

JOHN HANCOCK PREFERRED INCOME FUND
Form N-CSR
October 07, 2011

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 811-21131

John Hancock Preferred 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: July 31

Date of reporting period: July 31, 2011

ITEM 1. SCHEDULE OF INVESTMENTS

Management's discussion of

Fund performance

By John Hancock Asset Management
(formerly MFC Global Investment Management (U.S.), LLC)

Preferred securities posted solid results for the 12 months ended July 31, 2011, with the Bank of America Merrill Lynch Preferred Stock Hybrid Securities Index returning 7.86%. Their gains fell between the 19.65% return of the broad S&P 500 Index and the 4.44% advance of the Barclays Capital U.S. Aggregate Bond Index. For the 12 months ended July 31, 2011, John Hancock Preferred Income Fund returned 13.57% at net asset value (NAV) and 14.61% at market price. The difference in the Fund's NAV performance and its market performance stems from the fact that 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. For the same 12-month period, the Bank of America Merrill Lynch Preferred Stock Hybrid Securities Index returned 7.86%.

The Fund's NAV results outperformed the Barclays Capital U.S. Aggregate Bond Index because preferred stocks outpaced all major components of that benchmark. During the 12-month period, one of the better-performing preferred holdings was oil and gas exploration and production company Apache Corp., which benefited from rising oil prices and expectations of expanding demand. Other good performers included PPL Corp. and telecommunications company Qwest Corp., which did well largely due to strong investor demand for investment-grade utility securities that carried attractive coupons. On the downside, investments in certain preferred securities issued by Royal Bank of Scotland Group PLC and Barclays Bank PLC were relative disappointments. These banks came under pressure due to investors' fears that their earnings would be hurt by economic weakness in Europe, the continent's sovereign debt woes and new and costly regulations.

This commentary reflects the views of the portfolio managers through 8-31-11. 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.

Past performance is no guarantee of future results.

The Fund normally will invest at least 25% of its total assets in the industries comprising the utilities sector, which includes telecommunications companies, measured at the time of purchase. When the Fund's investments focus on one or more sectors of the economy, they are far less diversified than the broad securities markets. This means that the Fund may be more volatile than other funds, and the values of its investments may go up and down more rapidly. Specifically, utilities can be hurt by higher interest costs in connection with capital construction programs, costs associated with environmental and other regulations and the effects of economic declines, surplus capacity and increased competition. In addition, the Fund may invest in financial services companies, which can be hurt by economic declines, changes in interest rates, and regulatory and market impacts. The Fund's investments in the securities of non-U.S. issuers involves special risks such as political, economic and currency risks and differences in accounting standards and financial reporting.

Portfolio summary

**Top 10 Issuers (32% of Total Investments on
7-31-11)¹**

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Nexen, Inc.	4%	MetLife, Inc.	3%
JPMorgan Chase	4%	PPL Corp.	3%
Morgan Stanley Capital Trusts	3%	Barclays Bank PLC	3%
Viacom, Inc.	3%	Deutsche Bank	3%
Merrill Lynch Preferred Capital Trusts	3%	Comcast Corp.	3%

Sector Composition^{2,3}

Financials	51%	Consumer Discretionary	7%
Utilities	26%	Energy	6%
Telecommunication Services	8%	Consumer Staples	2%

Country Composition²

United States	84%	Netherlands	4%
United Kingdom	5%	Switzerland	2%
Canada	4%	Bermuda	1%

¹ Cash and cash equivalents are not included in Top 10 Issuers.

² As a percentage of the Fund's total investments on 7-31-11.

³ Investments focused in one sector may fluctuate more widely than investments diversified across sectors. Because the Fund may focus on particular sectors, its performance may depend on the performance of those sectors.

