

H&Q HEALTHCARE INVESTORS  
Form N-CSRS  
June 01, 2012

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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 811-04889

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)

2 Liberty Square, 9th Floor, Boston, MA 02109  
(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: October 1, 2011 to March 31, 2012

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**ITEM 1. REPORTS TO STOCKHOLDERS.**

See Semiannual Report 3/31/12.

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**H&Q HEALTHCARE INVESTORS**

*Semiannual Report*

March 31, 2012

*(Unaudited)*

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To our Shareholders:

On March 31, 2012, the net asset value (NAV) per share of the Fund was \$17.87. During the six month period ended March 31, 2012, total return at NAV of your Fund was 28.60%, with distributions reinvested. During the most recent quarter ended March 31, 2012, total return at NAV of your Fund was 16.03%, with distributions reinvested. The total investment return at market with distributions reinvested was 30.34% during the six month period ended March 31, 2012 and was 18.99% during the quarter ended March 31, 2012. Total return at both market and NAV outperformed the S&P 500 Index but trailed the NBI for the six month period ending March 31, 2012. Comparisons to relevant indices are listed below:

<b>Investment Returns</b>	<b>Quarter Ended 3/31/12</b>	<b>Six Months Ended 3/31/12</b>
Investment Return at Market	18.99%	30.34%
Net Asset Value	16.03%	28.60%
NASDAQ Biotech Index (NBI)	18.21%	32.35%
S&P 500 Index	12.59%	25.89%

### **Portfolio Highlights**

Overall, we are pleased with the performance of the Fund in the six month period ending March 31, 2012. It has been a very busy six months in the healthcare sector with several factors contributing to overall performance of the Fund and the sector. These include elevated merger and acquisition activity, the release of significant new clinical data, the approval of several new drugs and prominent Supreme Court hearings debating the constitutionality of recent healthcare reform legislation.

In this period, we believe that merger and acquisition (M&A) activity has been a key factor affecting sector performance. Public discussion of Express Scripts, Inc.'s offer to acquire Medco Health Solutions, Inc., made in July 2011, was highly visible during the report period and the transaction closed just after the end of the report period. Roche Holding AG's attempt to acquire Illumina Inc. also received considerable attention in the press even though the transaction was

not ultimately completed. In addition, a number of other transactions were either proposed, announced or completed. These included Amgen, Inc.'s acquisition of Micromet, Inc., Celgene Corporation's acquisition of Avita Medical LTD, Cubist Pharmaceuticals, Inc.'s acquisition of Adolor Corporation, Jazz Pharmaceuticals, Inc.'s acquisition of Azur Pharma plc and Watson Pharmaceuticals, Inc.'s acquisition of Actavis Group. We think this M&A trend, which has occurred in a number of healthcare subsectors, continues to drive interest and valuation in the broad healthcare sector. We think that as long as the trend continues, healthcare has a good chance to outperform the broader market.

Positive clinical trial data also appears to be producing positive investor sentiment in the healthcare sector. We would highlight the disease Hepatitis C as an example. For many years this disease was treated by combination drug regimens that, in general, were only moderately effective, required long treatment duration and exhibited significant side effects. Approximately one year ago, new polymerase inhibitor drugs were introduced into the marketplace by Vertex Pharmaceuticals, Inc. and Merck & Company, Inc. These drugs, Incivek and Victrelis, respectively, when used with other existing medications, revolutionized the treatment of Hepatitis C, significantly improving efficacy without a substantial increase in side effects. Adoption of these drugs into common use has been rapid. The commercial launch of Incivek, for example, has been considered one of the best drug launches in many years. Both drugs have already reached what is commonly considered "blockbuster" status. Even more remarkable is that a second breakthrough in the treatment of Hepatitis C is already underway. In the last year or so, Pharmasset, Inc. (since acquired by Gilead Sciences, Inc.) demonstrated that one of its drugs, also in combination with several existing drugs, may well be even more effective and safer than the polymerase based drug regimens just introduced. Thus, the remarkable improvement in the standard of care for Hepatitis C patients demonstrated by Vertex's and Merck's novel drugs may well be soon replaced by even more impactful drug combinations from Gilead, Bristol-Myers Squibb Company, Abbott Laboratories and/or others. Furthermore, the impact of these new drug combinations has sparked a further increase in the M&A trend described above. In order to get access to these new therapeutic options, Gilead acquired Pharmasset, Inc. and Bristol Myers acquired Inhibitex, Inc., each at impressive acquisition valuations. Moreover, M&A activity in the Hepatitis C area seems to have had a positive impact on healthcare sector valuations in general. It appears that investors are anticipating a broad increase in M&A activity. This sentiment has

had a positive impact on valuations of a number of healthcare sector companies and has contributed to the general outperformance of the healthcare sector in general and the NBI in particular.

Other clinical trial data and product approvals are also impressive. Biogen Idec, Inc.'s BG-12 product for the treatment of Multiple Sclerosis continues to show promising efficacy. Medivation, Inc.'s Enzalutamide and Johnson & Johnson's Zytiga have each demonstrated impressive efficacy in prostate cancer. We now expect that one or more of three prominent drugs in development to treat obesity may be approved, after having each been strongly challenged during the regulatory approval process. With respect to approvals, 2011 concluded with a significant increase in the number of new molecular entities approved by FDA relative to recent years. This approval trend has continued in 2012. Examples within the last year include approvals of Vertex Pharmaceuticals, Inc.'s Kalydeco in Cystic Fibrosis, Regeneron Pharmaceuticals, Inc.'s Eylea in age-related macular edema, Takeda Pharmaceuticals Company Limited/Affymax, Inc.'s Omontys in anemia, Corcept Therapeutics, Inc.'s Korlym in Cushing's Syndrome, Seattle Genetics, Inc.'s Adcetris in Hodgkin's lymphoma and Amlyin Pharmaceuticals, Inc.'s Bydureon in diabetes. We see this approval trend as a sign both that the sector continues to develop novel new drugs and that the FDA continues to approve drugs that demonstrate impressive efficacy. We think these trends have been well documented and should extend positive sentiment about the sector.

Arguably the key healthcare event in this report period was the Supreme Court hearings arguing the constitutionality of key components of the Affordable Care Act (often referred to as the ACA). Since this law was passed in 2010, a number of key aspects have been challenged in the U.S. court system. In late March 2012, the Supreme Court held hearings examining various aspects of the law including: 1) the constitutionality of the so called individual mandate (which requires nearly all Americans to buy health insurance), 2) whether the individual mandate is severable from the rest of the ACA, 3) whether the proposed expansion of Medicaid is constitutional, and 4) whether the Supreme Court can even rule on items 1 through 3 above now or must wait until 2014 or later. Though it appears to be a minority opinion, it is our view that the ACA will be left largely intact by the Supreme Court. We expect that the Supreme Court will render its opinion on these matters by approximately midyear 2012.

It is our view that many things have gone well for the healthcare sector in recent months. This has driven sector valuations upward.

Overall, we remain positive about the sector. And while we may see some sort of pullback in the intermediate term (in recognition of the significant upside move observed in recent months), we still feel that the population demographics we have discussed in previous updates provides the possibility of additional upside in the healthcare sector.

### **Investment Changes**

During the six month period ended March 31, 2012, other Fund activities have occurred. Within the public portfolio, the Fund established positions in several companies. Notable examples include Alere, Inc., ARIAD Pharmaceuticals, Inc., Bruker Corporation, Covance, Inc., Impax Laboratories, Inc., Life Technologies Corporation, Medivation, Momenta Pharmaceuticals, Inc., Onyx Pharmaceuticals, Inc. and Regeneron. Examples of exited positions include Boston Scientific Corporation, Edwards Lifesciences Corporation, Hologic, Inc., Incyte Corporation, Kinetic Concepts, Inc., Inhibitex (acquired by Bristol Myers), Natus Medical, Inc., Pharmaceutical Product Development, Inc. (acquired by the Carlyle Group), Pharmasset (acquired by Gilead), XenoPort, Inc. and Zimmer Holdings, Inc. Within the restricted portfolio, representative new positions included investments in Verastem, Inc. and Puma Biotechnology, Inc., each which attained a public listing after our investment. Concentric Medical, Inc., acquired by Stryker Corporation, was the notable exit from the restricted portfolio. In addition, Ceres, Inc. completed an IPO and will exit the restricted portfolio after expiration of the Fund's trading restrictions.

