

### FRBAX - Very Dangerous Rating



### John Hancock Investment Trust II: John Hancock Regional Bank Fund

★☆☆☆☆	<b>Predictive Rating</b>	Very Dangerous
★☆☆☆☆	<b>Portfolio Management</b>	Very Dangerous
★★☆☆☆	<b>Total Annual Costs</b>	Dangerous

- Predictive Ratings enable smarter investing by assessing the key drivers of fund performance.
- Stock-picking (Portfolio Management) and fund expenses (Total Annual Costs) drive investment performance.

#### Investment Recommendation

- We strongly recommend investors avoid FRBAX.
- We expect the fund to continue underperforming the market.
- FRBAX's Portfolio Management rating does not justify its high Total Annual Costs.

#### Fund Rankings

- 1st percentile of the 4700+ equity funds we cover.
- 11 out of 18 Financials / Non-REIT funds.
- All 28 ETFs in the same category rank better.

#### Portfolio Management Rating Details

- FRBAX receives our Very Dangerous rating because it overweights Dangerous-or-worse-rated stocks.
- XLF, FRBAX's benchmark, receives our Dangerous rating and holds better stocks than the fund.
- Our fund analytics are based on aggregating our models and ratings for each fund's holdings.
- Our [top-ranked](#) stock ratings leverage key data from the financial footnotes for unrivaled research quality.

#### Portfolio Management Rating Breakdown

##### Business Strength

★★☆☆☆	Quality of Earnings	Dangerous
★☆☆☆☆	Return on Invested Capital (ROIC)	4.57%

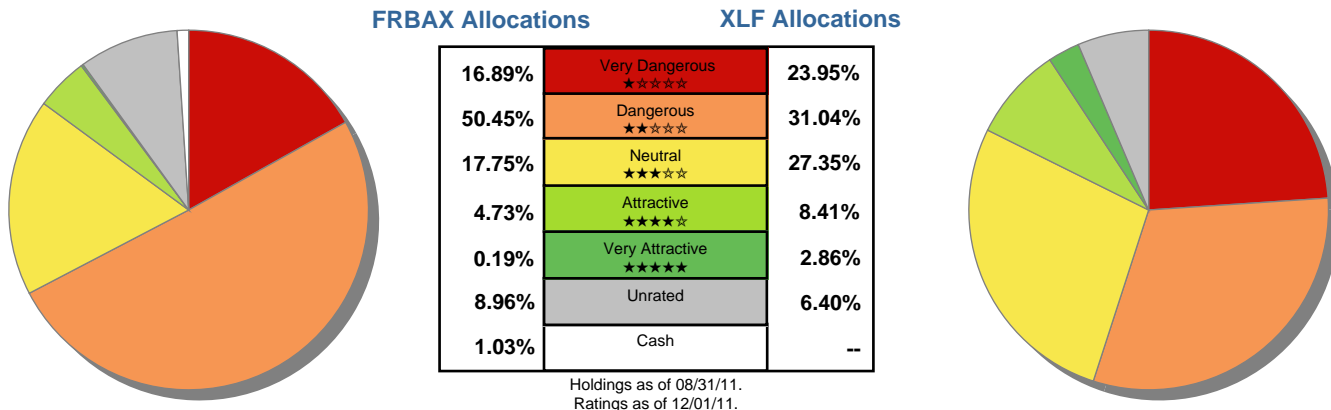
##### Valuation

★★☆☆☆	Free Cash Flow Yield	-1.80%
★★☆☆☆	Price to Economic Book Value	3.48
★☆☆☆☆	Market-Implied Duration of Growth	62 years

##### Fund Asset Allocation

★★★★☆	Cash Allocation	1.03% cash
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#### Allocation Details: Fund vs Benchmark - Financial Select Sector SPDR (XLF)



#### Active Management Commentary

- FRBAX allocates 67.34% of its value to Dangerous-or-worse-rated stocks while XLF allocates 54.98%.
- FRBAX allocates 4.92% of its value to Attractive-or-better-rated stocks while XLF allocates 11.27%.
- Investors should expect funds with higher Total Annual Costs to allocate more value to Attractive and Very Attractive Stocks and less to Dangerous and Very Dangerous stocks than alternative funds with lower costs.
- Active portfolio management of FRBAX does not add value versus its ETF benchmark XLF.

#### Return - Annual

Year to Date	-15.39%
1 Year	-6.42%
3 Year	4.93%
5 Year	-8.25%
Inception	9.30%

#### Top 5 Holdings

Wells Fargo & Co
JPMorg Chas
US Bancorp
PNC Financial Services Group Inc
Cullen/Frost Bankers Inc

#### Key Mutual Fund Statistics

WFC	Net Assets(mm)	\$495.80	Category	Financials / Non-REIT
JPM	NAV	\$12.35	Mgmt Co	John Hancock Group
USB	Benchmark	XLF	Manager	Team Managed
PNC	# of Holdings	84	Tenure	
CFR	Initial Minimum	\$2,500.00	Inception	01/03/92

**Total Annual Costs Rating and Ranking**

Rating	Total Annual Costs	Fund Universe % Rank	Category Rank
★★★☆☆☆	3.67%	14.31%	12 of 18

This rating reflects all expenses, loads, fees, and transaction costs in a single value that is comparable across all funds.

