85)	29.15
RATIOS AND SUPPLEMENTAL DATA										
Net assets, end of period (000s omitted) ($)	34,708	40,564	45,861	66,466	83,470	194,055	872,932	1,258,575	1,090,231	1,280,321
Ratio of expenses to average net assets (%)	0.70	0.85	0.86	1.07	1.14	1.18	1.13	1.10	1.16	1.14
Ratio of net investment income (loss) to average net assets (%)	4.28	3.96	4.97	4.80	4.77	4.01	3.32	2.94	3.13	2.45
Portfolio turnover rate (%)	34	59	35	40	55	67	30	46	45	46
Average brokerage commission rate(5) ($)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<CAPTION>

CLASS B - YEAR ENDED DECEMBER 31,	1994(6)	1995
<S>	<C>	<C>
PER SHARE OPERATING PERFORMANCE		
Net asset value, beginning of period	$ 15.02	$ 14.24
Net investment income (loss)	0.38 (7)	0.27(7)
Net realized and unrealized gain (loss) on investment	(0.69)	3.71
Total from investment operations	(0.31)	3.98
Less distributions:		
Dividends from net investment income	(0.36)	(0.28)
Distributions from net realized gain on investments sold	(0.11)	(0.08)
Total distributions	(0.47)	(0.36)
Net asset value, end of period	$ 14.24	$ 17.86
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(4) (%)	(2.04)(8)	28.16
RATIOS AND SUPPLEMENTAL DATA		
Net assets, end of period (000s omitted) ($)	128,069	257,781
Ratio of expenses to average net assets (%)	1.86(9)	1.90
Ratio of net investment income (loss) to average net assets (%)	2.57(9)	1.65
Portfolio turnover rate (%)	45	46
Average brokerage commission rate(5) ($)	N/A	N/A

----

(1) These periods are covered by the report of other independent auditors (not included herein).
(2) Restated for 2-for-1 stock split effective April 29, 1987.
(3) On October 23, 1991, John Hancock Advisers, Inc. became the investment adviser of the fund.
(4) Assumes dividend reinvestment and does not reflect the effect of sales charges.
(5) Per portfolio share traded. Required for fiscal years that began September 1, 1995 or later.
(6) Class B shares commenced operations on January 3, 1994.
(7) Based on the average of the shares outstanding at the end of each month.
(8) Not annualized.
(9) Annualized.

</TABLE>

SPECIAL VALUE FUND

REGISTRANT NAME: JOHN HANCOCK CAPITAL SERIES   TICKER SYMBOL CLASS A: SPVAX
CLASS B: SPVBX

GOAL AND STRATEGY

[GOAL GRAPHIC]The fund seeks capital appreciation, with income as a secondary consideration. To pursue this goal, the fund invests primarily in stocks that appear comparatively undervalued and are out of favor. The fund looks for companies of any size whose earnings power or asset value does not appear to be reflected in the current stock price, and whose stocks thus have potential for appreciation. The fund also takes a "margin of safety" approach, seeking those stocks that are believed to have limited downside risk. The fund may not invest more than 25% of assets in any one industry.

PORTFOLIO SECURITIES

[PORTFOLIO GRAPHIC]The fund invests primarily in the common stocks of U.S. companies. It may also invest in warrants, preferred stocks and convertible securities.

The fund may invest up to 50% of assets in foreign securities (including American Depository Receipts), and under normal circumstances may invest up to 10% of net assets in investment-grade debt securities. To a limited extent the fund also may invest in certain higher-risk securities and may engage in other investment practices.

For temporary defensive purposes, the fund may invest some or all of its assets in investment-grade short-term securities.

RISK FACTORS

[RISK GRAPHIC]As with any growth and income fund, the value of your investment will fluctuate. Even comparatively undervalued stocks typically fall in price during broad market declines. Small- and medium-sized company stocks, which may comprise a portion of the fund's portfolio, tend to be more volatile than the market as a whole.

To the extent that it invests in foreign securities, the fund may be affected by additional risks, such as currency, information, natural event and political risks. These risks are defined in "More about risk" starting on page 26. This section also details other higher-risk securities and practices that the fund may utilize. Please read "More about risk" carefully before you invest.

PORTFOLIO MANAGEMENT

[TORSO GRAPHIC]Timothy E. Keefe, leader of the fund's portfolio management team since August 1996, is a senior vice president of the adviser. He joined John Hancock Funds in July 1996 and has been in the investment business since 1987.

INVESTOR EXPENSES

<TABLE>

[% GRAPHIC]Fund investors pay various expenses, either directly or indirectly. The figures below show the expenses for the past year, adjusted to reflect any changes. Future expenses may be greater or less.

<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	CLASS A	CLASS B
<S>	<C>	<C>
Maximum sales charge imposed on purchases (as a percentage of offering price)	5.00%	none
Maximum sales charge imposed on reinvested dividends	none	none
Maximum deferred sales charge	none(1)	5.00%
Redemption fee(2)	none	none
Exchange fee	none	none

<CAPTION>

ANNUAL FUND OPERATING EXPENSES (AS A % OF AVERAGE NET ASSETS)		
<S>	<C>	<C>
Management fee (after expense limitation)(3,4)	0.00%	0.00%
12b-1 fee(5)	0.30%	1.00%
Other expenses (after limitation)(3)	0.71%	0.71%
Total fund operating expenses (after limitation)(3)	1.01%	1.71%

EXAMPLE The table below shows what you would pay if you invested $1,000 over the various time frames indicated. The example assumes you reinvested all dividends and that the average annual return was 5%.

<CAPTION>

SHARE CLASS	YEAR 1	YEAR 3	YEAR 5	YEAR 10
<S>	<C>	<C>	<C>	<C>
Class A shares	$60	$81	$103	$167
Class B shares				
Assuming redemption at end of period	$67	$84	$113	$183
Assuming no redemption	$17	$54	$ 93	$183

This example is for comparison purposes only and is not a representation of the fund's actual expenses and returns, either past or future.

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

(2) Does not include wire redemption fee (currently $4.00).
(3) Reflects the adviser's temporary agreement to limit expenses (except for 12b-1 and transfer agent expenses). Without this limitation, management fees would be 0.70% for each class, other expenses would be 0.90% for each class, and total fund operating expenses would be 1.90% for Class A and 2.60% for Class B.
(4) Includes a subadviser fee equal to 0.40% of the management fee.
(5) Because of the 12b-1 fee, long-term shareholders may indirectly pay more than the equivalent of the maximum permitted front-end sales charge.

</TABLE>

FINANCIAL HIGHLIGHTS
<TABLE>
[$ GRAPHIC]The figures below have been audited by the fund's independent auditors, Ernst & Young LLP.

VOLATILITY, AS INDICATED BY CLASS A [BAR GRAPH]

YEAR-BY-YEAR TOTAL INVESTMENT RETURN (%)	7.81(4)	20.26

<CAPTION>

CLASS A - YEAR ENDED DECEMBER 31,	1994(1)	1995
<S>	<C>	<C>
PER SHARE OPERATING PERFORMANCE		
Net asset value, beginning of period	$ 8.50	$ 8.99
Net investment income (loss)	0.18(2)	0.21(2)
Net realized and unrealized gain (loss) on investments	0.48	1.60
Total from investment operations	0.66	1.81
Less distributions:		
Dividends from net investment income	(0.17)	(0.20)
Distributions from net realized gain on investments sold	--	(0.21)
Total distributions	(0.17)	(0.41)
Net asset value, end of period	$ 8.99	$ 10.39
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	7.81(4)	20.26
Total adjusted investment return at net asset value(3,5) (%)	7.30(4)	19.39
RATIOS AND SUPPLEMENTAL DATA		
Net assets, end of period (000s omitted) ($)	4,420	12,845
Ratio of expenses to average net assets (%)	0.99(6)	0.98
Ratio of adjusted expenses to average net assets(7) (%)	4.98(6)	1.85
Ratio of net investment income (loss) to average net assets (%)	2.10(6)	2.04
Ratio of adjusted net investment income (loss) to average net assets(7) (%)	(1.89)(6)	1.17
Portfolio turnover rate (%)	0.3	9
Fee reduction per share ($)	0.34(2)	0.09(2)
Average brokerage commission rate(8) ($)	N/A	N/A

<CAPTION>

CLASS B - YEAR ENDED DECEMBER 31,	1994(1)	1995
<S>	<C>	<C>
PER SHARE OPERATING PERFORMANCE		
Net asset value, beginning of period	$ 8.50	$ 9.00
Net investment income (loss)	0.13(2)	0.12(2)
Net realized and unrealized gain (loss) on investments	0.48	1.59
Total from investment operations	0.61	1.71
Less distributions:		
Dividends from net investment income	(0.11)	(0.12)
Distributions from net realized gain on investments sold	--	(0.21)
Total distributions	(0.11)	(0.33)
Net asset value, end of period	$ 9.00	$ 10.38
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	7.15(4)	19.11
Total adjusted investment return at net asset value(3,5) (%)	6.64(4)	18.24
RATIOS AND SUPPLEMENTAL DATA		
Net assets, end of period (000s omitted) ($)	3,296	16,994
Ratio of expenses to average net assets (%)	1.72(6)	1.73
Ratio of adjusted expenses to average net assets(7) (%)	5.71(6)	2.60
Ratio of net investment income (loss) to average net assets (%)	1.53(6)	1.21
Ratio of adjusted net investment income (loss) to average net assets(7) (%)	(2.46)(6)	0.34
Portfolio turnover rate (%)	0.3	9
Fee reduction per share ($)	0.34(2)	0.09(2)
Average brokerage commission rate(8) ($)	N/A	N/A

(1) Class A and Class B shares commenced operations on January 3, 1994.

(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) An estimated total return calculation that does not take into consideration fee reductions by the adviser during the periods shown.
(6) Annualized.
(7) Unreimbursed, without fee reduction.
(8) Per portfolio share traded. Required for fiscal years that began September 1, 1995 or later.

</TABLE>

UTILITIES FUND

REGISTRANT NAME: JOHN HANCOCK CAPITAL SERIES
TICKER SYMBOL CLASS A: JHUAX CLASS B: JHUBX

GOAL AND STRATEGY
[LOGO]The fund seeks current income and, to the extent consistent with this goal, growth of income and long-term growth of capital. To pursue this goal, the fund invests primarily in public utilities companies, such as those whose principal business involves the generation, handling or sale of electricity, natural gas, water, waste management services or non-broadcast telecommunications services. Under normal circumstances, the fund will invest at least 65% of assets in these companies. The fund may invest in other industries if fund management believes it would help the fund meet its goal.

PORTFOLIO SECURITIES
[LOGO]The fund invests primarily in the common stocks of U.S. and foreign companies. It may also invest in warrants, preferred stocks and convertible securities.

Foreign securities (including American Depository Receipts) and investment-grade debt securities may each comprise up to 25% of portfolio investments. To a limited extent the fund also may invest in certain higher-risk securities, and may engage in other investment practices.

For temporary defensive purposes, the fund may invest some or all of its assets in investment-grade short-term securities.

RISK FACTORS
[LOGO]As with any growth and income fund, the value of your investment will fluctuate in response to stock and bond market movements. Because the fund concentrates on a narrow segment of the economy, its performance is largely dependent on that segment's performance. Utilities stocks may be adversely affected by numerous factors, including government regulation and deregulation, environmental issues, competition and rising interest rates.

To the extent that it invests in foreign securities, the fund may be affected by additional risks such as currency, information, natural event and political risks. These risks are defined in "More about risk" starting on page 26. This section also details other higher-risk securities and practices that the fund may utilize. Please read "More about risk" carefully before you invest.

PORTFOLIO MANAGEMENT

[LOGO]Gregory K. Phelps, leader of the fund's portfolio management team since April 1996, is a vice president of the adviser. He joined John Hancock Funds in January 1995 and has been in the investment business since 1981.

INVESTOR EXPENSES

<TABLE>
[LOGO]Fund investors pay various expenses, either directly or indirectly. The figures below show the expenses for the past year, adjusted to reflect any changes. Future expenses may be greater or less.

<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	CLASS A	CLASS B
<S>	<C>	<C>
Maximum sales charge imposed on purchases (as a percentage of offering price)	5.00%	none
Maximum sales charge imposed on reinvested dividends	none	none
Maximum deferred sales charge	none(1)	5.00%

Redemption fee(2)	none	none
Exchange fee	none	none

ANNUAL FUND OPERATING EXPENSES (AS A % OF AVERAGE NET ASSETS)

Management fee (after expense limitation)(3)	0.26%	0.26%
12b-1 fee(4)	0.30%	1.00%
Other expenses	0.49%	0.49%
Total fund operating expenses (after limitation)(3)	1.05%	1.75%

</TABLE>

<TABLE>
EXAMPLE The table below shows what you would pay if you invested $1,000 over the various time frames indicated. The example assumes you reinvested all dividends and that the average annual return was 5%.

<CAPTION>

SHARE CLASS	YEAR 1	YEAR 3	YEAR 5	YEAR 10
<S>	<C>	<C>	<C>	<C>
Class A shares	$60	$82	$105	$172
Class B shares				
Assuming redemption at end of period	$68	$85	$115	$188
Assuming no redemption	$18	$55	$ 95	$188

This example is for comparison purposes only and is not a representation of the fund's actual expenses and returns, either past or future.

----

(1) Except for investments of $1 million or more; see "How sales charges are calculated."
(2) Does not include wire redemption fee (currently $4.00).
(3) Reflects the adviser's temporary agreement to limit expenses (except for 12b-1 and transfer agent expenses). Without this limitation, management fees would be 0.70% for each class and total fund operating expenses would be 1.49% for Class A and 2.19% for Class B.
(4) Because of the 12b-1 fee, long-term shareholders may indirectly pay more than the equivalent of the maximum permitted front-end sales charge.

</TABLE>

FINANCIAL HIGHLIGHTS
<TABLE>
[LOGO]The figures below have been audited by the fund's independent auditors, Price Waterhouse LLP.
<CAPTION>
VOLATILITY, AS INDICATED BY CLASS A
YEAR-BY-YEAR TOTAL INVESTMENT RETURN (%) [BAR CHART 2.82(4) 7.10 14.44]

CLASS A - YEAR ENDED MAY 31,	1994(1)	1995	1996
<S>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE			
Net asset value, beginning of period	$ 8.50	$ 8.26	$ 8.48
Net investment income (loss)	0.12 (2)	0.44(2)	0.41(2)
Net realized and unrealized gain (loss) on investments and foreign currency transactions	(0.36)	0.12	0.79
Total from investment operations	(0.24)	0.56	1.20
Less distributions:			
Dividends from net investment income	--	(0.34)	(0.41)
Distributions from net realized gains on investments sold	--	--	(0.10)
Total distributions	--	(0.34)	(0.51)
Net asset value, end of period	$ 8.26	$ 8.48	$ 9.17
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	(2.82)(4)	7.10	14.44
Total adjusted investment return at net asset value(3,5)	(13.89)(4)	6.44	14.01

RATIOS AND SUPPLEMENTAL DATA

	1994(1)	1995	1996
Net assets, end of period (000s omitted) ($)	781	19,229	22,574
Ratio of expenses to average net assets (%)	1.00 (6)	1.04	1.04
Ratio of adjusted expenses to average net assets(7) (%)	12.07 (6)	1.70	1.47
Ratio of net investment income (loss) to average net assets (%)	4.53 (6)	5.39	4.49
Ratio of adjusted net investment income (loss) to average net assets(7)(%)	(6.54)(6)	4.73	4.06
Portfolio turnover rate (%)	6	98	124
Fee reduction per share ($)	0.27 (2)	0.05(2)	0.04(2)
Average brokerage commission rate(8) ($)	N/A	N/A	N/A

CLASS B - YEAR ENDED MAY 31,	1994(1)	1995	1996
Per share operating performance			
Net asset value, beginning of period	$ 8.50	$ 8.25	$ 8.45
Net investment income (loss)	0.08 (2)	0.38(2)	0.34(2)
Net realized and unrealized gain (loss) on investments and foreign currency transactions	(0.33)	0.12	0.79
Total from investment operations	(0.25)	0.50	1.13
Less distributions:			
Dividends from net investment income	--	(0.30)	(0.34)
Distributions from net realized gains on investments sold	--	--	(0.10)
Total distributions	--	(0.30)	(0.44)
Net asset value, end of period	$ 8.25	$ 8.45	$ 9.14
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3) (%)	(2.94)(4)	6.31	13.68
Total adjusted investment return at net asset value(3,5)	(14.01)(4)	5.65	13.25
RATIOS AND SUPPLEMENTAL DATA			
Net assets, end of period (000s omitted) ($)	445	38,344	47,759
Ratio of expenses to average net assets (%)	1.72 (6)	1.71	1.77
Ratio of adjusted expenses to average net assets(7) (%)	12.79 (6)	2.37	2.20
Ratio of net investment income (loss) to average net assets (%)	4.20 (6)	4.64	3.77
Ratio of adjusted net investment income (loss) to average net assets(7)(%)	(6.87)(6)	3.98	3.34
Portfolio turnover rate (%)	6	98	124
Fee reduction per share ($)	0.27 (2)	0.05(2)	0.04(2)
Average brokerage commission rate(8) ($)	N/A	N/A	N/A

----

(1) Class A and Class B shares commenced operations on February 1, 1994.
(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) An estimated total return calculation that does not take into consideration fee reductions by the adviser during the periods shown.
(6) Annualized.
(7) Unreimbursed, without fee reduction.
(8) Per portfolio share traded. Required for fiscal years that began September 1, 1995 or later.

</TABLE>

CHOOSING A SHARE CLASS

All John Hancock growth and income funds offer two classes of shares, Class A and Class B. Each class has its own cost structure, allowing you to choose the one that best meets your requirements. Your financial representative can help you decide.

CLASS A	CLASS B
* Front-end sales charges, as described below. There are several ways to reduce these charges, also described below.	* No front-end sales charge; all your money goes to work for you right away.
* Lower annual expenses than Class B shares.	* Higher annual expenses than Class A shares.
	* A deferred sales charge on shares you sell within six years of purchase, as described below.

* Automatic conversion to Class A shares after eight years, thus reducing future annual expenses.

For actual past expenses of Class A and B shares, see the fund-by-fund information earlier in this prospectus.

Sovereign Investors Fund offers Class C shares, which have their own expense structure and are available to financial institutions only. Call Investor Services for more information (see the back cover of this prospectus).

HOW SALES CHARGES ARE CALCULATED

<TABLE>
CLASS A Sales charges are as follows:

<CAPTION>

CLASS A SALES CHARGES

YOUR INVESTMENT	AS A % OF OFFERING PRICE	AS A % OF YOUR INVESTMENT
<S>	<C>	<C>
Up to $49,999	5.00%	5.26%
$50,000 - $99,999	4.50%	4.71%
$100,000 - $249,999	3.50%	3.63%
$250,000 - $499,999	2.50%	2.56%
$500,000 - $999,999	2.00%	2.04%
$1,000,000 and over	See below	

</TABLE>

<TABLE>
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:

<CAPTION>

CDSC ON $1 MILLION + INVESTMENTS

YOUR INVESTMENT	CDSC ON SHARES BEING SOLD
<S>	<C>
First $1M - $4,999,999	1.00%
Next $1 - $5M above that	0.50%
Next $1 or more above that	0.25%

</TABLE>

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.

<TABLE>
CLASS B Shares are offered at their net asset value per share, without any initial sales charge. However, there is a contingent deferred sales charge (CDSC) on shares you sell within six years of buying them. 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 longer the time between the purchase and the sale of shares, the lower the rate of the CDSC:

<CAPTION>

Class B deferred charges

YEARS AFTER PURCHASE	CDSC ON SHARES BEING SOLD
<S>	<C>
1st year	5.00%
2nd year	4.00%
3rd or 4th year	3.00%
5th year	2.00%
6th year	1.00%
After 6 years	None

</TABLE>

For purposes of this CDSC, 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.

* 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.

* 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.

* 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 Investor Services to add these options.

GROUP INVESTMENT PROGRAM Allows established groups of four or more investors to invest as a group. Each investor has an individual account, but for sales charge purposes the group's investments are lumped together, making the investors potentially eligible for reduced sales charges. There is no charge, no obligation to invest (although initial aggregate investments must be at least $250) and you may terminate the program at any time.

To utilize: contact your financial representative or Investor Services to find out how to qualify.

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

* to make payments through certain systematic withdrawal plans

* to make certain distributions from a retirement plan

* because of shareholder death or disability

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

REINSTATEMENT PRIVILEGE If you sell shares of a John Hancock fund, you may invest some or all of the proceeds in the same share class of any John Hancock fund within 120 days without a sales charge. 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 Investor Services.

WAIVERS FOR CERTAIN INVESTORS Class A shares may be offered without front-end sales charges or CDSCs to various individuals and institutions, including:

* government entities that are prohibited from paying mutual fund sales charges
* financial institutions or common trust funds investing $1 million or more for non-discretionary accounts
* selling brokers and their employees and sales representatives
* financial representatives utilizing fund shares in fee-based investment products under agreement with John Hancock Funds
* fund trustees and other individuals who are affiliated with these or other John Hancock funds
* individuals transferring assets to a John Hancock growth fund from an employee benefit plan that has John Hancock funds
* members of an approved affinity group financial services program
* certain insurance company contract holders (one-year CDSC usually applies)
* participants in certain retirement plans with at least 100 members (one-year CDSC applies)

To utilize: if you think you may be eligible for a sales charge waiver, contact

Investor Services or consult the SAI.

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:

   * non-retirement account: $1,000

   * retirement account: $250

   * group investments: $250

   * Monthly Automatic Accumulation Plan (MAAP): $25 to open; you must invest at least $25 a month

3 Complete the appropriate parts of the account application, carefully following the instructions. If you have questions, please contact your financial representative or call Investor Services at 1-800-225-5291.

4 Complete the appropriate parts of the account privileges section of the 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 can initiate any purchase, exchange or sale of shares through your financial representative.

<TABLE>

BUYING SHARES

<CAPTION>

OPENING AN ACCOUNT	ADDING TO AN ACCOUNT
BY CHECK	
<S>	<C>
[GRAPHIC: a check]	
* Make out a check for the investment amount, payable to "John Hancock Investor Services Corporation." * Deliver the check and your completed application to your financial representative, or mail them to Investor Services (address on next page).	* Make out a check for the investment amount payable to "John Hancock Investor Services Corporation." * 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. * Deliver the check and your investment slip or note to your financial representative, or mail them to Investor Services (address on next page).
BY EXCHANGE	
[GRAPHIC: two arrows]	
* Call your financial representative or Investor Services to request an exchange.	* Call Investor Services to request an exchange.
BY WIRE	
[GRAPHIC: an arrow]	
* Deliver your completed application to your financial representative, or mail it to Investor Services. * Obtain your account number by calling your financial representative or Investor Services. * Instruct your bank to wire the amount of your	* 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

investment to:
First Signature Bank & Trust
Account # 900000260
Routing # 211475000
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.

registered. Your bank may charge a fee to wire funds.

BY PHONE

[GRAPHIC: a telephone]

See "By wire" and "By exchange."

* Verify that your bank or credit union is a member of the Automated Clearing House (ACH) system.
* Complete the "Invest-By-Phone" and "Bank Information" sections on your account application.
* Call Investor Services to verify that these features are in place on your account.
* Tell the Investor 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.

</TABLE>

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

<TABLE>

SELLING SHARES

<CAPTION>

DESIGNED FOR	TO SELL SOME OR ALL OF YOUR SHARES
BY LETTER	
<S> [GRAPHIC: a business envelope]	<C>
* Accounts of any type. * Sales of any amount.	* 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. * Include all signatures and any additional documents that may be required (see next page). * Mail the materials to Investor Services. * 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	
[GRAPHIC: a telephone]	
* Most accounts. * Sales of up to $100,000.	* For automated service 24 hours a day using your touch-tone phone, call the EASI-Line at 1-800-338-8080. * To place your order with a representative at John Hancock Funds, call Investor Services between 8 a.m. and 4 p.m. on most business days.
BY WIRE OR ELECTRONIC FUNDS TRANSFER (EFT)	
[GRAPHIC: an arrow]	

* Requests by letter to sell any amount (accounts of any type). * Requests by phone to sell up to $100,000 (accounts with telephone redemption privileges).	* Fill out the "Telephone Redemption" section of your new account application. * To verify that the telephone redemption privilege is in place on an account, or to request the forms to add it to an existing account, call Investor Services. * Amounts of $1,000 or more will be wired on the next business day. A $4 fee will be deducted from your account. * 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	
[GRAPHIC: two arrows]	
* Accounts of any type. * Sales of any amount.	* Obtain a current prospectus for the fund into which you are exchanging by calling your financial representative or Investor Services. * Call Investor Services to request an exchange.

</TABLE>

ADDRESS
John Hancock Investor Services Corporation
P.O. Box 9116 Boston, MA 02205-9116

PHONE
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."

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:

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

You can generally obtain a signature guarantee from the following sources:

* a broker or securities dealer
* a federal savings, cooperative or other type of bank
* a savings and loan or other thrift institution
* a credit union
* a securities exchange or clearing agency

A notary public CANNOT provide a signature guarantee.

<TABLE>

SELLER	REQUIREMENTS FOR WRITTEN REQUESTS [GRAPHIC: Envelope]
<S>	<C>
Owners of individual, joint, sole proprietorship, UGMA/UTMA (custodial accounts for minors) or general partner accounts.	* Letter of instruction. * On the letter, the signatures and titles of all persons

	* authorized to sign for the account, exactly as the account is registered. * Signature guarantee if applicable (see above).
Owners of corporate or association accounts.	* Letter of instruction. * Corporate resolution, certified within the past 90 days * On the letter and the resolution, the signature of the person(s) authorized to sign for the account. * Signature guarantee if applicable (see above).
Owners or trustees of trust accounts.	* Letter of instruction. * On the letter, the signature(s) of the trustee(s). * If the names of all trustees are not registered on the account, please also provide a copy of the trust document certified within the past 60 days. * Signature guarantee if applicable (see above).
Joint tenancy shareholders whose co-tenants are deceased.	* Letter of instruction signed by surviving tenant. * Copy of death certificate. * Signature guarantee if applicable (see above).
Executors of shareholder estates.	* Letter of instruction signed by executor. * Copy of order appointing executor. * Signature guarantee if applicable (see above).
Administrators, conservators, guardians and other sellers or account types not listed above.	* Call 1-800-225-5291 for instructions.

</TABLE>

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) by dividing a class's net assets by the number of its shares outstanding.

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 your request is accepted by Investor Services.

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. In addition, Investor Services 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 not taken, Investor Services is 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.

EXCHANGES You may exchange shares of your John Hancock fund for shares of the same class of any other, generally without paying any additional sales charges. Class B 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 that of the new fund if the new fund's 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 change or cancel its exchange privilege at any time, upon 60 days' notice to its shareholders. A fund may also refuse any exchange order.

CERTIFICATED SHARES Most shares are electronically recorded. If you wish to have certificates for your shares, please write to Investor Services. Certificated shares can only be sold by returning the certificates to Investor 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 calendar days after the purchase.

ELIGIBILITY BY STATE You may only invest in, or exchange into, fund shares legally available in your state.

DIVIDENDS AND ACCOUNT POLICIES

ACCOUNT STATEMENTS In general, you will receive account statements as follows:

* after every transaction (except a dividend reinvestment) that affects your account balance

* after any changes of name or address of the registered owner(s)

* 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 distribute most or all of their net earnings in the form of dividends.Income dividends are typically paid quarterly, and capital gains dividends, if any, are typically paid annually.

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.

TAXABILITY OF DIVIDENDS As long as a fund meets the requirements for being a tax-qualified regulated investment company, which each fund has in the past and intends to in the future, it pays no federal income tax on the earnings it distributes to shareholders.

Consequently, dividends you receive from a fund, whether reinvested or taken as cash, are generally considered taxable. Dividends from a fund's long-term capital gains are taxable as capital gains; dividends from other sources are generally taxable as ordinary income.

Some dividends paid in January may be taxable as if they had been paid the previous December. Corporations may be entitled to take a dividends-received deduction for a portion of certain dividends they receive.

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, Investor 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.

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:

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

SYSTEMATIC WITHDRAWAL PLAN This plan may be used for routine bill payment or periodic withdrawals from your account. To establish:

* Make sure you have at least $5,000 worth of shares in your account.
* 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).
* 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.
* Determine the schedule: monthly, quarterly, semi-annually, annually or in certain selected months.
* Fill out the relevant part of the account application. To add a systematic withdrawal plan to an existing account, contact your financial representative or Investor Services.

RETIREMENT PLANS John Hancock Funds offers a range of qualified retirement plans, including IRAs, SEPs, SARSEPs, 401(k) plans, 403(b) plans (including TSAs) and other pension and profit-sharing plans. Using these plans, you can invest in any John Hancock fund with a low minimum investment of $250 or, for some group plans, no minimum investment at all. To find out more, call Investor Services at 1-800-225-5291.

BUSINESS STRUCTURE

HOW THE FUNDS ARE ORGANIZED Each John Hancock growth and income fund is an open-end management investment company or a series of such a company.

Each fund is supervised by a board of trustees or a board of directors, an independent body that has ultimate responsibility for the fund's activities. The board retains various companies to carry out the fund's operations, including the investment adviser, custodian, transfer agent and others (see diagram). The board has the right, and the obligation, to terminate the fund's relationship with any of these companies and to retain a different company if the board believes it is in the shareholders' best interests.

[A flow chart that contains 8 rectangular-shaped boxes and illustrates the hierachy of how the funds are organized. Within the flowchart, there are 5 tiers. The tiers are connected by shaded lines.

Shareholders represent the first tier. There is a shaded vertical arrow on the left-hand side of the page. The arrow has arrowheads on both ends and is contained within two horizontal, shaded lines. This is meant to highlight tiers two and three which focus on Distribution and Shareholder Services.

Financial Services Firms and their Representatives are shown on the second tier. Principal Distributor and Transfer Agent are shown on the third tier.

A shaded vertical arrow on the right-hand side of the page denotes those entities involved in the Asset Management. The arrow has arrowheads on both ends and is contained within two horizontal, shaded lines. This fourth tier includes the Subadvisor, Investment Advisor and the Custodian.

The fifth tier contains the Trustees/Directors.]

At a mutual fund's inception, the initial shareholder (typically the adviser) appoints the fund's board. Thereafter, the board and the shareholders determine the board's membership. The boards of the John Hancock growth and income funds may include individuals who are affiliated with the investment adviser. However, the majority of board members must be independent.

The funds do not hold annual shareholder meetings, but may hold special meetings for such purposes as electing or removing board members, changing fundamental policies, approving a management contract or approving a 12b-1 plan (12b-1 fees are explained in "Sales compensation").

ACCOUNTING COMPENSATION The funds compensate the adviser for performing tax and financial management services. Annual compensation for 1996 will not exceed 0.02% of each fund's average net assets.

PORTFOLIO TRADES In placing portfolio trades, the adviser may use brokerage firms that market the fund's shares or are affiliated with John Hancock Mutual Life Insurance Company, but only when the adviser believes no other firm offers a better combination of quality execution (i.e., timeliness and completeness) and favorable price.

INVESTMENT GOALS Except for Growth and Income Fund, Sovereign Balanced Fund and Utilities Fund, each fund's investment goal is fundamental and may only be changed with shareholder approval.

DIVERSIFICATION All of the growth and income funds are diversified.

SALES COMPENSATION

As part of their business strategies, the 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 fund in assets ("12b-1" refers to the federal securities regulation authorizing annual fees of this type). The 12b-1 fee rates vary by fund and by share class, according to Rule 12b-1 plans adopted by the funds' respective boards. The sales charges and 12b-1 fees paid by investors are detailed in the fund-by-fund information. The portions of these expenses that are reallowed to financial services firms are shown on the next page.