As always, if you have questions, please feel free to call us at 617-772-8500.

Daniel R. Omstead, Ph.D.  
President



**H&Q HEALTHCARE INVESTORS**

**LARGEST HOLDINGS BY ISSUER  
(Excludes Short-Term Investments)**

*As of March 31, 2012  
(Unaudited)*

<b>Issuer - Sector</b>	<b>% of Net Assets</b>
<b>Gilead Sciences, Inc.</b> <i>Biotechnologies/Biopharmaceuticals</i>	4.5%
<b>Alexion Pharmaceuticals, Inc.</b> <i>Biotechnologies/Biopharmaceuticals</i>	4.1%
<b>Teva Pharmaceutical Industries Ltd.</b> <i>Generic Pharmaceuticals</i>	3.9%
<b>Celgene Corporation</b> <i>Biotechnologies/Biopharmaceuticals</i>	3.2%
<b>Vertex Pharmaceuticals, Inc.</b> <i>Biotechnologies/Biopharmaceuticals</i>	3.0%
<b>Aetna, Inc.</b> <i>Healthcare Services</i>	2.8%
<b>Perrigo Company</b> <i>Generic Pharmaceuticals</i>	2.7%
<b>Allergan, Inc.</b> <i>Biotechnologies/Biopharmaceuticals</i>	2.5%
<b>Mylan, Inc.</b> <i>Generic Pharmaceuticals</i>	2.5%
<b>Express Scripts, Inc.</b> <i>Healthcare Services</i>	2.3%

**PORTFOLIO**

*As of March 31, 2012  
(Unaudited)*



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

MARCH 31, 2012

(Unaudited)

<b>CONVERTIBLE SECURITIES AND WARRANTS - 5.5% of Net Assets</b>		
<b>SHARES</b>	<b>Convertible Preferred and Warrants (Restricted) <sup>(a)</sup> <sup>(b)</sup> - 5.5%</b>	<b>VALUE</b>
	<i>Biotechnologies/Biopharmaceuticals - 0.9%</i>	
1,277,645	Celladon Corporation Series A-1	\$ 573,663
3,205,099	EBI Life Sciences, Inc. Series A <sup>(c)</sup>	14,103
3,205,099	Euthymics Biosciences, Inc. Series A <sup>(c)</sup>	2,941,319
358,852	MacroGenics, Inc. Series D	234,008
3,205,099	Neurovance, Inc. Series A <sup>(c)</sup>	249,357
		4,012,450
	<i>Drug Discovery Technologies - 0.0%</i>	
2,380,953	Agilix Corporation Series B <sup>(c)</sup>	0
	<i>Healthcare Services - 1.3%</i>	
5,384,615	PHT Corporation Series D <sup>(c)</sup>	5,007,691
1,204,495	PHT Corporation Series E <sup>(c)</sup>	1,120,180
149,183	PHT Corporation Series F <sup>(c)</sup>	138,740
		6,266,611
	<i>Medical Devices and Diagnostics - 3.3%</i>	
3,424,756	CardioKinetix, Inc. Series C <sup>(c)</sup>	890,437
6,155,027	CardioKinetix, Inc. Series D <sup>(c)</sup>	677,053
12,177,507	CardioKinetix, Inc. Series E <sup>(c)</sup>	1,217,751
N/A	CardioKinetix, Inc. warrants (expiration 12/11/19) <sup>(c)</sup> <sup>(d)</sup>	0
N/A	CardioKinetix, Inc. warrants (expiration 6/03/20) <sup>(c)</sup> <sup>(d)</sup>	0
N/A	CardioKinetix, Inc. warrants (expiration 7/07/21) <sup>(c)</sup> <sup>(d)</sup>	0
3,109,861	Dynex Technologies, Inc. Series A	559,775
142,210	Dynex Technologies, Inc. warrants (expiration 4/01/19)	0
11,335	Dynex Technologies, Inc. warrants (expiration 5/06/19)	0
3,669,024	Labcyte, Inc. Series C	1,920,000
3,109,861	Magellan Diagnostics, Inc. Series A	1,834,818
142,210	Magellan Diagnostics, Inc. warrants (expiration 4/01/19)	0
11,335	Magellan Diagnostics, Inc. warrants (expiration 5/06/19)	0

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1,547,988	OmniSonics Medical Technologies, Inc. Series A-1	1,548
1,263,099	OmniSonics Medical Technologies, Inc. Series B-1	1,263

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

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

MARCH 31, 2012

(Unaudited)

(continued)

<b>SHARES</b>	<b>Convertible Preferred and Warrants (Restricted) (a) (b) - continued</b>	<b>VALUE</b>
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 Series B	2,360,000
3,750,143	Veniti, Inc. Series A (c)	3,244,999
		15,165,053
	<b>TOTAL CONVERTIBLE SECURITIES AND WARRANTS</b>	
	(Cost \$35,969,900)	25,444,114
	<b>COMMON STOCKS AND WARRANTS - 87.6%</b>	
	<i>Biotechnologies/Biopharmaceuticals - 39.7%</i>	
37,331	Acorda Therapeutics, Inc. (b)	991,138
205,585	Alexion Pharmaceuticals, Inc. (b)	19,090,623
241,095	Alkermes plc (b)	4,472,312
123,278	Allergan, Inc.	11,764,420
694,195	Amarin Corporation plc (b) (f)	7,858,287
62,608	Amgen, Inc.	4,256,718
5,910,745	Antisoma plc (b) (e)	167,629
222,125	ARIAD Pharmaceuticals, Inc. (b)	3,542,894
118,000	Athersys, Inc. warrants (Restricted, expiration 6/08/12) (a) (b)	0
105,260	Baxter International, Inc.	6,292,443
74,784	Biogen Idec, Inc. (b)	9,420,540
190,198	Celgene Corporation (b)	14,744,149
258,630	Ceres, Inc. (Restricted) (a) (b)	3,721,944
2,723	Ceres, Inc. warrants (Restricted, expiration 9/05/15) (a) (b)	2,260
131,023	Cubist Pharmaceuticals, Inc. (b)	5,666,745
330,082	Dendreon Corporation (b)	3,517,024
241,753	Elan Corporation plc (b) (f)	3,628,713
424,800	Gilead Sciences, Inc. (b)	20,751,480
450,726	Human Genome Sciences, Inc. (b)	3,713,982
61,617	Momenta Pharmaceuticals, Inc. (b)	943,972
701,250	Nektar Therapeutics (b)	5,553,900
550,002	Neurocrine Biosciences, Inc. (b)	4,383,516

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115,189	Onyx Pharmaceuticals, Inc. <sup>(b)</sup>	4,340,322
763,600	Puma Biotechnology, Inc. (Restricted) <sup>(a) (b)</sup>	2,863,500
N/A	Puma Biotechnology, Inc. warrants (Restricted, expiration 10/04/21) <sup>(a) (b)</sup>	0
89,025	Regeneron Pharmaceuticals, Inc. <sup>(b)</sup>	10,382,095
153,894	United Therapeutics Corporation <sup>(b)</sup>	7,253,024
610,595	Verastem, Inc. (Restricted) <sup>(a) (b)</sup>	6,006,423

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

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

MARCH 31, 2012

(Unaudited)

(continued)

