

H&Q HEALTHCARE INVESTORS
Form N-Q
February 22, 2013

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

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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: 12/31/12

Item 1. Schedule of Investments.

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

DECEMBER 31, 2012

(Unaudited)

SHARES		VALUE
	CONVERTIBLE SECURITIES AND WARRANTS 6.4% of Net Assets	
	Convertible Preferred and Warrants (Restricted)(a) (b) 6.2%	
	<i>Biotechnologies/Biopharmaceuticals 1.6%</i>	
7,399,474	Celladon Corporation Series A-1	\$ 3,322,364
3,696,765	EBI Life Sciences, Inc. Series A (c)	16,266
4,118,954	Euthymics Biosciences, Inc. Series A (c)	3,779,964
358,852	MacroGenics, Inc. Series D	234,007
3,696,765	Neurovance, Inc. Series A (c)	287,608
4,977,548	Neurovance, Inc. Series A-1 (c)	387,253
		8,027,462
	<i>Healthcare Services 1.3%</i>	
5,384,615	PHT Corporation Series D (c)	4,200,000
1,204,495	PHT Corporation Series E (c)	1,866,606
149,183	PHT Corporation Series F (c)	395,529
		6,462,135
	<i>Medical Devices and Diagnostics 3.3%</i>	
3,424,756	CardioKinetix, Inc. Series C (c)	0
6,155,027	CardioKinetix, Inc. Series D (c)	34,468
12,177,507	CardioKinetix, Inc. Series E (c)	2,311,291
N/A	CardioKinetix, Inc. warrants (expiration 12/11/19) (c) (d)	0
N/A	CardioKinetix, Inc. warrants (expiration 6/03/20) (c) (d)	0
N/A	CardioKinetix, Inc. warrants (expiration 7/07/21) (c) (d)	0
3,109,861	Dynex Technologies, Inc. Series A (c)	559,775
142,210	Dynex Technologies, Inc. warrants (expiration 4/01/19) (c)	0
11,335	Dynex Technologies, Inc. warrants (expiration 5/06/19) (c)	0
4,499,218	IlluminOss Medical, Inc. Series C-1 (c)	1,725,000
3,669,024	Labcyte, Inc. Series C	2,403,211
160,767	Labcyte, Inc. Series D	102,891
3,109,861	Magellan Diagnostics, Inc. Series A (c)	2,131,188
142,210	Magellan Diagnostics, Inc. warrants (expiration 4/01/19) (c)	0
11,335	Magellan Diagnostics, Inc. warrants (expiration 5/06/19) (c)	0
13,823,805	Palyon Medical Corporation Series A (c)	1,893,861
N/A	Palyon Medical Corporation warrants (expiration 4/26/19) (c) (d)	0
65,217	TherOx, Inc. Series H	652
149,469	TherOx, Inc. Series I	1,495
4,720,000	Tibion Corporation Series B	1,416,000
N/A	Tibion Corporation warrants (expiration 7/12/17) (d)	0
N/A	Tibion Corporation warrants (expiration 10/30/17) (d)	0
N/A	Tibion Corporation warrants (expiration 11/28/17) (d)	0
3,750,143	Veniti, Inc. Series A (c)	3,585,137
		16,164,969
		30,654,566

The accompanying notes are an integral part of these schedule of investments.

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PRINCIPAL AMOUNT		VALUE
	Convertible Notes (a) 0.2%	
	Medical Devices and Diagnostics (Restricted) 0.2%	
\$ 737,500	Palyon Medical Corporation Cvt. Promissory Note, 8.00% due 4/26/13 (c)	\$ 737,500
483,105	Tibion Corporation Cvt. Promissory Note, 6.00% due 7/12/13	483,105
	TOTAL CONVERTIBLE NOTES	1,220,605
	TOTAL CONVERTIBLE SECURITIES AND WARRANTS	
	(Cost \$37,949,819)	31,875,171
SHARES		
	COMMON STOCKS AND WARRANTS 90.6%	
	Biotechnologies/Biopharmaceuticals 53.5%	
93,635	Acorda Therapeutics, Inc. (b)	2,327,766
231,115	Alexion Pharmaceuticals, Inc. (b)	21,680,897
312,351	Alkermes plc (b)	5,784,740
108,700	Allergan, Inc.	9,971,051
461,126	Amarin Corporation plc (b) (f)	3,730,509
6,808	Amgen, Inc.	587,667
5,910,745	Antisoma plc (b) (e)	178,227
426,848	ARIAD Pharmaceuticals, Inc. (b)	8,186,945
77,675	Baxter International, Inc.	5,177,815
151,080	Biogen Idec, Inc. (b)	22,158,904
403,533	Celgene Corporation (b)	31,766,118
258,025	Ceres, Inc. (b)	1,171,433
2,723	Ceres, Inc. warrants (Restricted, expiration 9/05/15) (a) (b)	926
178,158	Cubist Pharmaceuticals, Inc. (b)	7,493,325
617,585	Curis, Inc. (b)	2,118,317
376,728	Dendreon Corporation (b)	1,989,124
519,971	Gilead Sciences, Inc. (b)	38,191,870
367,784	Keryx Biopharmaceuticals, Inc. (b)	963,594
466,980	Nektar Therapeutics (b)	3,460,322
871,221	Neurocrine Biosciences, Inc. (b)	6,516,733
404,250	NPS Pharmaceuticals, Inc. (b)	3,678,675
127,788	Onyx Pharmaceuticals, Inc. (b)	9,651,828
762,910	Puma Biotechnology, Inc. (b)	14,304,562
258,115	Questcor Pharmaceuticals, Inc.	6,896,833
210,044	Regeneron Pharmaceuticals, Inc. (b)	35,932,227
51,568	United Therapeutics Corporation (b)	2,754,763
610,595	Verastem, Inc. (b)	5,367,130
262,295	Vertex Pharmaceuticals, Inc. (b)	11,000,652
181,353	VIVUS, Inc. (b)	2,433,757
		265,476,710