<TABLE>

Distribution fees may be used to pay for sales compensation to financial services firms, marketing and overhead expenses and, for Class B shares, interest expenses.

CLASS B UNREIMBURSED DISTRIBUTION EXPENSES(1)

<CAPTION>

FUND	UNREIMBURSED EXPENSES	AS A % OF NET ASSETS
<S>	<C>	<C>
Growth and Income	$3,463,988	3.15%
Independence Equity	$ 227,836	4.18%
Sovereign Balanced	$3,097,061	3.72%
Sovereign Investors	$1,907,573	1.00%
Special Value	$ 807,110	7.50%
Utilities	$1,584,645	3.41%

(1) As of the most recent fiscal year end covered by each fund's financial highlights. These expenses may be carried forward indefinitely.
</TABLE>

INITIAL COMPENSATION Whenever you make an investment in a fund or funds, 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.

ANNUAL COMPENSATION 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. Firms affiliated with John Hancock, which include Tucker Anthony, Sutro & Company and John Hancock Distributors, may receive an additional fee of up to 0.05% a year of their total eligible net assets.

To compensate for continuing services, John Hancock Funds will pay Merrill Lynch, Pierce, Fenner & Smith, Inc. an annual fee equal to 0.15% of the value of Class A shares held by its customers for more than four years.

<TABLE>

CLASS A INVESTMENTS

<CAPTION>

<S>	SALES CHARGE PAID BY INVESTORS (% of offering price) <C>	MAXIMUM REALLOWANCE OR COMMISSION (% of offering price) <C>	FIRST YEAR SERVICE FEE (% of net investment) <C>	MAXIMUM TOTAL COMPENSATION(1) (% of offering price) <C>
Up to $49,999	5.00%	4.01%	0.25%	4.25%
$50,000 - $99,999	4.50%	3.51%	0.25%	3.75%
$100,000 - $249,999	3.50%	2.61%	0.25%	2.85%
$250,000 - $499,999	2.50%	1.86%	0.25%	2.10%
$500,000 - $999,999	2.00%	1.36%	0.25%	1.60%
REGULAR INVESTMENTS OF $1 MILLION OR MORE				
First $1M - $4,999,999	-	0.75%	0.25%	1.00%
Next $1 - $5M above that	-	0.25%	0.25%	0.50%
Next $1 and more above that	-	0.00%	0.25%	0.25%
WAIVER INVESTMENTS(2)	-	0.00%	0.25%	0.25%

CLASS B INVESTMENTS

<CAPTION>

	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%

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

(2) Refers to any investments made by municipalities, financial institutions, trusts and affinity group members that take advantage of the sales charge waivers described earlier in this prospectus.
</TABLE>

CDSC revenues collected by John Hancock Funds may be used to fund commission payments when there is no initial sales charge.

MORE ABOUT RISK

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

The funds are permitted to utilize -- within limits established by the trustees -- certain other securities and investment practices that have higher risks and opportunities associated with them. On the following page are brief descriptions of these securities and practices, along with the risks associated with them. The funds follow certain policies that may reduce these risks.

As with any mutual fund, there is no guarantee that the performance of a John Hancock growth and income fund will be positive over any period of time.

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).

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.

CURRENCY RISK The risk that fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect an investment.

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.

INFORMATION RISK The risk that key information about a security or market is inaccurate or unavailable.

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.

LEVERAGE RISK Associated with securities or practices (such as borrowing) that multiply small index or market movements into large changes in value.

* 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.

* 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.

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. Common to all stocks and bonds and the mutual funds that invest in them.

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.

POLITICAL RISK The risk of losses directly attributable to government or political actions of any sort.

PREPAYMENT RISK The risk that unanticipated prepayments may occur, reducing the value of 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.

<TABLE>

ANALYSIS OF FUNDS WITH 5% OR MORE IN JUNK BONDS(1)

<CAPTION>

<S>	QUALITY RATING (S&P/MOODY'S)(2) <C>	SOVEREIGN BALANCED FUND <C>
	AAA/Aaa	16.0%
INVESTMENT-	AA/Aa	2.2%
GRADE BONDS	A/A	6.8%
	BBB/Baa	5.7%
	BB/Ba	3.5%
	B/B	5.3%
JUNK BONDS	CCC/Caa	0.0%
	CC/Ca	0.0%
	C/C	0.0%
	% OF PORTFOLIO IN BONDS	39.5%

-- Rated by S&P or Moody's.

(1) Data as of fund's last fiscal year end.

(2) In cases where the S&P and Moody's ratings for a given bond issue do not agree, the issue has been counted in the higher category.

</TABLE>

<TABLE>

HIGHER-RISK SECURITIES AND PRACTICES

This table shows each fund's investment limitations as a percentage of portfolio assets. In each case the principal types of risk are listed (see previous page for definitions). Numbers in this table show allowable usage only; for actual usage, consult the fund's annual/semi-annual reports.

<CAPTION>

10 Percent of total assets (italic type)
10 Percent of net assets (roman type)
* No policy limitation on usage; fund may be using currently
@ Permitted, but has not typically been used
\- Not permitted

<S>	GROWTH AND INCOME <C>	INDEPENDENCE EQUITY <C>	SOVEREIGN BALANCED <C>	SOVEREIGN INVESTORS <C>	SPECIAL VALUE <C>	UTILITIES <C>
INVESTMENT PRACTICES						
BORROWING; REVERSE REPURCHASE AGREEMENTS The borrowing of money from banks or through reverse repurchase agreements. Leverage, credit risks.	33.3	33.3	33	-	33.3	33.3
REPURCHASE AGREEMENTS The purchase of a security that must later be sold back to the issuer at the same price plus interest. Credit risk.	*	*	*	*	*	*
SECURITIES LENDING The lending of securities to financial						

institutions, which provide cash or government securities as collateral. Credit risk.	33	33.3	33.3	33.3	33.3	33.3
SHORT SALES The selling of securities which have been borrowed on the expectation that the market price will drop.						
* Hedged. Hedged leverage, market, correlation, liquidity, opportunity risks.	-	@	@	@	@	@
* Speculative. Speculative leverage, market, liquidity risks.	-	@	-	-	@	-
SHORT-TERM TRADING Selling a security soon after purchase. A portfolio engaging in short-term trading will have higher turnover and transaction expenses. Market risk.	*	*	*	*	*	*
WHEN-ISSUED SECURITIES AND FORWARD COMMITMENTS The purchase or sale of securities for delivery at a future date; market value may change before delivery. Market, opportunity, leverage risks.	*	*	*	*	*	*
CONVENTIONAL SECURITIES						
NON-INVESTMENT-GRADE DEBT SECURITIES Debt securities rated below BBB/Baa are considered junk bonds. Credit, market, interest rate, liquidity, valuation and information risks.	5	-	25	5	-	-
FOREIGN SECURITIES Securities issued by foreign companies, as well as American or European depository receipts, which are dollar-denominated securities typically issued by American or European banks and are based on ownership of securities issued by foreign companies. Market, currency, information, natural event, political risks.	35	*	35	-	50	25
RESTRICTED AND ILLIQUID SECURITIES Securities not traded on the open market. May include illiquid Rule 144A securities. Liquidity, valuation, market risks.	10	15	15	15	15	15
LEVERAGED DERIVATIVE SECURITIES						
FINANCIAL FUTURES AND OPTIONS; SECURITIES AND INDEX OPTIONS Contracts involving the right or obligation to deliver or receive assets or money depending on the performance of one or more assets or an economic index.						
* Futures and related options. Interest rate, currency, market, hedged or speculative leverage, correlation, liquidity, opportunity risks.	*	@	*	-	*	@
* Options on securities and indices. Interest rate, currency, market, hedged or speculative leverage, correlation, liquidity, credit, opportunity risks.	10(1)	@	5(1)	5(1)	5(1)	@
CURRENCY CONTRACTS Contracts involving the right or obligation to buy or sell a given amount of foreign currency at a specified price and future date.						
* Hedged. Currency, hedged leverage, correlation, liquidity, opportunity risks.	*	-	*	-	*	*
* Speculative. Currency, speculative leverage, liquidity risks.	-	-	-	-	-	-

(1)Applies to purchased options only.

</TABLE>

FOR MORE INFORMATION

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

ANNUAL/SEMI-ANNUAL REPORT TO SHAREHOLDERS
Includes financial statements, detailed performance information, portfolio holdings, a statement from portfolio management and the auditor's report.

STATEMENT OF ADDITIONAL INFORMATION (SAI)
The SAI contains more detailed information on all aspects of the funds. The current annual/semi-annual report is included in the SAI.

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

To request a free copy of the current annual/semi-annual report or the SAI, please write or call:

John Hancock Investor Services
Corporation
P.O. Box 9116
Boston, MA 02205-9116
Telephone: 1-800-225-5291
EASI-Line: 1-800-338-8080
TDD: 1-800-544-6713

[LOGO] JOHN HANCOCK FUNDS
A GLOBAL INVESTMENT MANAGEMENT FIRM

101 Huntington Avenue
Boston, Massachusetts 02199-7603

GINPN 8/96

[LOGO]
JOHN HANCOCK
FINANCIAL SERVICES

JOHN HANCOCK INDEPENDENCE EQUITY FUND

Statement of Additional Information
August 30, 1996

This Statement of Additional Information provides information about John Hancock Independence Diversified Core Equity Fund (the "Fund"), a diversified series of John Hancock Capital Series (the "Trust"), in addition to the information that is contained in the Fund's Prospectus dated August 30, 1996 (the "Prospectus").

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 Investor Services Corporation
P.O. Box 9116
Boston, Massachusetts 02205-9116
1-(800)-225-5291

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ORGANIZATION OF THE FUND

John Hancock Independence Equity Fund (the "Fund") is organized as a separate, diversified series of John Hancock Capital Series (the "Trust"), an open-end investment management company organized in 1984 as a Massachusetts business trust under the laws of The Commonwealth of Massachusetts. The Trust is the successor to John Hancock Growth Fund, Inc., a Delaware corporation organized in 1968.

The Fund was established in 1991 and is managed by John Hancock Advisers, Inc. (the "Adviser") and Independence Investment Associates, Inc. ("IIA" or the "Sub-Adviser"). The Adviser and the Sub-Adviser are indirect, wholly-owned subsidiaries 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. On October 1, 1992, the Fund changed its name from John Hancock Growth and Income Fund to John Hancock Diversified Core Equity Fund, and on July 1, 1993, from John Hancock Diversified Core Equity Fund to John Hancock Independence Diversified Core Equity Fund. On June 3, 1996, the Fund changed its name from John Hancock Independence Diversified Core Equity Fund to John Hancock Independence Equity Fund, the Fund's current name.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is to seek above-average total return, consisting of capital appreciation and income. To achieve its objective the Fund will select some securities for their current income potential. See "Investment Objectives and Policies" in the Prospectus. There can be no assurance that the objective of the Fund will be realized.

The Fund will diversify its investments to create a portfolio with a risk profile and characteristics similar to the Standard & Poor's 500 Stock Index. Consequently, the Fund will invest in a number of industry groups without concentration in any particular industry. The Fund's investments will be subject to the market fluctuation and risks inherent in all securities.

The Fund will focus on securities of companies which the Fund's management believes offer outstanding capital growth and/or income potential over both the intermediate and long term. The Fund's management considers stocks which combine value and improving fundamentals to be attractive investments for the Fund. In determining what constitutes "value," the Fund's management seeks stocks with the following attributes: high growth relative to price/earnings ratio, rising dividend stream, and high asset value. To determine whether a company's stock exhibits improving fundamentals, the Fund's management looks for accelerating earnings growth, positive earnings surprises when compared to the market's expectations and favorable cyclical timing.

The Sub-Adviser also uses a quantitative, multifactor proprietary stock-ranking model called "Cybercode." "Cybercode" is fueled by estimates generated by the Sub-Adviser's in-house team of professional securities analysts. All of the firm's analysts are focused on tasks that are important for the Cybercode ranking system: projecting current year and next year's earnings and cash flows; developing five-year growth forecasts; and understanding the strategic plan of the companies they follow, and how this plan might affect capital expenditures and stock dividends. The Sub-Adviser's research analysts concentrate on 500 stocks, a closely followed subset of the firm's unbiased 3,000 stock universe. The macroeconomic assumptions needed to forecast individual company progress are determined by senior investment professionals and worked into the approach by the research analysts. This distinguishes the Sub-Adviser's process as a bottom-up, stock picking approach.

Using the analysts' inputs, the ranking model (Cybercode) evaluates each stock in the stock selection universe on discrete criteria and scores each for how cheap they are and how much their fundamentals are improving. The result is a listing of the selection universe from most attractive to least attractive. The top stock on the ranked list exhibits the most favorable combination of cheapness and improving fundamentals; the bottom stock the least favorable. Through this process, the Sub-Adviser seeks to avoid bad stocks when constructing diversified core equity portfolios.

The Sub-Adviser uses an investment strategy it calls NIXDEX. To produce NIXDEX portfolios, the Sub-Adviser generally excludes from consideration the bottom two quintiles of its ranked selection universe and optimizes the remaining stocks to market-like risk exposures. NIXDEX portfolios have a risk profile like that of the S&P 500, but by "nixing" the bad stocks at the time of the Fund's purchase, the Sub-Adviser seeks to produce consistent excess returns in most types of market environments. The Sub-Adviser reserves the right to purchase from the bottom two quintiles under unusual market conditions when needed for diversification.

Fixed Income Securities. Under normal market conditions, the Fund may invest up to 35% of its total assets in fixed income securities (including debt securities and preferred stocks) that are rated Baa or better by Moody's Investors Service, Inc. or BBB or better by Standard & Poor's Ratings Group or, if unrated, determined to be of comparable quality by the Adviser and the Sub-Adviser ("investment grade debt securities"). The value of fixed income securities varies inversely with changes in the prevailing levels of interest rates. In addition, debt securities rated BBB or Baa and unrated debt securities of comparable quality are considered medium grade obligations and have speculative characteristics. Adverse changes in economic conditions or other circumstances are more likely to lead to weakened capacity to make principal and interest payment than in the case of higher grade obligations.

For temporary defensive purposes, the Fund may invest up to 100% of its assets in investment grade debt securities of any type or maturity.

American Depository Receipts. The Fund may invest in securities of foreign issuers in the form of American Depository Receipts ("ADRs"). ADRs (sponsored and unsponsored) are receipts, typically issued by U.S. banks, which evidence ownership of underlying securities issued by a foreign corporation. ADRs are publicly traded on a U.S. stock exchange or in the over-the-counter market. An investment in foreign securities including ADRs may be affected by changes in currency rates and in exchange control regulations. Issuers of unsponsored ADRs are not contractually obligated to disclose material information in the United States and, therefore, there may not be a correlation between such information and the market value of the unsponsored ADR. Foreign companies may not be subject to accounting standards or government supervision comparable to U.S. companies, and there is often less publicly available information about their operations. Foreign companies may also be affected by political or financial instability abroad. These risk considerations may be intensified in the case of investments in ADRs of foreign companies that are located in emerging market countries. ADRs of companies located in these countries may have limited marketability and may be subject to more abrupt or erratic price movements.

Repurchase Agreements. The Fund may invest in repurchase agreements. A repurchase agreement is a contract under which the Fund acquires a security for a relatively short period (usually not more than 7 days) subject to the obligation of the seller to repurchase and the Fund to resell such security at a fixed time and price (representing the Fund's cost plus 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 and could experience losses, including a possible decline in the value of the underlying securities during the period in which the Fund seeks to enforce its rights, possible subnormal levels of income, 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 require those securities upon effecting their repurchase. 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 Board of Trustees. Under procedures established by the Board of Trustees, the Adviser will monitor the creditworthiness of the banks involved.

Short-Term Trading and Portfolio Turnover. Management does not expect that in pursuing the Fund's objective, unusual portfolio turnover will be required and intends to keep portfolio turnover to a minimum consistent with such objective. Short-term trading means the purchase and subsequent sale of a security after it has been held for a relatively brief period of time. Although the Fund will not make a practice of short- term trading, the Fund may engage in short-term trading in response to stock market conditions, changes in interest rates or other economic trends and developments. Short- term trading may have the effect of increasing portfolio turnover rate. A high rate of portfolio turnover (100% or greater) involves correspondingly higher transaction expenses and may make it more difficult for the Fund to qualify as a regulated investment company for federal income tax purposes.

Restricted Securities. The Fund may purchase securities that are not registered ("restricted securities") under the Securities Act of 1933 ("1933 Act"), including securities offered and sold to "qualified institutional buyers" under Rule 144A under the 1933 Act. However, the Fund will not invest more than 15% of its net assets in illiquid investments, which include repurchase agreements maturing in more than seven days, securities that are not readily marketable and restricted securities. However, if the Board of Trustees determines, based upon a continuing review of the trading markets for specific Rule 144A securities, that they are liquid, then such securities may be purchased without regard to the 15% limit. 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.

The Fund may acquire other restricted securities including securities for which market quotations are not readily available. These securities may be sold

only in privately negotiated transactions or in public offerings with respect to which a registration statement is in effect under the 1933 Act. Where registration is required, the Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to sell. Restricted securities will be priced at fair market value as determined in good faith by the Fund's Trustees.

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.

INVESTMENT RESTRICTIONS

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

The Fund observes the following fundamental investment restrictions.

The Fund may not:

(1) Issue senior securities, except as permitted by paragraphs (2), (6) and (7) below. For purposes of this restriction, the issuance of shares of beneficial interest in multiple classes or series, the purchase or sale of options, futures contracts, forward commitments and repurchase agreements entered into in accordance with the Fund's investment policies, and the pledge, mortgage or hypothecation of the Fund's assets within the meaning of paragraph (3) below, are not deemed to be senior securities.

(2) Borrow money, except from banks as a temporary measure for extraordinary emergency purposes 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.

The Fund will not leverage to attempt to increase income. The Fund will not purchase securities while outstanding borrowings exceed 5% of the Fund's total assets.

(3) Pledge, mortgage or hypothecate its assets, except to secure indebtedness permitted by paragraph (2) above and then only if such pledging, mortgaging or hypothecating does not exceed 33 1/3% of the Fund's total assets taken at market value.

(4) 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 1933 Act.

(5) Purchase or sell real estate or any interest therein, except that the Fund may invest in securities of corporate or governmental entities secured by real estate or marketable interests therein or securities issued by companies that invest in real estate or interests therein.

(6) 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.

(7) Invest in commodities or in commodity contracts or in puts, calls, or combinations of both, except options on securities, securities indices and currency, futures contracts on securities, securities indices and currency and options on such futures, forward foreign currency exchange contracts, forward commitments, securities index put or call warrants and repurchase agreements entered into in accordance with the Fund's investment policies.

(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 exceed 25% of its total assets taken at market value at the time of such investment. This limitation does not apply to investments in obligations of the U.S. Government or any of its agencies or instrumentalities.

(9) Purchase securities of an issuer (other than the U.S. Government, its agencies or instrumentalities), if

(a) such purchase would cause more than 5% of the Fund's total assets taken at market value to be invested in the securities of such issuer, or

(b) such purchase would at the time result in more than 10% of the outstanding voting securities of such issuer being held by the Fund.

In connection with the lending of portfolio securities under paragraph (6) above, such loans must at all times be fully collateralized and the Fund's custodian must take possession of the collateral either physically or in book entry form. Securities used as collateral must be marked to market daily.

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

The Fund may not:

(a) Participate on a joint or joint-and-several basis in any securities trading account. The "bunching" of orders for the sale or purchase of marketable portfolio securities with other accounts under the management of the Adviser or Sub-Adviser to save commissions or to average prices among them is not deemed to result in a joint securities trading account.

(b) Purchase securities on margin or make short sales, except in connection with arbitrage transactions or unless, by virtue of its ownership of other securities, the Fund has the right to obtain securities equivalent in kind and amount to the securities sold and, if the right is conditional, the sale is made upon the same conditions, except that the Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of securities.

(c) Knowingly purchase or retain securities of an issuer if one or more of the Trustees or officers of the Trust or directors or officers of the Adviser, Sub-Adviser or any investment management subsidiary of the Adviser individually owns beneficially more than 0.5% and together own beneficially more than 5% of the securities of such issuer.

(d) 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. In addition, as a nonfundamental restriction, the Fund may not purchase the shares of any closed-end investment company except in the open market where no commission or profit to a sponsor or dealer results from the purchase, other than customary brokerage fees.

(e) Purchase securities of any issuer which, together with any predecessor, has a record of less than three years' continuous operations prior to the purchase if such purchase would cause investments of the Fund in all such issuers to exceed 5% of the value of the total assets of the Fund.

(f) Purchase any security, including any repurchase agreement maturing in more than seven days, which is not readily marketable, if more than 15% of the net assets of the Fund, taken at market value, would be invested in such securities. (The Staff of the Securities and Exchange Commission considers over-the-counter options to be illiquid securities subject to the 15% limit.)

In order to permit the sale of shares of the Fund in certain states, the Trustees may, in their sole discretion, adopt restrictions on investment policy more restrictive than those described above. Should the Trustees determine that any such more restrictive policy is no longer in the best interest of the Fund and its shareholders, the Fund may cease offering shares in the state involved and the Trustees may revoke such restrictive policy. Moreover, if the states involved shall no longer require any such restrictive policy, the Trustees may, in their sole discretion, revoke such policy. The Fund has agreed with a state securities administrator that it will comply with the following investment restrictions:

The Fund will not invest in real estate limited partnership interests.

The Fund will not purchase warrants of any issuer, if, as a result of such purchase, more than 2% of the value of the Fund's total assets would be invested in warrants which are not listed on the New York Stock Exchange or the American Stock Exchange or more than 5% of the value of the total assets of the Fund would be invested in warrants generally, whether or not so listed. For these purposes, warrants are to be valued at the lesser of cost or market, but warrants acquired by the Fund in units with or attached to debt securities shall be deemed to be without value.

The Fund will not purchase interests in oil, gas, or other mineral exploration programs or mineral leases; however, this policy will not prohibit

the acquisition of securities of companies engaged in the production or transmission of oil, gas, or other minerals.

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 values 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 or directors of the Adviser, or officers or directors of the Fund's principal distributor, John Hancock Funds, Inc. ("John Hancock Funds").

The following table sets forth the principal occupation or employment of the Trustees and principal officers of the Trust during the past five years.

<TABLE>
<CAPTION>

Name, Address and Date of Birth	Position(s) Held With Trust	Principal Occupation(s) During Past 5 Years
<S>	<C>	<C>
*Edward J. Boudreau, Jr. 101 Huntington Avenue Boston, MA 02199 October 1944	Chairman (3,4)	Chairman and Chief Executive Officer, the Adviser and The Berkeley Financial Group ("The Berkeley Group"); Chairman, NM Capital Management, Inc. ("NM Capital"); John Hancock Advisers International Limited; ("Advisers International"); John Hancock Funds, Inc., ("John Hancock Funds"); John Hancock Investor Services Corporation ("Investor Services"), Transamerica Fund Management Company ("TFMC") and Sovereign Asset Management Corporation ("SAMCorp"); (hereinafter the Adviser, the Berkeley Group, NM Capital, Advisers International, John Hancock Funds, Investor Services and SAMCorp are collectively referred to as the "Affiliated Companies"); Chairman, First Signature Bank & Trust; Director, John Hancock Freedom Securities Corp., John Hancock Capital Corp., New England/Canada Business Council; Member, Investment Company Institute Board of Governors; Director, Asia Strategic Growth Fund, Inc.; Trustee, Museum of Science; President, the Adviser (until July 1992); Chairman, John Hancock Distributors, Inc. ("Distributors") until April 1994.

Name, Address and Date of Birth	Position(s) Held With Trust	Principal Occupation(s) During Past 5 Years
Dennis S. Aronowitz Boston University Boston, Massachusetts June 1931	Trustee (1,2)	Professor of Law, Boston University School of Law; Trustee, Brookline Savings Bank.

Richard P. Chapman, Jr. 160 Washington Street Brookline, Massachusetts February 1935	Trustee (1,2)	President, Brookline Savings Bank. Director, Federal Home Loan Bank of Boston (lending); Director, Lumber Insurance Companies (fire and casualty insurance); Trustee, Northeastern University (education); Director, Depositors Insurance Fund, Inc. (insurance).
William J. Cosgrove 20 Buttonwood Place Saddle River, New Jersey January 1933	Trustee (1,2)	Vice President, Senior Banker and Senior Credit Officer, Citibank, N.A. (retired September 1991); Executive Vice President, Citadel Group Representatives, Inc.; EVP Resource Evaluation Inc. (consulting, October 1991 - October 1993); Trustee, the Hudson City Savings Bank (until October 1995).

Name, Address and Date of Birth	Position(s) Held With Trust	Principal Occupation(s) During Past 5 Years
Douglas M. Costle RR2 Box 480 Woodstock, Vermont 05091 July 1939	Trustee (1,2,3)	Director, Chairman of the Board and Distinguished Senior Fellow, Institute for Sustainable Communities, Montpelier, Vermont (since 1991). Dean, Vermont Law School (until 1991). Director, Air and Water Technologies Corporation (environmental services and equipment), Niagara Mohawk Power Company (electric services) and MITRE Corporation (governmental consulting services).
Leland O. Erdahl 9449 Navy Blue Court Las Vegas, NV 89117 December 1928	Trustee (1,2)	Director of Santa Fe Ingredients Company of California, Inc. and Santa Fe Ingredients Company, Inc. (private food processing companies); Director of Uranium Resources, Inc.; President of Stolar, Inc. (from 1987-1991) and President of Albuquerque Uranium Corporation (from 1985-1992); Director of Freeport-McMoRan Copper & Cold Company Inc., Hecla Mining Company, Canyon Resources Corporation and Original Sixteen to One Mine, Inc. (from 1984-1987 and from 1991 to 1995) (management consultant).

Name, Address and Date of Birth	Position(s) Held With Trust	Principal Occupation(s) During Past 5 Years
Richard A. Farrell Farrell, Healer & Company, Inc. 160 Federal Street -- 23rd Floor Boston, MA 02110 November 1932	Trustee (1,2)	President of Farrell, Healer & Co., (venture capital management firm) (since 1980); Prior to 1980, headed the venture capital group at Bank of Boston Corporation.
Gail D. Fosler 4104 Woodbine Street	Trustee (1,2)	Vice President and Chief Economist, The Conference Board (non-profit

Chevy Chase, MD December 1947		economic and business research).
William F. Glavin Babson College Horn Library Babson Park, MA 02157 March 1931	Trustee (1,2)	President, Babson College; Vice Chairman, Xerox Corporation until June 1989; Director, Caldor Inc., Reebok, Ltd. (since 1994), and Inco Ltd.
Anne C. Hodsdon 101 Huntington Avenue Boston, MA 02199 April 1953	Trustee and President (3)(4)	President and Chief Operating Officer, the Adviser; Executive Vice President, the Adviser (until December 1994); Senior Vice President; the Adviser (until December 1993); Vice President, the Adviser, 1991.
Dr. John A. Moore Institute for Evaluating Health Risks 1101 Vermont Avenue N.W. Suite 608 Washington, DC 20005 February 1939	Trustee (1,2)	President and Chief Executive Officer, Institute for Evaluating Health Risks, (nonprofit institution) (since September 1989).
Patti McGill Peterson Institute for Public Affairs 364 Upson Hall Cornell University Ithaca, NY 14853 May 1943	Trustee (1,2)	President, St. Lawrence University; Director, Niagara Mohawk Power Corporation and Security Mutual Life.

Name, Address and Date of Birth	Position(s) Held With Trust	Principal Occupation(s) During Past 5 Years
John W. Pratt 2 Gray Gardens East Cambridge, MA 02138 September 1931	Trustee (1,2)	Professor of Business Administration at Harvard University Graduate School of Business Administration (since 1961).
*Richard S. Scipione John Hancock Place P.O. Box 111 Boston, Massachusetts August 1937	Trustee (3)	General Counsel, the Life Insurance Company; Director, the Adviser, the Affiliated Companies, John Hancock Distributors, Inc., JH Networking Insurance Agency, Inc., John Hancock Subsidiaries, Inc., SAMCorp, NM Capital and John Hancock Property and Casualty Insurance and its affiliates (until November, 1993); Trustee; The Berkeley Group;
Edward J. Spellman, CPA 259C Commercial Bld. Lauderdale, FL November 1932	Trustee (1,2,4)	Partner, KPMG Peat Marwick LLP (retired June 1990).

The executive officers of the Trust and their principal occupations during the past five years are set forth below. Unless otherwise indicated, the business address of each is 101 Huntington Avenue, Boston, Massachusetts 02199.

Name, Address and Date of Birth	Position(s) Held With Registrants	Principal Occupation(s) During Past 5 Years
Robert G. Freedman July 1938	Vice Chairman and Chief Investment Officer (4)	Vice Chairman and Chief Investment Officer, the Adviser; President (until December 1994).
James B. Little February 1935	Senior Vice President, Chief Financial Officer	Senior Vice President, the Adviser.

John A. Morin July 1950	Vice President	Vice President, the Adviser.
Susan S. Newton March 1950	Vice President and Secretary	Vice President and Assistant Secretary, the Adviser.
James J. Stokowski November 1946	Vice President and Treasurer	Vice President, the Adviser.

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

(1) Member of the Audit Committee of the Trust.

(2) Member of the Committee on Administration of the Trust.

(3) Member of the Executive Committee of the Trust. The Executive Committee may generally exercise most powers of the Trustees between regularly scheduled meetings of the Board of Trustees.

(4) Member of the Investment Committee of the Adviser.

As of August 5, 1996, the officers and Trustees of the Trust as a group owned less than 1% of the outstanding shares of the Fund. To the knowledge of the Trust, only the following persons owned of record or beneficially 5% or more of any class of the Fund's outstanding securities:

Name and Address of Shareholder	Class of Shares	Shares Owned	Percentage of Outstanding Shares of Class of Fund
Merrill Lynch Pierce Fenner & Smith, Inc. 4800 Deerlake Dr. East Jacksonville, FL 32246-6484	Class A	144,390	13.64%
Merrill Lynch Pierce Fenner & Smith, Inc. 4800 Deerlake Dr. East Jacksonville, FL 32246-6484	Class B	77,119	6.94%

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.

The following table provides 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. Ms. Hodsdon and Messrs. Boudreau and Scipione, each a non-Independent Trustee, and each of the officers of the Funds are interested persons of the Adviser, are compensated by the Adviser and receive no compensation from the Fund for their services. The compensation to the Trustees from the Fund shown below is for the Fund's fiscal year ended May 31, 1996. Those Trustees listed below who received no compensation from the Fund for such year first became Trustees of the Trust on June 26, 1996.

Independent Trustees	Aggregate Compensation From the Fund	Total Compensation From All Funds in John Hancock Fund Complex to Trustees(*)
Dennis S. Aronowitz	$132	$ 61,050
Richard P. Chapman, Jr.+	138	62,800
William J. Cosgrove+	132	61,050
Gail D. Fosler	123	60,800
Bayard Henry**	113	58,850
Edward J. Spellman	132	61,050
Douglas M. Costle	--	41,750
Leland O. Erdahl	--	41,750
Richard A. Farrell	--	43,250
William F. Glavin+	--	37,500
John A. Moore	--	41,750
Patti McGill Peterson	--	41,750
John W. Pratt	--	41,750

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$770	$655,100

* Total compensation paid by the John Hancock Fund Complex to the Independent Trustees is for the calendar year ended December 31, 1995. On this date, there were 61 funds in the John Hancock Fund Complex. Messrs. Aronwitz, Chapman, Cosgrove, Henry and Spellman and Ms. Fosler served 16 and Messrs. Costle, Erdahl, Farrell, Glavin, Moore and Pratt and Ms. Peterson served 12 of these funds.

** Mr. Henry retired from his position as a Trustee effective April 26, 1996.

\+ On December 31, 1995, the value of the aggregate deferred compensation from all funds in the John Hancock Fund Complex for Mr. Chapman was $54,681, for Mr. Cosgrove was $54,243 and for Mr. Glavin was $32,061.

