

H&Q HEALTHCARE INVESTORS
Form N-Q
August 26, 2005

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

OMB APPROVAL
OMB Number: 3235-0578
Expires: February 28, 2006
Estimated average burden hours per
response.....20.00

FORM N-Q

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

Investment Company Act file number 811-06565

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

30 Rowes Wharf, Boston, MA
(Address of principal executive offices)

02110
(Zip code)

(Name and address of agent for service)

Copy to:

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

Date of fiscal year end: September 30

Date of reporting period: 6/30/05

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-% (ss.ss. 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b-15 under the Investment Company Act of 1940 (17CFR 270.3b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss.3507.

Item 1. Schedule of Investments.

H&Q HEALTHCARE INVESTORS
SCHEDULE OF INVESTMENTS

JUNE 30, 2005
(Unaudited)

| SHARES | | VALUE |
|-----------|--|---------------|
| | CONVERTIBLE SECURITIES 12.2% of Net Assets | |
| | Convertible Preferred (Restricted) 12.0% | |
| | <i>Drug Discovery Technologies 1.6%</i> | |
| 2,380,953 | Agilix Corporation Series B (a) (b) | \$ 571,429 |
| 850,436 | Avalon Pharmaceuticals Series B (a) | 1,020,523 |
| 375,000 | Ceres, Inc. Series C (a) | 2,250,000 |
| 27,443 | Ceres, Inc. Series C-1 (a) (c) | 164,658 |
| 277,967 | Ceres, Inc. Series D (a) (c) | 1,667,802 |
| 1,398,732 | Galileo Pharmaceuticals, Inc. Series F-1 (a) | 489,556 |
| 300,000 | Zyomix, Inc. Series A New (a) | 30,000 |
| 300 | Zyomix, Inc. Series B New (a) | 30 |
| | <i>Emerging Biopharmaceuticals 3.7%</i> | |
| 952,381 | Agensys, Inc. Series C (a) | 3,000,000 |
| 2,586,207 | Corus Pharma, Inc. Series C (a) | 3,000,000 |
| 1,818,182 | Raven biotechnologies, Inc. Series B (a) (b) | 1,509,091 |
| 2,809,157 | Raven biotechnologies, Inc. Series C (a) (b) | 2,331,600 |
| 3,647,417 | Raven biotechnologies, Inc. Series D (a) (b) | 1,200,000 |
| 47,407 | Therion Biologics Corporation Series A (a) | 57,837 |
| 240,000 | Therion Biologics Corporation Series B (a) | 292,800 |
| 407,712 | Therion Biologics Corporation Series C (a) (c) | 497,409 |
| 33,332 | Therion Biologics Corporation Series C-2 (a) (c) | 40,665 |
| 36,092 | Therion Biologics Corporation Sinking Fund (a) | 361 |
| 2,100,000 | Xanthus Life Sciences, Inc. Series B (a) (b) | 2,100,000 |
| | <i>Healthcare Services 3.6%</i> | |
| 1,577,144 | CardioNet, Inc. Series C (a) (b) | 5,520,004 |
| 484,829 | CytoLogix Corporation Series A (a) (b) | 399,984 |
| 227,130 | CytoLogix Corporation Series B (a) (b) (c) | 187,382 |
| 160,000 | I-trax, Inc. Series A (a) | 2,624,000 |
| 5,384,615 | PHT Corporation Series D (a) (b) | 4,200,000 |
| 1,204,495 | PHT Corporation Series E (a) (b) | 939,506 |
| | <i>Medical Devices and Diagnostics 3.1%</i> | |
| 4,852,940 | Concentric Medical, Inc. Series B (a) (b) (d) | 4,173,528 |
| 1,744,186 | Concentric Medical, Inc. Series C (a) (b) | 1,500,000 |
| 222,222 | EPR, Inc. Series A (a) | 2,222 |
| 160,000 | Masimo Corporation Series D (a) | 1,760,000 |
| 1,632,653 | OmniSonics Medical Technologies, Inc. Series B (a) (b) | 2,181,224 |
| 1,547,988 | OmniSonics Medical Technologies, Inc. Series C (a) (b) | 1,800,000 |
| 652,173 | TherOx, Inc. Series H (a) | 247,826 |
| | | \$ 45,759,437 |

PRINCIPAL
AMOUNT

Convertible Notes (Restricted) 0.2%

Edgar Filing: H&Q HEALTHCARE INVESTORS - Form N-Q

| | | | |
|----|---------|---|---------|
| | | <i>Drug Discovery Technologies</i> 0.05% | |
| \$ | 198,511 | Avalon 8% Cvt. Note, due 2006 | 198,511 |
| | | <i>Healthcare Services</i> 0.04% | |
| | 168,337 | CytoLogix Corporation 6.75% Cvt. Note (b) (e) | 168,337 |

| PRINCIPAL AMOUNT | | VALUE |
|------------------|--|---------------|
| | CONVERTIBLE SECURITIES continued | |
| | Convertible Notes (Restricted) continued | |
| | Medical Devices and Diagnostics 0.08% | |
| \$ 304,085 | TherOx, Inc. 6.0% Cvt. Bridge Note, due 2006 (c) | \$ 304,085 |
| | | \$ 670,933 |
| | TOTAL CONVERTIBLE SECURITIES | |
| | (Cost \$62,823,288) | \$ 46,430,370 |

