

H&Q HEALTHCARE INVESTORS
Form N-Q
August 22, 2011

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

OMB APPROVAL
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FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-04889

H&Q Healthcare Investors
(Exact name of registrant as specified in charter)

2 Liberty Square, 9th Floor, Boston, MA
(Address of principal executive offices)

02109
(Zip code)

(Name and address of agent for service)

Registrant's telephone number, including area code: 617-772-8500

Date of fiscal year end: September 30

Date of reporting period: 06/30/11

Item 1. Schedule of Investments.

H&O HEALTHCARE INVESTORS**SCHEDULE OF INVESTMENTS**

JUNE 30, 2011

(Unaudited)

| SHARES | | VALUE |
|------------|--|--------------|
| | CONVERTIBLE SECURITIES AND WARRANTS 7.3% of Net Assets | |
| | Convertible Preferred and Warrants (Restricted)(a) (b) 7.2% | |
| | Biotechnology/Biopharmaceuticals 0.7% | |
| 2,831,651 | Euthymics Biosciences, Inc. Series A | \$ 2,831,651 |
| 358,852 | MacroGenics, Inc. Series D | 234,007 |
| | | 3,065,658 |
| | Drug Discovery Technologies 1.1% | |
| 2,380,953 | Agilix Corporation Series B (c) | 5,952 |
| 375,000 | Ceres, Inc. Series C | 2,437,500 |
| 32,193 | Ceres, Inc. Series C-1 | 209,255 |
| 280,105 | Ceres, Inc. Series D | 1,820,682 |
| 40,846 | Ceres, Inc. Series F | 265,499 |
| 8,170 | Ceres, Inc. warrants (expiration 9/05/15) | 0 |
| | | 4,738,888 |
| | Healthcare Services 1.2% | |
| 5,384,615 | PHT Corporation Series D (c) | 4,200,000 |
| 1,204,495 | PHT Corporation Series E (c) | 939,506 |
| 149,183 | PHT Corporation Series F (c) | 116,363 |
| | | 5,255,869 |
| | Medical Devices and Diagnostics 4.2% | |
| 3,424,756 | CardioKinetix, Inc. Series C (c) | 762,351 |
| 6,155,027 | CardioKinetix, Inc. Series D (c) | 800,153 |
| N/A | CardioKinetix, Inc. warrants (expiration 12/11/19) (c) (d) | 0 |
| N/A | CardioKinetix, Inc. warrants (expiration 6/03/20) (c) (d) | 0 |
| 4,852,940 | Concentric Medical, Inc. Series B (c) | 2,523,529 |
| 1,744,186 | Concentric Medical, Inc. Series C (c) | 906,977 |
| 683,000 | Concentric Medical, Inc. Series D (c) | 355,160 |
| 652,013 | Concentric Medical, Inc. Series E (c) | 339,047 |
| 3,669,024 | Labcyte, Inc. Series C | 1,920,000 |
| 3,109,861 | Magellan Biosciences, Inc. Series A | 3,109,861 |
| 142,210 | Magellan Biosciences, Inc. warrants (expiration 4/01/19) | 0 |
| 11,335 | Magellan Biosciences, Inc. warrants (expiration 5/06/19) | 0 |
| 1,547,988 | OmniSonics Medical Technologies, Inc. Series A-1 | 1,548 |
| 1,263,099 | OmniSonics Medical Technologies, Inc. Series B-1 | 1,263 |
| 13,823,805 | Palyon Medical Corporation Series A (c) | 2,211,809 |
| 65,217 | TherOx, Inc. Series H | 74,608 |
| 149,469 | TherOx, Inc. Series I | 170,992 |
| 4,720,000 | Tibion Corporation | 2,360,000 |
| 3,750,144 | Veniti, Inc. Series A (c) | 3,245,000 |
| | | 18,782,298 |
| | | 31,842,713 |

The accompanying notes are an integral part of these financial statements.