SHARES	<i>Biotechnologies/ Biopharmaceuticals - continued</i>	VALUE
337,551	Vertex Pharmaceuticals, Inc. <sup>(b)</sup>	\$ 13,842,967
249,159	VIVUS, Inc. <sup>(b)</sup>	5,571,195
		184,744,215
	<i>Drug Delivery - 1.6%</i>	
9,200,000	A.P. Pharma, Inc. <sup>(b) (c)</sup>	3,404,000
4,600,000	A.P. Pharma, Inc. warrants (Restricted, expiration 7/01/16) <sup>(a) (b) (c)</sup>	736,000
1,023,650	IntelliPharmaCeutics International, Inc. <sup>(b) (c)</sup>	2,886,693
460,200	IntelliPharmaCeutics International, Inc. warrants (Restricted, expiration 2/01/13) <sup>(a) (b) (c)</sup>	202,488
460,200	IntelliPharmaCeutics International, Inc. warrants (Restricted, expiration 2/01/16) <sup>(a) (b) (c)</sup>	478,608
		7,707,789
	<i>Drug Discovery Technologies - 0.0%</i>	
70	Zyomyx, Inc. (Restricted) <sup>(a) (b)</sup>	18
	<i>Generic Pharmaceuticals - 14.5%</i>	
885,001	Akorn, Inc. <sup>(b)</sup>	10,354,512
361,666	Impax Laboratories, Inc. <sup>(b)</sup>	8,889,750
501,580	Mylan, Inc. <sup>(b)</sup>	11,762,051
121,414	Perrigo Company	12,543,280
401,677	Teva Pharmaceutical Industries Ltd. <sup>(f)</sup>	18,099,566
84,180	Watson Pharmaceuticals, Inc. <sup>(b)</sup>	5,645,111
		67,294,270
	<i>Healthcare Services - 12.6%</i>	
256,141	Aetna, Inc.	12,848,032
222,222	Aveta, Inc. (Restricted) <sup>(a) (g)</sup>	1,888,887
55,850	Community Health Systems, Inc. <sup>(b)</sup>	1,242,104
96,600	Covance, Inc. <sup>(b)</sup>	4,601,058
106,006	CVS Caremark Corporation	4,749,069
199,388	Express Scripts, Inc. <sup>(b)</sup>	10,802,842
59,450	HCA Holdings, Inc. <sup>(b)</sup>	1,470,793
137,675	Health Management Associates, Inc. <sup>(b)</sup>	925,176
30,812	LifePoint Hospitals, Inc. <sup>(b)</sup>	1,215,225
56,862	McKesson Corporation	4,990,778

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303,165	PAREXEL International Corporation <sup>(b)</sup>	8,176,360
94,213	UnitedHealth Group, Inc.	5,552,914
		58,463,238

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

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

MARCH 31, 2012

(Unaudited)

(continued)

*Medical Devices and Diagnostics -*

SHARES		VALUE
	<i>11.1%</i>	
251,928	Accuray, Inc. <sup>(b)</sup>	\$ 1,778,612
291,249	Alere, Inc. <sup>(b)</sup>	7,575,386
189,297	Bruker Corporation <sup>(b)</sup>	2,898,137
	Ceracor Laboratories, Inc. (Restricted)	
160,000	<sup>(a)</sup> <sup>(b)</sup>	101,855
93,544	Gen-Probe, Inc. <sup>(b)</sup>	6,212,257
51,173	iCAD, Inc. <sup>(b)</sup>	25,075
	iCAD, Inc. (Locked-up until 6/30/12)	
171,804	(Restricted) <sup>(a)</sup>	79,975
	iCAD, Inc. (Locked-up until 12/31/12)	
38,181	(Restricted) <sup>(a)</sup>	16,838
38,597	IDEXX Laboratories, Inc. <sup>(b)</sup>	3,375,308
71,000	Life Technologies Corporation <sup>(b)</sup>	3,466,220
830,292	Medwave, Inc. <sup>(b)</sup> <sup>(c)</sup>	0
	OmniSonics Medical Technologies, Inc.	
93,008	(Restricted) <sup>(a)</sup> <sup>(b)</sup>	93
91,019	Palomar Medical Technologies, Inc. <sup>(b)</sup>	850,117
345,532	PerkinElmer, Inc.	9,557,415
147,917	Quest Diagnostics, Inc.	9,045,124
	Songbird Hearing, Inc. (Restricted) <sup>(a)</sup>	
208	<sup>(b)</sup>	139
114,288	Thermo Fisher Scientific, Inc.	6,443,557
		51,426,108
	<i>Pharmaceuticals - 8.1%</i>	
61,410	Endo Pharmaceuticals Holdings, Inc. <sup>(b)</sup>	2,378,409
39,350	Jazz Pharmaceuticals, Inc. <sup>(b)</sup>	1,907,295
114,358	Medivation, Inc. <sup>(b)</sup>	8,544,830
258,030	Merck & Company, Inc.	9,908,352
56,068	Sanofi, CVR (expiration 12/31/20) <sup>(b)</sup> <sup>(h)</sup>	75,692
77,587	Shire plc <sup>(f)</sup>	7,351,368
436,983	Warner Chilcott plc <sup>(b)</sup>	7,345,684
		37,511,630
	<b>TOTAL COMMON STOCKS AND WARRANTS</b>	
	(Cost \$340,021,292)	407,147,268
	<b>EXCHANGE TRADED FUND -</b>	
	<b>1.3%</b>	

47,741	iShares Nasdaq Biotechnology Index Fund	5,886,465
	<b>TOTAL EXCHANGE TRADED FUND</b> (Cost \$4,187,923)	5,886,465

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

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

MARCH 31, 2012

(Unaudited)

(continued)

PRINCIPAL AMOUNT	SHORT-TERM INVESTMENT - 3.5%	VALUE
\$ 16,530,000	Repurchase Agreement, State Street Bank and Trust Co., repurchase value \$16,530,014, 0.01%, dated 03/30/12, due 04/02/12 (collateralized by U.S. Treasury Note 4.23%, due 06/30/16, market value \$16,860,938)	\$ 16,530,000
	<b>TOTAL SHORT-TERM INVESTMENT</b> (Cost \$16,530,000)	16,530,000
	<b>TOTAL INVESTMENTS BEFORE MILESTONE INTERESTS - 97.9%</b> (Cost \$396,709,115)	455,007,847
<b>INTEREST</b>	<b>MILESTONE INTERESTS (Restricted) (a) (b) - 2.0%</b>	
	<i>Biotechnologies/Biopharmaceuticals - 1.1%</i>	
1	Targegen Milestone Interest	5,359,098
	<i>Medical Devices and Diagnostics - 0.9%</i>	
1	Interlace Medical Milestone Interest	3,072,417
1	Xoft Milestone Interest	946,810
		4,019,227
	<b>TOTAL MILESTONE INTERESTS</b> (Cost \$6,485,684)	9,378,325
	<b>TOTAL INVESTMENTS - 99.9%</b> (Cost \$403,194,799)	464,386,172
	<b>OTHER ASSETS IN EXCESS OF LIABILITIES - 0.1%</b>	233,025
	<b>NET ASSETS - 100%</b>	\$ 464,619,197

(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 \$25,421,228).

- (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.

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

MARCH 31, 2012

(Unaudited)

(continued)

*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 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 March 31, 2012 to value the Fund's net assets. For the six months ended March 31, 2012, there were no transfers between Levels 1 and 2.

Assets at Value	Level 1	Level 2	Level 3	Total
Convertible Securities and Warrants				
Biotechnologies/Biopharmaceuticals			\$ 4,012,450	\$ 4,012,450
Drug Discovery Technologies			0	0
Healthcare Services			6,266,611	6,266,611
Medical Devices and Diagnostics			15,165,053	15,165,053
Common Stocks and Warrants				
Biotechnologies/Biopharmaceuticals	\$ 171,508,088		12,594,127	184,744,215
Drug Delivery	6,290,693		1,417,096	7,707,789
Drug Discovery Technologies			18	18
Generic Pharmaceuticals	67,294,270			67,294,270
Healthcare Services	56,574,351		1,888,887	58,463,238
Medical Devices and Diagnostics	51,227,208		198,900	51,426,108
Pharmaceuticals	37,511,630			37,511,630
Exchanged Traded Fund	5,886,465			5,886,465
Short-Term Investment		\$ 16,530,000		16,530,000
Milestone Interests				

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Biotechnologies/Biopharmaceuticals			5,359,098	5,359,098
Medical Devices and Diagnostics			4,019,227	4,019,227
Other Assets			2,021,868	2,021,868
Total	\$ 396,934,705	\$ 16,530,000	\$ 52,943,335	\$ 466,408,040

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

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

MARCH 31, 2012

(Unaudited)

(continued)

*Other Information, continued*

The following is a reconciliation of level 3 assets for which significant unobservable inputs were used to determine fair value. Realized and unrealized gain (loss) disclosed in the reconciliation are included in Net Realized and Unrealized Gain (Loss) on the Statement of Operations.

