A message to shareholders

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President and CEO

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Returns in global stock and bond markets were mostly positive for the third quarter of 2017, extending year-to-date gains in a variety of market segments. This unrelenting advance underscores why investors should maintain a balanced approach going forward.

Widespread market and economic strength

Wherever stock investors look today, the markets seem to exhibit undiminished strength. Three bellwether U.S. indexes—the Dow Jones Industrial Average, the S&P 500 Index, and the NASDAQ Composite Index—simultaneously hit all-time highs more than once in the third quarter. Impressive performance results are equally easy to find outside the United States, with European, Asian, and other emerging-market stock indexes adding healthy gains to already strong advances made in the first half of 2017.

Bond markets have typically exhibited less dramatic but still positive results. The notable fixed-income outperformer was emerging-market debt, which gathered strength on continued U.S. dollar weakness and broadly positive economic fundamentals. With expectations growing that the U.S. Federal Reserve may pause on its path toward interest-rate normalization—in light of muted U.S. inflation—the risk of rising interest rates appears, yet again, likely to be delayed by cautious policymakers.

Economic and corporate data has continued to underpin investor optimism. U.S. growth for the second quarter was revised upward, from 2.6% to 3.0%. Corporate earnings have generally been solid, with a weaker dollar helping to boost results for U.S.-based multinationals. The U.S. labor market has remained tight, while Census Bureau data released in mid-September demonstrated that middle-class wages at the end of 2016 rose to an all-time high. Outside the United States, conditions have also remained broadly supportive of healthy risk appetites, with expectations of continued synchronized growth supporting the global economy.

Maintaining a balanced approach

While stock markets may seem to be setting records on a daily basis, investors have reason to be vigilant. U.S. stocks haven't experienced a drop of 10% in more than 19 months, and 14 months have passed since the last 5% pullback. This degree of calm in a rising market is rare, and history suggests stormier market conditions could be brewing. As the bull market advances, fewer stocks are participating in new highs, while many stocks are moving deeper into overvalued territory, suggesting that market leaders are vulnerable to any setbacks.

With U.S. stock valuations high in certain sectors, bond yields still relatively low versus long-term averages, and unmistakable tensions not far beneath the surface of the current geopolitical landscape, investors would do well to consider their options for diversification. Maintaining a diversified portfolio of stocks, bonds, and alternatives, alongside a disciplined investment program, is one approach that has stood the test of time. As always, your best resource to prepare for any market condition is your financial advisor, who can help ensure your portfolio is sufficiently diversified to meet your long-term objectives and to withstand the inevitable disappointments that can interrupt any market rise.

Advancing the interests of fund shareholders

One of our primary goals is to advance the interests of our fund shareholders wherever possible. In early July, we announced fund expense reductions, targeting six mutual funds and two closed-end funds that together represent more than $6.9 billion in assets under management. Details can be found at jhinvestments.com. This marks our third round of expense reductions this year, following the announcement of new fee schedules for select funds in April and lower fees on some of our target-date portfolios, which we instituted in February. These actions follow multiple rounds of expense reductions since 2014 and remain testimony to our focus on ensuring that our funds are competitively priced for investors.

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

Sincerely,

Andrew Arnott

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John Hancock Investments

Diversification does not guarantee a profit or eliminate the risk of a loss.