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| PRINCIPAL AMOUNT | | VALUE |
|--|--|---|
| Convertible Notes (Restricted) 0.1% | | |
| Medical Devices and Diagnostics 0.1% | | |
| \$ | 354,119 | CardioKinetix, Inc., Cvt. Promissory Notes, 4.25% due 12/11/11 (a) (c) \$ 354,119 |
| TOTAL CONVERTIBLE SECURITIES AND WARRANTS | | |
| (Cost \$45,274,767) | | 32,196,832 |
| SHARES | | |
| COMMON STOCKS AND WARRANTS 83.5% | | |
| Biotechnology/Biopharmaceuticals 28.7% | | |
| 66,367 | Acorda Therapeutics, Inc. (b) | 2,144,318 |
| 132,328 | Alexion Pharmaceuticals, Inc. (b) | 6,223,386 |
| 69,141 | Allergan, Inc. | 5,755,988 |
| 599,384 | Amarin Corporation plc (b) | 8,673,087 |
| 149,435 | Amgen, Inc. (b) | 8,719,532 |
| 127,686 | Amylin Pharmaceuticals, Inc. (b) | 1,705,885 |
| 5,910,745 | Antisoma plc (b) (e) | 251,469 |
| 118,000 | Athersys, Inc. warrants (Restricted, expiration 6/08/12) (a) (b) | 0 |
| 155,900 | Baxter International, Inc. | 9,305,671 |
| 163,211 | Celgene Corporation (b) | 9,844,888 |
| 228,177 | Cubist Pharmaceuticals, Inc. (b) | 8,212,090 |
| 250,930 | Dendreon Corporation (b) | 9,896,679 |
| 692,955 | Elan Corporation plc (b) (f) | 7,878,898 |
| 332,740 | Gilead Sciences, Inc. (b) | 13,778,764 |
| 256,960 | Human Genome Sciences, Inc. (b) | 6,305,798 |
| 867,746 | Inhibitex, Inc. (b) | 3,401,564 |
| 86,755 | Ironwood Pharmaceuticals, Inc. (b) | 1,363,789 |
| 505,113 | Neurocrine Biosciences, Inc. (b) | 4,066,160 |
| 192,340 | Seattle Genetics, Inc. (b) | 3,946,817 |
| 103,000 | United Therapeutics Corporation (b) | 5,675,300 |
| 169,200 | Vertex Pharmaceuticals, Inc. (b) | 8,796,708 |
| 56,426 | XenoPort, Inc. (b) | 401,753 |
| | | 126,348,544 |
| Drug Delivery 2.6% | | |
| 9,200,000 | A.P. Pharma, Inc. (Restricted) (a) (b) (c) | 1,987,200 |
| 4,600,000 | A.P. Pharma, Inc. warrants (Restricted, expiration 7/01/16) (a) (b) (c) | 0 |
| 255,468 | Alkermes, Inc. (b) | 4,751,705 |
| 920,400 | IntelliPharmaCeutics International, Inc. (b) (c) | 3,663,192 |
| 460,200 | IntelliPharmaCeutics International, Inc. warrants (Restricted, expiration 2/01/13) (a) (b) (c) | 547,638 |
| 460,200 | IntelliPharmaCeutics International, Inc. warrants (Restricted, expiration 2/01/16) (a) (b) (c) | 639,678 |
| | | 11,589,413 |
| Drug Discovery Technologies 1.1% | | |
| 244,509 | Incyte Corporation (b) | 4,631,000 |

