

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

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-22441

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

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

Salvatore Schiavone
Treasurer

601 Congress Street

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

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2012

ITEM 1. REPORTS TO STOCKHOLDERS.

Managed distribution plan

The Fund has adopted a managed distribution plan (Plan). Under the current Plan, the Fund makes quarterly distributions of an amount equal to \$0.3230 per share, based upon an annual distribution rate of 7.25% of the Fund's net asset value (NAV) of \$17.82 on July 31, 2012. This amount will be paid quarterly until further notice. Prior to August 2012, under the prior Plan, the Fund made quarterly distributions of an amount equal to 1.8125% of the Fund's NAV as of each measuring date, based upon an annual rate of 7.25%. The amount of each quarterly distribution was determined based on the NAV of the Fund at the close of the New York Stock Exchange on the last business day of the month ending two months prior to each quarterly declaration date. The Fund may also make additional distributions: (i) for purposes of not incurring federal income tax on the Fund of investment company taxable income and net capital gain, if any, not included in such regular distributions; and (ii) for purposes of not incurring federal excise tax on ordinary income and capital gain net income, if any, not included in such regular distributions.

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

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

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

Annual report | Hedged Equity & Income Fund

Management's discussion of

Fund performance

By Wellington Management Company, LLC

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

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

Strategy and performance review

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

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

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

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

Wellington Management is an independent and unaffiliated investment subadviser.

Past performance is no guarantee of future results.

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

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Portfolio summary

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

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

Sector Composition^{1,3}

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

Portfolio Composition¹

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

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

² Excludes cash and cash equivalents.

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

Fund's investments

As of 12-31-12

Shares

Value

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

(Cost \$217,257,741)

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

Auto Components 0.6%

Allison Transmission Holdings, Inc.	58,935	1,203,453
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Continental AG	1,711	197,971
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Automobiles 0.5%

Ford Motor Company	21,988	284,745
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Great Wall Motor Company, Ltd., H Shares	33,500	106,268
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Harley-Davidson, Inc.	18,005	879,364
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Diversified Consumer Services 0.3%

Allstar Co-Invest Block Feeder LLC (I)(R)	236,300	285,923
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Matthews International Corp., Class A	15,080	484,068
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Hotels, Restaurants & Leisure 0.8%

Buffalo Wild Wings, Inc. (I)	2,970	216,275
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Burger King Worldwide, Inc.	23,806	391,371
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CEC Entertainment, Inc.	15,080	500,505
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Choice Hotels International, Inc.	4,680	157,342
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Galaxy Entertainment Group, Ltd. (I)	47,000	187,167
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Sands China, Ltd.	47,600	213,531
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Starwood Hotels & Resorts Worldwide, Inc.	866	49,674
Yum! Brands, Inc.	1,498	99,467
Household Durables 1.1%		
Helen of Troy, Ltd. (I)	9,000	300,510
Lennar Corp., Class A	3,000	116,010
NVR, Inc. (I)	1,895	1,743,401
PulteGroup, Inc. (I)	6,500	118,040
Whirlpool Corp.	2,480	252,340
Internet & Catalog Retail 1.1%		
Amazon.com, Inc. (I)	6,413	1,610,547
Expedia, Inc.	2,450	150,553
HomeAway, Inc. (I)	5,280	116,160
priceline.com, Inc. (I)	743	461,552
TripAdvisor, Inc. (I)	7,210	302,532
Leisure Equipment & Products 0.8%		
Hasbro, Inc.	26,100	936,990
Mattel, Inc. (C)	26,081	955,086

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See notes to financial statements

	Shares	Value
Media 3.8%		

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

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

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

See notes to financial statements

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

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

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Transocean, Ltd.	3,735	166,768
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Oil, Gas & Consumable Fuels 7.7%

Anadarko Petroleum Corp.	23,476	1,744,502
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Apache Corp.	2,090	164,065
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BG Group PLC	116,986	1,961,652
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BP PLC, ADR	58,085	2,418,659
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Cabot Oil & Gas Corp.	9,690	481,981
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Chesapeake Energy Corp.	9,680	160,882
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Chevron Corp.	16,290	1,761,601
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Cobalt International Energy, Inc. (I)	11,820	290,299
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CONSOL Energy, Inc.	5,400	173,340
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EOG Resources, Inc.	5,985	722,928
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Exxon Mobil Corp. (C)	20,548	1,778,429
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Halcon Resources Corp. (I)	16,872	116,754
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See notes to financial statements

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

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

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

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Bank of America Corp.	76,994	893,130
Citigroup, Inc.	4,600	181,976
IntercontinentalExchange, Inc. (I)	2,070	256,287
See notes to financial statements		

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

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

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

Health Care Equipment & Supplies 1.7%

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

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

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Zimmer Holdings, Inc.	3,564	237,576
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Health Care Providers & Services 1.8%

Aetna, Inc.	4,374	202,516
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Amsurg Corp. (I)	14,620	438,746
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Brookdale Senior Living, Inc. (I)	6,000	151,920
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Cardinal Health, Inc.	42,895	1,766,416
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Catamaran Corp. (I)	8,860	417,395
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McKesson Corp.	2,550	247,248
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Team Health Holdings, Inc. (I)	7,700	221,529
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UnitedHealth Group, Inc.	13,792	748,078
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Health Care Technology 0.0%

Allscripts Healthcare Solutions, Inc. (I)	8,200	77,244
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Life Sciences Tools & Services 0.9%

Agilent Technologies, Inc.	8,230	336,936
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