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Fund's investments

As of 7-31-11

	Shares	Value
Preferred Securities 140.21% (96.57% of Total Investments)		\$751,666,162
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(Cost \$757,120,863)		
Consumer Discretionary 10.03%		53,794,169
Media 10.03%		
<hr/>		
CBS Corp., 6.750% (Z)	280,000	7,084,000
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Comcast Corp., 7.000% (Z)	227,000	5,779,420
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Comcast Corp., Series B, 7.000% (L)(Z)	634,000	16,097,260
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Viacom, Inc., 6.850% (L)(Z)	985,065	24,833,489
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Consumer Staples 2.45%		13,111,313
Food & Staples Retailing 2.45%		
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Ocean Spray Cranberries, Inc., Series A, 6.250% (L)(S)(Z)	143,000	13,111,313

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Energy 7.21% **38,640,814**

Oil, Gas & Consumable Fuels 7.21%

Apache Corp., Series D, 6.000%	85,100	5,543,414
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Nexen, Inc., 7.350%	1,316,000	33,097,400
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Financials 74.40% **398,851,418**

Capital Markets 11.19%

Credit Suisse Guernsey, 7.900%	442,450	11,702,803
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Lehman Brothers Holdings Capital Trust III, Series K, 6.375% (I)	150,000	8,250
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Lehman Brothers Holdings, Inc., Depositary Shares, Series C, 5.940% (I)	175,600	1,756
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Morgan Stanley Capital Trust III, 6.250% (L)(Z)	283,600	6,766,696
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Morgan Stanley Capital Trust IV, 6.250% (L)(Z)	318,560	7,572,171
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Morgan Stanley Capital Trust V, 5.750% (Z)	419,100	9,635,109
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Morgan Stanley Capital Trust VI, 6.600%	57,000	1,401,060
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Morgan Stanley Capital Trust VII, 6.600%	42,200	1,031,368
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The Goldman Sachs Group, Inc., 6.125% (Z)	535,500	13,275,045
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The Goldman Sachs Group, Inc., Series B, 6.200% (Z)	345,000	8,593,950
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Commercial Banks 15.54%

Barclays Bank PLC, Series 3, 7.100%	165,907	4,013,290
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Barclays Bank PLC, Series 5, 8.125% (L)(Z)	740,000	18,744,200
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HSBC Holdings PLC, Series A, 6.200% (Z)	161,000	3,902,640
Royal Bank of Scotland Group PLC, Series L, 5.750%	580,000	10,080,400
Santander Finance Preferred SA Unipersonal, Series 10, 10.500% (Z)	302,000	8,413,720
Santander Holdings USA, Inc., Series C, 7.300%	130,067	3,258,178

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See notes to financial statements

	Shares	Value
Commercial Banks (continued)		
USB Capital VIII, Series 1, 6.350% (Z)	226,500	\$5,655,705
USB Capital X, 6.500% (Z)	92,400	2,321,088
USB Capital XI, 6.600%	236,000	5,982,600
Wells Fargo & Company, 8.000% (L)(Z)	754,500	20,937,375
Consumer Finance 3.33%		
HSBC Finance Corp., Depository Shares, Series B, 6.360% (Z)	297,000	7,104,240
SLM Corp., 6.000% (L)(Z)	196,100	4,102,412
SLM Corp., Series A, 6.970% (Z)	147,391	6,632,595
Diversified Financial Services 28.89%		
Bank of America Corp., 8.200% (Z)	260,000	6,507,800
Bank of America Corp., Depository Shares,		

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Series D, 6.204% (L)(Z)	265,000	5,840,600
Bank of America Corp., Series MER, 8.625% (Z)	95,000	2,426,300
Citigroup Capital VII, 7.125%	200,000	5,022,000
Citigroup Capital VIII, 6.950%	610,000	15,103,600
Citigroup Capital XIII (7.875% to 10-30-15, then 3 month LIBOR + 6.370%)	23,300	630,731
Deutsche Bank Capital Funding Trust VIII, 6.375%	40,600	930,552
Deutsche Bank Capital Funding Trust X, 7.350%	111,400	2,770,518
Deutsche Bank Contingent Capital Trust II, 6.550% (L)(Z)	247,000	5,824,260
Deutsche Bank Contingent Capital Trust III, 7.600% (L)(Z)	496,000	12,519,040
Fleet Capital Trust VIII, 7.200% (L)(Z)	480,000	11,889,600
General Electric Capital Corp., 6.000%	31,600	792,212
General Electric Capital Corp., 6.050%	30,000	757,200
ING Groep NV, 6.125% (Z)	61,500	1,260,750
ING Groep NV, 7.050% (L)(Z)	755,100	16,929,342
ING Groep NV, 7.200% (Z)	100,000	2,274,000
JPMorgan Chase Capital X, Series J, 7.000% (L)(Z)	487,000	12,384,410
JPMorgan Chase Capital XI, 5.875%	46,500	1,154,130
JPMorgan Chase Capital XXIX, 6.700% (Z)	560,000	14,224,000
Merrill Lynch Preferred Capital Trust III, 7.000% (Z)	366,400	8,767,952
Merrill Lynch Preferred Capital Trust IV, 7.120% (Z)	278,752	6,701,198