INVESTMENT ADVISORY AND OTHER SERVICES

The Fund receives its investment advice from the Adviser and the Sub-Adviser. Investors should refer to the Prospectus for information concerning the investment management contract and the sub-investment management contract. Each of the Trustees and principal officers with the Trust who is also an affiliated person of the Adviser or Sub-Adviser is named above, together with the capacity in which such person is affiliated with the Trust, the Adviser or Sub-Adviser.

The Trust, on behalf of the Fund, has entered into an investment management contract with the Adviser. Under the investment management contract, the Adviser provides the Fund with (i) a continuous investment program, consistent with the Fund's stated investment objective and policies, and (ii) supervision of all aspects of the Fund's operations except those that are delegated to a custodian, transfer agent or other agent.

The Adviser has entered into a sub-investment management contract with the Sub-Adviser under which the Sub-Adviser, subject to the review of the Trustees and the overall supervision of the Adviser, is responsible for managing the investment operations of the Fund and the composition of the Fund's portfolio and furnishing the Fund with advice and recommendations with respect to investments, investment policies and the purchase and sale of securities.

Securities held by the Fund may also be held by other funds or investment advisory clients for which the Adviser, the Sub-Adviser or their respective 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 or Sub-Adviser for the Fund or for other funds or clients for which the Adviser or Sub-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, the Sub-Adviser or their 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.

No person other than the Adviser and Sub-Adviser and their directors, officers, and employees regularly furnishes advice to the Fund with respect to the desirability of the Fund's investing in, purchasing or selling securities. The Adviser and Sub-Adviser may from time to time receive statistical or other similar factual information, and information regarding general economic factors and trends, from the Life Company and its affiliates.

All expenses which are not specifically paid by the Adviser and which are incurred in the operation of the Fund (including fees of Trustees of the Trust who are not "interested persons," as such term is defined in the Investment Company Act, but excluding the expenses of certain distribution-related activities required to be paid by the Adviser or John Hancock Funds) and the continuous public offering of the shares of the Fund are borne by the Fund. Class expenses properly allocable to Class A and Class B shares will be borne exclusively by such class of shares subject to conditions the Internal Revenue Service imposes with respect to multiple-class structures.

As provided by the investment management contract, the Fund pays the Adviser an investment management fee, which is accrued daily and paid monthly, based on a stated percentage of the average daily net assets of the Fund as follows:

Net Asset Value	Annual Rate
First $750,000,000	0.75%
Amount over $750,000,000	0.70%

Effective September 1, 1995, the Adviser voluntarily limited the Fund's total expenses to 1.30% for Class A shares and to 2.00% for Class B shares. The Adviser reserves the right to terminate this limitation in the future. Prior to September 1, 1995, a different expense limitation was in effect. For the fiscal years ended May 31, 1994, 1995 and 1996, the Adviser received fees of $162,875, $457,613 and $104,018, respectively. After expense reductions by the Adviser, the Adviser's management fees for the fiscal years ended May 31, 1994, 1995 and 1996 were $14,683, $423,315 and $0. These management fee figures reflect the different management fee that was in effect before September 1, 1995.

As provided in the sub-investment management contract, as of September 1, 1995, the Adviser (not the Fund) pays the Sub-Adviser a quarterly subadvisory fee at the annual rate of 55% of the management fee paid by the Fund to the Adviser for the preceding three months. Prior to September 1, 1995, the Sub-Adviser provided services pursuant to a contract that provided for different compensation. Effective July 1, 1995, the Sub-Adviser has agreed to reduce its fee to zero until further notice. For the fiscal years ended May 31, 1994, 1995 and 1996, the Sub-Adviser received subadvisory fees from the Adviser of $88,486,

$290,249 and $20,808, respectively. These subadvisory fee figures reflect the different subadvisory fee that was in effect before September 1, 1995.

If the total of all ordinary business expenses of the Fund for any fiscal year exceeds limitations prescribed in any state in which shares of the Fund are qualified for sale, the fee payable to the Adviser will be reduced to the extent required by these limitations. At this time, the most restrictive limit on expenses imposed by a state requires that expenses charged to the Fund in any fiscal year not exceed 2.5% of the first $30,000,000 of the Fund's average daily net asset value, 2% of the next $70,000,000 and 1.5% of the remaining average daily net asset value. When calculating the limit above, the Fund may exclude interest, brokerage commissions and extraordinary expenses.

Pursuant to the investment management contract and sub-investment management contract, the Adviser and Sub-Adviser are not liable to the Fund or its shareholders 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 contract relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Adviser or Sub-Adviser in the performance of their duties or from their reckless disregard of the obligations and duties under the applicable contract.

The Adviser, located at 101 Huntington Avenue, Boston, Massachusetts 02199-7603, was organized in 1968 and currently more than $18 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 1,080,000 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 $80 billion, the Life Company is one of the ten largest life insurance companies in the United States, and carries high ratings from Standard & Poor's and A.M. Best's. Founded in 1862, the Life Company has been serving clients for over 130 years.

The Sub-Adviser, located at 53 State Street, Boston, Massachusetts 02109, was organized in 1982 and currently manages over $17 billion in assets for primarily institutional clients. The Sub-Adviser is a wholly-owned indirect subsidiary of the Life Company.

Under the investment management contract, the Fund may use the name "John Hancock" or any name derived from or similar to it only for so long as the investment management contract or any extension, renewal or amendment thereof remains in effect. If the investment management contract 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 nonexclusive 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 subadvisory contract, the Fund may use the name "Independence" or any name derived from or similar to it only for so long as the sub-investment management contract or any extension, renewal or amendment thereof remains in effect. If the sub-investment management contract 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 Sub-Adviser. In addition, the Sub-Adviser or the Life Company may grant the nonexclusive right to use the name "Independence" or any similar name to any other corporation or entity, including but not limited to any investment company of which the Sub-Adviser or any subsidiary or affiliate thereof or any successor to the business of any subsidiary or affiliate thereof shall be the investment adviser.

The investment management contract and sub-investment management contract continue in effect until September 1, 1997, and thereafter from year to year if approved annually by a vote of a majority of the Trustees of the Trust who are not interested persons of one of the parties to the contract, cast in person at a meeting called for the purpose of voting on such approval, and by either the Trustees or the holders of a majority of the Fund's outstanding voting securities. Each of these contracts automatically terminates upon assignment. Each contract may be terminated without penalty on 60 days' notice at the option of either party to the respective contract or by vote of the holders of a majority of the outstanding voting securities of the Fund. The sub-investment management contract terminates automatically upon the termination of the investment management contract.

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 fiscal year ended May 31, 1996, the Fund paid the Adviser $1,429 for services under this agreement.

DISTRIBUTION CONTRACT

The Fund has a distribution contract with John Hancock Funds pertaining to each class of shares. Under the contract, John Hancock Funds is obligated to use its best efforts to sell shares 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 which are continually offered at net asset value next determined, plus any applicable sales charge. In connection with the sale of Class A or Class B shares of the Fund, John Hancock Funds and Selling Brokers receive compensation in the form of a sales charge

imposed, in the case of Class A shares, at the time of sale or, in the case of Class B shares, on a deferred basis. Upon notice to all Selling Brokers, John Hancock Funds may allow them up to the full applicable sales charge during periods specified in such notice. During these periods, Selling Brokers may be deemed to be underwriters as that term is defined in the 1933 Act. The sales charges are discussed further in the Fund's Prospectus.

The Fund's Trustees have adopted Distribution Plans with respect to Class A and Class B shares (together, the "Plans") pursuant to Rule 12b-1 under the Investment Company Act. Under the Class A Plan and the Class B Plan, the Fund will pay distribution and service fees at an aggregate annual rate of up to 0.30% and 1.00%, respectively, of the Fund's average daily net assets. However, the amount of the service fee will not exceed 0.25% of the Fund's average daily net assets attributable to each class of shares. In accordance with generally accepted accounting principles, the Fund does not treat unreimbursed distribution expenses attributable to Class B shares as a liability of the Fund and does not reduce the current net assets of Class B by such amount, although the amount may be payable under the Class B Plan in the future.

Under the Plans, expenditures shall be calculated and accrued daily and paid monthly or at such other intervals as the Trustees shall determine. The fee may be spent by John Hancock Funds on Distribution Expenses or Service Expenses. "Distribution Expenses" include any activities or expenses primarily intended to result in the sale of shares of the relevant class of the Fund, 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 shares only, interest expenses on unreimbursed distribution expenses. "Service Expenses" under the Plans include payments made to, or on account of, account executives of selected broker-dealers (including affiliates of John Hancock Funds) and others who furnish personal and account maintenance services to shareholders of the relevant class of the Fund. For the fiscal year ended May 31, 1996, an aggregate of $227,836 of distribution expenses or 4.181% 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 Rule 12b-1 fees in prior periods.

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

During the fiscal year ended May 31, 1996 the Fund paid John Hancock Funds the following amounts of expenses with respect to the Class A shares and Class B shares of the Fund:

<TABLE>
<CAPTION>

Expense Items

	Advertising	Printing and Mailing of Prospectus to New Shareholders	Compensation to Selling Brokers	Expense of John Hancock Funds	Interest Carrying or Other Finance Charges Other
<S>	<C>	<C>	<C>	<C>	<C>
Class A Shares	$ 5,194	$214	$1,254	$ 7,931	$ 0
Class B Shares	12,459	701	1,255	22,719	2,022

</TABLE>

Each of the Plans provides that it 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. Each of the Plans may be terminated without penalty (a) by vote of a majority of the Independent Trustees, (b) by 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 with respect to the Plan. Each of the Plans provides that no material amendment to the Plan will, in any event, be effective unless it is approved by a vote of a majority of both the Trustees and the Independent Trustees of the Fund. The holders of Class A shares and Class B 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 each of the Plans will benefit the holders of the applicable class of shares of the Fund.

When the Trust seeks an Independent Trustee to fill a vacancy or as a nominee for election by shareholders, the selection or nomination of the Independent Trustee is committed to the discretion of the Committee on Administration of the Trustees. The members of the Committee on Administration are all Independent Trustees and are identified in this Statement of Additional Information under the heading "Those Responsible for Management."

NET ASSET VALUE

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

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 last available bid price.

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.

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.

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.

The Fund will not price its securities on the following national holidays: New Year's Day; President's Day; Good Friday; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day.

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 a 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 cumulate current purchases with the greater of the current value (at offering price) of the Class A shares of the Fund, or if Investor 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.

Combined Purchases. In calculating the sales charge applicable to purchases of Class A shares made at one time, the purchases will be combined if made by (a) an individual, his 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) certain groups of four or more individuals making use of salary deductions or similar

group methods of payment whose funds are combined for the purchase of mutual fund shares. Further information about combined purchases, including certain restrictions on combined group purchases, is available from Investor Services or a Selling Broker's representative.

Without Sales Charge. Class A shares may be offered without a front-end sales charge or CDSCs to various individuals and institutions as follows:

- Any state, county or any instrumentality, department, authority, or agency of these entities that is prohibited by applicable investment laws from paying a sales charge or commission when it purchases shares of any registered investment management company.
- A bank, trust company, credit union, savings institution or other depository institution, its trust departments or common trust funds if it is purchasing $1 million or more for non-discretionary customers or accounts.
- 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, mother, father, sister, brother, mother-in-law, father-in-law) of any of the foregoing; or any fund, pension, profit sharing or other benefit plan for the individuals described above.
- A broker, dealer, financial planner, consultant or registered investment advisor that has entered into an 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.
- 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.
- A member of an approved affinity group financial services plan.
- A member of a class action lawsuit against insurance companies who is investing settlement proceeds.

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 then being invested but also the purchase price or value of the Class A shares already held by such person.

Combination Privilege. Reduced sales charges (according to the schedule set forth in the Prospectus) also are available to an investor based on the aggregate amount of his concurrent and prior investments in Class A shares of the Fund and shares of all other John Hancock funds which carry a sales charge.

Letter of Intention. The reduced sales charges are also applicable to investments made over a specified period 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 qualified retirement plan, however, may opt to make the necessary investments called for by the LOI over a forty-eight (48) month period. These qualified retirement plans include IRA, SEP, SARSEP, 401(k), 403(b) (including TSAs) and 457 plans. Such an investment (including accumulations and combinations) 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 Investor 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 applied (including accumulations and combinations) had the LOI been for the amount actually invested.

The LOI authorizes Investor 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 charge as may be due. By signing the LOI, the investor authorizes Investor Services to act as his attorney-in-fact to redeem any escrowed Class A shares and adjust the sales charge, if necessary. An 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.

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.

DEFERRED SALES CHARGE ON CLASS B SHARES

Investments in Class B 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 shares which are redeemed within six years of purchase 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 shares being redeemed. No CDSC will be imposed on increases in account

value above the initial purchase prices, including shares derived from reinvestment of dividends or capital gains distributions.

Class B shares are not available to full-service defined contribution plans administered by Investor 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 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 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 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. Upon redemption, appreciation is effective only on a per share basis for those shares being redeemed. Appreciation of shares cannot be redeemed CDSC free at the account level.

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:

*	Proceeds of 50 shares redeemed at $12 per share	$600
*	Minus proceeds of 10 shares not subject to CDSC (dividend reinvestment)	-120
*	Minus appreciation on remaining shares (40 shares X $2)	-80
		----
*	Amount subject to CDSC	$400

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 shares, such as the payment of compensation to select Selling Brokers for selling Class B shares. The combination of the CDSC and the distribution and service fees facilitates the ability of the Fund to sell the Class B shares

without a sales charge being deducted at the time of the purchase. See the Prospectus for additional information regarding the CDSC.

Waiver of Contingent Deferred Sales Charge. The CDSC will be waived on redemptions of Class B 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.

* Redemptions made under the Reinstatement Privilege, as described in "Sales Charge Reductions and Waivers" of the Prospectus.

* Redemptions of Class B shares made under a periodic withdrawal plan, 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 Investor Services. (Please note, this waiver does not apply to periodic withdrawal plan redemptions of Class A shares that are subject to a CDSC.)

For Retirement Accounts (such as IRA, Rollover IRA, TSA, 457, 403(b), 401(k), Money Purchase Pension Plan, Profit-Sharing Plan and other qualified 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 section 401(a) of the Code (such as 401k, Money Purchase Pension Plan, Profit-Sharing Plan).

* Redemptions from certain IRA and retirement plans that purchased shares prior to October 1, 1992.

Please see matrix for reference.

CDSC Waiver Matrix for Class B Funds

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	Waived	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
Return of Excess	Waived	Waived	Waived	Waived	N/A

If you qualify for a CDSC waiver under one of these situations, you must notify Investor Services at the time you make your redemption. The waiver will be granted once Investor 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. If the shareholder were to sell portfolio securities received in this fashion, he 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, however, 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 one 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. As described more fully in the Prospectus, 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.

Systematic Withdrawal Plan. As described briefly in the Prospectus, 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 Class A or Class B 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 shares and because redemptions are taxable events. Therefore, a shareholder should not purchase Class A or Class B shares at the same time that 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 Investor Services.

Monthly Automatic Accumulation Program ("MAAP"). This program is explained fully 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 Monthly Automatic Accumulation Program may be revoked by Investor 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 nonpayment of any check.

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

Reinvestment Privilege. 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 any of the other John Hancock funds, 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 of the other John Hancock funds. 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. The Fund may modify or terminate the reinvestment privilege 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."

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 Trustees have authorized shares of the Fund and two other series: John Hancock Utilities Fund and John Hancock Special Value Fund. Additional series may be added in the future. The Declaration of Trust also authorizes the Trustees to classify and reclassify the shares of the Fund, or any other series of the Fund, into one or more classes. As of the date of this Statement of Additional Information, the Trustees have authorized the issuance of two classes of shares of the Fund, designated as Class A and Class B.

The shares of each class of the Fund represent an equal proportionate interest in the aggregate net assets attributable to that class of the Fund. The holders of Class A and Class B shares have certain exclusive voting rights on matters relating to their respective Rule 12b-1 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 will be in the same

amount, except that (i) the distribution and service fees relating to Class A and Class B shares will be borne exclusively by that class, (ii) Class B shares will pay higher distribution and service fees than Class A shares and (iii) each of Class A and Class B 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 multiple-class structures. Similarly, the net asset value per share may vary depending on whether Class A shares or Class B shares are purchased.

In the event of liquidation, shareholders of each class are entitled to share pro rata in the net assets of the class 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 by the Trust, except as set forth below.

Unless otherwise required by the Investment Company Act or the Declaration of Trust, the Trust has no intention of holding annual meetings of shareholders. Trust 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.

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 Fund's 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. 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.

Notwithstanding the fact that the Prospectus is a combined prospectus for the Fund and other John Hancock mutual funds, the Fund shall not be liable for the liabilities of any other John Hancock mutual fund.

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 its taxable income (including net short-term and long-term 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 this tax by satisfying such distribution requirements.

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 long-term 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 net capital gain, after reduction by deductible expenses.) Some distributions from investment company taxable income and/or net capital gain may be paid in January but may be taxable 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.

If the Fund invests in stock of certain foreign corporations that receive at least 75% of their annual gross income from passive sources (such as interest, dividends, rents, 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. Certain elections may, if available, ameliorate these adverse tax consequences, but any such election would require the Fund to recognize taxable income or gain without the concurrent receipt of cash. 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 Fund may be subject to withholding and other taxes imposed by foreign countries with respect to its investments in foreign securities. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. The Fund does not expect to qualify to pass such taxes through to its shareholders, who consequently will not take such taxes into account on their own tax returns. However, the Fund will deduct such taxes in determining the amount it has available for distribution to shareholders.

The amount of the Fund's net short-term and long-term 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 that will generate capital gains. At the time of an investor's purchase of shares of the Fund, a portion of the purchase price is often attributed to realized or unrealized appreciation in the Fund's portfolio or undistributed taxable income of the Fund. Consequently, subsequent distributions from such appreciation or income 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 (or portions thereof) in reality represent a return of a portion of the purchase price.

Upon a redemption of shares (including by exercise of the exchange privilege) a shareholder will ordinarily 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 and will be long-term or short-term, depending upon the shareholder's tax holding period for the shares and subject to the special rules described below. 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 Class A 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 Class A 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 an election to reinvest dividends in additional shares. 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.

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 long-term capital gains 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 long-term capital gain income in his tax 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 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. Presently, there are no realized capital loss carryforwards to offset future net realized capital gains.

For purposes of the dividends-received deduction available to corporations, dividends received by the Fund, if any, from U.S. domestic corporations in respect of the stock of such corporations held by the Fund, for U.S. Federal income tax purposes, for at least 46 days (91 days in the case of certain preferred stock) and distributed and properly designated by the Fund may be treated as qualifying dividends. Corporate shareholders must meet the minimum holding period requirement stated above (46 or 91 days) with respect to their shares of the Fund in order to qualify for the deduction and, if they have any debt that is deemed under the Code directly attributable to such shares, may be denied a portion of the dividends-received deduction. The entire qualifying dividend, including the otherwise deductible amount, will be included in determining the excess (if any) of a corporate shareholder's adjusted current earnings over its alternative minimum taxable income, which may increase its alternative minimum tax liability, if any. Additionally, any corporate shareholder should consult its tax adviser regarding the possibility that its tax basis in its shares may be reduced, for Federal income tax purposes, by reason of "extraordinary dividends" received with respect to the shares, for the purpose of computing its gain or loss on redemption or other disposition of the shares.

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 rules applicable to certain options 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 may have to leverage itself by borrowing the 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 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. A 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.

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.

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

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 shares of the Fund 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 Fund investment 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 non- resident 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. 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 average annual total return on Class A shares of the Fund for the 1 year and life-of-fund period ended May 31, 1996 was 22.65% and 14.11%, respectively, and reflect the payment of the maximum sales charge of 5%. The cumulative total return on Class B shares of the Fund for the period from commencement of operations on September 7, 1995 to May 31, 1996 was 13.46% and reflects the maximum contingent deferred sales charge of 5%. Each of the returns is calculated with all distributions reinvested in shares.

The Fund's total return is computed by finding the average annual compounded rate of return over the one-year and life-of-fund periods that would equate the initial amount invested to the ending redeemable value according to the following formula:

Where:

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

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 1st year and life-of-fund periods.

In the case of Class A shares and Class B shares, this calculation assumes the maximum sales charge of 5.00%, is included in the initial investment, and the CDSC is applied at the end of the period, respectively. This calculation also assumes that all dividends and distributions are reinvested at net asset value on the reinvestment dates during the period.

In addition to average annual total returns, the Fund may quote unaveraged or cumulative total returns reflecting the 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 shares into account. 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 on Class A shares and the CDSC on Class B 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 will be compared to indices of mutual funds such as Lipper Analytical Services, Inc.'s "Lipper-Mutual Performance Analysis," a monthly publication which tracks net assets, total return, and yield on more than 1,000 equity mutual funds in the United States. Ibottson 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 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 Sub-Adviser, or the Adviser pursuant to recommendations made by an investment committee, which consists of officers and directors of the Adviser and officers and Trustees of the Trust 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 officers of the Fund, 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 maker 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 such transactions.

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. The 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 such other policies as the Trustees may determine, the Adviser and Sub-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 and Sub-Adviser 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 and Sub-Adviser. The receipt of research information is not expected to reduce significantly the expenses of the Adviser and Sub-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. Similarly, research information and assistance provided to the Sub-Adviser by brokers and dealers may benefit other advisory clients or affiliates of the Sub-Adviser, and, conversely, brokerage commissions and spreads paid by other advisory clients of the Sub-Adviser may result in research information and statistical assistance beneficial to the Fund. The Fund will make no commitment to allocate portfolio transactions upon any prescribed basis. While the Adviser, in conjunction with the Sub-Adviser, 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 will at all times be subject to review by the Trustees. For the years ended in May 31, 1996, 1995, and 1994, the Fund paid negotiated brokerage commissions in the amount of $15,976, $130,973, and $58,663, respectively.

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, 1996, the Fund directed no 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 Tucker Anthony Incorporated, John Hancock Distributors, Inc., and Sutro & Company, Inc. all of which are broker-dealers ("Affiliated Brokers"). Pursuant to procedures adopted by the Trustees consistent with the above policy of obtaining best net results, the Fund may execute portfolio transactions with or through Affiliated Brokers. During the year ended May 31, 1995, the Fund did not execute any portfolio transactions with Affiliated Brokers.

Any of the Affiliated Brokers 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 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, the Sub-Adviser or the Affiliated Broker. Because the Adviser, which is affiliated with the Affiliated Brokers, and the Sub-Adviser have, as investment advisers 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. The Fund will not effect principal transactions with Affiliated

Brokers. The Fund may, however, purchase securities from other members of underwriting syndicates of which Tucker Anthony and Sutro are members, but only in accordance with the policy set forth above and procedures adopted and reviewed periodically by the Trustees.

Brokerage or other transactions costs of the Fund are generally commensurate with the rate of portfolio activity. The portfolio turnover rates for the Fund for the fiscal years ended May 31, 1996 and 1995 were 157% and 71%, respectively. Portfolio turnover for the year ended May 31, 1996 was significantly higher than for the preceding year because of economic changes and greater stock market volatility during the year ended May 31, 1996.

In order to avoid conflicts with portfolio trades for the Fund, the Adviser, the Sub-Adviser and the Fund have adopted extensive restrictions on personal securities trading by personnel of the Adviser and its affiliates. In the case of the Adviser, 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. The Sub-Adviser has adopted similar restrictions which may differ where appropriate, as long as they have the same intent. These restrictions are a continuation of the basic principle that the interests of the Fund and its shareholders come before those of management.

TRANSFER AGENT SERVICES

John Hancock Investor Services Corporation, P.O. Box 9116, Boston, Massachusetts 02205-9116, a wholly-owned indirect subsidiary of the Life Company, is the transfer and dividend paying agent for the Fund. The Fund pays Investor Services an annual fee of $16.00 per shareholder account for Class A shares and $18.50 per shareholder account for Class B shares, plus certain out-of-pocket expenses.

CUSTODY OF PORTFOLIO

Portfolio securities of the Fund are held pursuant to a custodian agreement between the Fund and Investors Bank & Trust Company, 89 South Street, Boston, Massachusetts 02111. Under the custodian agreement, Investors Bank & Trust Company performs custody, portfolio and fund accounting services.

INDEPENDENT AUDITORS

The independent accountants of the Fund are Price Waterhouse LLP. Price Waterhouse LLP audits and renders an opinion on the Fund's annual financial statements and reviews the Fund's annual Federal income tax return.

JOHN HANCOCK SPECIAL VALUE FUND

Class A and B Shares
Statement of Additional Information

August 30, 1996

This Statement of Additional Information provides information about John Hancock Special Value Fund (the "Fund") in addition to the information that is contained in the combined Growth and Income Funds' Prospectus (the "Prospectus"), dated August 30, 1996.

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 Investor Services Corporation
P.O. Box 9116
Boston, Massachusetts 02205-9116
1-800-225-5291

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ORGANIZATION OF THE FUND

John Hancock Special Value Fund (the "Fund") is organized as a separate, diversified series of John Hancock Capital Series (the "Trust"), an open-end management investment company which is organized as a Massachusetts business trust under the laws of The Commonwealth of Massachusetts. The Trust was organized in 1984 by John Hancock Advisers, Inc. (the "Adviser") as the successor to John Hancock Growth Fund, Inc., a Delaware corporation organized in 1968 by the 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. Prior to October 1, 1993 the Trust was known as "John Hancock Growth Fund."

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is to seek capital appreciation with income a secondary consideration. The Fund will seek to achieve its objective by investing primarily in equity securities that are undervalued when compared to alternative equity investments. There can be no assurance that the objective of the Fund will be realized. See the discussion of the Fund's goals, strategies and risks in the Prospectus.

The equity securities in which the Fund will invest include common stocks, preferred stocks, convertible debt securities and warrants of U.S. and foreign issuers. In selecting equity securities for the Fund, the Adviser and NM Capital Management, Inc. (the "Sub-Adviser" and together with the Adviser, the "Advisers") emphasize issuers whose equity securities trade at market to book value ratios lower than comparable issuers or the Standard & Poor's Composite Index. The Fund's portfolio securities will also include equity securities considered by the Advisers to have the potential for capital appreciation due to potential recognition of earnings power or asset value which is not fully reflected in such securities' current market value. The Advisers attempt to identify investments which possess characteristics, such as high relative value, intrinsic value, going concern value, net asset value and replacement book value, which will tend to limit sustained downside price risk, generally referred to as the "margin of safety" concept. The Advisers also consider an issuer's financial strength, competitive position, projected future earnings and dividends and other investment criteria.

The Fund's investment policy reflects the Advisers' belief that while the securities markets tend to be efficient, sufficiently persistent price anomalies exist which the strategically disciplined active equity manager can attempt to exploit in seeking to achieve an above average rate of return. Based on this premise, the Advisers have adopted a strategy of investing in low market to book value, out of favor, stocks.

The Fund's investments may include securities of both large, widely traded companies and smaller, less well known issuers. Higher risks are often

associated with investments in companies with smaller market capitalizations. These companies may have limited product lines, markets and financial resources, or they may be dependent upon smaller or inexperienced management groups. In addition, trading volume of such securities may be limited, and historically the market price for such securities has been more volatile than securities of companies with greater capitalization. However, securities of companies with smaller capitalization may offer greater potential for capital appreciation since they may be overlooked and thus undervalued by investors.

The Fund may also invest in fixed income securities, consisting of U.S. Government securities and convertible and non-convertible corporate preferred stocks and debt securities. The market value of fixed income securities varies inversely with changes in the prevailing levels of interest rates. The market value of convertible securities, while influenced by the prevailing level of interest rates, is also affected by the changing value of the equity securities into which they are convertible. The Fund may purchase fixed income debt securities with stated maturities of up to thirty years. The corporate fixed income securities in which the Fund may invest, including convertible debt securities and preferred stock, will be rated at least BBB by Standard & Poors' Ratings Group ("S&P") or Moody's Investors Service, Inc. ("Moody's") or, if unrated, determined to be of comparable quality by the Advisers. Under normal market conditions, the Fund's investments in fixed income securities are not expected to exceed 10% of the Fund's assets. Debt securities rated Baa or BBB are considered medium grade obligations with speculative characteristics, and adverse economic conditions or changing circumstances may weaken capacity to pay interest and repay principal. If the rating of a debt security is reduced below Baa or BBB, the Advisers will sell it when it is appropriate consistent with the Fund's investment objective and policies.

When the Advisers believe unfavorable investment conditions exist requiring the Fund to assume a temporary defensive investment posture, the Fund may hold cash or invest all or a portion of its assets in short-term instruments which are rated A-1 by S&P or P-1 by Moody's.

CERTAIN INVESTMENT PRACTICES

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 or forward commitment basis also involves a risk of loss if the value of the security to be purchased declines prior to the settlement date.

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 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.

Repurchase Agreements. The Fund may invest in repurchase agreements. A repurchase agreement is a contract under which the Fund acquires a security for a relatively short period (usually not more than 7 days) subject to the obligation of the seller to repurchase and the Fund to resell such security at a fixed time and price (representing the Fund's cost plus 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 Advisers 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 and 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 U.S. 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. The Fund will not enter into reverse repurchase agreements and other borrowings exceeding in the aggregate 33_% 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 Board of Trustees. Under procedures established by the Board of Trustees, the Advisers 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 securities offered and sold to "qualified institutional buyers" under Rule 144A under the 1933 Act. However, the Fund will not invest more than 15% of its net assets in illiquid investments, which include repurchase agreements maturing in more than seven days, securities that are not readily marketable and restricted securities. However, if the Board of Trustees determines, based upon a continuing review of the trading markets for specific Rule 144A securities, that they are liquid, then such securities may be purchased without regard to the 15% limit. The Trustees may adopt guidelines and delegate to the Advisers 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.

The Fund may acquire other restricted securities including securities for which market quotations are not readily available. These securities may be sold only in privately negotiated transactions or in public offerings with respect to which a registration statement is in effect under the 1933 Act. Where registration is required, the Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to sell. Restricted securities will be priced at fair market value as determined in good faith by the Fund's Trustees.

Financial Futures Contracts. The Fund may buy and sell stock index and other financial futures contracts and options on futures contracts to hedge against changes in securities prices, interest rates and currency exchange rates and

other market conditions or for speculative purposes. The Fund may hedge its portfolio by selling or purchasing financial futures contracts as an offset against the effects of changes in interest rates or in security or foreign currency values or in other market conditions. Although other techniques could be used to reduce the Fund's exposure to market fluctuations, the Fund may be able to hedge its exposure more effectively and perhaps at a lower cost by using financial futures contracts. The Fund may enter into financial futures contracts for hedging purposes and for speculative purposes to the extent permitted by regulations of the Commodity Futures Trading Commission ("CFTC").

Financial futures contracts have been designed by boards of trade which have been designated "contract markets" by the CFTC. Futures contracts are traded on these markets in a manner that is similar to the way a stock is traded on a stock exchange. The boards of trade, through their clearing corporations, guarantee that the contracts will be performed. Currently, financial futures contracts are based on interest rate instruments such as long-term U.S. Treasury bonds, U.S. Treasury notes, Government National Mortgage Association ("GNMA") modified pass-through mortgage-backed securities, three-month U.S. Treasury bills, 90-day commercial paper, bank certificates of deposit and Eurodollar certificates of deposit. It is expected that if other financial futures contracts are developed and traded the Fund may engage in transactions in such contracts.

Although some financial futures contracts by their terms call for actual delivery or acceptance of financial instruments, in most cases the contracts are closed out prior to delivery by offsetting purchases or sales of matching financial futures contracts (same exchange, underlying security or currency and delivery month). Other financial futures contracts, such as futures contracts on securities indices, by their terms call for cash settlements. If the offsetting purchase price is less than the Fund's original sale price, the Fund realizes a gain, or if it is more, the Fund realizes a loss. Conversely, if the offsetting sale price is more than the Fund's original purchase price, the Fund realizes a gain, or if it is less, the Fund realizes a loss. The Fund's transaction costs must also be included in these calculations. The Fund will pay a commission in connection with each purchase or sale of financial futures contracts, including a closing transaction. For a discussion of the Federal income tax considerations of transactions in financial futures contracts, see the information under the caption "Tax Status" below.