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SHARES		VALUE
Drug Delivery 1.6%		
6,651,340	A.P. Pharma, Inc. (b)	\$ 3,624,980
4,600,000	A.P. Pharma, Inc. warrants (Restricted, expiration 7/01/16) (a) (b)	1,283,400
1,023,650	IntelliPharmaCeutics International, Inc. (b) (c)	2,528,416
460,200	IntelliPharmaCeutics International, Inc. warrants (Restricted, expiration 2/01/13) (a) (b) (c)	41,418
460,200	IntelliPharmaCeutics International, Inc. warrants (Restricted, expiration 2/01/16) (a) (b) (c)	345,150
		7,823,364
Drug Discovery Technologies 1.8%		
393,773	Immunogen, Inc. (b)	5,020,606
244,312	Incyte Corporation (b)	4,058,022
70	Zyomyx, Inc. (Restricted) (a) (b)	18
		9,078,646
Generic Pharmaceuticals 10.9%		
609,310	Akorn, Inc. (b)	8,140,382
245,214	Impax Laboratories, Inc. (b)	5,024,435
501,580	Mylan, Inc. (b)	13,783,418
136,379	Perrigo Company	14,187,507
196,358	Teva Pharmaceutical Industries Ltd. (f)	7,332,008
63,135	Watson Pharmaceuticals, Inc. (b)	5,429,610
		53,897,360
Healthcare Services 5.9%		
197,241	Aetna, Inc.	9,132,258
96,600	Covance, Inc. (b)	5,580,582
71,591	CVS Caremark Corporation	3,461,425
222,222	InnovaCare Health, Inc. (Restricted) (a) (b) (g)	871,110
56,862	McKesson Corporation	5,513,339
82,436	UnitedHealth Group, Inc.	4,471,329
		29,030,043
Medical Devices and Diagnostics 8.0%		
463,627	Accuray, Inc. (b)	2,981,122
351,726	Alere, Inc. (b)	6,506,931
160,000	Cercacor Laboratories, Inc. (Restricted) (a) (b)	92,125
58,200	Edwards Lifesciences Corporation (b)	5,247,894
561,739	Hologic, Inc. (b)	11,251,632
44,595	iCAD, Inc. (b)	213,610
7,636	iCAD, Inc. (Locked-up until 12/31/12) (Restricted) (a) (b)	34,748
38,597	IDEXX Laboratories, Inc. (b)	3,581,801
62,208	Illumina, Inc. (b)	3,458,143
830,292	Medwave, Inc. (b) (c)	0
208	Songbird Hearing, Inc. (Restricted) (a) (b)	139
98,184	Thermo Fisher Scientific, Inc.	6,262,175
		39,630,320

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SHARES		VALUE
Pharmaceuticals 8.9%		
219,176	Endo Pharmaceuticals Holdings, Inc. (b)	\$ 5,757,753
143,718	Ironwood Pharmaceuticals, Inc. (b)	1,593,833
180,080	Medivation, Inc. (b)	9,212,893
296,620	Merck & Co., Inc.	12,143,623
56,068	Sanofi, Contingent Value Rights (expiration 12/31/20) (b)	95,596
115,629	Shire plc (f)	10,658,681
401,482	Warner Chilcott plc	4,833,843
		44,296,222
TOTAL COMMON STOCKS AND WARRANTS		
(Cost \$348,181,624)		449,232,665
PRINCIPAL AMOUNT		
SHORT-TERM INVESTMENT 1.0%		
\$ 4,846,000	Repurchase Agreement, State Street Bank and Trust Co., repurchase value \$4,846,003, 0.01%, dated 12/31/12, due 01/02/13 (collateralized by U.S. Treasury Bond 4.500%, due 02/15/36, market value \$4,944,372)	4,846,000
TOTAL SHORT-TERM INVESTMENT		
(Cost \$4,846,000)		4,846,000
TOTAL INVESTMENTS BEFORE MILESTONE INTERESTS - 98.0%		
(Cost \$390,977,443)		485,953,836
INTEREST		
MILESTONE INTERESTS (Restricted)(a) (b) 1.8%		
Biotechnologies/Biopharmaceuticals 1.1%		
1	Targegen Milestone Interest	5,449,980
Medical Devices and Diagnostics 0.7%		
1	Interlace Medical Milestone Interest	2,458,242
1	Xoft Milestone Interest	962,526
		3,420,768
TOTAL MILESTONE INTERESTS		
(Cost \$6,116,717)		8,870,748
TOTAL INVESTMENTS - 99.8%		
(Cost \$397,094,160)		494,824,584
OTHER ASSETS IN EXCESS OF LIABILITIES - 0.2%		954,937
NET ASSETS - 100%		\$ 495,779,521