Level 3 Assets	Balance as of September 30, 2011	Realized gain/loss and change in unrealized appreciation (depreciation)	Cost of purchases	Proceeds from sales	Net transfers in (out of) Level 3	Balance as of March 31, 2012
<b>Convertible Securities and Warrants</b>						
Biotechnologies/ Biopharmaceuticals	\$ 3,065,658	(\$ 13,999)	\$ 1,295,460	(\$ 334,669)		\$ 4,012,450
Drug Discovery Technologies	4,902,442	(1,179,884)	43	(3,722,601)		0
Healthcare Services	5,255,869	1,010,742				6,266,611
Medical Devices and Diagnostics	25,318,191	(841,720)	1,088,209	(10,399,627)		15,165,053
<b>Common Stocks and Warrants</b>						
Biotechnologies/ Biopharmaceuticals		833,416	11,779,914	(19,203)		12,594,127
Drug Delivery	1,477,002	(59,906)				1,417,096
Drug Discovery Technologies	18					18
Healthcare Services	1,999,998	(111,111)				1,888,887
Medical Devices and Diagnostics	201,816	65,559		(68,475)		198,900

Milestone Interests					
Biotechnologies/ Biopharmaceuticals	6,459,002	1,264		(1,301,168)	5,359,098
Medical Devices and Diagnostics	4,927,637	1,875,993	892	(2,785,295)	4,019,227
Other Assets	1,076,814		1,631,974	(686,920)	2,021,868
Total	\$ 54,884,447	\$ 1,580,354	\$ 15,796,492	(\$ 19,317,958)	\$ 52,943,335
Net change in unrealized appreciation (depreciation) from investments still held as of March 31, 2012					\$ 2,754,517

In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS')." ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity, and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers into and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the financial statements.

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





**H&Q HEALTHCARE INVESTORS**  
**STATEMENT OF ASSETS AND LIABILITIES**

*MARCH 31, 2012*

*(Unaudited)*

<b>ASSETS:</b>	
Investments in unaffiliated issuers, at value (cost \$369,053,147)	\$ 429,586,619
Investments in affiliated issuers, at value (cost \$27,655,968)	25,421,228
Milestone interests, at value (cost \$6,485,684)	9,378,325
Cash	668
Dividends and interest receivable	224,324
Receivable for investments sold	1,063,220
Prepaid expenses	47,246
Other assets (see Note 1)	2,021,868
<b>Total assets</b>	<b>467,743,498</b>
<b>LIABILITIES:</b>	
Payable for investments purchased	2,430,264
Accrued advisory fee	402,036
Accrued shareholder reporting fees	65,760
Accrued trustee fees	8,794
Accrued other	217,447
<b>Total liabilities</b>	<b>3,124,301</b>
<b>NET ASSETS</b>	<b>\$ 464,619,197</b>
<b>SOURCES OF NET ASSETS:</b>	
Shares of beneficial interest, par value \$.01 per share, unlimited number of shares authorized, amount paid in on 26,006,087 shares issued and outstanding	\$ 385,072,078
Accumulated net investment loss	(1,207,379)
Accumulated net realized gain on investments, milestone interests and options	19,563,125
Net unrealized gain on investments and milestone interests	61,191,373
<b>Total net assets (equivalent to \$17.87 per share based on 26,006,087 shares outstanding)</b>	<b>\$ 464,619,197</b>

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

**H&Q HEALTHCARE INVESTORS****STATEMENT OF OPERATIONS***SIX MONTHS ENDED MARCH 31, 2012**(Unaudited)*

<b>INVESTMENT INCOME:</b>	
Dividend income (net of foreign tax of \$39,635)	\$ 1,762,411
Interest Income	1,397
Total investment income	1,763,808
<b>EXPENSES:</b>	
Advisory fees	2,240,824
Legal fees	241,967
Administration and auditing fees	111,897
Trustees' fees and expenses	102,870
Shareholder reporting	72,307
Custodian fees	53,457
Transfer agent fees	27,837
Other (See Note 2)	120,028
Total expenses	2,971,187
Net investment loss	(1,207,379)
<b>REALIZED AND UNREALIZED GAIN (LOSS):</b>	
Net realized gain (loss) on:	
Investments in unaffiliated issuers	30,846,667
Investments in affiliated issuers	3,668,761
Closed or expired option contracts written	98,387
Net realized gain	34,613,815
Change in unrealized appreciation (depreciation)	
Investments in unaffiliated issuers	70,241,224
Investments in affiliated issuers	(2,239,998)
Milestone interests	1,877,257
Option contracts written	(38,258)
Change in unrealized appreciation (depreciation)	69,840,225
Net realized and unrealized gain (loss)	104,454,040
Net increase in net assets resulting from operations	\$ 103,246,661

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

**H&Q HEALTHCARE INVESTORS****STATEMENTS OF CHANGES IN NET ASSETS**

	Six months ended March 31, 2012 (Unaudited)	Year ended September 30, 2011
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS:</b>		
Net investment loss	(\$ 1,207,379)	(\$ 4,038,147)
Net realized gain	34,613,815	34,994,641
Change in net unrealized appreciation	69,840,225	1,401,496
Net increase in net assets resulting from operations	103,246,661	32,357,990
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net realized capital gains	(15,489,468)	(32,335,067)
Total distributions	(15,489,468)	(32,335,067)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Fund shares repurchased (721,675 and 137,620 shares, respectively) (See Note 1)	(9,947,204)	(1,866,895)
Reinvestment of distributions (527,515 and 1,104,265 shares, respectively)	7,880,981	15,591,071
Total capital share transactions	(2,066,223)	13,724,176
Net increase in net assets	85,690,970	13,747,099
<b>NET ASSETS:</b>		
Beginning of period	378,928,227	365,181,128
End of period	\$ 464,619,197	\$ 378,928,227
*Includes accumulated net investment loss of:	(\$ 1,207,379)	\$ 0 <sup>(a)</sup>

(a) Reflects reclassifications to the Fund's capital accounts to reflect income and gains available for distribution under income tax regulations.

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

**H&Q HEALTHCARE INVESTORS****STATEMENT OF CASH FLOWS**

SIX MONTHS ENDED MARCH 31, 2012

*(Unaudited)*

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Purchases of portfolio securities	(\$ 174,153,777)
Purchases to close option contracts written	(77,930)
Net maturities of short-term investments	(4,278,463)
Sales of portfolio securities	198,135,085
Proceeds from option contracts written	108,378
Interest income received	854
Dividend income received	1,648,808
Other operating receipts (expenses paid)	(3,826,790)
Net cash provided from operating activities	17,556,165
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Cash distributions paid	(7,608,487)
Fund shares repurchased	(9,947,204)
Net cash used for financing activities	(17,555,691)
<b>NET INCREASE IN CASH</b>	<b>474</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>194</b>
<b>CASH AT END OF PERIOD</b>	<b>\$ 668</b>
<b>RECONCILIATION OF NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES:</b>	
Net increase in net assets resulting from operations	\$ 103,246,661
Purchases of portfolio securities	(174,153,777)
Purchases to close option contracts written	(77,930)
Net maturities of short-term investments	(4,278,463)
Sales of portfolio securities	198,135,085
Proceeds from option contracts written	108,378
Accretion of discount	(537)
Net realized gain on investments and options	(34,613,815)
Decrease in net unrealized appreciation (depreciation) on investments and options	(69,840,225)
Increase in dividends and interest receivable	(113,609)
Increase in accrued expenses	72,967
Increase in prepaid expenses and other assets	(928,570)
Net cash provided from operating activities	\$ 17,556,165

Noncash financing activities not included herein consist of reinvested distributions to shareholders of \$7,880,981.

Noncash operating activity not included herein consists of corporate actions of \$1,995,736.