**Reported Costs vs Benchmark: as of 03/01/11**

	FRBAX	Benchmark: XLF
Front-End Load	5.00%	--
Expense Ratio	1.39%	0.20%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--

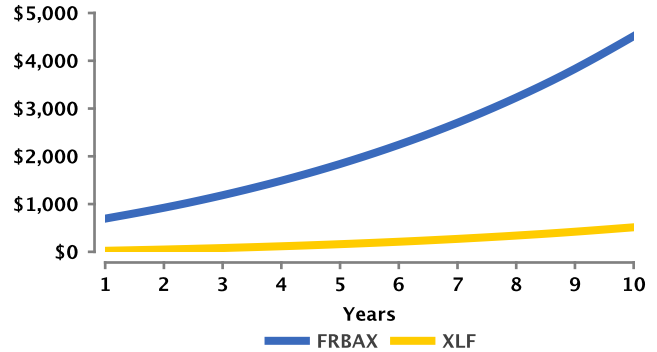
**Total Annual Costs Breakdown**

All Cost Types	Annualized Values	
	FRBAX	Benchmark: XLF
Front-End Load	1.92%	--
Expense Ratio	1.55%	0.22%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--
Transaction Costs	0.19%	--
<b>Total Annual Costs</b>	<b>3.67%</b>	<b>0.22%</b>

- To justify its higher Total Annual Costs, FRBAX must outperform its ETF benchmark by 3.47% annually over 3 years or 2.12% annually over 10 years.
- This analysis assumes a 3-year holding period, the average for all funds.
- Transaction costs are estimated using the fund's annual portfolio turnover ratio of 24%.

**Accumulated Total Costs vs Benchmark**

Accumulated Total Costs represent the dollar value of costs investors incur during a 10-yr holding period. Assumes a \$10,000 investment and a 10% annual return for the fund and its benchmark.



- 3-year Accumulated Total Costs are \$1,185.48 for FRBAX and \$79.70 for XLF. 10-year Accumulated Total Costs are \$4,515.42 for FRBAX and \$514.10 for XLF.

**Overview of Our Predictive Mutual Fund Rating System**

New Constructs' [Predictive Fund Ratings](#) enable smarter investing by assessing the key drivers of future fund performance. We start by analyzing every fund holding based on New Constructs' stock ratings, which are regularly featured as among the [best by Barron's](#). Next, we measure and rank the all-in costs of investing in a fund.

Intuitively, there are two drivers of future fund performance.

- 1) New stock-picking ([Portfolio Management Rating](#)) and
- 2) Fund expenses ([Total Annual Costs Rating](#)) drive investment performance

The figure below details the criteria that drive our Predictive Rating system for funds. The two drivers of our predictive rating system are Portfolio Management and Total Annual Costs. The Portfolio Management Rating (details [here](#)) is the same as our Stock Rating (details [here](#)) except that we incorporate Asset Allocation (details [here](#)) in the Portfolio Management Rating. The Total Annual Costs Rating (details [here](#)) captures the all-in cost of being in a fund over a 3-year holding period, the average period for all mutual fund investors.

Predictive Rating	Portfolio Management Rating						Total Annual Costs Rating
	Business Strength		Valuation			Asset Allocation	
	Quality of Earnings	Return on Invested Capital	FCF Yield	Price to Econ Book Value	Mkt-Imp Duration of Growth	Cash %	
Very Dangerous ★☆☆☆☆	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or -1 < 0	> 50	> 20%	> 4%
Dangerous ★★☆☆☆	False Positive	4th Quintile	-5% < -1%	2.4 < 3.5 or < -1	20 < 50	8% < 20%	2% < 4%
Neutral ★★★☆☆	Neutral EE	3rd Quintile	-1% < 3%	1.6 < 2.4	10 < 20	2.5% < 8%	1% < 2%
Attractive ★★★★☆	Positive EE	2nd Quintile	3% < 10%	1.1 < 1.6	3 < 10	1% < 2.5%	0.5% < 1%
Very Attractive ★★★★★	Rising EE	Top Quintile	> 10%	0 < 1.1	0 < 3	< 1%	< 0.5%

## New Constructs® - Profile

Incorporated in July 2002, [New Constructs](#) is an independent publisher of investment research that provides clients with consulting, advisory and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies.

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Accounting data is not designed for equity investors, but for debt investors. [Accounting data must be translated into economic earnings](#) to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. [Economic earnings](#) are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

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