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| SHARES | | VALUE |
|--|---|------------|
| COMMON STOCKS AND WARRANTS continued | | |
| Drug Discovery Technologies continued | | |
| 70 | Zyomyx, Inc. (Restricted) (a) (b) | \$ 18 |
| | | 4,631,018 |
| Generic Pharmaceuticals 7.7% | | |
| 983,334 | Akorn, Inc. (b) | 6,883,338 |
| 348,288 | Mylan, Inc. (b) | 8,592,265 |
| 90,637 | Perrigo Company | 7,964,273 |
| 183,489 | Teva Pharmaceutical Industries Ltd. (f) | 8,847,839 |
| 25,075 | Watson Pharmaceuticals, Inc. (b) | 1,723,405 |
| | | 34,011,120 |
| Healthcare Services 19.3% | | |
| 360,218 | Aetna, Inc. | 15,882,012 |
| 222,222 | Aveta, Inc. (Restricted) (a) (g) | 1,999,998 |
| 242,150 | CVS Caremark Corporation | 9,099,997 |
| 106,733 | Express Scripts, Inc. (b) | 5,761,447 |
| 116,133 | Laboratory Corporation of America Holdings (b) | 11,240,513 |
| 85,292 | McKesson Corporation | 7,134,676 |
| 133,928 | Medco Health Solutions, Inc. (b) | 7,569,611 |
| 208,165 | PAREXEL International Corporation (b) | 4,904,367 |
| 63,788 | Pharmaceutical Product Development, Inc. | 1,712,070 |
| 36,102 | UnitedHealth Group, Inc. | 1,862,141 |
| 226,433 | WellPoint, Inc. | 17,836,127 |
| | | 85,002,959 |
| Medical Devices and Diagnostics 16.1% | | |
| 325,937 | Boston Scientific Corporation (b) | 2,252,225 |
| 160,000 | Ceracor Laboratories, Inc. (Restricted) (a) (b) | 96,728 |
| 96,653 | Covidien plc (e) | 5,144,839 |
| 30,774 | Danaher Corporation | 1,630,714 |
| 159,672 | Hologic, Inc. (b) | 3,220,584 |
| 52,232 | iCAD, Inc. 12 Month Lock-up (Restricted) (a) | 52,101 |
| 208,926 | iCAD, Inc. 18 Month Lock-up (Restricted) (a) | 197,435 |
| 65,349 | IDEXX Laboratories, Inc. (b) | 5,068,469 |
| 79,316 | Illumina, Inc. (b) | 5,960,597 |
| 144,750 | Kinetic Concepts, Inc. (b) | 8,341,943 |
| 114,189 | Life Technologies Corporation (b) | 5,945,821 |
| 77,669 | Medtronic, Inc. | 2,992,587 |
| 830,292 | Medwave, Inc. (b) (c) | 2,491 |
| 207,573 | Medwave, Inc. warrants (Restricted, expiration 8/21/11) (a) (b) (c) | 0 |
| 93,008 | OmniSonics Medical Technologies, Inc. (Restricted) (a) (b) | 93 |
| 91,019 | Palomar Medical Technologies, Inc. (b) | 1,026,694 |
| 430,591 | PerkinElmer, Inc. | 11,587,204 |
| 89,600 | Quest Diagnostics, Inc. | 5,295,360 |
| 208 | Songbird Hearing, Inc. (Restricted) (a) (b) | 139 |
| 25,838 | The Cooper Companies, Inc. | 2,047,403 |
| 71,500 | Thermo Fisher Scientific, Inc. (b) | 4,603,885 |

The accompanying notes are an integral part of these financial statements.

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| SHARES | | VALUE |
|---|--|--------------|
| COMMON STOCKS AND WARRANTS continued | | |
| Medical Devices and Diagnostics continued | | |
| 89,000 | Zimmer Holdings, Inc. (b) | \$ 5,624,800 |
| | | 71,092,112 |
| Pharmaceuticals 8.0% | | |
| 254,326 | Forest Laboratories, Inc. (b) | 10,005,185 |
| 106,800 | Merck & Company, Inc. | 3,768,972 |
| 30,750 | Pharmasset, Inc. (b) | 3,450,150 |
| 118,000 | Salix Pharmaceuticals, Ltd. (b) | 4,699,940 |
| 56,068 | Sanofi, CVR (expiration 12/31/20) (b) (h) | 135,124 |
| 63,532 | Shire plc (f) | 5,985,350 |
| 302,433 | Warner Chilcott plc | 7,297,708 |
| | | 35,342,429 |
| TOTAL COMMON STOCKS AND WARRANTS | | |
| | (Cost \$295,203,045) | 368,017,595 |
| MUTUAL FUND 1.6% | | |
| Mutual Fund 1.6% | | |
| 64,428 | iShares Nasdaq Biotechnology Index Fund | 6,871,890 |
| TOTAL MUTUAL FUND | | |
| | (Cost \$5,663,838) | 6,871,890 |
| PRINCIPAL AMOUNT | | |
| SHORT-TERM INVESTMENT 6.9% | | |
| \$ 30,470,000 | Repurchase Agreement, State Street Bank and Trust Co., repurchase value \$30,470,008 (collateralized by U.S. Treasury Note 1.75%, 05/31/16, market value \$31,081,892); 0.01%, dated 6/30/11, due 07/01/11 | 30,470,000 |
| TOTAL SHORT-TERM INVESTMENT | | |
| | (Cost \$30,470,000) | 30,470,000 |
| TOTAL INVESTMENTS BEFORE MILESTONE INTERESTS 99.3% | | |
| | (Cost \$376,611,650) | 437,556,317 |
| INTEREST | | |
| MILESTONE INTERESTS (Restricted) (a) (b) 2.5% | | |
| Biotechnology/Biopharmaceuticals 1.4% | | |
| 1 | Targegen Milestone Interest | 6,038,660 |
| Medical Devices and Diagnostics 1.1% | | |
| 1 | Interlace Medical Milestone Interest | 3,922,489 |
| 1 | Xoft Milestone Interest | 945,812 |
| | | 4,868,301 |
| TOTAL MILESTONE INTERESTS | | |
| | | 10,906,961 |