At the time the Fund enters into a financial futures contract, it is required to deposit with its custodian a specified amount of cash or U.S. Government securities, known as "initial margin," ranging upward from 1.1% of the value of the financial futures contract being traded. The margin required for a financial futures contract is set by the board of trade or exchange on which the contract is traded and may be modified during the term of the contract. The initial margin is in the nature of a performance bond or good faith deposit on the financial futures contract which is returned to the Fund

upon termination of the contract, assuming all contractual obligations have been satisfied. The Fund expects to earn interest income on its initial margin deposits. Each day, the futures contract is valued at the official settlement price of the board of trade or exchange on which it is traded. Subsequent payments, known as "variation margin," to and from the broker are made on a daily basis as the market price of the financial futures contract fluctuates. This process is known as "mark to market." Variation margin does not represent a borrowing or lending by the Fund but is instead a settlement between the Fund and the broker of the amount one would owe the other if the financial futures contract expired. In computing net asset value, the Fund will mark to market its open financial futures positions.

Successful hedging depends on a strong correlation between the market for the underlying securities and the futures contract market for those securities. There are several factors that will probably prevent this correlation from being perfect, and even a correct forecast of general interest rate trends may not result in a successful hedging transaction. There are significant differences between the securities or currency markets and the futures markets which could create an imperfect correlation between the markets and which could affect the success of a given hedge. The degree of imperfection of correlation depends on circumstances such as variations in speculative market demand for financial futures and debt securities, including technical influences in futures trading and differences between the financial instruments being hedged and the instruments underlying the standard financial futures contracts available for trading in such respects as interest rate levels, maturities and creditworthiness of issuers. The degree of imperfection may be increased where the underlying debt securities are lower-rated, and, thus, subject to greater fluctuation in price than higher-rated securities.

A decision as to whether, when and how to hedge involves the exercise of skill and judgment, and even a well-conceived hedge may be unsuccessful to some degree because of unexpected market, interest rate or currency trends. The Fund will bear the risk that the price of the securities being hedged will not move in complete correlation with the price of the futures contracts used as a hedging instrument. Although the Advisers believe that the use of financial futures contracts will benefit the Fund, an incorrect prediction could result in a loss on both the hedged securities or currency in the Fund's portfolio and the hedging vehicle so that the Fund's return might have been better had hedging not been attempted. However, in the absence of the ability to hedge, the Advisers might have taken portfolio actions in anticipation of the same market movements with similar investment results but, presumably, at greater transaction costs. The low margin deposits required for futures transactions permit an extremely high degree of leverage. A relatively small movement in a futures contract may result in losses or gains in excess of the amount invested.

Futures exchanges may limit the amount of fluctuation permitted in certain futures contract prices during a single trading day. The daily limit establishes the maximum amount the price of a futures contract may vary either up or down from the previous day's settlement price, at the end of the current trading session. Once the daily limit has been reached in a futures contract subject to the limit, no more trades may be made on that day at a price beyond that limit. The daily limit governs only price movements during a particular trading day and, therefore, does not limit potential losses because the limit may work to prevent the liquidation of unfavorable positions. For example, futures prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of positions and subjecting some holders of futures contracts to substantial losses.

Finally, although the Fund engages in financial futures transactions only on boards of trade or exchanges where there appears to be an adequate secondary market, there is no assurance that a liquid market will exist for a particular futures contract at any given time. The liquidity of the market depends on participants closing out contracts rather than making or taking delivery. In the event participants decide to make or take delivery, liquidity in the market could be reduced. In addition, the Fund could be prevented from executing a buy or sell order at a specified price or closing out a position due to limits on open positions or daily price fluctuation limits imposed by the exchanges or boards of trade. If the Fund cannot close out a position, it will be required to continue to meet margin requirements until the position is closed.

Options on Financial Futures Contracts. The Fund may buy and sell call and put options on futures contracts to hedge against changes in securities prices, interest rates and currency exchange rates and other market conditions or for speculative purposes. An option on a futures contract gives the purchaser the right, in return for the premium paid, to assume a position in a futures contract at a specified exercise price at any time during the period of the option. Upon exercise, the writer of the option delivers the futures contract to the holder at the exercise price. The Fund would be required to deposit with its custodian initial and variation margin with respect to put and call options on futures contracts written by it. The Fund's options on futures will be traded on a U.S. or foreign commodity exchange or board of trade. Options on futures contracts involve risks similar to the risks of transactions in financial futures contracts. Also, an option purchased by the Fund may expire worthless, in which case the Fund would lose the premium it paid for the option.

Other Considerations. The Fund will engage in futures and options transactions for bona fide hedging or speculative purposes to the extent permitted by CFTC regulations. 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 which it expects to purchase. Except as stated below, the Fund's futures transactions will be entered into for traditional hedging purposes --i.e., 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, or the currency in which they are denominated, the Fund intends to purchase. As evidence of this 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 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 a 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.

As an alternative to literal compliance with the bona fide hedging definition, a CFTC regulation permits the Fund to elect to comply with a different test, under which the aggregate initial margin and premiums required to establish speculative positions in futures contracts and options on futures 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. The Fund will engage in transactions in futures contracts only to the extent such transactions are consistent with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") for maintaining its qualification as a regulated investment company for Federal income tax purposes.

When the Fund purchases financial futures contracts, writes put options thereon or purchases call options thereon, cash or liquid securities will be deposited in a segregated account with the Fund's custodian in an amount that, together with the amount of initial and variation margin held in the account of its broker, equals the market value of the futures contracts.

Options Transactions. The Fund may write listed and over-the-counter covered call options and covered put options on securities in which it may invest and on indices composed of securities in which it may invest on up to 100% of its net assets in order to earn additional income from the premiums received. In addition, the Fund may purchase listed and over-the-counter call and put options on these securities and indices. The extent to which covered options will be used by the Fund will depend upon market conditions and the availability of alternative strategies.

The Fund will write listed and over-the-counter call options only if they are "covered", which means that the Fund owns or has the immediate right to

acquire the securities underlying the options without additional cash consideration upon conversion or exchange of other securities held in its portfolio. A call option written by the Fund may also be "covered" if the Fund holds on a share-for-share basis a covering call on the same securities where (i) the exercise price of the covering call held is equal to or less than the exercise price of the call written or the exercise price of the covering call is greater than the exercise price of the call written, in the latter case only if the difference is maintained by the Fund in cash or liquid securities in a segregated account with the Fund's custodian, and (ii) the covering call expires at the same time as the call written. If a covered call option is not exercised, the Fund would keep both the option premium and the underlying security. If the covered call option written by the Fund is exercised and the exercise price, less the transaction costs, exceeds the cost of the underlying security, the Fund would realize a gain in addition to the amount of the option premium it received. If the exercise price, less transaction costs, is less than the cost of the underlying security, the Fund's loss would be reduced by the amount of the option premium.

As the writer of a covered put option, the Fund will write a put option only with respect to securities it intends to acquire for its portfolio and will maintain in a segregated account with its custodian bank cash or liquid securities with a value equal to the price at which the underlying security may be sold to the Fund in the event the put option is exercised by the purchaser. The Fund may also write a "covered" put option by purchasing on a share-for-share basis a put on the same security as the put written by the Fund if the exercise price of the covering put held is equal to or greater than the exercise price of the put written and the covering put expires at the same time as or later than the put written.

When writing listed and over-the-counter covered put options on securities, the Fund would earn income from the premiums received. If a covered put option is not exercised, the Fund would keep the option premium and the assets maintained to cover the option. If the option is exercised and the exercise price, including transaction costs, exceeds the market price of the underlying security, the Fund would realize a loss, but the amount of the loss would be reduced by the amount of the option premium.

If the writer of an exchange-traded option wishes to terminate its obligation prior to its exercise, it may effect a "closing purchase transaction". This is accomplished by buying an option of the same series as the option previously written. The effect of the purchase is that the Fund's position will be offset by the Options Clearing Corporation. The Fund may not effect a closing purchase transaction after it has been notified of the exercise of an option. There is no guarantee that a closing purchase transaction can be effected. Although the Fund will generally write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange or board of trade will exist for any

particular option or at any particular time, and for some options no secondary market on an exchange may exist.

In the case of a written call option, effecting a closing transaction will permit the Fund to write another call option on the underlying security with either a different exercise price, expiration date or both. In the case of a written put option, it will permit the Fund to write another put option to the extent that the exercise price thereof is secured by deposited cash or short-term securities. Also, effecting a closing transaction will permit the cash or proceeds from the concurrent sale of any securities subject to the option to be used for other investments. If the Fund desires to sell a particular security from its portfolio on which it has written a call option, it will effect a closing transaction prior to or concurrent with the sale of the security.

The Fund will realize a gain from a closing transaction if the cost of the closing transaction is less than the premium received from writing the option. The Fund will realize a loss from a closing transaction if the cost of the closing transaction is more than the premium received for writing the option. However, because increases in the market price of a call option will generally reflect increases in the market price of the underlying security, any loss resulting from the repurchase of a call option is likely to be offset in whole or in part by appreciation in the value of the underlying security owned by the Fund.

Over-the-Counter Options. The Fund may engage in options transactions on exchanges and in the over-the-counter markets. In general, exchange-traded options are third-party contracts (i.e. performance of the parties' obligations is guaranteed by an exchange or clearing corporation) with standardized strike prices and expiration dates. Over-the-counter ("OTC") transactions are two-party contracts with price and terms negotiated by the buyer and seller. The Fund will acquire only those OTC options for which management believes the Fund can receive on each business day at least two separate bids or offers (one of which will be from an entity other than a party to the option) or those OTC options valued by an independent pricing service. The Fund will write and purchase OTC options only with member banks of the Federal Reserve System and primary dealers in U.S. Government securities or their affiliates which have capital of at least $50 million or whose obligations are guaranteed by an entity having capital of at least $50 million. The Securities and Exchange Commission (the "SEC") has taken the position that OTC options are subject to the Fund's 15% restriction on illiquid investments. The SEC, however, allows the Fund to exclude from the 15% limitation on illiquid securities a portion of the value of the OTC options written by the Fund, provided that certain conditions are met. First, the other party to the OTC options has to be a primary U.S. Government securities dealer designated as such by the Federal Reserve Bank. Second, the Fund would have an absolute contractual right to repurchase the OTC options at a formula price. If the above conditions are met, a Fund may treat as illiquid only that portion of the OTC option's value (and the value of its underlying securities) which is

equal to the formula price for repurchasing the OTC option, less the OTC option's intrinsic value.

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 loaned securities. As a result, the Fund may incur a loss or, in the event of the borrower's bankruptcy, 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 in excess of 33 _% of its total assets.

Government Securities. 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"). No assurance can be given that the U.S. Government will provide financial support to such Federal agencies, authorities, instrumentalities and government sponsored enterprises in the future.

Ginnie Maes, Freddie Macs and Fannie Maes are mortgage-backed securities which provide monthly payments which are, in effect, a "pass-through" of the monthly interest and principal payments (including any prepayments) made the by individual borrowers on the pooled mortgage loans. Collateralized mortgage obligations ("CMOs") in which the Fund may invest are securities issued by a U.S. Government instrumentality that are collateralized by a portfolio of mortgages or mortgage-backed securities. Mortgage-backed securities may be less effective than traditional debt obligations of similar maturity at maintaining yields during periods of declining interest rates.

Foreign Currency Transactions. The Fund's foreign currency exchange transactions 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 also enter into forward foreign currency contracts involving currencies of the different countries in which it will invest as a hedge against possible variations in the foreign exchange rate between these currencies. This is accomplished through contractual 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 denominated in foreign currencies. Portfolio hedging is the use of forward foreign currency contracts to offset portfolio security positions denominated or quoted in such foreign currencies. The Fund will not attempt to hedge all of its foreign portfolio positions and will enter into such transactions only to the extent, if any, deemed appropriate by the Advisers. The Fund will not engage in speculative forward currency transactions.

If the Fund enters into a forward contract requiring it to purchase foreign currency, its custodian bank will segregate cash or liquid securities in a separate account of the Fund in an amount equal to the value of the Fund's total assets committed to the consummation of such forward contract. Those assets will be valued at market daily and if the value of the assets in the separate account declines, additional cash or liquid assets will be placed in the account so that the value of the account will be equal to the amount of the Fund's commitment with respect to such contracts.

Hedging against a decline in the value of a currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Such 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 transactions varies with such factors as the currency involved, the length of the contract period and the market conditions then prevailing. Since transactions in foreign currency are usually conducted on a principal basis, no fees or commissions are involved.

Investment in Foreign Securities. The Fund may invest up to 50% of its assets in securities of foreign issuers, including American Depositary Receipts ("ADRs"). ADRs (sponsored or unsponsored) are receipts typically issued by an American bank or trust company. They evidence ownership of underlying securities issued by a foreign corporation, and are designed for trading in United States securities markets. Issuers of the shares underlying unsponsored ADRs are not contractually obligated to disclose material information in the United States and, therefore, there may not be a correlation between that information and the market value of the unsponsored ADR.

Investments in foreign securities may involve risks and considerations not present in domestic investments. Since foreign securities generally may be quoted and pay interest or dividends in foreign currencies, the value of the assets of the Fund as measured in U.S. dollars will be affected favorably or unfavorably by changes in the relationship of the U.S. dollar and other currency

rates. The Fund may incur costs in connection with the conversion of foreign currencies into U.S. dollars and may be adversely affected by restrictions on the conversion or transfer of foreign currencies. In addition, there may be less publicly available information about foreign companies than U.S. companies. Foreign companies may not be subject to accounting, auditing, and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. There may also be difficulty in enforcing legal rights outside the United States. Security trading practices abroad may offer less protection to investors such as the Fund. In addition, the expense ratios of international funds generally are higher than those of domestic funds. This is because there are greater costs associated with maintaining custody of foreign securities, and the increased research necessary for international investing.

Foreign securities markets, while growing in volume, have for the most part substantially less volume than U.S. securities markets and securities of foreign companies are generally less liquid and at times their prices may be more volatile than securities of comparable U.S. companies. Foreign stock exchanges, brokers and listed companies are generally subject to less government supervision and regulation than those in the U.S. The customary settlement time for foreign securities is less frequent than in the U.S., which could affect the liquidity of the Fund's investments.

In some countries, there is the possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits or other assets, establishment of exchange controls, the adoption of foreign government restrictions or other adverse political, social or diplomatic developments that could affect investments in these nations.

These risks may be intensified in the case of investments in emerging markets or countries with limited or developing capital markets. These countries are located in the Asia-Pacific region, Eastern Europe, Latin and South America and Africa. Security prices in these markets can be significantly more volatile than in more developed countries, reflecting the greater uncertainties of investing in less established markets and economies. Political, legal and economic structures in many of these emerging market countries may be undergoing significant evolution and rapid development, and they may lack the social, political, legal and economic stability characteristic of more developed countries. Emerging market countries may have failed in the past to recognize private property rights. They may have relatively unstable governments, present the risk of nationalization of businesses, restrictions on foreign ownership, or prohibitions on repatriation of assets, and may have less protection of property rights than more developed countries. Their economies may be predominantly based on only a few industries, may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme and volatile debt burdens, unstable currencies or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of substantial holdings

difficult or impossible at times. The Fund may be required to establish special custodial or other arrangements before making certain investments in those countries. Securities of issuers located in these countries may have limited marketability and may be subject to more abrupt or erratic price movements.

Short Sales. The Fund may engage in short sales in order to profit from an anticipated decline in the value of a security. The Fund may also engage in short sales to attempt to limit its exposure to a possible market decline in the value of its portfolio securities through short sales of securities which the Adviser believes possess volatility characteristics similar to those being hedged. To effect such a transaction, the Fund must borrow the security sold short to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing it at the market price at the time of replacement. Until the security is replaced, the Fund is required to pay to the lender any accrued interest or dividends and may be required to pay a premium. The Fund may only make short sales "against the box," meaning that the Fund, by virtue of its ownership of other securities, has the right to obtain securities equivalent in kind and amount to the securities sold and, if the right is conditional, the sale is made upon the same conditions.

The Fund will realize a gain if the security declines in price between the date of the short sale and the date on which the Fund replaces the borrowed security. On the other hand, the Fund will incur a loss as a result of the short sale if the price of the security increases between those dates. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium or interest or dividends the Fund may be required to pay in connection with a short sale. The successful use of short selling as a hedging device may be adversely affected by imperfect correlation between movements in the price of the security sold short and the securities being hedged.

Under applicable guidelines of the staff of the SEC, if the Fund engages in short sales, it must put in a segregated account (not with the broker) an amount of cash or U.S. Government securities equal to the difference between (a) the market value of the securities sold short at the time they were sold short and

(b) any cash or U.S. Government Securities required to be deposited as collateral with the broker in connection with the short sale (not including the proceeds from the short sale). In addition, until the Fund replaces the borrowed security, it must daily maintain the segregated account at such a level that the amount deposited in it plus the amount deposited with the broker as collateral will equal the current market value of the securities sold short.

Short selling may produce higher than normal portfolio turnover which may result in increased transaction costs to the Fund and may result in gains from the sale of securities deemed to have been held for less than three months, which gains must be less than 30% of the Fund's gross income for a taxable year

in order for the Fund to qualify as a regulated investment company under the Code for that year.

Short-Term Trading and Portfolio Turnover. Although the Fund does not intend to invest for the purpose of seeking short-term profits, the Fund's particular portfolio securities may be changed without regard to their holding period (subject to certain tax restrictions) when the Advisers deem that this action is appropriate in view of a change in the issuer's financial or business 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 corresponding higher transaction expenses and may make it more difficult for the Fund to qualify as a regulated investment company for Federal income tax purposes. It is anticipated that, under normal market conditions, the Fund's annual portfolio turnover rate will be less than 100%.

INVESTMENT RESTRICTIONS

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

The Fund observes the following fundamental investment restrictions.

The Fund may not:

(1) Purchase or sell real estate or any interest therein, except that the Fund may invest in securities of corporate entities secured by real estate or marketable interests therein or issued by companies that invest in real estate or interests therein and may hold and sell real estate acquired by the Fund as the result of ownership of securities.

(2) Make loans, except that the Fund may lend portfolio securities in accordance with the Fund's investment policies. The Fund does not, for this purpose, consider repurchase agreements, the purchase of all or a portion of an issue of publicly distributed bonds, bank loan participation agreements, bank certificates of deposit, bankers' acceptances, debentures or other securities, whether or not the purchase is made upon the original issuance of the securities, to be the making of a loan.

(3) Invest in commodities or in commodity contracts or in puts, calls, or combinations of both except options on securities, securities indices, currency and other financial instruments, futures contracts on securities, securities indices, currency and other financial instruments, options on such futures contracts, forward commitments, forward foreign currency exchange contracts, interest rate or currency swaps, securities index put or call warrants and repurchase agreements entered into in accordance with the Fund's investment policies.

(4) Purchase securities of an issuer (other than the U.S. Government, its agencies or instrumentalities), if (i) such purchase would cause more than 5% of the Fund's total assets taken at market value to be invested in the securities of such issuer, or (ii) such purchase would at the time result in more than 10% of the outstanding voting securities of such issuer being held by the Fund.

(5) 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.

(6) Borrow money, except from banks as a temporary measure for extraordinary emergency purposes in amounts not to exceed 33 1/3% of the Fund's total assets (including the amount borrowed) taken at market value. The Fund will

not use leverage to attempt to increase income. The Fund will not purchase securities while outstanding borrowings exceed 5% of the Fund's total assets.

(7) Pledge, mortgage or hypothecate its assets, except to secure indebtedness permitted by paragraph (6) above and then only if such pledging, mortgaging or hypothecating does not exceed 33 1/3% of the Fund's total assets taken at market value.

(8) Purchase the securities of issuers conducting their principal business activity in the same industry if, immediately after such purchase, the value of its investments in such industry would exceed 25% of its total assets taken at market value at the time of each investment. This limitation does not apply to investments in obligations of the U.S. Government or any of its agencies or instrumentalities.

(9) Issue senior securities, except as permitted by paragraphs (2), (3) and (6) above. For purposes of this restriction, the issuance of shares of beneficial interest in multiple classes or series, the purchase or sale of options, futures contracts and options on futures contracts, forward commitments, forward foreign currency exchange contracts and repurchase agreements entered into in accordance with the Fund's investment policy,

and the pledge, mortgage or hypothecation of the Fund's assets within the meaning of paragraph (7) above are not deemed to be senior securities.

In connection with the lending of portfolio securities under item (2) above, such loans must at all times be fully collateralized and the Fund's custodian must take possession of the collateral either physically or in book entry form. Securities used as collateral must be marked to market daily.

Nonfundamental Investment Restrictions

The following restrictions are designated as nonfundamental and may be changed by the Trustees without shareholder approval.

The Fund may not:

(a) purchase securities on margin or make short sales, except margin deposits in connection with transactions in options, futures contracts, options on futures contracts and other arbitrage transactions, or unless by virtue of its ownership of other securities, the Fund has the right to obtain without payment of additional consideration, securities equivalent in kind and amount to the securities sold and, if the right is conditional, the sale is made upon the same conditions, except that a Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of securities.

(b) purchase securities of any issuer which, together with any predecessor, has a record of less than three years' continuous operation prior to the purchase if such purchase would cause the Fund's investment in all such issuers to exceed 5% of the value of the Fund's total assets.

(c) invest for the purpose of exercising control over or management of any company.

(d) 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. The Fund may not purchase the shares of any closed-end investment company except in the open market where no commission or profit to a sponsor or dealer results from the purchase, other than customary brokerage fees.

(e) knowingly purchase or retain securities of an issuer if one or more of the

Trustees or officers of the Trust or directors or officers of the Adviser or any investment management subsidiary of the Adviser individually owns beneficially more than 0.5%, and together own beneficially more than 5%, of the securities of such issuer.

(f) invest in interests in oil, gas or other mineral exploration or development programs; provided, however, that this restriction shall not prohibit the acquisition of securities of companies engaged in the production or transmission of oil, gas or other minerals.

(g) purchase warrants if as a result (i) more than 5% of the Fund's net assets, valued at the lower of cost or market value, would be invested in warrants or (ii) more than 2% of its net assets would be invested in warrants, valued as aforesaid, which are not traded on the New York Stock Exchange or American Stock Exchange; provided that for these purposes, warrants are to be valued at the lesser of cost or market, but warrants acquired in units or attached to securities will be deemed to be without value.

(h) Purchase any security, including any repurchase agreement maturing in more than seven days, which is not readily marketable, if more than 15% of the net assets of the Fund, taken at market value, would be invested in such securities.

(i) Participate on a joint or joint-and-several basis in any securities trading account. The "bunching" of orders for the sale or purchase of marketable portfolio securities with other accounts under the management of the Adviser to save commissions or to average prices among them is not deemed to result in a joint securities trading account.

(j) Invest more than 15% of its net assets in restricted securities, excluding restricted securities eligible for resale pursuant to Rule 144A under the Securities Act of 1933.

(k) Purchase interests in real estate limited partnerships.

(l) Purchase puts, calls, straddles, spreads or any combination thereof if by reason of a purchase the Fund's aggregate investment in these instruments would exceed 5% of its total assets.

In order to permit the sale of shares of the Fund in certain states, the Trustees may, in their sole discretion, adopt restrictions or investment policies more restrictive than those described above. Should the Trustees determine that any such more restrictive policy is no longer in the best interests of the Fund and its shareholders, the Fund may cease offering shares in the state involved and the Trustees may revoke such restrictive policy. Moreover, if the states involved shall no longer require any such restrictive policy, the Trustees may, at their sole discretion, revoke such policy.

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 values 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 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").

The following table sets forth the principal occupations of the Trustees and principal officers of the Trust during the past five years. Unless otherwise indicated, the business address of each is 101 Huntington Avenue, Boston, Massachusetts 02199.

<TABLE>
<CAPTION>

Name, Address and Date of Birth	Position(s) Held With Registrant	Principal Occupation(s) During Past Five Years
<S>	<C>	<C>
*Edward J. Boudreau, Jr. October 1944	Chairman (1,2)	Chairman and Chief Executive Officer, the Adviser and The Berkeley Financial Group ("The Berkeley Group"); Chairman, the Sub-Adviser; John Hancock Advisers International Limited ("Advisers International"); John Hancock Funds; John Hancock Investor Services Corporation ("Investor Services") and Sovereign Asset Management Corporation ("SAMCorp"); (hereinafter the Adviser, the Berkeley Group, the Sub-Adviser, Advisers International, John Hancock Funds, Investor Services and SAMCorp are collectively referred to as the "Affiliated Companies"); Chairman, First Signature Bank & Trust; Director, John Hancock Freedom Securities Corp., John Hancock Capital Corp. and New England/Canada Business Council; Member, Investment Company Institute Board of Governors; Director, Asia Strategic Growth Fund, Inc.; Trustee, Museum of Science; Vice Chairman and President, the Adviser (until July 1992); Chairman John Hancock Distributors, Inc. (until April, 1994).

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* An "interested person" of the Trust, as such term is defined in the Investment Company Act of 1940.
(1) A 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.
(3) A Member of the Audit Committee and the Administration Committee.

Name, Address and Date of Birth	Position(s) Held With Registrant	Principal Occupation(s) During Past Five Years
Dennis S. Aronowitz Boston University Boston, Massachusetts June 1931	Trustee (3)	Professor of Law, Boston University School of Law; Trustee, Brookline Savings Bank.
Richard P. Chapman, Jr. 160 Washington Street Brookline, Massachusetts February 1935	Trustee (1,3)	President, Brookline Savings Bank; Director, Federal Home Loan Bank of Boston (lending); Director, Lumber Insurance Companies (fire and casualty insurance); Trustee, Northeastern University (education); Director, Depositors Insurance Fund, Inc. (insurance).
William J. Cosgrove 20 Buttonwood Place Saddle River, New Jersey January 1933	Trustee (3)	Vice President, Senior Banker and Senior Credit Officer, Citibank, N.A. (retired September 1991); Executive Vice President, Citadel Group Representatives, Inc., EVP Resource Evaluation, Inc. (consulting) (until October 1993); Trustee, the Hudson City Savings Bank (since 1995).

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(3) A Member of the Audit Committee and the Administration Committee.

Name, Address and Date of Birth	Position(s) Held With Registrant	Principal Occupation(s) During Past Five Years
Douglas M. Costle RR2 Box 480 Woodstock, Vermont 05091 July 1939	Trustee (1,3)	Director, Chairman of the Board and Distinguished Senior Fellow, Institute for Sustainable Communities, Montpelier, Vermont (since 1991); Dean, Vermont Law School (until 1991); Director, Air and Water Technologies Corporation (environmental services and equipment), Niagara Mohawk Power Company (electric services) and Mitretek Systems (governmental consulting services).
Leland O. Erdahl 9449 Navy Blue Court Las Vegas, NV 89117 December 1928	Trustee (3)	Director of Santa Fe Ingredients Company of California, Inc. and Santa Fe Ingredients Company, Inc. (private food processing companies); Director of Uranium Resources, Inc.; President of Stolar, Inc. (from 1987-1991) and President of Albuquerque Uranium Corporation (from 1985- 1992); Director of Freeport- McMoRan Copper & Gold Company Inc., Hecla Mining Company, Canyon Resources Corporation and Original Sixteen to One Mine, Inc. (from 1984-1987 and from 1991 to 1995) (management consultant).

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(3) A Member of the Audit Committee and the Administration Committee.

Name, Address and Date of Birth	Position(s) Held With Registrant	Principal Occupation(s) During Past Five Years
Richard A. Farrell Farrell, Healer & Company, Inc. 160 Federal Street 23rd Floor Boston, MA 02110 November 1932	Trustee (3)	President of Farrell, Healer & Co. (venture capital management firm) (since 1980); Prior to 1980, headed the venture capital group at Bank of Boston Corporation.
Gail D. Fosler 4104 Woodbine Street Chevy Chase, MD December 1947	Trustee (3)	Vice President and Chief Economist, The Conference Board (non-profit economic and business research).
William F. Glavin Babson College Horn Library	Trustee (3)	President, Babson College; Vice Chairman, Xerox Corporation (until June 1989); Director, Caldor Inc.,

Babson Park, MA 02157 March 1931		Reebok, Ltd. (since 1994), and Inco Ltd.
*Anne C. Hodsdon April 1953	Trustee and President (1, 2)	President and Chief Operating Officer, the Adviser; Executive Vice President, the Adviser (until December 1994); Senior Vice President, the Adviser (until December 1993); Vice President, the Adviser (until 1991).

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(3) A Member of the Audit Committee and the Administration Committee.

Name, Address and Date of Birth	Position(s) Held With Registrant	Principal Occupation(s) During Past Five Years
Dr. John A. Moore Institute for Evaluating Health Risks 1101 Vermont Avenue N.W. Suite 608 Washington, DC 20005 February 1939	Trustee (3)	President and Chief Executive Officer, Institute for Evaluating Health Risks (nonprofit institution) (since September 1989).
Patti McGill Peterson Institute for Public Affairs 364 Upson Hall Cornell University Ithica, NY 14853 May 1943	Trustee (3)	President, St. Lawrence University; Director, Niagara Mohawk Power Corporation (electric utility) and Security Mutual Life (insurance).
John W. Pratt 2 Gray Gardens East Cambridge, MA 02138 September 1931	Trustee (3)	Professor of Business Administration at Harvard University Graduate School of Business Administration (since 1961).
*Richard S. Scipione John Hancock Place P.O. Box 111 Boston, Massachusetts August 1937	Trustee (1)	General Counsel, the Life Company; Director, the Adviser, the Affiliated Companies, John Hancock Distributors, Inc., JH Networking Insurance Agency, Inc., John Hancock Subsidiaries, Inc. and John Hancock Property and Casualty Insurance and its affiliates (until November, 1993).

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(2) A Member of the Investment Committee of the Adviser.
(3) A Member of the Audit Committee and the Administration Committee.

Name, Address and Date of Birth	Position(s) Held With Registrant	Principal Occupation(s) During Past Five Years
Edward J. Spellman, CPA 259C Commercial Bld. Fort Lauderdale, FL November 1932	Trustee (3)	Partner, KPMG Peat Marwick LLP (retired June 1990).
*Robert G. Freedman	Vice Chairman and Chief	Vice Chairman and Chief Investment

July 1938	Investment Officer (2)	Officer, the Adviser; President, the Adviser (until December 1994); Director, the Adviser, Advisers International, John Hancock Funds, Investor Services, SAMCorp. and the Sub- Adviser; Senior Vice President, The Berkeley Group.
*James B. Little February 1935	Senior Vice President and Chief Financial Officer	Senior Vice President, the Adviser, The Berkeley Group, John Hancock Funds and Investor Services; Senior Vice President and Chief Financial Officer, each of the John Hancock funds.
*John A. Morin July 1950	Vice President	Vice President, the Adviser; Vice President, Investor Services, John Hancock Funds and each of the John Hancock funds; Compliance Officer, certain John Hancock funds; Counsel, the Life Company; Vice President and Assistant Secretary, The Berkeley Group.

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(2) A Member of the Investment Committee of the Adviser.
(3) A Member of the Audit Committee and the Administration Committee.

Name, Address and Date of Birth	Position(s) Held With Registrant	Principal Occupation(s) During Past Five Years
*Susan S. Newton March 1950	Vice President and Secretary	Vice President and Assistant Secretary, the Adviser; Vice President and Secretary, certain John Hancock funds; Vice President and Secretary, John Hancock Funds, Investor Services and John Hancock Distributors, Inc. (until 1994); Secretary, SAMCorp; Vice President, The Berkeley Group.
*James J. Stokowski November 1946	Vice President and Treasurer	Vice President, the Adviser; Vice President and Treasurer, each of the John Hancock funds.