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Merrill Lynch Preferred Capital Trust V, 7.280% (Z)	367,000	8,874,060
RBS Capital Funding Trust V, 5.900% (Z)	620,000	8,314,200
RBS Capital Funding Trust VII, 6.080% (Z)	220,000	2,967,800
Insurance 12.12%		
Aegon NV, 6.375% (L)(Z)	450,900	10,095,651
Aegon NV, 6.500% (Z)	123,000	2,721,990
American Financial Group, Inc., 7.000%	303,500	7,693,725
MetLife, Inc., Series B, 6.500% (L)(Z)	938,000	23,440,620
PLC Capital Trust IV, 7.250% (Z)	251,000	6,292,570
PLC Capital Trust V, 6.125% (Z)	256,000	6,144,000
Prudential PLC, 6.500% (Z)	154,500	3,847,050
Prudential PLC, 6.750%	51,000	1,278,570
RenaissanceRe Holdings Ltd., Series C, 6.080% (Z)	147,500	3,482,475

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	Shares	Value
Real Estate Investment Trusts 3.29%		
Duke Realty Corp., Depository Shares, Series J, 6.625% (Z)	66,525	\$1,600,592
Duke Realty Corp., Depository Shares, Series K, 6.500% (L)(Z)	110,000	2,632,300

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Duke Realty Corp., Depositary Shares, Series L, 6.600% (L)(Z)	109,840	2,647,144
Public Storage, 6.350%	50,500	1,259,975
Public Storage, Inc., Depositary Shares, Series Q, 6.500%	114,100	2,909,550
Public Storage, Inc., Series P, 6.500%	53,500	1,380,300
Wachovia Preferred Funding Corp., Series A, 7.250% (Z)	205,000	5,231,600
Thriffs & Mortgage Finance 0.04%		
Federal National Mortgage Association, Series S 7.750% (I)	80,000	190,400
Telecommunication Services 9.77%		52,400,427
Diversified Telecommunication Services 2.98%		
Qwest Corp., 7.375% (L)(Z)	616,000	15,985,200
Wireless Telecommunication Services 6.79%		
Telephone & Data Systems, Inc., 6.625% (L)(Z)	233,000	5,668,890
Telephone & Data Systems, Inc., 6.875%	94,300	2,368,816
Telephone & Data Systems, Inc., 7.000% (L)(Z)	336,000	8,524,320
United States Cellular Corp., 6.950%	780,700	19,853,201
Utilities 36.35%		194,868,021
Electric Utilities 20.86%		
Duquesne Light Company, 6.500% (Z)	73,650	3,657,187
Entergy Arkansas, Inc., 5.750%	47,500	1,213,625

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Entergy Louisiana LLC, 5.875%	249,100	6,474,109
Entergy Louisiana LLC, 6.000%	200,000	5,360,000
Entergy Mississippi, Inc., 6.000% (Z)	366,400	9,434,800
Entergy Mississippi, Inc., 6.200%	83,500	2,216,925
Entergy Texas, Inc., 7.875%	50,200	1,430,700
FPC Capital I, Series A, 7.100% (L)(Z)	540,000	13,770,000
FPL Group Capital Trust I, 5.875% (L)(Z)	353,600	8,999,120
Georgia Power Capital Trust VII, 5.875% (Z)	250,600	6,312,614
Gulf Power Co., 5.750%	157,000	4,108,690
HECO Capital Trust III, 6.500% (Z)	379,850	9,515,243
NSTAR Electric Company, 4.780% (Z)	15,143	1,404,987
PPL Corp., 9.500%	315,000	17,668,350
PPL Electric Utilities Corp., Depositary Shares, 6.250% (Z)	230,000	5,768,400
Southern California Edison Company, 6.125% (Z)	119,000	11,524,412
Westar Energy, Inc., 6.100% (Z)	117,977	2,990,717
Multi-Utilities 15.49%		
Baltimore Gas & Electric Company, Series 1995, 6.990% (Z)	40,000	4,081,252
BGE Capital Trust II, 6.200% (Z)	674,781	16,883,021
Dominion Resources, Inc., Series A,		