The accompanying notes are an integral part of these financial statements.

| SHARES | VALUE |
|---|----------------|
| TOTAL INVESTMENTS - 101.8% | |
| (Cost \$387,182,904) | \$ 448,463,278 |
| OTHER LIABILITIES IN EXCESS OF ASSETS (1.8)% | (7,923,278) |
| NET ASSETS - 100% | \$ 440,540,000 |

-
- (a) Security fair valued.
 - (b) Non-income producing security.
 - (c) Affiliated issuers in which the Fund holds 5% or more of the voting securities (total market value of \$23,600,165).
 - (d) Number of warrants to be determined at a future date.
 - (e) Foreign Security.
 - (f) American Depository Receipt.
 - (g) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.
 - (h) Contingent Value Rights.

The accompanying notes are an integral part of these financial statements.

H&Q HEALTHCARE INVESTORS**NOTES TO FINANCIAL STATEMENTS***June 30, 2011*

(continued)

(unaudited)

Other Information

The Fund uses a three-tier hierarchy to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels. Level 1 includes quoted prices in active markets for identical investments. Level 2 includes prices determined using other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Level 3 includes prices determined using significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). These inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2011 to value the Fund's net assets:

| Assets at Value | Level 1 | Level 2 | Level 3 | Total |
|--|-----------------------|----------------------|----------------------|-----------------------|
| Convertible Securities and Warrants | | | | |
| Biotechnology/Biopharmaceuticals | | | \$ 3,065,658 | \$ 3,065,658 |
| Drug Discovery Technologies | | | 4,738,888 | 4,738,888 |
| Healthcare Services | | | 5,255,869 | 5,255,869 |
| Medical Devices and Diagnostics | | | 19,136,417 | 19,136,417 |
| Common Stocks and Warrants | | | | |
| Biotechnology/Biopharmaceuticals | \$ 126,348,544 | | | 126,348,544 |
| Drug Delivery | 8,414,897 | | 3,174,516 | 11,589,413 |
| Drug Discovery Technologies | 4,631,000 | | 18 | 4,631,018 |
| Generic Pharmaceuticals | 34,011,120 | | | 34,011,120 |
| Healthcare Services | 83,002,961 | | 1,999,998 | 85,002,959 |
| Medical Devices and Diagnostics | 70,745,616 | | 346,496 | 71,092,112 |
| Pharmaceuticals | 35,342,429 | | | 35,342,429 |
| Mutual Fund | 6,871,890 | | | 6,871,890 |
| Short-Term Investment | | 30,470,000 | | 30,470,000 |
| Milestone Interests | | | | |
| Biotechnology/Biopharmaceuticals | | | 6,038,660 | 6,038,660 |
| Medical Devices and Diagnostics | | | 4,868,301 | 4,868,301 |
| Other Assets | | | 1,577,229 | 1,577,229 |
| Total | \$ 369,368,457 | \$ 30,470,000 | \$ 50,202,050 | \$ 450,040,507 |

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The following is a reconciliation of level 3 assets for which significant unobservable inputs were used to determine fair value.