</TABLE>

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

The following table provides 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. The Trustees not listed below were not Trustees of the Trust as of the end of the Fund's last completed fiscal year. The three non-Independent Trustees, Messrs. Boudreau and Scipione and Ms. Hodsdon, and each of the officers of the Trust are interested persons of the Adviser, are compensated by the Adviser and receive no compensation from the Fund for their services.

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(2) A Member of the Investment Committee of the Adviser.
(3) A Member of the Audit Committee and the Administration Committee.

Independent Trustees	Aggregate Compensation From the Fund 1	Total Compensation From the Fund and John Hancock Fund Complex to Trustees 2
Dennis S. Aronowitz	$154	$ 61,050
Richard P. Chapman, Jr.+	158	62,800
William J. Cosgrove+	154	61,050
Gail D. Fosler	154	60,800
Bayard Henry*	144	58,850
Edward J. Spellman	154	61,050
	$918	$365,600

1 Compensation is for the fiscal year ended December 31, 1995.

2 The total compensation paid by the John Hancock Fund Complex to the Independent Trustees is as of the calendar year ended December 31, 1995. As of such date there were 61 funds in the John Hancock Fund Complex, of which each of these Independent Trustees served 16.

* Mr. Henry retired from his position as a Trustee of the Fund effective April 26, 1996.

+ As of December 31, 1995 the value of the aggregate accrued deferred compensation from each Fund in the John Hancock Fund Complex for Mr. Chapman was $54,681 and for Mr. Cosgrove was $54,243 under the John Hancock Deferred Compensation Plan for Independent Trustees (the "Plan").

The Trustees and officers of the Fund may at times be the record holders of in excess of 5% of the shares of the Fund by virtue of holding shares in "street name." As of August 5, 1996 the officers and trustees of the Trust as a group owned less than 1% of the outstanding shares of each class of the Fund.

As of August 5, 1996 the following shareholders beneficially owned 5% or more of the outstanding shares of the Fund listed below:
<TABLE>
<CAPTION>

Name and Address of Shareholder	Class of Shares	Number of shares of beneficial interest owned	Percentage of total outstanding shares of the class of the Fund
<S>	<C>	<C>	<C>
Merrill Lynch Pierce Fenner & Smith Inc. 4800 Deer Lake Drive East Jacksonville, FL 32246-6484	Class B shares	152,433	7.98%

</TABLE>

INVESTMENT ADVISORY,
SUB-ADVISORY AND OTHER SERVICES

The Fund receives its investment advice from the Advisers. Each of the Trustees and principal officers of the Fund who is also an affiliated person of the Advisers is named above, together with the capacity in which such person is affiliated with the Fund and the Advisers.

The Fund has entered into an investment management contract with the Adviser and an investment sub-advisory contract with the Sub-Adviser. Under the investment management contract, the Adviser provides the Fund with (i) a continuous investment program, consistent with the Fund's stated investment objective and policies, and (ii) supervision of all aspects of the Fund's operations except those that are delegated to a custodian, transfer agent or other agent. The Adviser is responsible for the management of the Fund's portfolio assets.

The Adviser has entered into a sub-investment management contract with the

Sub-Adviser under which the Sub-Adviser, subject to the review of the Trustees and the over-all supervision of the Adviser, is responsible for managing the investment operations of the Fund and the composition of the Fund's portfolio and furnishing the Fund with advice and recommendations with respect to investments, investment policies and the purchase and sale of securities.

Securities held by the Fund may also be held by other funds or investment advisory clients for which the Advisers or their 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 other funds or clients are selling the same security. If opportunities for purchase or sale of securities by the Advisers for the Fund or for other funds or clients for which one of the Advisers 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 one of the Advisers or their affiliates may increase the demand for securities being purchased or the supply of securities being sold, there may be an adverse effect on price.

No person other than the Advisers and their directors and employees regularly furnishes advice to the Fund with respect to the desirability of the Fund's investing in, purchasing or selling securities. The Advisers may from time to time receive statistical or other similar factual information, and information regarding general economic factors and trends, from the Life Company and its affiliates.

All expenses which are not specifically paid by the Adviser and which are incurred in the operation of the Fund (including fees of Trustees of the Trust who are not "interested persons," as such term is defined in the Investment Company Act of 1940, but excluding certain distribution related activities required to be paid by the Adviser or John Hancock Funds) and the continuous public offering of the shares of the Fund are borne by the Fund.

As provided by the investment management contract, the Fund pays the Adviser monthly an investment management fee, which is accrued daily, of 0.70% of the average of the daily net assets of the Fund. For its sub-advisory services, the Adviser pays the Sub-Adviser monthly a sub-advisory fee of 40% of the fee received by the Adviser for managing the Fund. The Fund is not responsible for payment of the Sub-Adviser's fee.

The Adviser has voluntarily agreed to limit Fund expenses, including the management fee (but not including the transfer agent fee and the 12b-1 fee (as described below under "Distribution contract")), to 0.40% of the Fund's average daily net assets. The Adviser reserves the right to terminate this voluntary limitation in the future.

If the total of all ordinary business expenses of the Fund for any fiscal year exceeds limitations prescribed in any state in which shares of the Fund are qualified for sale, the fee payable to the Adviser will be reduced to the extent required by these limitations. At this time, the most restrictive limit on expenses imposed by a state requires that expenses charged to the Fund in any fiscal year may not exceed 2 1/2% of the first $30,000,000 of the Fund's average net assets, 2% of the next $70,000,000 of such net assets and 1 1/2% of the remaining average net assets. When calculating the above limit, the Fund may exclude interest, brokerage commissions and extraordinary expenses.

On December 31, 1995, the net assets of the Fund were $29,838,736. For the year ended December 31, 1995 and the period ended December 31, 1994, the Adviser's management fee was $140,122 and $18,489 respectively, prior to expense reduction. After expense reduction by the Adviser, the Adviser's management fees for the periods ended December 31, 1994 and December 31, 1995 were zero.

Pursuant to the investment management contract and sub-advisory contract, the Adviser and Sub-Adviser are not liable to the Fund 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 contract relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Adviser or the Sub-Adviser in the performance of their duties or from their reckless disregard of their obligations and duties under the applicable contract.

The Adviser, located at 101 Huntington Avenue, Boston, Massachusetts 02199-7603, was organized in 1968 and presently has more than $18 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 1,080,000 shareholders. The Adviser is an affiliate of the Life Company, one of the most recognized and respected financial institutions in the nation. The Sub-Adviser was organized in 1977 and is also an indirect subsidiary of the Life Company and provides investment management advisory services for institutional and individual investors. The Sub-Adviser manages approximately $1.3 billion in assets. With total assets under management of approximately $80 billion, the Life Company is one of the ten largest life insurance companies in the United States, and carries the highest ratings from S&P's and A.M. Best's. Founded in 1862, the Life Insurance Company has been serving clients for over 130 years.

Under the investment management contract, the Fund may use the name "John Hancock" or any name derived from or similar to it only for so long as the contract or any extension, renewal or amendment thereof remains in effect. If the contract is no longer in effect, the Fund (to the extent that it lawfully can) will cease to use such a 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 investment management contract, the investment sub-advisory contract and the distribution contract discussed below continue in effect from year to year if approved annually by vote of a majority of the Trust's Trustees who are not interested persons of one of the parties to the contract, cast in person at

a meeting called for the purpose of voting on such approval, and by either the Trust's Trustees or the holders of a majority of the Trust's outstanding voting securities. Each of these contracts automatically terminates upon assignment. Each contract may be terminated without penalty on 60 days' notice at the option of either party to the respective contract or by vote of a majority of the outstanding voting securities of the Fund.

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.

DISTRIBUTION CONTRACT

The Fund has a distribution contract with John Hancock Funds. Under the contract, John Hancock Funds is obligated to use its best efforts to sell shares of the Fund. Shares of the Fund are 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. In connection with the sale of Class A or Class B shares of the Fund, John Hancock Funds and Selling Brokers receive compensation in the form of a sales charge imposed, in the case of Class A shares, at the time of sale or, in the case of Class B shares, on a deferred basis. The sales charges are discussed further in the Fund's Prospectus.

The Trust's Trustees adopted Distribution Plans on behalf of the Fund with respect to the Fund's Class A and Class B 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 for Class A and Class B shares, at an aggregate annual rate of up to 0.30% and 1.00%, respectively, of the Fund's daily net assets attributable to the respective class of shares. However, the amount of 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 shares only, interest expenses on unreimbursed distribution expenses. The service fees will be used to compensate Selling Brokers for providing personal and account maintenance services to shareholders. In the event that John Hancock Funds is not fully reimbursed for payments it makes or expenses it incurs under the Class A Plan, these expenses will not be carried beyond one year from the date these expenses were incurred. In the event that John Hancock Funds is not fully

reimbursed for expenses it incurs under the Class B Plan in any fiscal year, John Hancock Funds may carry these expenses forward, provided, however, that the Trustees may terminate the Class B Plan and thus the Fund's obligation to make further payments at any time. Accordingly, the Fund does not treat unreimbursed expenses relating to the Class B shares as a liability. For the period ended December 31, 1995 an aggregate of $807,110 of distribution expenses or 7.5% of the average net assets of the Class B shares of the Fund was not reimbursed or recovered by John Hancock Funds through the receipt of deferred sales charges or 12b-1 fees in prior periods.

The Plans were approved by a majority of the voting securities of the applicable class of the Fund. The Plans have also been approved by a majority of 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 Plan (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 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.

During the fiscal year ended December 31, 1995, the Fund paid John Hancock Funds the following amounts of expenses with respect to the Class A shares and Class B shares of the Fund:
<TABLE>
<CAPTION>

Expense Items

<S>	Advertising <C>	Printing and Mailing of Prospectus to New Shareholders <C>	Compensation to Selling Brokers <C>	Expenses of John Hancock Funds <C>	Interest Carrying or Other Finance Charges <C>
Class A shares	$12,428	$1,300	$ 1,605	$12,438	$ 0
Class B shares	$40,449	$2,812	$ 14,029	$41,007	$9,306

</TABLE>

Each of the Plans provides that it 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. Each of the Plans provides that it 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 in each case 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 with respect to the Plan. And finally, each of the Plans provides that no material amendment to the Plan will, in any event, be effective unless it is approved by a majority vote of both the Trustees and the Independent Trustees of the Trust. The holders of Class A shares and Class B 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 each Plan will benefit the holders of the applicable class of shares of the Fund.

When the Trust seeks an Independent Trustee to fill a vacancy or as a nominee for election by shareholders, the selection or nomination of the Independent Trustee is, under resolutions adopted by the Trustees contemporaneously with their adoption of the Plans, committed to the discretion of the Committee on Administration of the Trustees. The members of the Committee on Administration are all Independent Trustees and are identified in this Statement of Additional Information under the heading "Those Responsible for Management."

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.

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 last available bid price.

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 accurate quotations are not readily available, or the value has been materially affected by events occurring after the closing of a foreign market, assets are valued by a method that the Trustees believe accurately reflects fair value.

The Fund will not price its securities on the following national holidays: New Year's Day; Presidents' Day; Good Friday; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day. 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 a 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

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 cumulate current purchases with the greater of the current value (at offering price) of the Class A shares of the Fund, or if Investor 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.

Combined Purchases. In calculating the sales charge applicable to purchases of Class A shares made at one time, the purchases will be combined if made by (a) an individual, his 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) certain groups of four or more individuals making use of salary deductions or similar group methods of payment whose funds are combined for the purchase of mutual fund shares. Further information about combined purchases, including certain restrictions on combined group purchases, is available from Investor Services or a Selling Broker's representative.

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

o Any state, county or any instrumentality, department, authority, or agency of these entities that is prohibited by applicable investment laws from paying a sales charge or commission when it purchases shares of any registered investment management company.

o A bank, trust company, credit union, savings institution or other depository institution, its trust department or common trust funds if it is purchasing $1 million or more for non-discretionary customers or accounts.

o A Trustee/Director or officer of the Fund; 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, mother, father, sister, brother, mother-in-law, father-in-law) of any of the foregoing; or any fund, pension, profit sharing or other benefit plan for the individuals described above.

o A broker, dealer, financial planner, consultant or registered investment advisor that has entered into an 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.

- 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.
- A member of an approved affinity group financial services plan.
- A member of a class action lawsuit against insurance companies who is investing settlement proceeds.
- Existing full service clients of the Life Company who were group annuity contract holders as of September 1, 1994, and participant directed defined contribution plans with at least 100 eligible employees at the inception of the Fund account, 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 million to $4,999,999	1.00%
Next $5 million to $9,999,999	0.50%
Amounts of $10 million and over	0.25%

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 then being invested but also the purchase price or current value of the Class A shares already held by such person.

Combination Privilege. Reduced sales charges (according to the schedule set forth in the Prospectus) also are available to an investor based on the aggregate amount of his concurrent and prior investments in Class A shares of the Fund and shares of all other John Hancock funds which carry a sales charge.

Letter of Intention. The reduced sales charges are also applicable to investments made over a thirteen-month period 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 qualified retirement plan, however, may opt to make the necessary investments called for by the LOI over a forty-eight (48) month period. These qualified retirement plans include IRA, SEP, SARSEP, and 401(k), 403(b) (including TSAs) and 457 plans. Such an investment (including accumulations and combinations) 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 Investor 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 applied (including accumulations and combinations) had the LOI been for the amount actually invested.

The LOI authorizes Investor 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 charge as may be due. By signing the LOI, the investor authorizes Investor Services to act as his attorney-in-fact to redeem any escrowed 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.

Class A shares may be purchased without a sales charge by clients of the Sub-Adviser if funds are transferred directly to the Fund from accounts managed by the Sub-Adviser.

Class A shares of the Fund 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.

DEFERRED SALES CHARGE ON CLASS B SHARES

Investments in Class B 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 shares which are redeemed within six years of purchase 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 shares being redeemed. No CDSC will be imposed on increases in account value above the initial purchase prices, including shares derived from reinvestment of dividends or capital gains distributions.

Class B shares are not available to full-service defined contribution plans administered by Investor 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 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 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 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. Upon redemption, appreciation is effective only on a per share basis for those shares being redeemed. Appreciation of shares cannot be redeemed CDSC free at the account level.

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:

*	Proceeds of 50 shares redeemed at $12 per share	$600
*	Minus proceeds of 10 shares not subject to CDSC (dividend reinvestment)	-120
*	Minus appreciation on remaining shares (40 shares X $2)	-80
		----
*	Amount subject to CDSC	$400

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 shares, such as the payment of compensation to select Selling Brokers for selling Class B shares. The combination of the CDSC and the distribution and service fees facilitates the ability of the Fund to sell the Class B shares without a sales charge being deducted at the time of the purchase. See the Prospectus for additional information regarding the CDSC.

Waiver of Contingent Deferred Sales Charge. The CDSC will be waived on redemptions of Class B 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.

* Redemptions made under the Reinstatement Privilege, as described in "Sales Charge Reductions and Waivers" of the Prospectus.

* Redemptions of Class B shares made under a periodic withdrawal plan, 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 Investor Services. (Please note, this waiver does not apply to periodic withdrawal plan redemptions of Class A shares that are subject to a CDSC.)

For Retirement Accounts (such as IRA, Rollover IRA, TSA, 457, 403(b), 401(k), Money Purchase Pension Plan, Profit-Sharing Plan and other qualified 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 section 401(a) of the Code (such as 401k, Money Purchase Pension Plan, Profit-Sharing Plan).

* Redemptions from certain IRA and retirement plans that purchased shares prior to October 1, 1992.

Please see matrix for reference.

CDSC Waiver Matrix for Class B Funds
<TABLE>
<CAPTION>

Type of Distribution	401(a) Plan (401(k), MPP, PSP)	403(b)	457	IRA, IRA Rollover	Non-retirement
<S>	<C>	<C>	<C>	<C>	<C>
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	Waived	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
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 Investor Services at the time you make your redemption. The waiver will be granted once Investor 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 were to sell portfolio securities received in this fashion he would 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, however, elected to be governed by Rule 18f-1 under the Investment Company Act of 1940. 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. As described more fully in the Prospectus, 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.

Systematic Withdrawal Plan. As described briefly in the Prospectus, the Fund permits the establishment of a Systematic Withdrawal Plan. Payments under this plan represent proceeds 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 Class A or Class B shares of the Fund could be disadvantageous to a shareholder because of the initial sales charge payable on purchases of Class A shares and the CDSC imposed on redemptions of Class B shares and because redemptions are taxable events. Therefore, a shareholder should not purchase Class A or Class B shares at the same time that 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 Investor Services.

Monthly Automatic Accumulation Program ("MAAP"). This program applies solely to Class A shares of the Fund and is explained more fully in the Prospectus and the Account Privilege Application. 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 Monthly Automatic Accumulation Program may be revoked by Investor 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 Investor Services or upon written notice to Investor Services which is received at least five (5) business days prior to the due date of any investment.

Reinvestment Privilege. 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 another John Hancock mutual 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 charge 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. The Fund may modify or terminate the reinvestment privilege 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."

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 Trust 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 Trustees have authorized shares of the Fund and two other series. Additional series may be added in the future. The Declaration of Trust also authorizes the Trustees to classify and reclassify the shares of the Fund, or any other series of the Trust, into one or more classes. As of the date of this Statement of Additional Information, the Trustees have authorized the issuance of two classes of shares of the Fund, designated as Class A and Class B.

The shares of each class of the Fund represent an equal proportionate interest in the aggregate net assets attributable to that class of the Fund. Holders of Class A shares and Class B 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 Class A and Class B shares will be borne exclusively by that class (ii) Class B shares will pay higher distribution and service fees than Class A shares and (iii) each of Class A shares and Class B shares will bear any other class expenses properly allocable to such class of shares, subject to the requirements imposed by the Internal Revenue Service on funds having a multiple-class structure. Similarly, the net asset value per share may vary depending on whether Class A shares or Class B shares are purchased.

In the event of liquidation, shareholders of each class are entitled to share pro rata in the net assets of the class 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 of 1940 or the Declaration of Trust, the Trust has no intention of holding annual meetings of shareholders. Trust 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.

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 Fund's 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. 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.

Pursuant to an order granted by the SEC, the Fund has adopted a deferred compensation plan for its Independent Trustees which allows Trustees' fees to be invested by the Fund in other John Hancock funds.

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.

Notwithstanding the fact that the Prospectus is a combined prospectus for the Fund and other John Hancock mutual funds, the Fund shall not be liable for the liabilities of any other John Hancock mutual fund.

TAX STATUS

Each series of the Trust, including the Fund, is treated as a separate entity for accounting and tax purposes. The Fund has qualified and intends to continue to qualify as a "regulated investment company" under Subchapter M of the Code. 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 four percent 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 this tax by satisfying such distribution requirements.

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 long-term 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 net capital gain, after reduction by deductible expenses.) Some distributions from investment company taxable income and/or net capital gain may be paid in January but may be taxable 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 options and futures contracts, 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. Any such transactions that are not directly-related to the Fund's investment in stock or securities, possibly including certain currency positions or 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 its gross income for each taxable year, and may 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 a loss but after considering the post-October loss regulations) the resulting overall ordinary loss for such a 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. Tax conventions between certain countries and the U.S. may reduce or eliminate such taxes. Because more than 50% of the Fund's assets at the close of any taxable year will not consist of stocks or securities of foreign corporations, the Fund will be unable to pass such taxes through to shareholders who consequently will not take such taxes into account on their own tax returns. However, the Fund will deduct such taxes in determining the amount it has available for distribution to shareholders.

If the Fund acquires stock in certain foreign corporations that receive at least 75% of their annual gross income from passive sources (such as interest, dividends, rents, 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. Certain elections may, if available, ameliorate these adverse tax consequences, but any such election would required the Fund to recognize taxable income or gain without the concurrent receipt of cash. 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 net realized capital gains, if any, in any given year will vary depending upon the Advisers' current investment strategy and whether the Advisers believe it to be in the best interest of the Fund to dispose of portfolio securities or engage in certain other transactions or derivatives that will generate capital gains . At the time of an investor's purchase of shares of the Fund, a portion of the purchase price is often attributable to realized or unrealized appreciation in the Fund's portfolio or undistributed taxable income of the Fund. Consequently, subsequent distributions on these shares from such appreciation or income 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 those shares and the distributions in reality represent a return of a portion of the purchase price.

Upon a redemption of shares of the Fund (including by exercise of the exchange privilege) a shareholder will ordinarily realize a taxable gain or loss depending upon the amount of the proceeds and the investor's basis in his shares. This gain or loss will be treated as capital gain or loss if the shares are capital assets in the shareholder's hands and will be long-term or short-term, depending upon the shareholder's tax holding period for the shares and subject to the special rules described below. 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 Class A 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 Class A shares subsequently acquired. Also, any loss realized on a redemption or exchange may be disallowed for tax purposes 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.

Although its present intention is to distribute, at least annually, all net capital gain annually, 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 carry forward 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 long-term capital gain in his tax 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 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 to shareholders. Presently, there are no capital loss carryforwards to offset future net realized capital gains.

Limitations imposed by the Code on regulated investment companies like the Fund may restrict the Fund's ability to enter into futures and options transactions, foreign currency positions, and foreign currency forward contracts. Certain of these transactions undertaken by the Fund may cause the 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 foreign currency forwards, options and futures, as ordinary income or loss) and timing of some gains and losses realized by the Fund. Also, certain of the Fund's losses on its transactions involving options, futures or forward 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 gain. Certain of these 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. Some of the applicable tax rules may be modified if the Fund is eligible and chooses to make one or more of certain tax elections that may be available. The Fund will take into account the special tax rules applicable to options, futures or forward contracts (including consideration of any available elections) in order to minimize any potential adverse tax consequences.

For purposes of the dividends-received deduction available to corporations, dividends received by the Fund, if any, from U.S. domestic corporations in respect of the stock of such corporations held by the Fund, for U.S. Federal income tax purposes, for at least 46 days (91 days in the case of certain preferred stock) and distributed and properly designated by the Fund may be treated as qualifying dividends. Corporate shareholders must meet the minimum holding period requirement stated above (46 or 91 days) with respect to their shares of the Fund in order to qualify for the deduction and, if they have any debt that is deemed under the Code directly attributable to such shares, may be denied a portion of the dividends received deduction. The entire qualifying dividend, including the otherwise-deductible amount, will be included in determining the excess (if any) of a corporate shareholder's adjusted current earnings over its alternative minimum taxable income, which may increase its alternative minimum tax liability, if any. Additionally, any corporate shareholder should consult its tax adviser regarding the possibility that its tax basis in its Fund shares may also be reduced, for Federal income tax purposes, by reason of "extraordinary dividends" received with respect to the shares, for the purpose of computing its gain or loss on redemption or other disposition of the shares.

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 rules applicable to certain options, futures contracts, 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 may have to leverage itself by borrowing the 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 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.

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 laws 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 the laws. 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 shares of the Fund 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 Fund investment 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 non- resident 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. 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 average annual total return of the Class A shares of the Fund, for the one year period ended December 31, 1995 and since commencement of operations, January 3, 1994 was 14.28% and 11.01%, respectively.

The average annual total return of the Class B shares of the fund for the one year period ended December 31, 1995 and since commencement of operations, January 3, 1994 was 14.11% and 10.78%, respectively.

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:

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

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 the beginning of the 1 year, 5 year and 10 year periods.

Because each share has its own sales charge and fee structure, the classes have different performance results. In the case of Class A shares or Class B shares, 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 also 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.

The result of the above calculation is an average and is not the same as the actual year-to-year results.

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 shares into account. Excluding the Fund's sales charge on Class A shares and the CDSC on Class B 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 will be compared to indices of mutual funds such as Lipper Analytical Services, Inc.'s "Lipper -Mutual Performance Analysis," a monthly publication which tracks net assets, total return and yield on equity mutual funds in the United States. Ibottson 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 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 Advisers pursuant to recommendations made by an investment committee, which consists of officers and directors of the Advisers and affiliates and officers 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 Advisers, 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 commission paid by the issuer and transactions with dealers serving as market makers reflect a "spread." Investments in 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 such transactions.

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 that the Trustees may determine, the Advisers 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 or 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 Insurance 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 commitments to allocate portfolio transactions upon any prescribed basis. While the Fund's officers will be primarily responsible for the allocation of the Fund's brokerage business, their policies and practices in this regard must be consistent with the foregoing and will at all times be subject to review by the Trustees. For the year ended on December 31, 1995 and 1994, the Fund paid negotiated brokerage commissions of $78,514 and $24,810, respectively.

As permitted by Section 28(e) of the Securities Exchange Act of 1934, the Fund may pay 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 the Trustees may adopt from time to time. During the period ended December 31, 1995, the Fund

paid no commissions to compensate brokers for research services such as industry and company reviews and evaluations of the securities.

The Adviser's indirect parent, the Life Insurance Company, is the indirect sole shareholder of John Hancock Freedom Securities Corporation and its subsidiaries, two of which, Tucker Anthony Incorporated, John Hancock Distributors, and Sutro & Company, Inc., are broker-dealers ("Affiliated Brokers"). Pursuant to procedures established 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 period ended December 31, 1995, the Fund did not execute any portfolio transactions with affiliated Brokers.

Any of the Affiliated Brokers 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 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 include 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. The Fund will not effect principal transactions with Affiliated Brokers.

TRANSFER AGENT SERVICES

John Hancock Investors Services, Inc., P.O. Box 9116, Boston, MA 02205-9116, a wholly owned indirect subsidiary of the Life Insurance Company, is the transfer and dividend paying agent for the Fund. The Fund pays Investor Services an annual fee for Class A shares of $16.00 per shareholder account and for Class B shares of $18.50 per shareholder account plus certain out-of-pocket expenses. These expenses are aggregated and charged to the Fund 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, 89 South Street, Boston, Massachusetts 02111. Under the custodian agreement, Investors Bank & Trust Company performs custody, portfolio and fund accounting services.

INDEPENDENT AUDITORS

The independent auditors of the Fund are Ernst & Young LLP, 200 Clarendon Street, Boston, Massachusetts 02116. Ernst & Young audits and renders an opinion on the Fund's annual financial statements and prepares the Fund's annual Federal income tax return.

FINANCIAL STATEMENTS

JOHN HANCOCK UTILITIES FUND

Class A and Class B Shares
Statement of Additional Information

August 30, 1996

This Statement of Additional Information provides information about John Hancock Utilities Fund (the "Fund"), a diversified series of John Hancock Capital Series (the "Trust"), in addition to the information that is contained in the Fund's Prospectus dated August 30, 1996 (the "Prospectus").

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 Investor Services Corporation
P.O. Box 9116
Boston, Massachusetts 02205-9116
1-800-225-5291

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ORGANIZATION OF THE FUND

John Hancock Utilities Fund (the "Fund") is organized as a separate, diversified portfolio of John Hancock Capital Series (the "Trust"), an open-end management investment company organized in 1984 as a Massachusetts business trust under the laws of The Commonwealth of Massachusetts. The Trust is the successor to John Hancock Growth Fund, Inc., a Delaware corporation organized in 1968.

The Fund is managed by John Hancock Advisers, Inc. (the "Adviser") and was established in 1994. The Adviser is an indirect wholly-owned subsidiary of John Hancock Mutual Life Insurance Company (the "Life Insurance Company"), a Massachusetts life insurance company chartered in 1862 with national headquarters at John Hancock Place, Boston, Massachusetts.

INVESTMENT OBJECTIVES AND POLICIES

The investment objectives of the Fund are to seek current income, and to the extent consistent with that objective, growth of income and long-term capital growth. The Fund will seek to achieve its objectives by investing primarily in equity securities of companies in the public utilities industries. There can be no assurance that the objectives of the Fund will be realized.

Under normal market conditions, the Fund will invest at least 65% of its total assets in equity securities of companies in the public utilities industries. These companies include those engaged in the generation, transmission, sale or distribution of electric energy; the distribution, purification and treatment of water; the provision of waste management and the treatment of other sanitary services; the production, transmission or distribution of natural gas and other types of energy; the provision of pollution control or abatement services; and telephone, telegraph, satellite, microwave and other communication services (but not including companies in the public broadcasting or cable television industries). A particular company is in one or more public utilities industries if, at the time of investment, the Adviser determines that at least 50% of the company's assets, revenues or profits are derived from these industries. The Fund may invest in debt and equity securities of issuers in other industries if the Adviser believes that those investments will help the Fund achieve its investment objectives.

The Fund's emphasis on securities of public utilities makes the Fund more susceptible to adverse conditions affecting those industries than a fund that does not have its assets concentrated similarly. Public utilities are subject to a variety of factors that may adversely affect their business or operations,

including high interest costs in connection with capital construction programs; governmental regulation of rates charged to customers; costs associated with environmental, nuclear safety and other regulations; service interruption due to environmental, operational or other mishaps; the effects of economic slowdowns; surplus capacity; increased competition from other providers of utility services; uncertainties concerning the availability of fuel at reasonable prices; the effects of energy conservation policies and other factors. Public utilities may also be subject to regulation by various governmental authorities and may be affected by the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards. Prices charged by public utilities are generally regulated in the U.S. with the intention of protecting the public while ensuring that public utilities' rate of return allows them to attract enough capital to grow and provide appropriate services. There can be no assurance that these pricing policies or rates of return will continue in the future. The nature of the regulation of public utilities is evolving. Changes in regulation increasingly allow public utilities to provide services and products outside their traditional geographic areas and lines of business, offering new sources of revenue but also creating new areas of competition within their industries. The emergence of competition may result in certain companies being forced to defend their core businesses, which may cause them to be less profitable. Generally, the dividend yield of public utilities' equity securities has been above the stock market average. Consequently, their market price tends to be more influenced by changes in prevailing interest rates than does the price of other issuers' securities.

CERTAIN INVESTMENT PRACTICES

Fixed Income Securities. The Fund may invest up to 25% of its total assets in fixed income securities, consisting of U.S. Government securities and corporate debt securities, including convertible securities, rated at least BBB by Standard & Poor's Rating Group ("S&P") or at least Baa by Moody's Investors Service, Inc. ("Moody's"), or, if unrated, determined to be of comparable quality by the Adviser. The market value of fixed income securities varies inversely with changes in the prevailing levels of interest rates. The market value of convertible securities, while influenced by the prevailing level of interest rates, is also affected by the changing value of the equity securities into which they are convertible. The Fund may purchase debt securities with stated maturities of up to thirty years. Debt securities rated BBB or Baa are considered medium-grade obligations with speculative characteristics, and adverse economic conditions or changing circumstances may weaken the issuer's capacity to pay interest and repay principal. If the rating of a fixed income security is reduced below Baa or BBB, the Adviser will sell it when it is appropriate, consistent with the Fund's investment objectives and policies.

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. 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 of 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.

Purchases of Rights and Warrants. The Fund may invest up to 5% of its net assets (calculated at the time of purchase) in rights and warrants. No more than 2% of the Fund's net assets (calculated at the time of purchase) may be invested in warrants which are not traded on the New York Stock Exchange or American Stock Exchange. For purposes of both of these limitations, the following types of rights and warrants are deemed to have no value: (1) rights and warrants acquired as part of a unit or attached to other securities purchased by the Fund and (2) rights and warrants acquired as part of a distribution from the issuer. Rights and warrants represent rights to purchase the common stock of companies at designated prices.

Forward Commitments 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 yet been issued. In a forward commitment transaction, the Fund contracts to purchase securities for a fixed price at a future date beyond customary settlement time. No payment is made with respect to a when-issued or forward commitment transaction until delivery is due, often a month or more after the purchase.

The Fund may engage in when-issued and forward commitment transactions with respect to securities purchased for its portfolio in order to obtain an advantageous price and yield at the time of the transactions. When the Fund engages in a when-issued or forward commitment transaction, it relies on the seller (or the buyer, if the Fund has not yet taken delivery) of when-issued securities 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.