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



## H&Q HEALTHCARE INVESTORS

### FINANCIAL HIGHLIGHTS

	Six months ended March 31, 2012 (Unaudited)	2011	2010	Year ended September 30,		
				2009	2008	2007
<b>OPERATING PERFORMANCE FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD</b>						
Net asset value per share, Beginning of period	\$ 14.46	\$ 14.47	\$ 14.05	\$ 16.58	\$ 19.14	\$ 17.31
Net investment loss (1)	(0.05)(2)	(0.16)(3)	(0.07)(4)	(0.17)	(0.18)	(0.18)
Net realized and unrealized gain (loss)	4.02	1.40	0.81	(1.51)	(0.95)	3.45
Total increase (decrease) from investment operations	3.97	1.24	0.74	(1.68)	(1.13)	3.27
Distributions to shareholders from:						
Net realized capital gain	(0.60)	(1.26)	(0.37)	(0.12)	(1.43)	(1.44)
Return of capital (tax basis)				(0.73)		
Total distributions	(0.60)	(1.26)	(0.37)	(0.85)	(1.43)	(1.44)
Increase resulting	0.04	0.01	0.05			



from  
shares  
repurchased

(1) Net asset value per share, end of period	\$ 17.87	\$ 14.46	\$ 14.47	\$ 14.05	\$ 16.58	\$ 19.14
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Per share market value, end of period	\$ 16.47	\$ 13.15	\$ 12.08	\$ 11.32	\$ 13.70	\$ 17.30
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Total investment return at market value	30.34%*	18.90%	10.04%	(10.33%)	(12.96%)	12.34%
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**RATIOS**

Expenses to average net assets	1.43%**	1.47%	1.44%	1.52%	1.51%	1.52%
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Net investment loss to average net assets	(0.58%)(2)	(1.00%)(3)	(0.45%)(4)	(1.30%)	(0.99%)	(1.00%)
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**SUPPLEMENTAL DATA**

Net assets, end of period (in millions)	\$ 465	\$ 379	\$ 365	\$ 356	\$ 403	\$ 444
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Portfolio turnover rate	43.50%*	93.75%	48.68%	66.34%	65.38%	115.77%
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\* Not Annualized.

\*\* Annualized.

(1) Computed using average shares outstanding.

(2) Includes a special dividend from an issuer in the amount of \$1.00 per share. Excluding the special dividend, the ratio of net investment loss to average net assets would have been (0.97%).

(3) Includes a special dividend from an issuer in the amount of \$0.02 per share. Excluding the special dividend, the ratio of net investment loss to average net assets would have been (1.11%).

(4) Includes a special dividend from an issuer in the amount of \$0.05 per share. Excluding the special dividend, the ratio of net investment loss to average net assets would have been (0.83%).

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

**H&Q HEALTHCARE INVESTORS**  
**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2012*

*(Unaudited)*

*(1) Organization and Significant Accounting Policies*

H&Q Healthcare Investors (the Fund) is a Massachusetts business trust registered under the Investment Company Act of 1940 as a diversified closed-end management investment company. The Fund's investment objective is long-term capital appreciation through investment in companies in the healthcare industry. This is a broad mandate and includes all companies Hambrecht & Quist Capital Management LLC (the Adviser) determines to be healthcare related. The Fund invests primarily in securities of public and private companies that are believed to have significant potential for above-average growth.

The preparation of these financial statements requires the use of certain estimates by management in determining the Fund's assets, liabilities, revenues and expenses. Actual results could differ from these estimates and such difference could be material. The following is a summary of significant accounting policies consistently followed by the Fund, which are in conformity with accounting principles generally accepted in the United States of America. Events or transactions occurring after March 31, 2012 through the date that the financial statements were issued have been evaluated in the preparation of the financial statements.

*Investment Valuation*

Shares of publicly traded investments listed on national securities exchanges or in the over-the-counter market are typically valued at the last sale price, as of the close of trading, generally 4 p.m., Eastern time. The Trustees have established and approved fair valuation policies and procedures with respect to securities for which effective quoted prices may not be available. Shares of publicly traded investments for which market quotations are not readily available, such as stocks for which trading has been halted or for which there are no current day sales, or whose quoted price may otherwise not reflect fair value are valued in good faith by the Adviser using a fair valuation process described below. Restricted securities of companies that are publicly traded are valued typically based on the closing market quote on the valuation date adjusted for the impact of the restriction as determined in good faith by the Adviser also using the fair valuation process described below. Non-traded warrants of publicly traded companies are typically valued using the Black-Scholes model, which incorporates both observable and unobservable inputs. Short-term investments with a maturity of 60 days or less are typically valued at amortized cost, which approximates fair value.

Convertible preferred shares, warrants or convertible note interests in private companies, milestone interests, other restricted securities, as well as shares of publicly traded companies for which market quotations are not available or which do not reflect fair value, are typically valued in good faith, based upon the recommendations made by the Adviser pursuant to fair valuation policies and procedures approved by the Trustees. Each 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 company, 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. Where appropriate, multiple valuation methodologies are applied to confirm fair value. Due to the uncertainty inherent in the valuation process,

despite the Adviser's good faith effort, such estimates of fair value may differ significantly from the values that would have been used had a

**H&Q HEALTHCARE INVESTORS****NOTES TO FINANCIAL STATEMENTS***MARCH 31, 2012*

(continued)

ready market for the investments existed, and differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different from the valuations currently assigned.

*Options on Securities*

An option contract is a contract in which the writer (seller) of the option grants the buyer of the option, upon payment of a premium, the right to purchase from (call option) or sell to (put option) the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the Fund if the option is exercised. The Fund may enter into option contracts in order to hedge against potential adverse price movements in the value of portfolio assets, as a temporary substitute for selling selected investments to lock in the purchase price of a security or currency which it expects to purchase in the near future as a temporary substitute for purchasing selected investments, or to enhance potential gain.

The Fund's obligation under an exchange traded written option or investment in an exchange-traded purchased option is valued at the last sale price or in the absence of a sale, the mean between the closing bid and asked prices. Gain or loss is recognized when the option contract expires, is exercised or is closed.

If the Fund writes a covered call option, the Fund foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the Fund writes a put option it accepts the risk of a decline in the market value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The Fund's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the Fund's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities hedged.

All options on securities and securities indices written by the Fund are required to be covered. When the Fund writes a call option, this means that during the life of the option the Fund may own or have the contractual right to acquire the securities subject to the option or may maintain with the Fund's custodian in a segregated account appropriate liquid securities in an amount at least equal to the market value of the securities underlying the option. When the Fund writes a put option, this means that the Fund will maintain with the Fund's custodian in a segregated account appropriate liquid securities in an amount at least equal to the exercise price of the option. The Fund may use option contracts to gain or hedge exposure to financial market risk.

Transactions in call options written for the six months ended March 31, 2012 were as follows:

	Contracts	Premiums
Options outstanding, September 30, 2011	306	\$ 67,940
Options written	1,103	108,378
	(590)	(127,295)

Options terminated in closing purchase transactions		
Options exercised		
Options expired	(819)	(49,023)
Options outstanding, March 31, 2012		\$ 0

**H&Q HEALTHCARE INVESTORS**  
**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2012*

(continued)

Derivatives not accounted for as hedging instruments under ASC 815	Statement of Assets and Liabilities Location	Statement of Operations Location
The Fund had no open options written contracts at March 31, 2012.		Net realized gain on investments in unaffiliated issuers
		\$ 0
		Net realized gain on closed or expired option contracts written
		\$ 98,387
		Change in unrealized appreciation (depreciation) on investments in unaffiliated issuers
		\$ 0
		Change in unrealized appreciation (depreciation) on option contracts written
		(\$ 38,258)

*Milestone Interests*

The Fund holds financial instruments which reflect the current value of future milestone payments the Fund may receive as a result of contractual obligations from other parties. The value of such payments are adjusted to reflect the estimated risk with the relative uncertainty of both the timing and the achievement of individual milestones. A risk to the Fund is that the milestones will not be achieved and no payment will be received by the Fund. The milestone interests were received as part of the proceeds from the sale of three private companies.

The following is a summary of the impact of the milestone interests on the financial statements as of and for the six months ended March 31, 2012:

Statement of Assets and Liabilities, Milestone interests, at value	\$ 9,378,325
Statement of Assets and Liabilities, Net unrealized gain on investments, milestone interests and options	\$ 2,892,641

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Statement of Operations, Net realized gain on Milestone Interests	\$ 0
Statement of Operations, Change in unrealized appreciation (depreciation) on milestone interests	\$ 1,877,257

*Other Assets*

Other assets in the Statement of Assets and Liabilities consists of amounts due to the Fund at various times in the future in connection with the sale of investments in five private companies.

*Investment Transactions and Income*

Investment transactions are recorded on a trade date basis. Gains and losses from sales of investments are recorded using the "identified cost" method. Interest income is recorded on the accrual basis, adjusted for amortization of premiums and accretion of discounts. Dividend income is recorded on the ex-dividend date, minus any foreign taxes.