| Level 3 Assets | Balance as of September 30, 2010 | Realized gain/loss and change in unrealized appreciation (depreciation) | Net purchases | Net sales | Net transfers in (out of) Level 3 | Balance as of June 30, 2011 |
|--|-------------------------------------|--|---------------|-----------------|--------------------------------------|--------------------------------|
| Convertible Securities and Warrants | | | | | | |
| Biotechnologies/Biopharmaceuticals | \$ 814,382 | \$ 32,520 | \$ 2,534,504 | \$ (315,748) | \$ | \$ 3,065,658 |
| Drug Discovery Technologies | 4,874,746 | 7,715 | 235 | (143,808) | | 4,738,888 |
| Healthcare Services | 5,255,869 | (637) | 637 | | | 5,255,869 |
| Medical Devices and Diagnostics | 20,020,123 | 5,227,469 | 6,447,305 | (12,558,480) | | 19,136,417 |
| Common Stocks and Warrants | | | | | | |
| Biotechnologies/Biopharmaceuticals | 1,180 | (1,180) | | | | |
| Drug Delivery | | 1,794,516 | 3,681,000 | | (2,301,000) | 3,174,516 |
| Drug Discovery Technologies | 18 | | | | | 18 |
| Generic Pharmaceuticals | 76,845 | (76,845) | | | | |
| Healthcare Services | 2,222,220 | (222,222) | | | | 1,999,998 |
| Medical Devices and Diagnostics | 97,193 | (78,659) | 327,962 | | | 346,496 |
| Milestone Interests | | | | | | |
| Biotechnologies/Biopharmaceuticals | 6,225,114 | (186,454) | | | | 6,038,660 |
| Medical Devices and Diagnostics | | 160,392 | 4,707,909 | | | 4,868,301 |
| Other Assets | 1,266,445 | | 720,714 | (409,930) | | 1,577,229 |
| Total | \$ 40,854,135 | \$ 6,656,615 | \$ 18,420,266 | \$ (13,427,966) | \$ (2,301,000) | \$ 50,202,050 |
| Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2011 | | | | | | \$ (525,995) |

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In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2010-06, Improving Disclosures about Fair Valuation Measurements (ASU 2010-06). ASU 2010-06 requires new disclosures regarding transfers in and out of Levels 1 and 2 effective for interim and annual reporting periods beginning after December 15, 2009. For the period ending June 30, 2011, there were no transfers between Levels 1 and 2. ASU 2010-06 will also require additional details regarding Level 3 transaction activity effective for interim and annual periods beginning after December 15, 2010. Management is currently evaluating the impact it will have on its financial statements.

Investment Valuation

Investments traded on national securities exchanges or in the over-the-counter market that are National Market System securities are valued at the last sale price or, lacking any sales, at the mean between the last bid and asked prices. Other over-the-counter securities are valued at the most recent bid prices as obtained from one or more dealers that make markets in the securities. Publicly traded investments for which market quotations are not readily available or whose quoted price may otherwise not reflect fair value, the fair value of convertible preferred, warrants or convertible note interests in private companies, milestone interests and other restricted securities are valued in good faith by Hambrecht & Quist Capital Management LLC (the Adviser) pursuant to valuation policies and procedures approved by the Trustees. Such values are subject to regular oversight and ratification by the Trustees. Because of the uncertainty of fair valuations, these estimated values may differ significantly from the values that would have been used had a ready market for these securities existed, and the differences could be material. Each such fair value determination is based on a consideration of relevant factors. Factors the Adviser considers may include (i) the existence of any contractual restrictions on the disposition of securities; (ii) information obtained from the issuer, which may include an analysis of the company's financial statements, the company's products or intended markets or the company's technologies; (iii) the price of a security negotiated at arm's length in an issuer's completed subsequent round of financing; (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies; or (v) a probability and time value adjusted analysis of contractual term. Publicly traded warrants are valued using the Black-Scholes model, which incorporates both observable and unobservable inputs. Short-term investments with maturity of 60 days or less are valued at amortized cost, which approximates fair value.

Federal Income Tax Cost

At June 30, 2011, the cost of securities for Federal income tax purposes was \$387,182,904. The net unrealized gain on securities held by the Fund was \$61,280,374, including gross unrealized gain of \$95,724,327 and gross unrealized loss of \$34,443,953.

Affiliated Transactions

An affiliate company is a company in which the Fund holds 5% or more of the voting securities. Transactions with such companies during the period ended June 30, 2011 were as follows:

| Issuer | Value on September 30, 2010 | Purchases | Sales | Income | Value on June 30, 2011 |
|--------------------------|-----------------------------|-----------|---------|--------|------------------------|
| Agilix Corporation | \$ 141,809 | \$ | \$ | \$ | \$ 5,952 |
| A.P. Pharma, Inc. | | 1,380,000 | | | 1,987,200 |
| CardioKinetix, Inc. | 3,068,236 | 781,073 | 354,119 | 20,159 | 1,916,623 |
| Concentric Medical, Inc. | 4,124,713 | | | | 4,124,713 |
| Elemé Medical, Inc. | 1,684,430 | 27,019 | | | |