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 equal in value to the Fund's commitments. These assets will be valued daily at market, and additional cash or liquid

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 Fund's commitments for when-issued or forward commitment transactions. Alternatively, the Fund may enter into offsetting contracts for the forward sale of other securities that it owns.

Repurchase Agreements. The Fund may invest in repurchase agreements. A repurchase agreement is a contract under which the Fund acquires a security for a relatively short period (usually not more than 7 days) subject to the obligation of the seller to repurchase and the Fund to resell such security at a fixed time and price (representing the Fund's cost plus 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 and could experience losses, including the possible decline in the value of the underlying securities during the period while the Fund seeks to enforce its rights thereto, possible subnormal levels of income and 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. 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 Board of Trustees. Under procedures established by the Board of Trustees, the Adviser will monitor the creditworthiness of the banks involved.

Restricted Securities. The Fund may invest in restricted securities eligible for resale to certain institutional investors pursuant to Rule 144A under the Securities Act of 1933 and foreign securities acquired in accordance with Regulation S under the Securities Act of 1933. The Fund will not invest more than 15% of its net assets in illiquid investments, which include repurchase agreements maturing in more than seven days, securities that are not readily marketable and restricted securities. However, if the Board of Trustees determines, based upon a continuing review of the trading markets for specific Rule 144A securities, that they are liquid, then these securities may be purchased without regard to the 15% limit. 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.

The Fund may acquire other restricted securities including securities for which market quotations are not readily available. These securities may be sold only in privately negotiated transactions or in public offerings with respect to which a registration statement is in effect under the Securities Act of 1933. Where registration is required, the Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to sell. Restricted securities will be priced at fair market value as determined in good faith by the Fund's Trustees.

Government Securities. 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"). No assurance can be given that the U.S. Government will provide financial support to such Federal agencies, authorities, instrumentalities and government sponsored enterprises in the future.

Ginnie Maes, Freddie Macs and Fannie Maes are mortgage-backed securities which provide monthly payments which are, in effect, a "pass-through" of the monthly interest and principal payments (including any prepayments) made the by individual borrowers on the pooled mortgage loans. Collateralized mortgage obligations ("CMOs") in which the Fund may invest are securities issued by a U.S. Government instrumentality that are collateralized by a portfolio of mortgages or mortgage-backed securities. Mortgage-backed securities may be less effective than traditional debt obligations of similar maturity at maintaining yields during periods of declining interest rates.

Foreign Currency Transactions. The Fund's foreign currency exchange transactions 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 also enter into forward foreign currency exchange contracts involving currencies of the different countries in which it invests as a hedge against possible variations in the foreign exchange rate between these currencies. This is accomplished through contractual 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 foreign currencies. Portfolio hedging is the use of forward foreign currency contracts to offset portfolio security positions denominated or quoted in such foreign currencies. The Fund may not attempt to hedge all of its foreign portfolio positions and will enter into such transactions only to the extent, if any, deemed appropriate by the Adviser.

If the Fund enters into a forward contract requiring it to purchase foreign currency, its custodian bank will segregate cash or liquid securities in a separate account of the Fund in an amount equal to the value of the Fund's total assets committed to the consummation of such forward contract. The assets in the segregated account 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 be equal to the amount of the Fund's commitment with respect to such 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 such securities decline. Such 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 such factors as the currency involved, the length of the contract period and the market conditions then prevailing. Since transactions in foreign currency are usually conducted on a principal basis, no fees or commissions are involved.

Characteristics and Risks of Foreign Securities Markets. The securities markets of many countries have in the past moved relatively independently of one another, due to differing economic, financial, political and social factors. When markets in fact move in different directions and offset each other, there may be a corresponding reduction in risk for the Fund's portfolio as a whole. This lack of correlation among the movements of the world's securities markets may also affect unrealized gains the Fund has derived from movements in any one market.

If the securities of markets moving in different directions are combined into a single portfolio, such as that of the Fund, total portfolio volatility is reduced. Since the Fund may invest in securities denominated in currencies other than U.S. dollars, changes in foreign currency exchange rates may affect the value of portfolio securities. Exchange rates may not move in the same direction as the securities markets in a particular country. As a result, market gains may be offset by unfavorable exchange rate fluctuations.

Investments in foreign securities may involve risks and considerations not present in domestic investments. Since foreign securities generally will be quoted and pay interest or dividends in foreign currencies, the value of the assets of the Fund attributable to such investment as measured in U.S. dollars will be affected favorably or unfavorably by changes in the relationship of the U.S. dollar and other currency rates. The Fund may incur costs in connection with the conversion of foreign currencies into U.S. dollars and may be adversely affected by restrictions on the conversion or transfer of foreign currencies. In addition, there may be less publicly available information about foreign companies than U.S. companies. Foreign companies may not be subject to accounting, auditing, and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies.

Foreign securities markets, while growing in volume, have for the most part substantially less volume than U.S. securities markets and securities of foreign companies are generally less liquid and at times their prices may be more volatile than securities of comparable U.S. companies. Foreign stock exchanges, brokers and listed companies are generally subject to less government supervision and regulation than those in the U.S. The customary settlement time for foreign securities may be longer than the current three (3) day customary settlement time for U.S. securities, or less frequent than in the U.S., which could affect the liquidity of the Fund's investments. The Adviser monitors the

settlement time for foreign securities and takes undue settlement delays into account in considering the desirability of an investment.

The Fund may invest in companies located in developing countries which, compared to the U.S. and other developed countries, may have relatively unstable governments, economies based on only a few industries and securities markets which trade only a small number of securities. Prices on exchanges located in developing countries tend to be volatile and, in the past, securities traded on those exchanges have offered a greater potential for gain (and loss) than securities traded on exchanges in the U.S. and more developed countries.

In some countries, there is the possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits or other assets, establishment of exchange controls, the adoption of foreign government restrictions or other adverse political, social or diplomatic developments that could affect investments in these nations.

American Depository Receipts (ADRs). The Fund's investments in foreign securities may include sponsored and unsponsored ADRs. ADRs are receipts typically issued by an American bank or trust company which evidence ownership of the underlying securities issued by a foreign corporation, and are designed for trading in the United States securities markets. Issuers of unsponsored ADRs are not contractually obligated to disclose material information in the United States and, therefore, there may not be a correlation between that information and the market value of an unsponsored ADR.

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.

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. Although the Fund's portfolio turnover rate is not expected to exceed 100%, 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 corresponding higher transaction expenses and may make it more difficult for the Fund to qualify as a regulated investment company for federal income tax purposes.

Temporary Defensive Investments. If the Adviser believes that the Fund should temporarily assume a defensive investment posture due to unfavorable investment conditions, the Fund may hold cash or invest all or part of its assets in short-term investment grade instruments. These short-term instruments consist of: corporate commercial paper and other short-term commercial obligations; obligations (including certificates of deposit, time deposits, demand deposits and bankers' acceptances) of banks; obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities; and repurchase agreements.

INVESTMENT RESTRICTIONS

Fundamental Investment Restrictions

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

The Fund observes the following fundamental investment restrictions.

The Fund may not:

(1) Purchase or sell real estate or any interest therein, except that the Fund may invest in securities of corporate entities secured by real estate or marketable interests therein or issued by companies that invest in real estate or interests therein and may hold and sell real estate acquired by the Fund as the result of ownership of securities.

(2) 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.

(3) Invest in commodities or in commodity contracts or in puts, calls, or combinations of both except options on securities, securities indices, currency and other financial instruments, futures contracts on securities, securities indices, currency and other financial instruments, options on such futures contracts, forward commitments, forward foreign currency exchange contracts, interest rate or currency swaps, securities index put or call warrants and repurchase agreements entered into in accordance with the Fund's investment policies.

(4) With respect to 75% of the Fund's total assets, purchase securities of an issuer (other than the U.S. Government, its agencies or instrumentalities), if (i) such purchase would cause more than 5% of the Fund's total assets taken at market value to be invested in the securities of such issuer, or (ii) such purchase would at the time result in more than 10% of the outstanding voting securities of such issuer being held by the Fund.

(5) 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.

(6) Borrow money, except from banks as a temporary measure for extraordinary or emergency purposes in amounts not to exceed 33-1/3% of the Fund's total assets (including the amount borrowed) taken at market value.

(7) Pledge, mortgage or hypothecate its assets, except to secure indebtedness permitted by paragraph (6) above and then only if such pledging, mortgaging or hypothecating does not exceed 33 1/3% of the Fund's total assets taken at market value.

(8) Issue senior securities, except as permitted by paragraph (6) above. For purposes of this restriction, the issuance of shares of beneficial interest in multiple classes or series, the purchase or sale of options, futures contracts and options on futures contracts, forward commitments, forward foreign currency exchange contracts, interest rate or currency swaps, securities index warrants and repurchase agreements entered into in accordance with the Fund's investment policy, and the pledge, mortgage or hypothecation of the Fund's assets within the meaning of paragraph (7) above are not deemed to be senior securities.

(9) Purchase any securities which would cause more than 25% of the market value of the Fund's total assets at the time of such purchase to be invested in the securities of one or more issuers having their principal business

activities in the same industry, provided that there is no limitation with respect to investments in obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities; provided that, notwithstanding the foregoing, the Fund will invest more than 25% of its total assets in securities of companies that are engaged in one or more of the public utilities industries, as more fully set forth in the Prospectus.

In connection with the lending of portfolio securities under item (2) above, such loans must at all times be fully collateralized and the Fund's custodian must take possession of the collateral either physically or in book entry form. Securities used as collateral must be marked to market daily.

Nonfundamental Investment Restrictions

The following restrictions are designated as nonfundamental and may be changed by the Board of Trustees without shareholder approval.

The Fund may not:

(a) purchase securities on margin or make short sales, except margin deposits in connection with options, futures and other arbitrage transactions, or unless by virtue of its ownership of other securities, the Fund has the right to obtain securities equivalent in kind and amount to the securities sold and, if the right is conditional, the sale is made upon the same conditions, except that a Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of securities and in connection with transactions involving forward foreign currency exchange contracts.

(b) purchase securities of any issuer which, together with any predecessor, has a record of less than three years' continuous operation prior to the purchase if such purchase would cause the Fund's investment in all such issuers to exceed 5% of the value of the Fund's total assets.

(c) invest for the purpose of exercising control over the management of any company.

(d) 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. In addition, as a nonfundamental restriction, the Fund may not purchase the shares of any closed-end investment company except in the open market where no commission or profit to a sponsor or dealer results from the purchase, other than customary brokerage fees.

(e) knowingly purchase or retain securities of an issuer if one or more of the Trustees or officers of the Trust or directors or officers of the Adviser or any investment management subsidiary of the Adviser individually owns beneficially more than 0.5%, and together own beneficially more than 5%, of the securities of such issuer.

(f) invest in interests in oil, gas or other mineral exploration or development programs; provided, however, that this restriction shall not prohibit the acquisition of securities of companies engaged in the production or transmission of oil, gas or other minerals.

(g) purchase warrants if as a result (i) more than 5% of the Fund's net assets, valued at the lower of cost or market value, would be invested in warrants or (ii) more than 2% of its net assets would be invested in warrants, valued as aforesaid, which are not traded on the New York Stock Exchange or American Stock Exchange; provided that for these purposes, warrants are to be valued at the lesser of cost or market, but warrants acquired in units or attached to securities will be deemed to be without value.

(h) purchase any security, including any repurchase agreement maturing in more than seven days, which is not readily marketable, if more than 15% of the net assets of the Fund, taken at market value, would be invested in such securities.

(i) participate on a joint or joint-and-several basis in any securities trading account. The "bunching" of orders for the sale or purchase of marketable portfolio securities with other accounts under the management of the Adviser to save commissions or to average prices among them is not deemed to result in a joint securities trading account.

(j) invest more than 15% of its net assets in restricted securities, excluding restricted securities eligible for resale pursuant to Rule 144A under the Securities Act of 1933.

(k) purchase interests in real estate limited partnerships.

(l) purchase securities while outstanding borrowings exceed 5% of the Fund's total assets.

In order to permit the sale of shares of the Fund in certain states, the Trustees may, in their sole discretion, adopt restrictions or investment policies more restrictive than those described above. Should the Trustees determine that any such more restrictive policy is no longer in the best interests of the Fund and its shareholders, the Fund may cease offering shares in the state involved and the Trustees may revoke such restrictive policy. Moreover, if the states involved shall no longer require any such restrictive policy, the Trustees may, at their sole discretion, revoke such policy.

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 values 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").

The following table sets forth the principal occupation or employment of the Trustees and principal officers of the Trust during the past five years:

<TABLE>
<CAPTION>

Name, Address and Date of Birth	Position(s) Held With Trust	Principal Occupation(s) During Past 5 Years
<S>	<C>	<C>
*Edward J. Boudreau, Jr. 101 Huntington Avenue Boston, MA 02199 October 1944	Chairman (3,4)	Chairman and Chief Executive Officer, the Adviser and The Berkeley Financial Group ("The Berkeley Group"); Chairman, NM Capital Management, Inc. ("NM Capital"); John Hancock Advisers International Limited; ("Advisers International"); John Hancock Funds, Inc., ("John Hancock Funds"); John Hancock Investor Services Corporation ("Investor Services"), Transamerica Fund Management Company ("TFMC") and Sovereign Asset Management Corporation ("SAMCorp"); (hereinafter the Adviser, the Berkeley Group, NM Capital, Advisers International, John Hancock Funds, Investor Services and SAMCorp are collectively

		referred to as the "Affiliated Companies"); Chairman, First Signature Bank & Trust; Director, John Hancock Freedom Securities Corp., John Hancock Capital Corp., New England/Canada Business Council; Member, Investment Company Institute Board of Governors; Director, Asia Strategic Growth Fund, Inc.; Trustee, Museum of Science; President, the Adviser (until July 1992); Chairman, John Hancock Distributors, Inc. ("Distributors") until April 1994.

Name, Address and Date of Birth	Position(s) Held With Trust	Principal Occupation(s) During Past 5 Years
Dennis S. Aronowitz Boston University Boston, Massachusetts June 1931	Trustee (1,2)	Professor of Law, Boston University School of Law; Trustee, Brookline Savings Bank.
Richard P. Chapman, Jr. 160 Washington Street Brookline, Massachusetts February 1935	Trustee (1,2)	President, Brookline Savings Bank. Director, Federal Home Loan Bank of Boston (lending); Director, Lumber Insurance Companies (fire and casualty insurance); Trustee, Northeastern University (education); Director, Depositors Insurance Fund, Inc. (insurance).
William J. Cosgrove 20 Buttonwood Place Saddle River, New Jersey January 1933	Trustee (1,2)	Vice President, Senior Banker and Senior Credit Officer, Citibank, N.A. (retired September 1991); Executive Vice President, Citadel Group Representatives, Inc.; EVP Resource Evaluation Inc. (consulting, October 1991 - October 1993); Trustee, the Hudson City Savings Bank (until October 1995).

Name, Address and Date of Birth	Position(s) Held With Trust	Principal Occupation(s) During Past 5 Years
Douglas M. Costle RR2 Box 480 Woodstock, Vermont 05091 July 1939	Trustee (1,2,3)	Director, Chairman of the Board and Distinguished Senior Fellow, Institute for Sustainable Communities, Montpelier, Vermont (since 1991). Dean, Vermont Law School (until 1991). Director, Air and Water Technologies Corporation (environmental services and equipment), Niagara Mohawk Power Company (electric services) and MITRE Corporation (governmental consulting services).
Leland O. Erdahl 9449 Navy Blue Court Las Vegas, NV 89117 December 1928	Trustee (1,2)	Director of Santa Fe Ingredients Company of California, Inc. and Santa Fe Ingredients Company, Inc. (private food processing companies); Director of Uranium Resources, Inc.; President of Stolar, Inc. (from 1987-1991) and President of Albuquerque Uranium Corporation (from 1985-1992); Director of Freeport-McMoRan Copper & Cold Company Inc., Hecla Mining Company, Canyon Resources Corporation and Original Sixteen to One Mine, Inc. (from 1984-1987 and from 1991 to 1995) (management

consultant).

Name, Address and Date of Birth	Position(s) Held With Trust	Principal Occupation(s) During Past 5 Years
Richard A. Farrell Farrell, Healer & Company, Inc. 160 Federal Street -- 23rd Floor Boston, MA 02110 November 1932	Trustee (1,2)	President of Farrell, Healer & Co., (venture capital management firm) (since 1980); Prior to 1980, headed the venture capital group at Bank of Boston Corporation.
Gail D. Fosler 4104 Woodbine Street Chevy Chase, MD December 1947	Trustee (1,2)	Vice President and Chief Economist, The Conference Board (non-profit economic and business research).
William F. Glavin Babson College Horn Library Babson Park, MA 02157 March 1931	Trustee (1,2)	President, Babson College; Vice Chairman, Xerox Corporation until June 1989; Director, Caldor Inc., Reebok, Ltd. (since 1994), and Inco Ltd.
Anne C. Hodsdon 101 Huntington Avenue Boston, MA 02199 April 1953	Trustee and President (3)(4)	President and Chief Operating Officer, the Adviser; Executive Vice President, the Adviser (until December 1994); Senior Vice President; the Adviser (until December 1993); Vice President, the Adviser, 1991.
Dr. John A. Moore Institute for Evaluating Health Risks 1101 Vermont Avenue N.W. Suite 608 Washington, DC 20005 February 1939	Trustee (1,2)	President and Chief Executive Officer, Institute for Evaluating Health Risks, (nonprofit institution) (since September 1989).

Name, Address and Date of Birth	Position(s) Held With Trust	Principal Occupation(s) During Past 5 Years
Patti McGill Peterson Institute for Public Affairs 364 Upson Hall Cornell University Ithaca, NY 14853 May 1943	Trustee (1,2)	President, St. Lawrence University; Director, Niagara Mohawk Power Corporation and Security Mutual Life.
John W. Pratt 2 Gray Gardens East Cambridge, MA 02138 September 1931	Trustee (1,2)	Professor of Business Administration at Harvard University Graduate School of Business Administration (since 1961).
*Richard S. Scipione John Hancock Place P.O. Box 111 Boston, Massachusetts August 1937	Trustee (3)	General Counsel, the Life Insurance Company; Director, the Adviser, the Affiliated Companies, John Hancock Distributors, Inc., JH Networking Insurance Agency, Inc., John Hancock Subsidiaries, Inc., SAMCorp, NM Capital and John Hancock Property and Casualty Insurance and its affiliates (until November, 1993); Trustee; The Berkeley Group;
Edward J. Spellman, CPA 259C Commercial Bld. Lauderdale, FL November 1932	Trustee (1,2,4)	Partner, KPMG Peat Marwick LLP (retired June 1990).

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The executive officers of the Trust and their principal occupations during the past five years are set forth below. Unless otherwise indicated, the business address of each is 101 Huntington Avenue, Boston, Massachusetts 02199.

<TABLE>
<CAPTION>

Name, Address and Date of Birth	Position(s) Held With Registrants	Principal Occupation(s) During Past 5 Years
<S>	<C>	<C>
Robert G. Freedman July 1938	Vice Chairman and Chief Investment Officer (4)	Vice Chairman and Chief Investment Officer, the Adviser; President (until December 1994).
James B. Little February 1935	Senior Vice President, Chief Financial Officer	Senior Vice President, the Adviser.
John A. Morin July 1950	Vice President	Vice President, the Adviser.
Susan S. Newton March 1950	Vice President and Secretary	Vice President and Assistant Secretary, the Adviser.
James J. Stokowski November 1946	Vice President and Treasurer	Vice President, the Adviser.

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* Trustee may be deemed to be an "interested person" of the Trust as defined in the Investment Company Act of 1940.
(1) Member of the Audit Committee of the Trust.
(2) Member of the Committee on Administration of the Trust.
(3) Member of the Executive Committee of the Trust. The Executive Committee may generally exercise most powers of the Trustees between regularly scheduled meetings of the Board of Trustees.
(4) Member of the Investment Committee of the Adviser.

As of August 5, 1996, the officers and Trustees of the Trust as a group owned less than 1% of the outstanding shares of the Fund and to the knowledge of the Trust, no persons owned of record or beneficially 5% or more of any class of the Fund's outstanding securities.

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.

The following table provides 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. Ms. Hodsdon and Messrs. Boudreau and Scipione, each a non-Independent Trustee, and each of the officers of the Funds are interested persons of the Adviser, are compensated by the Adviser and receive no compensation from the Fund for their services. The compensation to the Trustees from the Fund shown below is for the Fund's fiscal year ended May 31, 1996. Those Trustees listed below who received no compensation from the Fund for such year first became Trustees of the Trust on June 26, 1996.

Independent Trustees	Aggregate Compensation From the Fund	Total Compensation From All Funds in John Hancock Fund Complex to Trustees(*)
Dennis S. Aronowitz	$1,080	$ 61,050
Richard P. Chapman, Jr.+	1,098	62,800
William J. Cosgrove+	1,080	61,050
Gail D. Fosler	1,018	60,800
Bayard Henry**	984	58,850
Edward J. Spellman	1,080	61,050
Douglas M. Costle	---	41,750
Leland O. Erdahl	---	41,750
Richard A. Farrell	---	43,250
William F. Glavin7	---	37,500
John A. Moore	---	41,750
Patti McGill Peterson	---	41,750
John W. Pratt	---	41,750
	$6,340	$655,100

*   Total compensation paid by the John Hancock Fund Complex to the Independent Trustees is for the calendar year ended December 31, 1995. On this date, there were 61 funds in the John Hancock Fund Complex. Messrs. Aronwitz, Chapman, Cosgrove, Henry and Spellman and Ms. Fosler served 16 and Messrs. Costle, Erdahl, Farrell, Glavin, Moore and Pratt and Ms. Peterson served 12 of these funds.

**   Mr. Henry retired from his position as a Trustee effective April 26, 1996.

+   On December 31, 1995, the value of the aggregate deferred compensation from all funds in the John Hancock Fund Complex for Mr. Chapman was $54,681, for Mr. Cosgrove was $54,243 and for Mr. Glavin was $32,061.

INVESTMENT ADVISORY AND OTHER SERVICES

The Fund receives investment advice from the Adviser. Investors should refer to the Prospectus and below for a description of certain information concerning the investment management contract. Each of the Trustees and principal officers affiliated with the Fund who is also an affiliated person of the Adviser is named above, together with the capacity in which such person is affiliated with the Fund and the Adviser.

The Trust on behalf of the Fund has entered into an investment management contract with the Adviser. Under the investment management contract, the Adviser provides the Fund (i) with a continuous investment program, consistent with the Fund's stated investment objectives and policies, and (ii) supervision of all aspects of the Fund's operations except those that are delegated to a custodian, transfer agent or other agent. The Adviser is responsible for the management of the Fund's portfolio assets.

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 other funds or clients 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 affiliates may increase the demand for securities being purchased or the supply of securities being sold, there may be an adverse effect on price.

No person other than the Adviser and its directors and employees regularly furnishes advice to the Fund with respect to the desirability of the Fund's investing in, purchasing or selling securities. The Adviser may from time to time receive statistical or other similar factual information, and information regarding general economic factors and trends, from the Life Company and its affiliates.

All expenses which are not specifically paid by the Adviser and which are incurred in the operation of the Fund (including fees of Trustees of the Trust who are not "interested persons," as such term is defined in the Investment Company Act, but excluding certain distribution-related activities required to be paid for by the Adviser or John Hancock Funds) and the continuous public offering of the Class A and Class B shares of the Fund are borne by the Fund. Class expenses properly allocable to either Class A shares or Class B shares will be borne exclusively by such class of shares, subject to conditions the Internal Revenue Service imposes with respect to multiple-class structures.

As provided by the investment management contract, the Fund pays the Adviser monthly an investment management fee which is based on a stated percentage of the Fund's average daily net assets as follows:

Net Asset Value	Annual Rate
First $250,000,000	0.70%
Amount over $250,000,000	0.65%

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 re-impose 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.

If the total of all ordinary business expenses of the Fund for any fiscal year exceeds limitations prescribed in any state in which shares of the Fund are qualified for sale, the fee payable to the Adviser will be reduced to the extent required by these limitations. At this time, the most restrictive limit on expenses imposed by a state requires that expenses charged to the Fund in any fiscal year may not exceed 2 1/2% of the first $30,000,000 of the Fund's average net assets, 2% of the next $70,000,000 of such net assets and 1 1/2% of the remaining average net assets. When calculating the above limit, the Fund may exclude interest, brokerage commissions and extraordinary expenses.

For the fiscal years ended May 31, 1996 and May 31, 1995 and for the fiscal period ended May 31, 1994, the Adviser's investment management fees, before the Adviser's voluntary fee reduction, amounted to $492,174, $233,229 and $1,439, respectively. After expense reductions by the Adviser, the Adviser's management fee for the fiscal years ended May 31, 1996 and 1995 and for the fiscal period ended May 31, 1994 amounted to $189,523, $13,482 and $0, respectively.

Pursuant to its investment management contract, 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 the investment management contract 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 by the Adviser of its obligations and duties under the investment management contract.

The Adviser, located at 101 Huntington Avenue, Boston, Massachusetts 02199-7603, was organized in 1968 and presently has more than $18 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 1,080,000 shareholders. The Adviser is an affiliate of the Life Insurance Company, one of the most recognized and respected financial institutions in the nation. With total assets under management of $80 billion, the Life Company is one of the ten largest life insurance companies in the United States, and carries high ratings from Standard & Poor's and A.M. Best. Founded in 1862, the Life Company has been serving clients for over 130 years.

Under the investment management contract, the Fund may use the name "John Hancock" or any name derived from or similar to it only for so long as the contract or any extension, renewal or amendment thereof remains in effect. If the contract is no longer in effect, the Fund (to the extent that it lawfully can) will cease to use such a 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 Insurance 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 investment management contract, and the distribution contract discussed below, continue in effect from year to year if approved annually by vote of a majority of the Trustees of the Trust who are not interested persons of one of the parties to the contract, cast in person at a meeting called for the purpose of voting on such approval, and by either the Trustees or the holders of a majority of the Fund's outstanding voting securities. Each of these contracts automatically terminates upon assignment. Each contract may be terminated without penalty on 60 days' notice at the option of either party to the respective contract or by vote of a majority of the outstanding voting securities of the Fund.

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 fiscal year ended May 31, 1996, the Fund paid the Adviser $5,780 for services under this agreement.

DISTRIBUTION CONTRACT

The Fund has entered into a distribution contract with John Hancock Funds. Under the contract 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. In connection with the sale of Class A and Class B shares, John Hancock Funds and Selling

Brokers receive compensation in the form of a sales charge imposed, in the case of Class A shares, at the time of sale or, in the case of Class B shares, on a deferred basis. Upon notice to all Selling Brokers, John Hancock Funds may allow them up to the full applicable sales charge during periods specified in such notice. During these periods, Selling Brokers may be deemed to be underwriters as that term is defined in the 1933 Act. The sales charges are discussed further in the Prospectus.

The Trustees have adopted Distribution Plans with respect to Class A and Class B shares of the Fund pursuant to Rule 12b-1 under the Investment Company Act (the "Class A and Class B Plans"). Under the Class A and Class B Plans, the Fund will pay distribution and service fees at an aggregate annual rate of up to 0.30% and 1.00%, respectively, of each respective class' average daily net assets. However, the amount of the service fee will not exceed 0.25% of the Fund's average daily net assets attributable to each class of shares. In accordance with generally accepted accounting principles, the Fund does not treat unreimbursed distribution expenses attributable to Class B shares as a liability of the Fund and does not reduce the current net assets of Class B by such amount, although the amount may be payable under the Class B Plan in the future.

Under the Plans, expenditures shall be calculated and accrued daily and paid monthly or at such other intervals as the Trustees shall determine. The fee may be spent by John Hancock Funds on Distribution Expenses or Service Expenses. "Distribution Expenses" include any activities or expenses primarily intended to result in the sale of shares of the relevant class of the Fund, 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 shares only, interest expenses on unreimbursed distribution expenses. "Service Expenses" under the Plans include payments made to, or on account of, account executives of selected broker-dealers (including affiliates of John Hancock Funds) and others who furnish personal and account maintenance services to shareholders of the relevant class of the Fund. For the fiscal year ended May 31, 1996, an aggregate of $1,584,645 of distribution expenses or 3.41% 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 Rule 12b-1 fees in prior periods.

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.

During the fiscal year ended May 31, 1996 the Fund paid John Hancock Funds the following amounts of expenses with respect to the Class A shares and Class B shares of the Fund:

<TABLE>
<CAPTION>

Expense Items

	Advertising	Printing and Mailing of Prospectus to New Shareholders	Compensation to Selling Brokers	Expense of John Hancock Funds	Interest Carrying or Other Finance Charges
<S>	<C>	<C>	<C>	<C>	<C>
Class A Shares	$17,842	$1,923	$ 16,852	$ 34,995	$ 0
Class B Shares	52,368	6,646	166,426	107,425	131,541

</TABLE>

Each of the Plans provides that it 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. Each of the Plans provides that it may be terminated without penalty (a) by vote of a majority of the Independent Trustees, (b) by 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 with respect to the Plan. And finally, each of the Plans provides that no material amendment to the Plan will, in any event, be effective unless it is approved by a majority vote of both the Trustees and the Independent Trustees of the Trust. The holders of Class A shares and Class B 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 each Plan will benefit the holders of the applicable class of shares of the

Fund.

When the Trust seeks an Independent Trustee to fill a vacancy or as a nominee for election by shareholders, the selection or nomination of the Independent Trustee is, under resolutions adopted by the Trustees contemporaneously with their adoption of the Plans, committed to the discretion

of the Committee on Administration of the Trustees. The members of the Committee on Administration are all Independent Trustees and are identified in this Statement of Additional Information under the heading "Those Responsible for Management."

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 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 last available bid price.

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.

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 a Fund's NAV.

The Fund will not price its securities on the following national holidays: New Year's Day; Presidents' Day; Good Friday; Memorial Day; Independence Day; Labor Day Thanksgiving Day; and Christmas Day.

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 a 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 cumulate 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 Investor 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.

Combined Purchases. In calculating the sales charge applicable to purchases of Class A shares made at one time, the purchases will be combined if made by (a) an individual, his 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) certain groups of four or more individuals making use of salary deductions or similar group methods of payment whose funds are combined for the purchase of mutual fund shares. Further information about combined purchases, including certain restrictions on combined group purchases, is available from Investor Services or a Selling Broker's representative.

Without Sales Charges. As described in the Prospectus, Class A shares of the Fund may be sold without a sales charge to certain persons.

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 then being invested but also the purchase price or current account value of the Class A shares already held by such person.

Combination Privilege. Reduced sales charges (according to the schedule set forth in the Prospectus) also are available to an investor based on the

aggregate amount of his concurrent and prior investments in Class A shares of the Fund and shares of all other John Hancock funds which carry a sales charge.

Letter of Intention. The reduced sales charges are also applicable to investments made over a specified period 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 qualified retirement plan, however, may opt to make the necessary investments called for by the LOI over a forty-eight (48) month period. These qualified retirement plans include IRA, SEP, SARSEP, 401(k), 403(b) (including TSAs) and 457 plans. Such an investment (including accumulations and combinations) 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 Investor 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 the sales charge applicable will not be higher than that which would have applied (including accumulations and combinations) had the LOI been for the amount actually invested.

The LOI authorizes Investor Services to hold in escrow sufficient 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 Class A escrow shares will be released. If the total investment specified in the LOI is not completed, the 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 Investor 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 Class A shares and may be terminated at any time.

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.

DEFERRED SALES CHARGE ON CLASS B SHARES

Investments in Class B 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 shares which are redeemed within six years of purchase 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 shares being redeemed. Accordingly, no CDSC will be imposed on increases in account value above the initial purchase prices, including Class B shares derived from reinvestment of dividends or capital gains distributions.