The aggregate cost of purchases and proceeds from sales of investment securities (other than short-term investments) for the six months ended March 31, 2012 totaled \$174,528,324 and \$186,381,865, respectively.



**H&Q HEALTHCARE INVESTORS**  
**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2012*

(continued)

*Repurchase Agreements*

In managing short-term investments the Fund may from time to time enter into transactions in repurchase agreements. In a repurchase agreement, the Fund's custodian takes possession of the underlying collateral securities from the counterparty, the market value of which is at least equal to the principal, including accrued interest, of the repurchase transaction at all times. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral by the Fund may be delayed.

*Distribution Policy*

Pursuant to a Securities and Exchange Commission exemptive order, the Fund has implemented a fixed distribution policy (the Policy) that permits the Fund to make quarterly distributions at a rate set by the Board of Trustees. Under the current Policy, the Fund intends to make quarterly distributions at a rate of 2% of the Fund's net assets to shareholders of record. The Fund intends to use net realized capital gains when making quarterly distributions, if available, but the Policy would result in a return of capital to shareholders if the amount of the distribution exceeds the Fund's net investment income and realized capital gains. Under the Policy realized capital gains in excess of the total distributed would be included in the December distribution. Previously, for the period April 5, 2010 to November 1, 2010, the Fund had made quarterly distributions at a rate of 1.25% of the Fund's net assets. The Board of Trustees suspended the Policy on August 4, 2009 and reinstated the Policy on April 5, 2010. Prior to August 4, 2009, the Fund made quarterly distributions at a rate of 2% of the Fund's net assets. The Policy has been established by the Board of Trustees and may be changed by them without shareholder approval. The Board regularly reviews the Policy and the distribution rate considering the purpose and effect of the Policy, the financial market environment, and the Fund's income, capital gains and capital available to pay distributions.

The Fund's policy is to declare distributions in stock. The distributions are automatically paid in newly-issued full shares of the Fund unless otherwise instructed by the shareholder. Fractional shares will generally be settled in cash, except for registered shareholders with book entry accounts at the Fund's transfer agent who will have whole and fractional shares added to their accounts. The Fund's transfer agent delivers an election card and instructions to each registered shareholder in connection with each distribution. The number of shares issued will be determined by dividing the dollar amount of the distribution by the lower of net asset value or market price on the pricing date. If a shareholder elects to receive a distribution in cash, rather than in shares, the shareholder's relative ownership in the Fund will be reduced. The shares reinvested will be valued at the lower of the net asset value or market price on the pricing date. Distributions in stock will not relieve shareholders of any federal, state or local income taxes that may be payable on such distributions.

*Share Repurchase Program*

In March 2012, the Trustees approved the renewal of the repurchase program to allow the Fund to repurchase up to 12% of its outstanding shares in the open market for a one year period beginning July 11, 2012. Prior to this renewal, in June 2011, the Trustees authorized a share repurchase program to allow the Fund to repurchase up to 12% of its outstanding shares for a one year period beginning July 11, 2011. The share repurchase program is intended to

enhance shareholder value and potentially reduce the discount between the market price of the Fund's shares and the Fund's net asset value.

**H&Q HEALTHCARE INVESTORS**  
**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2012*

(continued)

During the period October 01, 2011 to March 31, 2012, the Fund repurchased 721,675 shares at a total cost of \$9,947,204. The weighted average discount per share between the cost of repurchase and the net asset value applicable to such shares at the date of repurchase was 8.88%.

During the period July 11, 2011 to September 30, 2011, the Fund repurchased 137,620 shares at a total cost of \$1,866,895. The Weighted average discount per share between the cost of repurchase and the net asset value applicable to such shares at the date of repurchase was 9.73%.

*Federal Taxes*

It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute to its shareholders substantially all of its taxable income and its net realized capital gains, if any. Therefore, no Federal income or excise tax provision is required.

As of March 31, 2012, the Fund had no uncertain tax positions that would require financial statement recognition or disclosure. The Fund's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years.

*Distributions*

The Fund records all distributions to shareholders from net investment income and realized gains, if any, on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from accounting principles generally accepted in the United States of America. These differences include temporary and permanent differences from losses on wash sale transactions, installment sale adjustments, return of capital distributions and ordinary loss netting to reduce short term capital gains. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution under income tax regulations.

*Statement of Cash Flows*

The cash amount shown in the Statement of Cash Flows is the amount included in the Fund's Statement of Assets and Liabilities and represents cash on hand at its custodian and does not include short-term investments at March 31, 2012.

*Indemnifications*

Under the Fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into agreements with service providers that may contain indemnification clauses. The Fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

*(2) Investment Advisory and Other Affiliated Fees*

The Fund has entered into an Investment Advisory Agreement (the Advisory Agreement) with the Adviser. Pursuant to the terms of the Advisory Agreement, the Fund pays the Adviser a monthly fee at the rate when annualized of (i) 2.50% of the average net assets for the month of its venture capital and other restricted securities up to 25% of net assets and (ii) for all other net assets, 0.98% of the average net assets up to \$250 million, 0.88% of the average net assets for the next \$250 million, 0.80% of the average net assets for the next \$500 million and 0.70% of the average net assets thereafter. The aggregate fee would not exceed a rate when annualized of 1.36%.

**H&Q HEALTHCARE INVESTORS**  
**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2012*

(continued)

The Fund has entered into a Services Agreement (the Agreement) with the Adviser. Pursuant to the terms of the Agreement, the Fund reimburses the Adviser for certain services related to a portion of the payment of salary and provision of benefits to the Fund's Chief Compliance Officer. During the six months ended March 31, 2012 these payments amounted to \$48,695 and are included in the Other category in the Statement of Operations, together with insurance and other expenses incurred to unaffiliated entities. Expenses incurred pursuant to the Agreement as well as certain expenses paid for by the Adviser are allocated in an equitable fashion as approved by the Board of the Fund.

The Fund pays compensation to Independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The Fund does not pay compensation directly to Trustees or officers of the Fund who are also officers of the Adviser.

*(3) Other Transactions with Affiliates*

An affiliate company is a company in which the Fund holds 5% or more of the voting securities. Transactions with such companies during the six months ended March 31, 2012 were as follows:

Issuer	Value on September 30, 2011	Purchases	Sales	Income	Value on March 31, 2012
Agilix Corporation	\$ 3,952		\$ 3,966	\$	\$ 0
A.P. Pharma, Inc.	2,944,000				4,140,000
CardioKinetix, Inc.	2,785,241				2,785,241
Concentric Medical, Inc.	10,153,138		10,113,758		
EBI Life Sciences, Inc.		\$ 58,917	44,320		14,103
Euthymics Biosciences, Inc.	2,831,651	394,299	284,099		2,941,319
IntelliPharmaCeutics International, Inc.	4,008,342	283,938			3,567,789
Medwave, Inc.	2,491				
Neurovance, Inc.		256,785	6,250		249,357
Palyon Medical Corporation	2,211,809				2,211,809
PHT Corporation	5,255,869				6,266,611
Veniti, Inc.	3,244,999				3,244,999
	\$ 33,441,492	\$ 993,939	\$ 10,452,393	\$	\$ 25,421,228

*(4) 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 March 31, 2012.

At March 31, 2012, the Fund had commitments of \$1,458,813 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 March 31, 2012. The Fund on its own does not have the right to demand that such securities be registered.