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| | | | | |
|--|---------------|--------------|---------------|---------------|
| IntelliPharmaCeutics International, Inc. | | 2,301,000 | | 4,850,508 |
| Interlace Medical, Inc. | 2,065,000 | | 11,033,541 | |
| Medwave, Inc. | 1,661 | | | 2,491 |
| Palyon Medical Corporation | 2,211,809 | | | 2,211,809 |
| PHT Corporation | 5,255,869 | | | 5,255,869 |
| Veniti, Inc. | | 3,244,999 | | 3,245,000 |
| | \$ 18,553,527 | \$ 7,734,091 | \$ 11,387,660 | \$ 20,159 |
| | | | | \$ 23,600,165 |

Private Companies and Other Restricted Securities

The Fund may invest in private companies and other restricted securities if these securities would currently comprise 40% or less of net assets. The value of these securities represents 11% of the Fund's net assets at June 30, 2011.

At June 30, 2011, the Fund had commitments of \$304,437 relating to additional investments in two private companies.

The following table details the acquisition date, cost, carrying value per unit, and value of the Fund's private companies and other restricted securities at June 30, 2011. The Fund on its own does not have the right to demand that such securities be registered.

| Security (j) | Acquisition Date | Cost | Carrying Value per Unit | Value |
|--|--------------------|--------------|-------------------------|-----------|
| Agilix Corporation | | | | |
| Series B Cvt. Pfd. | 11/08/01 | \$ 2,351,693 | \$ 0.003 | \$ 5,952 |
| A.P. Pharma, Inc. | | | | |
| Common | 06/30/11 | 1,380,000 | 0.22 | 1,987,200 |
| Warrants (expiration 7/01/16) | 06/30/11 | 0 | 0.00 | 0 |
| Athersys, Inc. | | | | |
| Warrants (expiration 6/08/12) | 6/07/07 | 0 | 0.00 | 0 |
| Aveta, Inc. | | | | |
| Common | 12/21/05 | 3,004,731 | 9.00 | 1,999,998 |
| CardioKinetix, Inc. | | | | |
| Series C Cvt. Pfd. | 5/22/08 | 2,377,226 | 0.22 | 762,351 |
| Series D Cvt. Pfd. | 12/10/10 | 782,117 | 0.13 | 800,153 |
| Cvt. Promissory Notes | 12/10/09 - 9/01/10 | 354,631 | 1.00 | 354,119 |
| Warrants (expiration 12/11/19) | 12/10/09, 2/11/10 | 177 | 0.00 | 0 |
| Warrants (expiration 6/03/20) | 6/03/10, 9/01/10 | 177 | 0.00 | 0 |
| Ceracor Laboratories, Inc. | | | | |
| Common | 3/31/98 | 0 | 0.60 | 96,728 |
| Ceres, Inc. | | | | |
| Series C Cvt. Pfd. | 12/23/98, 3/31/10 | 1,502,852 | 6.50 | 2,437,500 |
| Series C-1 Cvt. Pfd. | 3/31/01, 3/14/06 | 111,518 | 6.50 | 209,255 |
| Series D Cvt. Pfd. | 3/14/01, 3/14/06 | 1,668,383 | 6.50 | 1,820,682 |
| Series F Cvt. Pfd. | 9/05/07 | 268,149 | 6.50 | 265,499 |
| Warrants (expiration 9/05/15) | 9/05/07 | 3 | 0.00 | 0 |
| Concentric Medical, Inc. | | | | |
| Series B Cvt. Pfd. | 5/07/02, 1/24/03 | 3,330,988 | 0.52 | 2,523,529 |
| Series C Cvt. Pfd. | 12/19/03 | 1,550,818 | 0.52 | 906,977 |
| Series D Cvt. Pfd. | 9/30/05 | 958,007 | 0.52 | 355,160 |
| Series E Cvt. Pfd. | 12/18/08 | 655,011 | 0.52 | 339,047 |
| Euthymics Biosciences, Inc. | | | | |
| Series A Cvt. Pfd. | 7/14/10 - 3/08/11 | 2,840,995 | 1.00 | 2,831,651 |
| iCAD, Inc. | | | | |
| 12 Month Lock-up Common | 1/05/11 | 68,476 | 1.00 | 52,101 |
| 18 Month Lock-up Common | 1/05/11 | 259,486 | 0.95 | 197,435 |
| IntelliPharmaCeutics International, Inc. | | | | |
| Warrants (expiration 2/01/13) | 1/31/11 | 0 | 1.19 | 547,638 |
| Warrants (expiration 2/01/16) | 1/31/11 | 0 | 1.39 | 639,678 |