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8.375% (L)(Z)	385,400	10,818,178
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DTE Energy Trust I, 7.800% (Z)	110,000	2,931,500

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See notes to financial statements

	Shares	Value
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Multi-Utilities (continued)		
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Interstate Power & Light Company, Series B, 8.375% (L)(Z)	713,350	\$20,458,878
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SCANA Corp., 7.700% (Z)	681,500	18,911,623
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Xcel Energy, Inc., 7.600% (Z)	331,000	8,933,690
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	Shares	Value
Common Stocks 3.00% (2.07% of Total Investments)		\$16,082,405
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(Cost \$13,541,361)		
Telecommunication Services 1.18%		6,322,380
<hr/>		
Diversified Telecommunication Services 1.18%		
<hr/>		
AT&T, Inc.	130,000	3,803,800
<hr/>		
Frontier Communications Corp.	30,004	224,730
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Verizon Communications, Inc. (L)(Z)	65,000	2,293,850
<hr/>		
Utilities 1.82%		9,760,025
<hr/>		
Electric Utilities 1.73%		
<hr/>		
FirstEnergy Corp. (Z)	145,000	6,474,250

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UIL Holding Corp.			87,500	2,793,875
Multi-Utilities 0.09%				
National Grid PLC, ADR			10,000	491,900
	Rate (%)	Maturity date	Par value	Value
Corporate Bonds 1.53% (1.05% of Total Investments)				\$8,184,000
(Cost \$8,789,609)				
Energy 1.53%				8,184,000
Oil, Gas & Consumable Fuels 1.53%				
Southern Union Company (7.200% to 11-1-11, then 3 month LIBOR + 3.018%) (L)(Z)	7.200	11-01-66	\$8,800,000	8,184,000
			Par value	Value
Short-Term Investments 0.45% (0.31% of Total Investments)				\$2,433,000
(Cost \$2,433,000)				
Repurchase Agreement 0.45%				2,433,000
Repurchase Agreement with State Street Corp. dated 7-29-11 at 0.010% to be repurchased at \$2,433,002 on 8-1-11, collateralized by \$2,440,000 Federal Home Loan Bank, 1.625% due 11-21-12 (valued at \$2,485,750, including interest)				
			\$2,433,000	2,433,000
Total investments (Cost \$781,884,833)†145.19%				\$778,365,567
Other assets and liabilities, net (45.19%)				(\$242,275,402)
Total net assets 100.00%				\$536,090,165

The percentage shown for each investment category is the total value of that category as a percentage of the net assets of the Fund.

Notes to Schedule of Investments

ADR American Depositary Receipts

LIBOR London Interbank Offered Rate

(I) Non-income producing security.

(L) All or a portion of this security is on loan as of 7-31-11, and is part of segregated collateral pursuant to the Committed Facility Agreement. Total value of securities on loan at 7-31-11 was \$234,059,191.

(S) This security is exempt from registration under Rule 144A of the Securities Act of 1933. Such a security may be resold, normally to qualified institutional buyers, in transactions exempt from registration.

(Z) All or a portion of this security is segregated as collateral pursuant to the Committed Facility Agreement. Total collateral value at 7-31-11 was \$540,094,691.

† At 7-31-11, the aggregate cost of investment securities for federal income tax purposes was \$781,902,296. Net unrealized depreciation aggregated \$3,536,729, of which \$34,364,044 related to appreciated investment securities and \$37,900,773 related to depreciated investment securities.