Class B shares are not available to full-service defined contribution plans administered by Investor 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 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 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 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. Upon redemption, appreciation is effective only on a per share basis for those shares being redeemed. Appreciation of shares cannot be redeemed CDSC free at the account level.

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:

*	Proceeds of 50 shares redeemed at $12 per share	$600
*	Minus proceeds of 10 shares not subject to CDSC (dividend reinvestment)	-120
*	Minus appreciation on remaining shares (40 shares X $2)	-80
		----
*	Amount subject to CDSC	$400

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 shares, such as the payment of compensation to select Selling Brokers for selling Class B shares. The combination of the CDSC and the distribution and service fees facilitates the ability of the Fund to sell the Class B shares

without a sales charge being deducted at the time of the purchase. See the Prospectus for additional information regarding the CDSC.

Waiver of Contingent Deferred Sales Charge. The CDSC will be waived on redemptions of Class B 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.

* Redemptions made under the Reinstatement Privilege, as described in "Sales Charge Reductions and Waivers" of the Prospectus.

* Redemptions of Class B shares made under a periodic withdrawal plan, 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 Investor Services. (Please note, this waiver does not apply to periodic withdrawal plan redemptions of Class A shares that are subject to a CDSC.)

For Retirement Accounts (such as IRA, Rollover IRA, TSA, 457, 403(b), 401(k), Money Purchase Pension Plan, Profit-Sharing Plan and other qualified 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 section 401(a) of the Code (such as 401k, Money Purchase Pension Plan, Profit-Sharing Plan).

* Redemptions from certain IRA and retirement plans that purchased shares prior to October 1, 1992.

Please see matrix for reference.

CDSC Waiver Matrix for Class B Funds
<TABLE>
<CAPTION>

Type of Distribution	401(a) Plan (401(k), MPP, PSP)	403(b)	457	IRA, IRA Rollover	Non-retirement
<S>	<C>	<C>	<C>	<C>	<C>
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	Waived	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
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 Investor Services either directly or through your Selling Broker at the time you make your redemption. The waiver will be granted once Investor 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 he 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, however, 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. As described more fully in the Prospectus, 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.

Systematic Withdrawal Plan. As described briefly in the Prospectus, 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 Class A or Class B shares of the Fund could be disadvantageous to a shareholder because of the initial sales charge payable on purchases of Class A shares and the CDSC imposed on redemptions of Class B shares and because redemptions are taxable events. Therefore, a shareholder should not purchase Class A or Class B shares at the same time that 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 Investor Services.

Monthly Automatic Accumulation Program ("MAAP"). This program is explained fully 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 Monthly Automatic Accumulation Program may be revoked by Investor 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 drafts.

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

Reinvestment Privilege. A shareholder who has redeemed shares of the Fund 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 in any other John Hancock mutual 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 another John Hancock mutual 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. The Fund may modify or terminate the reinvestment privilege at any time.

A redemption or exchange of shares of the Fund 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 shares of the Fund will be treated for tax purposes as described under the caption "Tax Status."

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 Trustees have authorized shares of the Fund and two other series: John Hancock Independence Equity Fund and John Hancock Special Value Fund. Additional series may be added in the future. The Declaration of Trust also authorizes the Trustees to classify and reclassify the shares of the Fund, or any other series of the Trust, into one or more classes. As of the date of this Statement of Additional Information, the Trustees have authorized the issuance of two classes of shares of the Fund, designated as Class A and Class

B.

Class A and Class B shares of each class of the Fund represent an equal proportionate interest in the aggregate net assets attributed to that class of

the Fund. The holders of Class A and Class B shares each have certain exclusive voting rights on matters relating to their respective Rule 12b-1 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 that (i) Class B shares will pay higher distribution and service fees than Class A shares and (ii) each of Class A shares and Class B shares will bear any class expenses properly allocable to such class of shares, subject to the conditions the Internal Revenue Service imposes with respect to multiple-class structures. Similarly, the net asset value per share may vary depending on the class of shares purchased. In the event of liquidation, shareholders are entitled to share pro rata in proportion to the net asset value of the shares 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 by the Trust, except as set forth below.

Unless otherwise required by the Investment Company Act or the Declaration of Trust, the Trust has no intention of holding annual meetings of shareholders. Trust 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.

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 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. 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.

Notwithstanding the fact that the Prospectus is a combined prospectus for the Fund and other John Hancock mutual funds, the Fund shall not be liable for the liabilities of any other John Hancock mutual fund.

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 its taxable income (including net short-term and long-term 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 this tax by satisfying such distribution requirements.

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 long-term 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 net capital gain, after reduction by deductible expenses.) Some distributions from investment company taxable income and/or net capital gain may be paid in January but may be taxable 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.

If the Fund invests in stock of certain foreign corporations that receive at least 75% of their annual gross income from passive sources (such as interest, dividends, rents, 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. Certain elections may, if available, ameliorate these adverse tax consequences, but any such election would require the Fund to recognize taxable income or gain without the concurrent receipt of cash. 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.

Foreign exchange gains and losses realized by the Fund in connection with certain transactions involving foreign currency-denominated debt securities, forward foreign currency 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. Any such transactions that are not directly related to the Fund's investment in stock or securities 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 its gross income for each taxable year, and may 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 after consideration of certain regulations on the treatment of "post-October losses" 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. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. The Fund does not expect to qualify to pass such taxes through to its shareholders, who consequently will not take such taxes into account on their own tax returns. However, the Fund will deduct such taxes in determining the amount it has available for distribution to shareholders.

The amount of the Fund's net short-term and long-term 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 that will generate capital gains. At the time of an investor's purchase of shares of the Fund, a portion of the purchase price is often attributed to realized or unrealized appreciation in the Fund's portfolio or undistributed taxable income of the Fund. Consequently, subsequent distributions from such appreciation or income 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 (or portions thereof) in reality represent a return of a portion of the purchase price.

Upon a redemption of shares (including by exercise of the exchange privilege) a shareholder will ordinarily 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 and will be long-term or short-term, depending upon the shareholder's tax holding period for the shares and subject to the special rules described below. 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 Class A 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 Class A 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 an election to reinvest dividends in additional shares. 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.

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 long-term capital gains 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 long-term capital gain income in his tax 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 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. Presently, there are no realized capital loss carryforwards to offset future net realized capital gains.

For purposes of the dividends-received deduction available to corporations, dividends received by the Fund, if any, from U.S. domestic corporations in respect of the stock of such corporations held by the Fund, for U.S. Federal income tax purposes, for at least 46 days (91 days in the case of certain preferred stock) and distributed and properly designated by the Fund may be treated as qualifying dividends. Corporate shareholders must meet the minimum holding period requirement stated above (46 or 91 days) with respect to their shares of the Fund in order to qualify for the deduction and, if they have any debt that is deemed under the Code directly attributable to such shares, may be denied a portion of the dividends-received deduction. The entire qualifying dividend, including the otherwise deductible amount, will be included in determining the excess (if any) of a corporate shareholder's adjusted current earnings over its alternative minimum taxable income, which may increase its alternative minimum tax liability, if any. Additionally, any corporate shareholder should consult its tax adviser regarding the possibility that its tax basis in its shares may be reduced, for Federal income tax purposes, by reason of "extraordinary dividends" received with respect to the shares, for the purpose of computing its gain or loss on redemption or other disposition of the shares.

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 rules applicable to certain options 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 may have to leverage itself by borrowing the 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 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. A 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.

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.

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

Certain forward foreign currency transactions undertaken by the Fund may cause the 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 foreign currency-related forward contracts, 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 forward 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. Certain of the applicable tax rules may be modified if the Fund is eligible and chooses to make one or more of certain tax elections that may be available. The Fund will take into account the special tax rules (including consideration of available elections) applicable to forward contracts in order to seek to minimize any potential adverse tax consequences.

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 shares of the Fund 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 Fund investment 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 non- resident 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. 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'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, if applicable) on the last day of the period, according to the following standard formula:

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

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).

The annualized yield for the 30-day period ended May 31, 1996 for the Class A and Class B shares was 4.17% and 3.69%, respectively. The average annual total return is determined separately for each class of shares at May 31, 1996, with all distributions reinvested in shares. The average annual total return for Class A shares for the one-year period ended May 31, 1996 and from commencement of operations on February 1, 1994 was 8.67% and 5.43%, respectively, and reflects the payment of the maximum sales charge of 5%. The average annual total return for Class B shares for the one-year period ended May 31, 1996 and from commencement of operations on February 1, 1994 was 8.68% and 5.90%, respectively, and reflects the applicable contingent deferred sales charge (maximum contingent deferred sales charge of 5% declines to 0% over six years).

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:

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

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 the beginning of the 1-year, 5-year and life of fund periods.

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 load 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 shares into account. Excluding the Fund's sales charge on Class A shares and the CDSC on Class B 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 will be compared to indices of mutual funds such as Lipper Analytical Services, Inc.'s "Lipper - Mutual Performance Analysis," a monthly publication which tracks net assets, total return and yield on more than 1,000 equity mutual funds in the United States. Ibottson 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 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 officers of the Trust pursuant to recommendations made by an investment committee of the Adviser, which consists of officers and directors of the Adviser and affiliates and officers and Trustees of the Trust placed in a manner which, in the opinion of the officers of the Trust, 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 such transactions.

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 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 not make commitments to allocate portfolio transactions upon any prescribed basis. While the Trust's officers will be primarily responsible for the allocation of the Fund's brokerage business, their policies and practices in this regard must be consistent with the foregoing and will at all times be subject to review by the Trustees. For the period ended February 1, 1994 to May 31, 1994, the year ended May 31, 1995 and the year ended May 31 1996, the Fund paid negotiated brokerage commissions of $2,492, $189,605 and $210,530, respectively.

As permitted by Section 28(e) of the Securities Exchange Act of 1934, the Fund may pay 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 commission is reasonable in light of the services provided and to policies that the Trustees may adopt from time to time. During the fiscal year ended May 31, 1996, the Fund did not pay commissions as compensation to 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 John Hancock Distributors, Inc. ("Distributors"), a broker-dealer, and John Hancock Freedom Securities Corporation and its two broker-dealer subsidiaries, Tucker Anthony Incorporated ("Tucker Anthony") and Sutro & Company, Inc. ("Sutro") (each is an "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 Tucker Anthony, Sutro or Distributors. During the period ending May 31, 1996, the Fund did not execute any portfolio transactions with Affiliated Brokers.

Any of the Affiliated Brokers 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 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 include 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. The Fund will not effect principal transactions with Affiliated Brokers. The Fund may, however, purchase securities from other members of underwriting syndicates of which Tucker Anthony and Sutro are members, but only in accordance with the policy set forth above and procedures adopted and reviewed periodically by the Trustees.

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.

TRANSFER AGENT SERVICES

John Hancock Investor Services Corporation, P.O. Box 9116, Boston, MA 02205- 9116, a wholly owned indirect subsidiary of the Life Insurance Company, is the transfer and dividend paying agent for the Fund. The Fund pays Investor Services an annual fee for Class A shares of $20.00 per shareholder account and for Class B shares of $22.50 per shareholder account, plus certain out of pocket expenses.

CUSTODY OF PORTFOLIO

Portfolio securities of the Fund are held pursuant to a custodian agreement between the Trust and Investors Bank & Trust Company, 89 South Street, Boston, Massachusetts 02111. Under the custodian agreement, Investors Bank & Trust Company performs custody, portfolio and fund accounting services.

INDEPENDENT AUDITORS

The independent auditors of the Fund are Price Waterhouse LLP, 160 Federal

Street, Boston, Massachusetts 02110. Price Waterhouse audits and renders an opinion of the Fund's annual financial statements and reviews the Fund's annual Federal income tax return.

PART C.

OTHER INFORMATION

Item 24. Financial Statements and Exhibits

(a) The financial statements listed below are included in and incorporated by reference into Part B of the Registration Statement from the Special Value Fund 1996 Annual Report to Shareholders for the year ended December 31, 1995 (filed electronically on February 26, 1996; file nos. 811-1677 and 2-29502; accession number 0000950135-96-001146): Independence Equity Fund and Utilities 1996 Annual Report to Shareholders for the year ended May 31, 1996 (filed electronically on July 24, 1996; file nos. 811-4651 and 33-5286; accession number 0000928816-96-000200).

John Hancock Independence Equity Fund

Statement of Assets and Liabilities as of May 31, 1996.
Statement of Operations of the year ended May 31, 1996.
Statement of Changes in Net Asset for each of the two years in the period ended May 31, 1996.
Notes to Financial Statements.
Financial Highlights for each of the years in the period ended May 31, 1996.
Schedule of Investments as of May 31, 1996.
Report of Independent Auditors.

John Hancock Utilities Fund

Statement of Assets and Liabilities as of May 31, 1996.
Statement of Operations of the year ended May 31, 1996.
Statement of Changes in Net Asset for each of the two years in the period ended May 31, 1996.
Notes to Financial Statements.
Financial Highlights for each of the years in the period ended May 31, 1996.
Schedule of Investments as of May 31, 1996.
Report of Independent Auditors.

John Hancock Special Value Fund

Statement of Assets and Liabilities as of December 31, 1995.
Statement of Operations of the year ended December 31, 1995.
Statement of Changes in Net Asset for each of the two years in the period ended December 31, 1995.
Notes to Financial Statements.
Financial Highlights for each of the years in the period ended December 31, 1995.
Schedule of Investments as of December 31, 1995.
Report of Independent Auditors.

(b) Exhibits:

The exhibits to this Registration Statement are listed in the Exhibit Index hereto and are incorporated herein by reference.

Item 25. Persons Controlled by or under Common Control with Registrant

No person is directly or indirectly controlled by or under common control with Registrant.

Item 26. Number of Holders of Securities

As of August 5, 1996, the number of record holders of shares of Registrant was as follows:

Title of Class	Number of Record Holders
SPECIAL VALUE FUND	
Class A Shares -	2,228
Class B Shares -	2,691
DIVERSIFIED EQUITY FUND	

Class A Shares -	2,107
Class B Shares -	1,982

UTILITIES FUND

Class A Shares -	3,410
Class B Shares -	6,231

Item 27. Indemnification

Section 4.3 of Registrant's Declaration of Trust provides that (i) every person who is, or has been, a Trustee, officer, employee or agent of the Trust (including any individual who serves at its request as director, officer, partner, trustee or the like of another organization in which it has any interest as a shareholder, creditor or otherwise) shall be indemnified by the Trust, or by one or more Series thereof if the claim arises from his or her conduct with respect to only such Series, to the fullest extent permitted by law against all liability and against all expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding in which he becomes involved as a party or otherwise by virtue of his being or having been a Trustee or officer and against amounts paid or incurred by him in the settlement thereof; and that (ii) the words "claim," "action," "suit," or "proceeding" shall apply to all claims, actions, suits or proceedings (civil, criminal, or other, including appeals), actual or threatened; and the words "liability" and "expenses" shall include, without limitation, attorneys' fees, costs, judgments, amounts paid in settlement, fines, penalties and other liabilities.

However, no indemnification shall be provided to a Trustee or officer (i) against any liability to the Trust, a Series thereof or the Shareholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office; (ii) with respect to any matter as to which he shall have been finally adjudicated not to have acted in good faith in the reasonable belief that his action was in the best interest of the Trust or a Series thereof; (iii) in the event of a settlement or other disposition not involving a final adjudication resulting in a payment by a Trustee or officer, unless there has been a determination that such Trustee or officer did not engage in willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office by (A) a court by (B) a majority of the Non- interested trustees or independent legal counsel, or (C) a vote of the majority of the Fund's outstanding shares.

The rights of indemnification may be insured against by policies maintained by the Trust, shall be severable, shall not affect any other rights to which any Trustee or officer may now or hereafter be entitled, shall continue as to a person who has ceased to be such Trustee or officer and shall inure to the benefit of the heirs, executors, administrators and assigns of such a person. Nothing contained herein shall affect any rights to indemnification to which personnel of the Trust or any Series thereof other than Trustees and officers may be entitled by contract or otherwise under law.

Expenses of preparation and presentation of a defense to any claim, action, suit or proceeding may be advanced by the Trust or a Series thereof before final disposition, if the recipient undertakes to repay the amount if it is ultimately determined that he is not entitled to indemnification, provided that either:

(i) such undertaking is secured by a surety bond or some other appropriate security provided by the recipient, or the Trust or Series thereof shall be insured against losses arising out of any such advances; or (ii) a majority of the Non-interested Trustees acting on the matter (provided that a majority of the Non-interested Trustees act on the matter) or an independent legal counsel in a written opinion shall determine, based upon a review of readily available facts (as opposed to a full trial-type inquiry), that there is reason to believe that the recipient ultimately will be found entitled to indemnification.

For purposes of indemnification Non-interested Trustee" is one who (i) is not an "Interested Person" of the Trust (including anyone who has been exempted from being an "Interested Person" by any rule, regulation or order of the Commission), and (ii) is not involved in the claim, action, suit or proceeding.

(b) Under the Distribution Agreement. 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 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 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 liability or expense incurred in connection with any matter settled without 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 to be entitled to indemnification.

Article IX of the respective By-Laws of John Hancock Funds and the Adviser provide as follows:

"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 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 as person."

Insofar as indemnification for liabilities under the Securities Act of 1933 (the "Act") may be permitted to Trustees, officers and controlling persons of Registrant pursuant to the Registrant's Amended and Restated Articles of Incorporation, Article 10.1 of the Registrant's By-Laws, The Underwriting Agreement, the By-Laws of John Hancock Funds, the Adviser, or the Insurance Company or otherwise, Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against 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, 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 28. 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 Investment Adviser, reference is made to Forms ADV (801-8124) filed under the Investment Advisers Act of 1940, herein incorporated by reference.

Item 29. 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, Inc., John Hancock Tax-Free Bond Fund, John Hancock California Tax-Free Income Fund, John Hancock Capital Series, John Hancock Limited-Term Government Fund, John Hancock Sovereign Investors Fund, Inc., John Hancock Special Equities Fund, John Hancock Sovereign Bond Fund, John Hancock Tax-Exempt

Series, John Hancock Strategic Series, John Hancock Technology Series, Inc. and John Hancock World Fund, John Hancock Investment Trust, John Hancock Institutional Series Trust, Freedom Investment Trust, Freedom Investment Trust II and Freedom Investment Trust III.

(b) The following table lists, for each director and officer of John Hancock Funds, the information indicated.

<TABLE>

Name and Principal Business Address	Positions and Offices with Underwriter	Positions and Offices with Registrant
<S>	<C>	<C>
Edward J. Boudreau, Jr. 101 Huntington Avenue Boston, Massachusetts	Chairman, President and Chief Executive Officer	Chairman
Robert H. Watts John Hancock Place P.O. Box 111 Boston, Massachusetts	Director, Executive Vice President and Chief Compliance Officer	None
Robert G. Freedman 101 Huntington Avenue Boston, Massachusetts	Director	Vice President, Chief Investment Officer
Stephen M. Blair 101 Huntington Avenue Boston, Massachusetts	Executive Vice President	None
James W. McLaughlin 101 Huntington Avenue Boston, Massachusetts	Senior Vice President and Chief Financial Officer	None
David A. King 101 Huntington Avenue Boston, Massachusetts	Senior Vice President	None
William S. Nichols 101 Huntington Avenue Boston, Massachusetts	Senior Vice President	None
James B. Little 101 Huntington Avenue Boston, Massachusetts	Senior Vice President	Senior Vice President and Chief Financial Officer
Anthony P. Petrucci 101 Huntington Avenue Boston, Massachusetts	Senior vice President	None
Charles H. Womack 6501 Americas Parkway Suite 950 Albuquerque, New Mexico	Senior Vice President	None

Name and Principal Business Address	Positions and Offices with Underwriter	Positions and Offices with Registrant
John A. Morin 101 Huntington Avenue Boston, Massachusetts	Vice President and Secretary	Vice President
Susan S. Newton	Vice President	Vice President and

101 Huntington Avenue Boston, Massachusetts		Assistant Secretary
Keith Harstein 101 Huntington Avenue Boston, Massachusetts	Senior Vice President	None
Griselda Lyman 101 Huntington Avenue Boston, Massachusetts	Vice President	None
Karen Walsh 101 Huntington Avenue Boston, Massachusetts	Vice President	None
Christopher M. Meyer 101 Huntington Avenue Boston, Massachusetts	Treasurer	None
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

Name and Principal Business Address	Positions and Offices with Underwriter	Positions and Offices with Registrant
John Goldsmith John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None
Richard O. Hansen John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None
John M. DeCiccio John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None
Foster Aborn John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None
William C. Fletcher 53 State Street Boston, Massachusetts	Director	None
David F. D'Alessandro John Hancock Place P.O. Box 111 Boston, Massachusetts	Director	None
James V. Bowhers 101 Huntington Avenue Boston, Massachusetts	Executive Vice President	None

</TABLE>

(c) None.

Item 30. Location of Accounts and Records

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 as 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 31. Management Services

Not applicable.

Item 32. Undertakings

(a) Registrant undertakes to comply with Section 16(c) of the Investment Company Act of 1940, as amended which relates to the assistance to be rendered to shareholders by the Trustees of the Trust in calling a meeting of shareholders for the purpose of voting upon the question of the removal of a trustee.

(b) Not applicable.

(c) Registrant hereby undertakes to furnish each person to whom a prospectus with respect to a series of the Registrant is delivered with a copy of the latest annual report to shareholders with respect to that series upon request and without charge.

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 of the requirements for effectiveness of this registration statement pursuant to Rule 485(b) under the Securities 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 August, 1996.

JOHN HANCOCK CAPITAL SERIES FUND

By: /s/ Edward J. Boudreau, Jr.

Edward J. Boudreau, Jr.*
Chairman

Pursuant to the requirements of the Securities Act of 1933, the Registration has been signed below by the following persons in the capacities and on the dates indicated.
<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
------------------------ Edward J. Boudreau, Jr.*	Chairman (Principal Executive Officer)	
/s/James B. Little ------------------------ James B. Little	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 26, 1996
------------------------ Dennis S. Aronowitz*	Trustee	
------------------------ Richard P. Chapman, Jr.*	Trustee	
------------------------ William J. Cosgrove*	Trustee	
------------------------ Douglas M. Costle*	Trustee	
------------------------	Trustee	

Leland O. Erdahl*

------------------------ Richard A. Farrell*	Trustee
------------------------ Gail D. Fosler*	Trustee
------------------------ William F. Glavin*	Trustee
------------------------ Anne C. Hodsdon*	Trustee

Signature	Title	Date
------------------------ John A. Moore	Trustee	
------------------------ Patti McGill Peterson*	Trustee	
------------------------ John W. Pratt*	Trustee	
------------------------ Richard S. Scipione*	Trustee	
------------------------ Edward J. Spellman*		
*By: /s/Susan S. Newton ------------------ Susan S. Newton Attorney-in-Fact under Powers of Attorney dated May 21, 1996, filed herewith		August 26, 1996

</TABLE>

POWER OF ATTORNEY

The undersigned Trustee of each of the above listed Trusts, each a Massachusetts business trust, does hereby severally constitute and appoint EDWARD J. BOUDREAU, JR., SUSAN S. NEWTON, AND JAMES B. LITTLE, 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 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 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 21st day of May, 1996.

/s/Dennis S. Aronowitz ------------------------------ Dennis S. Aronowitz	/s/William F. Glavin ------------------------------ William F. Glavin
/s/Edward J. Boudreau, Jr. ------------------------------ Edward J. Boudreau, Jr.	/s/ Anne C. Hodsdon ------------------------------ Anne C. Hodsdon
/s/Richard P. Champman, Jr. ------------------------------ Richard P. Chapman, Jr.	/s/Patti McGill Peterson ------------------------------ Patti McGill Peterson
/s/William J. Cosgrove ------------------------------ William J. Cosgrove	------------------------------ John A. Moore
/s/Douglas M. Costle ------------------------------ Douglas M. Costle	/s/John W. Pratt ------------------------------ John W. Pratt
/s/Leland O. Erdahl ------------------------------ Leland O. Erdahl	/s/Richard S. Scipione ------------------------------ Richard S. Scipione
/s/Richard A. Farrell ------------------------------ Richard A. Farrell	/s/Edward J. Spellman ------------------------------ Edward J. Spellman
/s/Gail D. Fosler ------------------------------ Gail D. Fosler	

John Hancock Capital Series

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Page Number
99.B1	Amended and Restated Declaration of Trust of Registrant dated February 28, 1992.*	
99.B1.1	Amendment to Declaration of Trust dated September 14, 1993.*	
99.B1.2	Amendment to the Declaration Trust Agreement Abolition of Class C Shares of Beneficial Interest of John Hancock Growth Fund dated May 1, 1995.**	
99.B1.3	Amendment to the Declaration of Trust Amending Number of Trustees and Appointing Individual to Fill a Vacancy dated March 5, 1996.**	
99.B2	Amended and Restated By-Laws of Registrant as adopted on December 8, 1993.*	
99.B2.1	Amendment to By -Laws dated December 13, 1994.*	
99.B2.2	Amendment to By-Laws dated March 6, 1996.**	
99.B4	Specimen share certificate for the Registrant.*	
99.B5	Investment Management Contract between Registrant and John Hancock Advisers, Inc. dated January 1, 1994.*	
99.B5.1	Sub-Investment Management Contract between Registrant and NM Capital Management Inc.*	
99.B5.2	Investment Management Contract between Independence Diversified Core Equity Fund and John Hancock Advisers, Inc. dated August 31, 1995.+	

99.B5.3 Sub-Investment Management Contract between Independence Diversified Core Equity Fund and John Hancock Advisers, Inc. dated August 31, 1995.+

99.B6 Distribution Agreement with Registrant and John Hancock Broker Distribution Services, Inc. dated August 1, 1991.*

99.B6.1 Amendment No. 1 to Distribution Agreement with Registrant and John Hancock Broker Distribution Services, Inc.*

99.B6.2 Form of Soliciting Dealer Agreement between John Hancock Broker Distribution Services, Inc. and Selected Dealers.*

99.B6.3 Form of Financial Institution Sales and Service Agreement.*

99.B7 None

99.B8 Master Custodian Agreement between John Hancock Mutual Funds and Investors Bank and Trust Company dated December 15, 1992.*

99.B9 Transfer Agency Agreement between Registrant and John Hancock Fund Services, Inc. dated January 1, 1991. *

99.B9.1 Amendment No.1 to Transfer Agency and Service Agreement between Registrant and John Hancock Fund Services, Inc. dated October 1, 1993.*

99.B9.2 Accounting & Legal Services Agreement between John Hancock Advisers, Inc. and Registrant as of January 1, 1996.***

99.B.10 None

99.B11 Consent of Auditor+

99.B12 Not Applicable

99.B13 None

99.B14 None

99.B15 Class A Distribution Plan between John Hancock Growth Fund and John Hancock Broker Services, Inc.*

99.B15.1 Class B Distribution Plan between John Hancock Growth Fund and John Hancock Broker Services, Inc.*

99.B15.2 Class A Distribution Plan between John Hancock Special Value Fund and John Hancock Broker Services, Inc.*

99.B15.3 Class B Distribution Plan between John Hancock Special Value Fund and John Hancock Broker Services, Inc.*

99.B15.4 Class A Distribution Plan between John Hancock Independence Diversified Core Equity Fund and John Hancock Funds, Inc.+

99.B15.5 Class B Distribution Plan between John Hancock Independence Diversified Core Equity Fund and John Hancock Funds, Inc.+

99.B16 Schedule for Computation of Yield and Total Return.*

27.1A Special Value
27.1B Special Value
27.2A Independence Equity
27.2B Independence Equity
27.3A Utilities
27.3B Utilities

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* Previously filed with post-effective amendment number 44 (file nos. 811-1677; 2-29502) on April 26, 1995, accession number 0000950146-95-000180.

** Previously filed electronically with post-effective amendment number 45 (file nos. 811-1677 and 2-29502) on March 28, 1996, accession number 0001010521-96-000007.

*** Previously filed with post-effective amendment number 47 (file nos. 811-1677; 2-29502) on June 14, 1996 accession number 0001010521-96-000095.

+ Filed herewith.

Exhibit A

JOHN HANCOCK STRATEGIC SERIES

John Hancock Independence Diversified Core Equity Fund

Investment Management Contract

Dated August 31, 1995

JOHN HANCOCK STRATEGIC SERIES

John Hancock Independence Diversified Core Equity Fund

Boston, Massachusetts

John Hancock Advisers, Inc.
101 Huntington Avenue
Boston, Massachusetts 02199

Investment Management Contract

Ladies and Gentlemen:

John Hancock Strategic Series (the "Trust") has been organized as a business trust under the laws of the Commonwealth of Massachusetts to engage in the business of an investment company. The Trust's shares of beneficial interest may be classified into series, each series representing the entire undivided interest in a separate portfolio of assets. Series may be established or terminated from time to time by action of the Board of Trustees of the Trust. As of the date hereof, the Trust has two series of shares, representing interests in John Hancock Strategic Income Fund and John Hancock Independence Diversified Core Equity Fund.

The Board of Trustees of the Trust (the "Trustees") has selected John Hancock Advisers, Inc. (the "Adviser") to provide overall investment advice and management for the John Hancock Independence Diversified Core Equity Fund (the "Fund"), and to provide certain other services, as more fully set forth below, and the Adviser is willing to provide such advice, management and services under the terms and conditions hereinafter set forth. Accordingly, the Trust and the Adviser agree as follows:

1. Delivery of Documents. The Trust has furnished the Adviser with copies, properly certified or otherwise authenticated, of each of the following:

(a) Declaration of Trust of the Trust dated April 16, 1986 as amended and restated (the "Declaration of Trust");

(b) By-Laws of the Trust as in effect on the date hereof;

(c) Resolutions of the Trustees selecting the Adviser as investment adviser for the Fund and approving the form of this Agreement;

(d) Resolutions of the Trustees approving the form of the Sub-Adviser's contract by and among the Adviser, Independence Investment Associates, Inc. ("IIA") and the Trust on behalf of the Fund (the "Sub-Investment Management Contract");

(e) the Sub-Investment Management Contract; and

(f) commitments, limitations and undertakings made by the Fund to state securities or "blue sky" authorities for the purpose of qualifying shares of the Fund for sale in such states.

The Trust will furnish to the Adviser from time to time copies, properly certified or otherwise authenticated, of all amendments of or supplements to the foregoing, if any.