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| | | | | |
|--------------------|---------|-----------|--------|-----------|
| Interlace Medical | | | | |
| Milestone Interest | 1/14/11 | 3,865,670 | 101.93 | 3,922,489 |
| Labcyte, Inc. | | | | |
| Series C Cvt. Pfd. | 7/18/05 | 1,924,893 | 0.52 | 1,920,000 |

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| Security (j) | Acquisition Date | Cost | Carrying Value per Unit | Value |
|--------------------------------------|---------------------|---------------|-------------------------|---------------|
| MacroGenics, Inc. | | | | |
| Series D Cvt. Pfd. | 9/04/08 | 1,318,294 | 0.65 | 234,007 |
| Magellan Biosciences, Inc. | | | | |
| Series A Cvt. Pfd. | 11/28/06 - 10/01/09 | 3,117,537 | 1.00 | 3,109,861 |
| Warrants (expiration 4/01/19) | 4/03/09 | 0 | 0.00 | 0 |
| Warrants (expiration 5/06/19) | 5/12/09 | 0 | 0.00 | 0 |
| Medwave, Inc. | | | | |
| Warrants (expiration 8/21/11) | 2/21/06 | 0 | 0.00 | 0 |
| OmniSonic Medical Technologies, Inc. | | | | |
| Series A-1 Cvt. Pfd. | 10/01/03 | 1,801,555 | 0.001 | 1,548 |
| Series B-1 Cvt. Pfd. | 6/04/07, 11/15/07 | 961,365 | 0.001 | 1,263 |
| Common | 5/24/01, 7/02/07 | 2,409,096 | 0.001 | 93 |
| Palyon Medical Corporation | | | | |
| Series A Cvt. Pfd. | 4/28/09 | 2,967,404 | 0.16 | 2,211,809 |
| PHT Corporation | | | | |
| Series D Cvt. Pfd. | 7/23/01 | 4,206,263 | 0.78 | 4,200,000 |
| Series E Cvt. Pfd. | 9/12/03 - 10/19/04 | 941,783 | 0.78 | 939,506 |
| Series F Cvt. Pfd. | 7/21/08 | 122,594 | 0.78 | 116,363 |
| Songbird Hearing, Inc. | | | | |
| Common | 12/14/00 | 3,004,861 | 0.67 | 139 |
| Targegen | | | | |
| Milestone Interest | 7/20/10 | 5,863,346 | 102.99 | 6,038,660 |
| TherOx, Inc. | | | | |
| Series H Cvt. Pfd. | 9/11/00, 8/21/07 | 3,002,748 | 1.14 | 74,608 |
| Series I Cvt. Pfd. | 7/08/05 | 579,958 | 1.14 | 170,992 |
| Tibion Corporation | | | | |
| Cvt. Pfd. | 2/23/11 | 2,366,726 | 0.50 | 2,360,000 |
| Veniti, Inc. | | | | |
| Series A Cvt. Pfd. | 2/28/11 | 3,260,901 | 0.87 | 3,245,000 |
| Xoft | | | | |
| Milestone Interest | 1/5/2011 | 842,238 | 113.74 | 945,812 |
| Zyomyx, Inc. | | | | |
| Common | 2/19/99 - 1/12/04 | 3,902,233 | 0.25 | 18 |
| | | \$ 69,924,903 | | \$ 48,624,821 |

(j) See Schedule of Investments and corresponding footnotes for more information on each issuer.

Item 2. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have concluded, based on their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this report, that these disclosure controls and procedures are adequately designed and are operating effectively to ensure that information required to be disclosed by the registrant on Form N-Q is (i) accumulated and communicated to the investment company's management, including its certifying officers, to allow timely decisions regarding required disclosure; and (ii) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b.) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

Separate certifications for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)). Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) H&Q Healthcare Investors

By (Signature and Title) /s/ Daniel R. Omstead
Daniel R. Omstead, President

Date 8/22/2011

Pursuant to the requirements of the Securities and Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Laura Woodward
Laura Woodward, Treasurer

Date 8/22/2011