Security (#)	Acquisition Date	Cost	Carrying Value per Unit	Value
Agilix Corporation				
Series B Cvt. Pfd.	11/08/01	\$ 2,347,727	\$ 0.00	\$ 0
A.P. Pharma, Inc.				
Warrants (expiration 7/01/16)	6/30/11	1,236	0.16	736,000

**H&Q HEALTHCARE INVESTORS**  
**NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2012

(continued)

Security (#)	Acquisition Date	Cost	Carrying Value per Unit	Value
<b>Athersys, Inc.</b>				
Warrants (expiration 6/08/12)	6/07/07	\$ 0	\$ 0.00	\$ 0
<b>Aveta, Inc.</b>				
Common	12/21/05	3,004,731	8.50	1,888,887
<b>CardioKinetix, Inc.</b>				
Series C Cvt. Pfd.	5/22/08	2,378,400	0.26	890,437
Series D Cvt. Pfd.	12/10/10	784,228	0.11	677,053
Series E Cvt. Pfd.	9/14/11	1,156,249	0.10	1,217,751
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
Warrants (expiration 7/07/21)	7/07/11	69	0.00	0
<b>Celladon Corporation,</b>				
Series A-1 Cvt. Pfd.	1/27/12	585,457	0.45	573,663
<b>Ceracor Laboratories, Inc.</b>				
Common	3/31/98	0	0.64	101,855
<b>Ceres, Inc.</b>				
Common	2/24/12 <sup>††</sup>	3,718,596	14.39	3,721,944
Warrants (expiration 9/05/15)	9/05/07	23	0.83	2,260
<b>Dynex Technologies, Inc.</b>				
Series A Cvt. Pfd.	1/03/2012 <sup>††</sup>	285,869	0.18	559,775
Warrants (expiration 4/01/19)	1/03/2012 <sup>††</sup>	0	0.00	0
Warrants (expiration 5/06/19)	1/03/2012 <sup>††</sup>	0	0.00	0
<b>EBI Life Sciences, Inc.</b>				
Series A Cvt. Pfd.	12/29/11 <sup>††</sup>	14,598	0.00 <sup>†</sup>	14,103
<b>Euthymics Biosciences, Inc.</b>				
Series A Cvt. Pfd.	7/14/10 - 2/28/12	2,951,194	0.92	2,941,319
<b>iCAD, Inc.</b>				
Common (Locked-up until 6/30/12)	1/05/11 <sup>††</sup>	259,486	0.47	79,975
Common (Locked-up until 12/31/12)	1/05/11 <sup>††</sup>	0	0.44	16,838

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IntelliPharmaCeutics International, Inc.				
Warrants (expiration 2/01/13)	1/31/11	0	0.44	202,488
Warrants (expiration 2/01/16)	1/31/11	0	1.04	478,608
Interlace Medical				
Milestone Interest	1/14/11	1,080,376	3,072,417	3,072,417
Labcyte, Inc.				
Series C Cvt. Pfd.	7/18/05	1,924,893	0.52	1,920,000
MacroGenics, Inc.				
Series D Cvt. Pfd.	9/04/08	1,318,294	0.65	234,008
Magellan Diagnostics, Inc.				
Series A Cvt. Pfd.	11/28/06 - 10/01/09	1,760,316	0.59	1,834,818
Warrants (expiration 4/01/19)	4/03/09	394	0.00	0
Warrants (expiration 5/06/19)	5/12/09	31	0.00	0
Neurovance, Inc.				
Series A Cvt. Pfd.	12/29/11††	250,535	0.08	249,357
OmniSonic Medical Technologies, Inc.				
Series A-1 Cvt. Pfd.	10/01/03	1,801,555	0.00†	1,548
Series B-1 Cvt. Pfd.	6/04/07, 11/15/07	961,365	0.00†	1,263
Common	5/24/01, 7/02/07	2,409,096	0.00†	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	0.93	5,007,691
Series E Cvt. Pfd.	9/12/03 - 10/19/04	941,783	0.93	1,120,180
Series F Cvt. Pfd.	7/21/08	122,594	0.93	138,740
Puma Biotechnology, Inc				
Common	10/04/11	2,867,077	3.75	2,863,500
Warrants (expiration 10/04/21)	10/04/11	0	0.00	0
Songbird Hearing, Inc.				
Common	12/14/00	3,004,862	0.67	139



**H&Q HEALTHCARE INVESTORS**  
**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2012*

(continued)

Security (#)	Acquisition Date	Cost	Carrying Value per Unit	Value
Targegen				
Milestone Interest	7/20/10	\$ 4,562,178	\$ 5,359,098	\$ 5,359,098
TherOx, Inc.				
	9/11/00,			
Series H Cvt. Pfd.	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				
Series B Cvt. Pfd.	2/23/11	2,366,726	0.50	2,360,000
Veniti, Inc.				
Series A Cvt. Pfd.	2/28/11	3,260,896	0.87	3,244,999
Verastem, Inc				
Common	1/27/12	5,174,999	9.84	6,006,423
Xoft				
Milestone Interest	1/05/11	843,130	946,810	946,810
Zyomyx, Inc.				
	2/19/99 -			
Common	1/12/04	3,902,233	0.25	18
		\$ 66,797,923		\$ 50,921,467

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

† Carrying value per unit is greater than \$0.00 but less than \$0.01.

†† Interest received as part of a corporate action for a previously owned security.



## H&Q HEALTHCARE INVESTORS

### INVESTMENT ADVISORY AGREEMENT APPROVAL

The Investment Advisory Agreement (the Advisory Agreement) between the Fund and the Adviser provides that the Advisory Agreement will continue in effect so long as its continuance is approved at least annually by (i) the Trustees of the Fund or the shareholders by affirmative vote of a majority of the outstanding shares and (ii) a majority of the Trustees of the Fund who are not interested persons (the Independent Trustees), by vote cast in person at a meeting called for the purpose of voting on such approval.

On March 20, 2012, the Board, and the Independent Trustees voting separately, determined that the terms of the Advisory Agreement are fair and reasonable and approved the continuance of the Advisory Agreement as being in the best interests of the Fund and its shareholders. In making its determination, the Board considered materials that were specifically prepared by the Adviser at the request of the Board and Fund counsel for purposes of the contract review process, including comparisons of (i) the Fund's performance to its benchmark, the NASDAQ Biotech Index (NBI), and to other investment companies, (ii) the Fund's expenses and expense ratios to those of a peer group of other investment companies, and (iii) the Adviser's profitability with respect to its services for the Fund to the profitability of other investment advisers, as described below. The Trustees took into account that the Adviser presently provides investment management services only to the Fund and to H&Q Life Sciences Investors and does not derive any benefit from its relationship with the Fund other than receipt of advisory fees pursuant to the Advisory Agreement. The Board also received and reviewed information throughout the year about the portfolio performance, the investment strategy, the portfolio management team and the fees and expenses of the Fund.

In approving the Advisory Agreement, the Board considered, among other things, the nature, extent, and quality of the services to be provided by the Adviser, the investment performance of the Fund and the Adviser, the costs of services provided and profits realized by the Adviser and its affiliates, and whether fee levels reflect economies of scale for the benefit of Fund shareholders and the extent to which economies of scale would be realized as the Fund grows. The Board reviewed information about the foregoing factors and considered changes, if any, in such information since its previous approval. The Board also evaluated the financial strength of the Adviser and the capability of the personnel of the Adviser, specifically the strength and background of its investment analysts. Fund counsel provided the Board with the statutory and regulatory requirements for approval and disclosure of investment advisory agreements. The Board, including the Independent Trustees, evaluated all of the foregoing and, considering all factors together, determined in the exercise of its business judgment that the continuance of the Advisory Agreement is in the best interests of the Fund and its shareholders. The following provides more detail on certain factors considered by the Trustees and the Board's conclusions with respect to each such factor.

The nature, extent and quality of the services to be provided by the Adviser. On a regular basis the Board considers the roles and responsibilities of the Adviser as a whole, along with specific portfolio management, support and trading functions the Adviser provides to the Fund. The Trustees considered the nature, extent and quality of the services provided by the Adviser to the Fund. The Trustees continue to be satisfied with the quality and value of the investment advisory services provided to the Fund by the Adviser, and, in particular, the management style and discipline followed by the Adviser and the quality of the Adviser's research, trading, portfolio management and administrative personnel.

## H&Q HEALTHCARE INVESTORS

### INVESTMENT ADVISORY AGREEMENT APPROVAL

(continued)

The investment performance of the Fund and the Adviser. On a regular basis the Board reviews performance information for the Fund and discusses the Fund's investment strategy with the Adviser. The Trustees reviewed performance information for the Fund over the past one-, three-, five-, and ten-year periods. Although the NBI's performance exceeded the Fund's returns by net asset value and stock price in recent periods, the Fund's return by net asset value and stock price outperformed the NBI over the long-term. The Trustees continue to be satisfied with the investment performance of the Fund and the Adviser.