The Fund had the following country concentration as a percentage of total investments on 7-31-11:

United States	84%
United Kingdom	5%
Canada	4%
Netherlands	4%
Switzerland	2%
Bermuda	1%

FINANCIAL STATEMENTS

Financial statements

Statement of assets and liabilities 7-31-11

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This Statement of assets and liabilities is the Fund's balance sheet. It shows the value of what the Fund owns, is due and owes. You'll also find the net asset value for each common share.

Assets

Investments, at value (Cost \$781,884,833)	\$778,365,567
Cash	29,215,956
Dividends and interest receivable	2,350,910
Other receivables and prepaid expenses	56,034
Total assets	809,988,467

Liabilities

Committed facility agreement payable (Note 8)	272,800,000
Payable for investments purchased	911,128
Interest payable (Note 8)	27,671
Payable to affiliates	
Accounting and legal services fees	12,455
Trustees' fees	35,690
Other liabilities and accrued expenses	111,358
Total liabilities	273,898,302

Net assets

Capital paid-in	\$609,249,879
Undistributed net investment income	3,240,174
Accumulated net realized loss on investments and swap agreements	(72,880,622)
Net unrealized appreciation (depreciation) on investments	(3,519,266)
Net assets	\$536,090,165

Net asset value per share

Based on 25,901,361 shares of beneficial interest outstanding — unlimited number of shares authorized with no par value	\$20.70
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See notes to financial statements

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FINANCIAL STATEMENTS

Statement of operations For the year ended 7-31-11

This Statement of operations summarizes the Fund's investment income earned and expenses incurred in operating the Fund. It also shows net gains (losses) for the period stated.

Investment income

Dividends	\$53,057,682
Interest	744,894
Total investment income	53,802,576

Expenses

Investment management fees (Note 5)	5,950,914
Accounting and legal services fees (Note 5)	72,656
Transfer agent fees	32,285
Trustees' fees (Note 5)	58,233
Printing and postage	149,845
Professional fees	109,851
Custodian fees	80,121
Interest expense (Note 8)	2,773,307
Stock exchange listing fees	23,915
Other	57,830
Total expenses	9,308,957
Less expense reductions (Note 5)	(27,586)
Net expenses	9,281,371
Net investment income	44,521,205

Realized and unrealized gain (loss)

Net realized loss on	
Investments	(1,388,985)
Swap contracts (Note 3)	(2,549,690)

	(3,938,675)
Change in net unrealized appreciation (depreciation) of	
Investments	22,418,775
Swap contracts (Note 3)	2,522,341
	24,941,116
Net realized and unrealized gain	21,002,441
Increase in net assets from operations	\$65,523,646

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Statements of changes in net assets

These Statements of changes in net assets show how the value of the Fund's net assets has changed during the last two periods. The difference reflects earnings less expenses, any investment gains and losses, distributions, if any, paid to shareholders and the net of Fund share transactions, if any.

	Year ended 7-31-11	Year ended 7-31-10
Increase (decrease) in net assets		
From operations		
Net investment income	\$44,521,205	\$44,133,279
Net realized loss	(3,938,675)	(6,317,188)
Change in net unrealized appreciation (depreciation)	24,941,116	88,436,750
Increase in net assets resulting from operations	65,523,646	126,252,841
Distributions to shareholders		
From net investment income	(39,784,491)	(38,541,225)
Total increase	25,739,155	87,711,616
Net assets		
Beginning of year	510,351,010	422,639,394

End of year	\$536,090,165	\$510,351,010
Undistributed net investment income	\$3,240,174	\$403,788

See notes to financial statements

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FINANCIAL STATEMENTS

Statement of cash flows 7-31-11

This Statement of cash flows shows cash flow from operating and financing activities for the period stated.

	For the year ended 7-31-11
Cash flows from operating activities	
Net increase in net assets from operations	\$65,523,646
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Long-term investments purchased	(142,790,683)
Long-term investments sold	119,974,765
Decrease in short-term investments	25,364,320
Net amortization of premium (discount)	61
Increase in dividends and interest receivable	(919,969)
Increase in payable for investments purchased	911,128
Decrease in receivable for investments sold	1,000,339
Increase in other receivables and prepaid expenses	(7,408)
Decrease in unrealized depreciation of swap contracts	(2,522,341)
Increase in payable to affiliates	10,730