2. Investment and Management Services. The Adviser will use its best efforts to provide to the Fund continuing and suitable investment programs with

respect to investments, consistent with the investment policies, objectives and restrictions of the Fund. In the performance of the Adviser's duties hereunder, subject always (x) to the provisions contained in the documents delivered to the Adviser pursuant to Section 1, as each of the same may from time to time be amended or supplemented, and (y) to the limitations set forth in the registration statement of the Trust, on behalf of the Fund, as in effect from time to time under the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended (the "1940 Act"), the Adviser will, at its own expense:

(a) furnish the Fund with advice and recommendations, consistent with the investment policies, objectives and restrictions of the Fund, with respect to the purchase, holding and disposition of portfolio securities including, the purchase and sale of options, alone or in consultation with any sub-adviser or sub-advisers appointed pursuant to this Agreement and subject to the provisions of any sub-investment management contract respecting the responsibilities of such sub-adviser or sub-advisers;

(b) advise the Fund in connection with policy decisions to be made by the Trustees or any committee thereof with respect to the Fund's investments and, as requested, furnish the Fund with research, economic and statistical data in connection with the Fund's investments and investment policies;

(c) provide administration of the day-to-day investment operations of the Fund;

(d) submit such reports relating to the valuation of the Fund's securities as the Trustees may reasonably request;

(e) assist the Fund in any negotiations relating to the Fund's investments with issuers, investment banking firms, securities brokers or dealers and other institutions or investors;

(f) consistent with the provisions of Section 7 of this Agreement, place orders for the purchase, sale or exchange of portfolio securities with brokers or dealers selected by the Adviser, provided that in connection with the placing of such orders and the selection of such brokers or dealers the Adviser shall seek to obtain execution and pricing within the policy guidelines determined by the Trustees and set forth in the Prospectus and Statement of Additional Information of the Fund as in effect from time to time;

(g) provide office space and office equipment and supplies, the use of accounting equipment when required, and necessary executive, clerical and secretarial personnel for the administration of the affairs of the Fund;

(h) from time to time or at any time requested by the Trustees, make reports to the Trust of the Adviser's performance of the foregoing services and furnish advice and recommendations with respect to other aspects of the business and affairs of the Fund;

(i) maintain all books and records with respect to the Fund's securities transactions required by the 1940 Act, including sub-paragraphs (b)(5), (6), (9) and (10) and paragraph (f) of Rule 31a-1 thereunder (other than those records being maintained by the Fund's custodian or transfer agent) and preserve such records for the periods prescribed therefor by Rule 31a-2 of the 1940 Act (the Adviser agrees that such records are the property of the Trust and will be surrendered to the Trust promptly upon request therefor);

(j) obtain and evaluate such information relating to economies, industries, businesses, securities markets and securities as the Adviser may deem necessary or useful in the discharge of the Adviser's duties hereunder;

(k) oversee, and use the Adviser's best efforts to assure the performance of the activities and services of the custodian, transfer agent or other similar agents retained by the Trust;

(l) give instructions to the Fund's custodian as to deliveries of securities to and from such custodian and transfer of payment of cash for the account of the Fund; and

(m) appoint and employ one or more sub-advisers satisfactory to the Fund under sub-investment management agreements.

3. Expenses paid by the Adviser. The Adviser will pay:

(a) the compensation and expenses of all officers and employees of the Fund;

(b) the expenses of office rent, telephone and other utilities, office furniture, equipment, supplies and other expenses of the Fund;

(c) any other expenses incurred by the Adviser in connection with the performance of its duties hereunder; and

(d) premiums for such insurance as may be agreed upon by the Adviser and the Trustees.

4. Expenses of the Fund Not Paid by the Adviser. The Adviser will not be required to pay any expenses which this Agreement does not expressly make payable by it. In particular, and without limiting the generality of the foregoing but subject to the provisions of Section 3, the Adviser will not be required to pay under this Agreement:

(a) The expenses of organizing the Fund (including without limitation, legal, accounting and auditing fees and expenses incurred in connection with the matters referred to in this clause (a)), of initially registering shares of the Fund under the Securities Act of 1933, as amended, and of qualifying the shares for sale under state securities laws for the initial offering and sale of shares;

(b) the compensation and expenses of Trustees who are not interested persons (as used in this Agreement, such term shall have the meaning specified in the 1940 Act) of the Adviser and of independent advisers, independent contractors, consultants, managers and other unaffiliated agents employed by the Fund other than through the Adviser;

(c) legal, accounting and auditing fees and expenses of the Trust or the Fund;

(d) the fees and disbursements of custodians and depositories of the Fund's assets, transfer agents, disbursing agents, plan agents and registrars;

(e) taxes and governmental fees assessed against the Trust's or the Fund's assets and payable by the Trust;

(f) the cost of preparing and mailing dividends, distributions, reports, notices and proxy materials to shareholders of the Fund;

(g) brokers' commissions and underwriting fees; and

(h) the expense of periodic calculations of the net asset value of the shares of the Fund.

5. Compensation of the Adviser. For all services to be rendered, facilities furnished and expenses paid or assumed by the Adviser as herein provided, the Fund will pay to the Adviser monthly in arrears a fee based on a stated percentage of the Fund's average daily net assets during the preceding month as follows:

Net Asset Value	Annual Rate
First $750,000,000......................	0.75%
Amount over $750,000,000...............	0.70%

The "average daily net assets" of the Fund shall be determined on the basis set forth in the Fund's Prospectus or otherwise consistent with the 1940 Act and the regulations promulgated thereunder. The Adviser will receive a pro rata portion of such monthly fee for any periods in which the Adviser serves as investment adviser to the Fund for less than a full month.

In the event that normal operating expenses of the Fund, exclusive of certain expenses prescribed by state law, are in excess of any limitation imposed by the law of a state where the Fund is registered to sell shares of beneficial interest, the fee payable to the Adviser will be reduced to the extent required by law, and the Adviser will make any additional arrangements that the Adviser is required by law to make.

In addition to the foregoing, the Adviser may from time to time agree not to impose all or a portion of its fee otherwise payable hereunder (in advance of the time such fee or portion thereof would otherwise accrue) and/or undertake to pay or reimburse the Fund for all or a portion of its expenses not otherwise required to be borne or reimbursed by the Adviser. Any such fee reduction or undertaking may be discontinued or modified by the Adviser at any time.

6. Other Activities of the Adviser and Its Affiliates. Nothing herein contained shall prevent the Adviser or any affiliate or associate of the Adviser from engaging in any other business or from acting as investment adviser or investment manager for any other person or entity, whether or not having investment policies or portfolios similar to the Fund's; and it is specifically understood that officers, directors and employees of the Adviser and those of its parent company, John Hancock Mutual Life Insurance Company, or other affiliates may continue to engage in providing portfolio management services and advice to other investment companies, whether or not registered, to other investment advisory clients of the Adviser or of its affiliates and to said affiliates themselves.

7. Avoidance of Inconsistent Position. In connection with purchases or sales of portfolio securities for the account of the Fund, neither the Adviser nor any of its investment management subsidiaries, nor any of the Adviser's or such investment management subsidiaries' directors, officers or employees will act as principal or agent or receive any commission, except as may be permitted by the 1940 Act and rules and regulations promulgated thereunder. If any occasions shall arise in which the Adviser advises persons concerning the shares of the Trust, the Adviser will act solely on its own behalf and not in any way on behalf of the Trust or the Fund.

Nothing herein contained shall limit or restrict the Adviser or any of its officers, affiliates or employees from buying, selling or trading in any securities for its or their own account or accounts. The Trust and Fund acknowledge the Adviser and its officers, affiliates, and employees, and its other clients may at any time have, acquire, increase, decrease or dispose of positions in investments which are at the same time being acquired or disposed of hereunder. The Adviser shall have no obligation to acquire with respect to the Fund, a position in any investment which the Adviser, its officers, affiliates or employees may acquire for its or their own accounts or for the account of another client, if in the sole discretion of the Adviser, it is not feasible or desirable to acquire a position in such investment on behalf of the Fund. Nothing herein contained shall prevent the Adviser from purchasing or recommending the purchase of a particular security for one or more funds or clients while other funds or clients may be selling the same security.

8. No Partnership or Joint Venture. The Trust, the Fund and the Adviser are not partners of or joint venturers with each other and nothing herein shall be construed so as to make them such partners or joint venturers or impose any liability as such on any of them.

9. Name of the Trust and the Fund. The Trust and the Fund may use the name "John Hancock" or any name derived from or similar to the name "John Hancock Advisers, Inc." or "John Hancock Mutual Life Insurance Company" only for so long as this Agreement remains in effect. At such time as this Agreement shall no longer be in effect, the Trust and the Fund will (to the extent that they lawfully can) cease to use such names or any other names indicating that the Fund is advised by or otherwise connected with the Adviser. The Trust acknowledges that it has adopted the name "John Hancock Strategic Series" and the Fund has adopted the name "John Hancock Independence Diversified Core Equity Fund" through permission of John Hancock Mutual Life Insurance Company and agrees that John Hancock Mutual Life Insurance Company reserves to itself and any successor to its business the right to 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 John Hancock Mutual Life Insurance Company or any subsidiary or affiliate thereof shall be the investment adviser.

10. Limitation of Liability of the Adviser. The Adviser shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Trust or the Fund in connection with the matters to which this 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 by it of its obligations and duties under this Agreement. Any person, even though also employed by the Adviser, who may be or become an employee of and paid by the Trust or the Fund shall be deemed, when acting within the scope of his employment by the Trust or the Fund, to be acting in such employment solely for the Trust or the Fund and not as the Adviser's employee or agent.

11. Duration and Termination of this Agreement. This Agreement shall remain in force until the second anniversary of the date upon which this Agreement was executed by the parties hereto, and from year to year thereafter, but only so long as such continuance is specifically approved at least annually by (a) a majority of the Trustees who are not interested persons of the Adviser or (other than as Board members) of the Trust or the Fund, cast in person at a meeting called for the purpose of voting on such approval, and (b) either (i) the Trustees or (ii) a majority of the outstanding voting

securities of the Fund. This Agreement may, on 60 days' written notice, be terminated at any time without the payment of any penalty by the Trust or the Fund by vote of a majority of the outstanding voting securities of the Fund, by the Trustees or by the Adviser. Termination of this Agreement with respect to the Fund shall not be deemed to terminate or otherwise invalidate any provisions of any contract between the Adviser and any other series of the Trust. This Agreement shall automatically terminate in the event of its assignment. In interpreting the provisions of this Section 11, the definitions contained in Section 2(a) of the 1940 Act (particularly the definitions of "assignment," "interested person" or "voting security"), shall be applied.

12. Amendment of this Agreement. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought, and no amendment, transfer, assignment, sale, hypothecation or pledge of this Agreement shall be effective until approved by (a) the Trustees, including a majority of the Trustees who are not interested persons of the Adviser or (other than as Board members) of the Trust or the Fund, cast in person at a meeting called for the purpose of voting on such approval, and (b) a majority of the outstanding voting securities of the Fund, as defined in the 1940 Act.

13. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts.

14. Severability. The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be deemed invalid or unenforceable in whole or in part.

15. Miscellaneous. The captions in this Agreement are included for convenience of reference only and in no way define or limit any of the provisions

hereof or otherwise affect their construction or effect. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The name John Hancock Strategic Series is the designation of the Trustees under the Declaration of Trust dated April 16, 1986, as amended and restated from time to time. The Declaration of Trust has been filed with the Secretary 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. The Trust or the Fund shall not be liable for the obligations of any other series of the Trust.

Yours very truly,

JOHN HANCOCK STRATEGIC SERIES on behalf of John Hancock Independence Diversified Core Equity Fund

By: /s/ Thomas H. Drohan

Title: Senior Vice President and Secretary

The foregoing contract is hereby agreed to as of the date hereof.

JOHN HANCOCK ADVISERS, INC.

By: /s/ Anne C. Hodsdon

Title: President

JOHN HANCOCK STRATEGIC SERIES

John Hancock Independence Diversified Core Equity Fund

Sub-Investment Management Contract

Dated August 31, 1995

JOHN HANCOCK ADVISERS, INC.

Boston, Massachusetts

JOHN HANCOCK STRATEGIC SERIES
-- John Hancock Independence Diversified
Core Equity Fund
101 Huntington Avenue
Boston, Massachusetts 02199

INDEPENDENCE INVESTMENT
ASSOCIATES, INC.
53 State Street
Boston, Massachusetts 02109

Sub-Investment Management Contract

Ladies and Gentlemen:

John Hancock Strategic Series (the "Trust") has been organized as a business trust under the laws of The Commonwealth of Massachusetts to engage in the business of an investment company. The Trust's shares of beneficial interest may be classified into series, each series representing the entire undivided interest in a separate portfolio of assets. Series may be established or terminated from time to time by action of the Board of Trustees of the Trust. As of the date hereof, the Trust has three series of shares, representing interests in John Hancock Strategic Income Fund, John Hancock Utilities Fund and John Hancock Independence Diversified Core Equity Fund.

The Board of Trustees of the Trust (the "Trustees") has selected John Hancock Advisers, Inc. (the "Adviser") to provide overall investment advice and management for the John Hancock Independence Diversified Core Equity Fund (the "Fund"), and to provide certain other services, under the terms and conditions provided in the Investment Management Contract, dated as of the date hereof, between the Trust, the Fund and the Adviser (the "Investment Management Contract").

The Adviser and the Trustees have selected Independence Investment Associates, Inc. (the "Sub-Adviser") to provide the Adviser and the Fund with the advice and services set forth below, and the Sub-Adviser is willing to provide such advice and services, subject to the review of the Trustees and overall supervision of the Adviser, under the terms and conditions hereinafter set forth. The Sub-Adviser hereby represents and warrants that it is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. Accordingly, the Trust, on behalf of the Fund, and the Adviser agree with the Sub-Adviser as follows:

1. Delivery of Documents. The Trust has furnished the Sub-Adviser with copies, properly certified or otherwise authenticated, of each of the following:

(a) Declaration of Trust of the Trust, dated April 16, 1986, as amended (the "Declaration of Trust");

(b) By-Laws of the Trust as in effect on the date hereof;

(c) Resolutions of the Trustees approving the form of this Agreement by and among the Adviser, the Sub-Adviser and the Trust, on behalf of the Fund;

(d) Resolutions of the Trustees selecting the Adviser as investment adviser for the Fund and approving the form of the Investment Management Contract;

(e) the Investment Management Contract;

(f) commitments, limitations and undertakings made by the Fund to state securities or "blue sky" authorities for the purpose of qualifying shares of the Fund for sale in such states;

(g) the Fund's portfolio compliance checklists; and

(h) the Fund's current Registration Statement, including the Fund's Prospectus and Statement of Additional Information.

The Trust will furnish to the Sub-Adviser from time to time copies, properly certified or otherwise authenticated, of all amendments of or supplements to the foregoing, if any.

2. Investment Services. The Sub-Adviser will use its best efforts to provide to the Fund continuing and suitable investment advice with respect to investments, consistent with the investment policies, objectives and restrictions of the Fund as set forth in the Fund's Prospectus and Statement of Additional Information. In the performance of the Sub-Adviser's duties hereunder, subject always (x) to the provisions contained in the documents delivered to the Sub-Adviser pursuant to Section 1, as each of the same may from time to time be amended or supplemented, and (y) to the limitations set forth in the Registration Statement of the Trust, on behalf of the Fund, as in effect from time to time under the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended (the "1940 Act"), the Sub-Adviser will, have investment discretion with respect to the Fund and will, at its own expense:

(a) furnish the Adviser and the Fund with advice and recommendations, consistent with the investment policies, objectives and restrictions of the Fund as set forth in the Fund's Prospectus and Statement of Additional Information, with respect to the purchase, holding and disposition of portfolio securities including, the purchase and sale of options;

(b) furnish the Adviser and the Fund with advice as to the manner in which voting rights, subscription rights, rights to consent to corporate action and any other rights pertaining to the Fund's assets shall be exercised, the Fund having the responsibility to exercise such voting and other rights;

(c) furnish the Adviser and the Fund with research, economic and statistical data in connection with the Fund's investments and investment policies;

(d) submit such reports relating to the valuation of the Fund's securities as the Trustees may reasonably request;

(e) subject to prior consultation with the Adviser, engage in negotiations relating to the Fund's investments with issuers, investment banking firms, securities brokers or dealers and other institutions or investors;

(f) consistent with provisions of Section 7 of this Agreement, place orders for the purchase, sale or exchange of portfolio securities with brokers or dealers selected by the Adviser or the Sub-Adviser, provided that in connection with the placing of such orders and the selection of such brokers or dealers the Sub-Adviser shall seek to obtain execution and pricing within the policy guidelines determined by the Trustees and set forth in the Prospectus and Statement of Additional Information of the Fund as in effect and furnished to the Sub-Adviser from time to time;

(g) from time to time or at any time requested by the Adviser or the Trustees, make reports to the Adviser or the Trust of the Sub-Adviser's performance of the foregoing services;

(h) subject to the supervision of the Adviser, maintain all books and records with respect to the Fund's securities transactions required by the 1940 Act, and preserve such records for the periods prescribed therefor by the 1940 Act (the Sub-Adviser agrees that such records are the property of the Trust and copies will be surrendered to the Trust promptly upon request therefor);

(i) give instructions to the Fund's custodian as to deliveries of securities to and from such custodian and transfer of payment of cash for the account of the Fund, and advise the Adviser on the same day such instructions are given; and

(j) cooperate generally with the Fund and the Adviser to provide information necessary for the preparation of registration statements and periodic reports to be filed with the Securities and Exchange Commission, including Form N-1A, 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 agencies responsible for tax matters, and other reports and filings of like nature.

3. Expenses Paid by the Sub-Adviser. The Sub-Adviser will pay the cost of maintaining the staff and personnel necessary for it to perform its obligations under this Agreement, the expenses of office rent, telephone, telecommunications and other facilities it is obligated to provide in order to perform the services specified in Section 2, and any other expenses incurred by it in connection with the performance of its duties hereunder.

4. Expenses of the Fund Not Paid by the Sub-Adviser. The Sub-Adviser will not be required to pay any expenses which this Agreement does not expressly make payable by the Sub-Adviser. In particular, and without limiting the generality of the foregoing but subject to the provisions of Section 3, the Sub-Adviser will not be required to pay under this Agreement:

(a) the compensation and expenses of Trustees and of independent advisers, independent contractors, consultants, managers and other agents employed by the Trust or the Fund other than through the Sub-Adviser;

(b) legal, accounting and auditing fees and expenses of the Trust or the

Fund;

(c) the fees and disbursements of custodians and depositories of the Trust or the Fund's assets, transfer agents, disbursing agents, plan agents and registrars;

(d) taxes and governmental fees assessed against the Trust or the Fund's assets and payable by the Trust or the Fund;

(e) the cost of preparing and mailing dividends, distributions, reports, notices and proxy materials to shareholders of the Trust or the Fund except that the Sub-Adviser shall bear the costs of providing the information referred to in Section 2(j) to the Adviser;

(f) brokers' commissions and underwriting fees; and

(g) the expense of periodic calculations of the net asset value of the shares of the Fund.

5. Compensation of the Sub-Adviser. For all services to be rendered, facilities furnished and expenses paid or assumed by the Sub-Adviser as herein provided for the Fund, the Adviser will pay the Sub-Adviser quarterly, in arrears, a fee at the annual rate of 55% of the investment advisory fee payable to the Adviser.

The fee payable to the Adviser is caluclated on the basis of the "average daily net assets" of the Fund and shall be determined on the basis set forth in the Fund's Prospectus or otherwise consistent with the 1940 Act and the regulations promulgated thereunder. The Sub-Adviser will receive a pro rata portion of such fee for any periods in which the Sub-Adviser advises the Fund less than a full quarter. Fund shall not be liable to the Sub-Adviser for the Sub-Adviser's compensation hereunder. Calculations of the Sub-Adviser's fee will be based on average net asset values as provided by the Adviser.

In addition to the foregoing, the Sub-Adviser may from time to time agree not to impose all or a portion of its fee otherwise payable hereunder (in advance of the time such fee or portion thereof would otherwise accrue) and/or undertake to pay or reimburse the Fund for all or a portion of its expenses not otherwise required to be borne or reimbursed by it. Any such fee reduction or undertaking may be discontinued or modified by the Sub-Adviser at any time.

6. Other Activities of the Sub-Adviser and Its Affiliates. Nothing herein contained shall prevent the Sub-Adviser or any associate of the Sub-Adviser from engaging in any other business or from acting as investment adviser or investment manager for any other person or entity, whether or not having investment policies or portfolios similar to the Fund's; and it is specifically understood that officers, directors and employees of the Sub-Adviser and those of its parent company, John Hancock Mutual Life

Insurance Company, or other affiliates may continue to engage in providing portfolio management services and advice to other investment companies, whether or not registered, to other investment advisory clients of the Sub-Adviser or its affiliates and to said affiliates themselves.

7. Avoidance of Inconsistent Position. In connection with purchases or sales of portfolio securities for the account of the Fund, neither the Sub-Adviser nor any of its investment management subsidiaries nor any of such investment management subsidiaries' directors, officers or employees will act as principal or agent or receive any commission, except as may be permitted by the 1940 Act and rules and regulations promulgated thereunder. The Sub-Adviser shall not knowingly recommend that the Fund purchase, sell or retain securities of any issuer in which the Sub-Adviser has a financial interest without obtaining prior approval of the Adviser prior to the execution of any such transaction.

Nothing herein contained shall limit or restrict the Sub-Adviser or any of its officers, affiliates or employees from buying, selling or trading in any securities for its or their own account or accounts. The Trust and Fund acknowledge the Sub-Adviser and its officers, affiliates, and employees, and its other clients may at any time have, acquire, increase, decrease or dispose of positions in investments which are at the same time being acquired or disposed of hereunder. The Sub-Adviser shall have no obligation to acquire with respect to the Fund, a position in any investment which the Sub-Adviser, its officers, affiliates or employees may acquire for its or their own accounts or for the account of another client, if in the sole discretion of the Sub-Adviser, it is not feasible or desirable to acquire a position in such investment on behalf of the Fund. Nothing herein contained shall prevent the Sub-Adviser from purchasing or recommending the purchase of a particular security for one or more funds or clients while other funds or clients may be selling the same security.

8. No Partnership or Joint Venture. The Trust, the Fund, the Adviser and the Sub-Adviser are not partners of or joint venturers with each other and nothing herein shall be construed so as to make them such partners or joint venturers or impose any liability as such on any of them.

9. Name of Fund. The Trust and the Fund may use the name "Independence" or any name similar to "Independence Investment Associates, Inc." only for so long as this Agreement remains in effect. At such time as this Agreement shall no longer be in effect, the Fund will (to the extent that it lawfully can) cease to use such names or any other names indicating that the Fund is advised by or otherwise connected with the Sub-Adviser. The Fund acknowledges that it has adopted a name that includes the name "Independence" through permission of the Sub-Adviser and agrees that the Sub-Adviser reserves to itself and any successor to its business the right to grant the non-exclusive right to use the name "Independence" or any similar name to any other corporation or entity, including but not limited

to any investment company of which it or any of its subsidiaries or affiliates shall be the investment adviser.

10. Limitation of Liability of Sub-Adviser. The Sub-Adviser shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Trust or the Fund or the Adviser in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the Sub-Adviser's part in the performance of its duties or from reckless disregard by it of its obligations and duties under this Agreement. Any person, even though also employed by the Sub-Adviser, who may be or become an employee of and paid by the Trust or the Fund shall be deemed, when acting within the scope of his employment by the Trust or the Fund, to be acting in such employment solely for the Trust or the Fund and not as the Sub-Adviser's employee or agent.

11. Duration and Termination of this Agreement. This Agreement shall remain in force until the second anniversary of the date upon which this Agreement was executed by the parties hereto, and from year to year thereafter, but only so long as such continuance is specifically approved at least annually by (a) a majority of the Trustees who are not interested persons of the Adviser, the Sub-Adviser, or (other than as Board members) of the Trust or the Fund, cast in person at a meeting called for the purpose of voting on such approval, and (b) either (i) the Trustees or (ii) a majority of the outstanding voting securities of the Fund. This Agreement may, on 60 days' written notice, be terminated at any time without the payment of any penalty by the Trust or the Fund by vote of a majority of the outstanding voting securities of the Fund, by the Trustees, the Adviser or the Sub-Adviser. Termination of this Agreement with respect to the Fund shall not be deemed to terminate or otherwise

invalidate any provisions of any contract between the Sub-Adviser and any other series of the Trust. This Agreement shall automatically terminate in the event of its assignment or upon termination of the Investment Management Contract. In interpreting the provisions of this Section 11, the definitions contained in Section 2(a) of the 1940 Act (particularly the definitions of "assignment," "interested person" or "voting security"), shall be applied.

12. Amendment of this Agreement. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought, and no amendment, transfer, assignment, sale, hypothecation or pledge of this Agreement shall be effective until approved by (a) the Trustees, including a majority of the Trustees who are not interested persons of the Adviser, the Sub-Adviser, or (other than as Board members) of the Trust or the Fund, cast in person at a meeting called for the purpose of voting on such approval, and (b) a majority of the outstanding voting securities of the Fund, as defined in

the 1940 Act.

13. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts.

14. Severability. The provisions of this Agreement are independent of and separable from each other, and no provision shall be affected or rendered invalid or unenforceable by virtue of the fact that for any reason any other or others of them may be deemed invalid or unenforceable in whole or in part.

15. Miscellaneous. (a) The captions in this Agreement are included for convenience of reference only and in no way define or limit any of the provisions hereof or otherwise affect their construction or effect. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The name John Hancock Strategic Series is the designation of the Trustees under the Declaration of Trust dated April 16, 1986, as amended from time to time. The Declaration of Trust has been filed with the Secretary 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. The Trust or the Fund shall not be liable for the obligations of any other series of the Trust. (b) Any information supplied by the Sub-Adviser, which is not otherwise in the public domain, in connection with the performance of its duties hereunder is to be regarded as confidential and for use only by the Fund and/or its agents, and only in connection with the Fund and its investments.

Yours very truly,

JOHN HANCOCK ADVISERS, INC.

By: /s/ Edward J. Boudreau, Jr.

Title: Chairman & CEO

The foregoing contract
is hereby agreed to as
of the date hereof.

JOHN HANCOCK STRATEGIC SERIES
on behalf of John Hancock
Independence Diversified
Core Equity Fund

By: /s/ Thomas H. Drohan

Title: Senior Vice President & Secretary

INDEPENDENCE INVESTMENT
ASSOCIATES, INC.

By: /s/ W.C. Fletcher

Title: President

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the references to our firm under the captions "Financial Highlights" for Special Value Fund in the John Hancock Growth and Income Funds Prospectus and "Independent Auditors" in the John Hancock Special Value Fund Class A and Class B Shares Statement of Additional Information in Post-Effective Amendment No. 47 to the Registration Statement (Form N-1A, No. 2-29502) dated August 30, 1996.

We also consent to the incorporation by reference therein of our report dated February 9, 1996, with respect to the financial statements and financial highlights of the John Hancock Special Value Fund (one of the portfolios constituting John Hancock Capital Series) in this Form N1-A.

/s/ERNST & YOUNG LLP
ERNST & YOUNG LLP

Boston, Massachusetts
August 21, 1996

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus and Statements of Additional Information constituting parts of this Post Effective Amendment No. 47 to the Registration Statement on Form N-1A (the "Registration Statement") of our reports dated July 15, 1996, relating to the financial statements and financial highlights appearing in the May 31, 1996 Annual Reports to Shareholders of the John Hancock Independence Equity Fund and the John Hancock Utilities Fund (the "Funds"), each a series of John Hancock Capital Series, which financial statements and financial highlights are also incorporated by reference into the Registration Statement. We also consent to the references to us under the headings "Independent Auditors" in such Statements of Additional Information and under the headings "Financial Highlights" in such Prospectus.

/s/Price Waterhouse LLP
PRICE WATERHOUSE LLP
Boston, Massachusetts
August 26, 1996

JOHN HANCOCK STRATEGIC SERIES --

JOHN HANCOCK INDEPENDENCE DIVERSIFIED CORE EQUITY FUND

Amended and Restated Distribution Plan

Class A Shares

September 1, 1995

Article I. This Plan

This amended and restated Distribution Plan (the "Plan") sets forth the terms and conditions on which John Hancock Strategic Series (the "Trust"), on behalf of John Hancock Independence Diversified Core Equity Fund (the "Fund"), a series portfolio of the Trust, on behalf of its Class A 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 A 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 Trust and JH Funds heretofore entered into a Distribution Agreement, dated August 1, 1991 (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 A 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 Broker Services of the Fund or other broker-dealers ("Selling Brokers") that have entered into an agreement with JH Funds for the sale of Class A shares of the Fund, (b) direct out-of-pocket expenses incurred in connection with the distribution of Class A shares of the Fund, including expenses related to printing of prospectuses and reports to other than existing Class A shareholders of the Fund, and preparation, printing and distribution of sales literature and advertising materials, and (c) an allocation of overhead and other branch office expenses of JH Funds related to the distribution of Class A shares of 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 A 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 0.30% of the average daily net asset value of the Class A 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 A 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. In the event JH Funds is not fully reimbursed for payments made or other expenses incurred by it under this Plan, such expenses will not be carried beyond one year from the date such expenses were incurred. Any fees paid to JH Funds under this Plan during any fiscal year of the Fund and not expended or allocated by JH Funds for actual or budgeted Distribution Expenses and Service Expenses during such fiscal year will be promptly returned to the Fund.

Article IV. 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, as amended, dated June 5, 1991, 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 V. 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 VI. 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 V.

Article VII. 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 Service Expenses pursuant to this Plan and the purposes for which such expenditures were made and such other information as the Trustees may request.

Article VIII. 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 A shares, or (b) by JH Funds on 60 days' notice in writing to the Fund.

Article IX. 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 voting Class A shares.

(b) That such agreement shall terminate automatically in the event of its assignment.

Article X. 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 A 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 V.

Article XI. Limitation of Liability

The names "John Hancock Strategic Series" and "John Hancock Independence Diversified Core Equity Fund" are the designations of the Trustees under the Declaration of Trust, dated September 21, 1993, as amended from time to time.

The 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 September, 1995 in Boston, Massachusetts.

JOHN HANCOCK STRATEGIC SERIES --
JOHN HANCOCK INDEPENDENCE DIVERSIFIED CORE EQUITY FUND

By /s/ Anne C. Hodsdon

President

JOHN HANCOCK FUNDS, INC.

By /s/ C. Troy Shaver, Jr.

President

JOHN HANCOCK STRATEGIC SERIES --
JOHN HANCOCK INDEPENDENCE DIVERSIFIED CORE EQUITY FUND

Distribution Plan

Class B Shares

September 1, 1995

Article I. This Plan

This amended and restated Distribution Plan (the "Plan") sets forth the terms and conditions under which John Hancock Strategic Series (the "Trust"), on behalf of John Hancock Independence Diversified Core Equity Fund (the "Fund"), a series portfolio of the Trust, on behalf of its Class B shareholders, will, after the effective date hereof, pay certain amounts to John Hancock Funds, Inc. ("JH Funds") in connection with the provision by Broker Services of certain services to the Fund and its Class B 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 Trust and JH Funds heretofore entered into a Distribution Agreement, dated August 1, 1991 (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 B 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 B shares of the Fund, (b) direct out-of pocket expenses incurred in connection with the distribution of Class B shares of the Fund, including expenses related to printing of prospectuses and reports to other than existing Class B 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 B shares of the Fund, and (d) interest expenses on unreimbursed distribution expenses related to Class

B shares, as described in Article IV.

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 B 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 B 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 B 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 B 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 February 1, 1994 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 B 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 B 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 B 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 Strategic Series" and "John Hancock Independence Diversified Core Equity Fund" are the designations of the Trustees under the Amended and Restated Declaration of Trust, dated September 21, 1993, amended from time to time. The 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 Distribution Plan effective as of the 1st day of September, 1995 in Boston, Massachusetts.

JOHN HANCOCK STRATEGIC SERIES--
JOHN HANCOCK INDEPENDENCE DIVERSIFIED CORE EQUITY FUND

By /s/ Anne C. Hodsdon

President

JOHN HANCOCK FUNDS, INC.

By /s/ C. Troy Shaver, Jr.

President

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<ARTICLE> 6
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<NUMBER> 021
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<PERIOD-START> JAN-01-1995
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<TOTAL-ASSETS>                                29,966,824
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<OTHER-INCOME>                                         0
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<NET-INVESTMENT-INCOME>                          319,288
<REALIZED-GAINS-CURRENT>                         591,659
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<ACCUMULATED-NII-PRIOR>	422,416
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<PERIOD-END>                                 MAY-31-1996
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<INVESTMENTS-AT-VALUE>                        30,840,972
<RECEIVABLES>                                    214,907
<ASSETS-OTHER>                                    23,203
<OTHER-ITEMS-ASSETS>                           1,888,283
<TOTAL-ASSETS>                                31,089,430
<PAYABLE-FOR-SECURITIES>                       1,022,857
<SENIOR-LONG-TERM-DEBT>                                0
<OTHER-ITEMS-LIABILITIES>                         63,538
<TOTAL-LIABILITIES>                            1,086,395
<SENIOR-EQUITY>                                        0
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<DIVIDEND-INCOME>                                368,769
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