The costs of services to be provided and profits to be realized by the Adviser from its relationship with the Fund. The Trustees considered the various services provided by the Adviser to the Fund and reviewed comparative information regarding the expenses and expense ratios of the Fund and a peer group of other investment companies. The Trustees noted that the Adviser's fees are within the range of fees presented in the comparative information and noted that a portion of the Fund's investment portfolio is invested in venture and restricted securities, a portfolio management service that can command higher management fees than those charged by the Adviser pursuant to the Advisory Agreement. The Trustees also considered financial information provided by the Adviser, including financial statements of the Adviser and a comparison of the Adviser's profitability with respect to its services for the Fund to the profitability of other privately held investment advisers. Based on the information provided to and evaluated by the Trustees, the Trustees concluded that the fees charged by the Adviser are fair and reasonable in light of the quality and nature of the services provided by the Adviser and that the profitability of the Adviser's relationship with the Fund has not been excessive. The fees charged by the Adviser are within a reasonable range of fees as compared to fees charged by other investment advisers, and the services provided by the Adviser and the amounts paid under the Advisory Agreement are sufficiently favorable in comparison to the services rendered and fees charged by others for similar services to warrant a finding that fees to be paid by the Fund are fair.

Whether fee levels reflect economies of scale and the extent to which economies of scale would be realized as the Fund grows. The Trustees considered that the Advisory Agreement provides for breakpoints in the advisory fees so that the Fund will share the benefits of the economies of scale that would inure to the Adviser as the Fund's assets increase. The Trustees reviewed the net assets of the Fund over the last five years, the recent investment performance of the Fund, and the management fees of other funds with similar investment objectives. Given the asset size of the Fund, and as economies of scale are still modest at current Fund asset levels, the Trustees determined that the Fund's breakpoint schedule is satisfactory and fair.

## **H&Q HEALTHCARE INVESTORS**

### **PRIVACY NOTICE**

If you are a registered shareholder of the Fund, the Fund and Hambrecht & Quist Capital Management LLC, the Fund's investment adviser, may receive nonpublic personal information about you from the information collected by the transfer agent from your transactions in Fund shares. Any nonpublic personal information is not disclosed to third parties, except as permitted or required by law. In connection with servicing your account and effecting transactions, the information received may be shared with the investment adviser and non-affiliates, including transfer agents, custodians or other service companies. Access to your nonpublic personal information is restricted to employees who need to know that information to provide products or services to you. To maintain the security of your nonpublic personal information, physical, electronic, and procedural safeguards are in place that comply with federal standards. The policies and practices described above apply to both current and former shareholders.

If your Fund shares are held in "street name" at a bank or brokerage, we do not have access to your personal information and you should refer to your bank's or broker's privacy policies for a statement of the treatment of your personal information.

### **FOR MORE INFORMATION**

A description of the Fund's proxy voting policies and procedures and information on how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available (i) without charge, upon request by calling 1-800-451-2597; (ii) by writing to Hambrecht & Quist Capital Management LLC at 2 Liberty Square, 9th floor, Boston, MA 02109; (iii) on the Fund's website at [www.hqcm.com](http://www.hqcm.com); and (iv) on the Securities and Exchange Commission's (SEC) website at [www.sec.gov](http://www.sec.gov).

The Fund's complete Schedule of Investments for the first and third quarters of its fiscal year will be filed quarterly with the SEC on Form N-Q. This Schedule of Investments will also be available on the Fund's website at [www.hqcm.com](http://www.hqcm.com) or the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC or by calling 1-800-SEC-0330.

### **DISTRIBUTION POLICY**

The Fund has a fixed distribution policy as described in the Notes to Financial Statements. For more information contact your financial adviser.

### **PORTFOLIO MANAGEMENT**

Daniel R. Omstead, Ph.D., Christopher Brinzey, M.B.A., Frank Gentile, Ph.D. and Jason C. Akus, M.D./M.B.A. are members of a team that analyzes investments on behalf of the Fund. Dr. Omstead exercises ultimate decision making authority with respect to investments.

### **HOUSEHOLDING**

A number of banks, brokers and financial advisers have instituted "householding". Under this practice, which has been approved by the SEC, only one copy of shareholder documents may be delivered to multiple shareholders who share the same address and satisfy other conditions. Householding is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. If you do not want the mailing of your shareholder documents to be combined with those of other members of your household, please contact your bank, broker or financial adviser.





**H&Q HEALTHCARE INVESTORS**

New York Stock Exchange Symbol: HQH

NAV Symbol: XHQH

2 Liberty Square, 9th Floor  
Boston, Massachusetts 02109  
(617) 772-8500  
www.hqcm.com

**Officers**

Daniel R. Omstead, Ph.D., President  
Laura Woodward, CPA, Chief Compliance Officer,  
Secretary and Treasurer

**Trustees**

Michael W. Bonney

Rakesh K. Jain, Ph.D.

Daniel R. Omstead, Ph.D

Oleg M. Pohotsky

William S. Reardon, CPA

Uwe E. Reinhardt, Ph.D.

Lucinda H. Stebbins, CPA

**Investment Adviser**

Hambrecht & Quist Capital Management LLC

**Administrator & Custodian**

State Street Bank and Trust Company

**Transfer Agent**

Computershare, Inc.

**Legal Counsel**

Dechert LLP



Shareholders with questions regarding share transfers may call

**1-800-426-5523**

Daily net asset value may be obtained from  
our website ([www.hqcm.com](http://www.hqcm.com)) or by calling

**1-800-451-2597**

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**Item 2. CODE OF ETHICS.**

Not applicable to this semi-annual filing.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.**

Not applicable to this semi-annual filing.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

Not applicable to this semi-annual filing.

**ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.**

Not applicable to this semi-annual filing.

**ITEM 6. INVESTMENTS.**

The Registrant's Schedule of Investments is included as part of the Report to Shareholders filed under Item 1 of this form.

**ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

Not applicable to this semi-annual filing.

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**ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES**

Not applicable to this semi-annual filing.

**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.**

Period	(a) Total No. of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total No. of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum No. of Shares that May Yet Be Purchased Under the Plans or Programs
Month #1 (Oct. 1, 2011 Oct. 31, 2011)	184,661	13.46	184,661	2,803,463
Month #2 (Nov. 1, 2011 Nov. 30, 2011)	246,956	13.70	246,956	2,556,507
Month #3 (Dec. 1, 2011 Dec. 31, 2011)	246,418	13.83	246,418	2,310,089
Month #4 (Jan. 1, 2012 Jan. 31, 2012)	43,640	15.04	43,640	2,266,449
Month #5 (Feb. 1, 2012 Feb. 28, 2012)				2,266,449
Month #6 (Mar. 1, 2012 Mar. 31, 2012)				2,266,449
<b>Total</b>	<b>721,675</b>	<b>13.76</b>	<b>721,675</b>	

- (1) On June 30, 2011, the share repurchase program was announced, allowing the Registrant to repurchase up to 12% of its outstanding shares for a one year period beginning July 11, 2011. On March 23, 2012, the share repurchase program was renewed, allowing the Registrant to repurchase up to 12% of its outstanding shares for a one year period beginning July 11, 2012.

**ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

There have been no material changes to the procedures by which the shareholders may recommend nominees to the Registrant's Board of Trustees, where those changes were implemented after the Registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A, or this Item.

**ITEM 11. CONTROLS AND PROCEDURES.**

- (a) In the opinion of the principal executive officer and principal financial officer, based on their evaluation which took place within 90 days of this filing, the Registrant's disclosure controls and procedures are adequately designed and are operating effectively to ensure (i) that material information relating to the Registrant, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this report is being prepared; and (ii) that information required to be disclosed by the registrant on Form N-CSR is recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission's rules and forms.

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(b) There were no changes in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal half-year that have materially affected or that are reasonably likely to materially affect the Registrant's internal control.

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**ITEM 12. EXHIBITS**

(a)(1) Code of Ethics - Not applicable to this semi-annual filing.

(a)(2) Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 is attached hereto (Exhibit 1).

(a)(3) Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 is attached hereto (Exhibit 2).

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto (Exhibit 3).

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**SIGNATURES**

Pursuant to the requirements of the Securities 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: 6/1/12

Pursuant to the requirements of the Securities 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: 6/1/12

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\* Print the name and title of each signing officer under his or her signature.

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