SHARES

| COMMON STOCKS 77.4% | | |
|--|---|------------|
| Biopharmaceuticals 21.6% | | |
| 608,035 | Cubist Pharmaceuticals, Inc. (a) | 8,007,821 |
| 200,001 | Cubist Pharmaceuticals, Inc. (Restricted) (a) | 2,634,013 |
| 155,200 | Endo Pharmaceuticals Holdings (a) | 4,078,656 |
| 97,500 | Forest Laboratories, Inc. (a) | 3,787,875 |
| 20,000 | Genentech, Inc. (a) | 1,605,600 |
| 88,075 | Genzyme Corporation (a) | 5,292,427 |
| 88,200 | Gilead Sciences, Inc. (a) | 3,879,918 |
| 96,700 | Imclone Systems, Inc. (a) | 2,994,799 |
| 69,225 | Inspire Pharmaceuticals Inc. (a) | 582,875 |
| 97,800 | Martek Biosciences Corporation (a) | 3,711,510 |
| 249,400 | MedImmune, Inc. (a) | 6,663,968 |
| 235,000 | MGI Pharma, Inc. (a) | 5,113,600 |
| 615,000 | Millennium Pharmaceuticals Inc (a) | 5,701,050 |
| 315,000 | Nabi Biopharmaceuticals (a) | 4,797,450 |
| 488,740 | NPS Pharmaceuticals, Inc. (a) | 5,547,199 |
| 291,900 | Pfizer, Inc. | 8,050,602 |
| 373,625 | QLT, Inc. (a) | 3,893,172 |
| 167,500 | The Medicines Company | 3,917,825 |
| 464,900 | Vivus, Inc. | 1,713,157 |
| | | 81,973,517 |
| Drug Delivery 4.3% | | |
| 443,940 | Alkermes, Inc. (a) | 5,868,887 |
| 218,640 | Connetics Corporation (a) | 3,856,810 |
| 749,933 | DepoMed, Inc. (a) | 3,277,207 |
| 270,520 | Penwest Pharmaceuticals Co. | 3,197,546 |
| | | 16,200,450 |
| Drug Discovery Technologies 1.0% | | |
| 236,443 | Senomyx, Inc. | 3,903,674 |
| 300,000 | Zyomyx, Inc. (Restricted) (a) | 3,000 |
| | | 3,906,674 |
| Emerging Biopharmaceuticals 21.2% | | |
| 509,133 | ACADIA Pharmaceuticals, Inc. | 4,276,717 |
| 387,025 | Adolor Corporation | 3,579,981 |
| 712,341 | Ariad Pharmaceuticals, Inc. | 4,744,191 |

Edgar Filing: H&Q HEALTHCARE INVESTORS - Form N-Q

| SHARES | | VALUE |
|--|--|--------------|
| COMMON STOCKS continued | | |
| Emerging Biopharmaceuticals continued | | |
| 368,125 | Barrier Therapeutics, Inc. | \$ 2,919,231 |
| 202,600 | DOV Pharmaceutical, Inc. (a) | 3,780,516 |
| 298,742 | Dyax Corporation | 1,410,062 |
| 912,000 | Exelixis, Inc. | 6,776,160 |
| 596,000 | Incyte Corporation | 4,261,400 |
| 568,600 | Kosan Biosciences, Inc. | 3,002,208 |
| 470,000 | Medarex, Inc. (a) | 3,915,100 |
| 190,150 | Momenta Pharmaceuticals, Inc. | 3,759,266 |
| 510,880 | Myogen, Inc. (c) | 3,571,051 |
| 296,090 | Neurogen Corporation | 2,019,334 |
| 179,160 | Nitromed, Inc. | 3,484,662 |
| 522,956 | Nuvelo, Inc. | 4,042,450 |
| 165,450 | Progenics Pharmaceuticals, Inc. | 3,451,287 |
| 312,000 | Protein Design Labs, Inc. (a) | 6,305,520 |
| 616,380 | Seattle Genetics, Inc. | 3,303,797 |
| 88,004 | Telik, Inc. (a) | 1,430,945 |
| 368,086 | Tercica, Inc. | 3,198,667 |
| 423,541 | Theravance, Inc. (a) | 7,200,197 |
| 226,760 | Therion Biologics Corporation (Restricted) (a) | 2,268 |
| | | 80,435,010 |
| Generic Pharmaceuticals 9.6% | | |
| 112,200 | Barr Pharmaceuticals Inc (a) | 5,468,628 |
| 418,154 | Impax Laboratories, Inc. (a) | 6,565,018 |
| 204,050 | IVAX Corporation | 4,387,075 |
| 247,000 | Medicis Pharmaceutical Corporation | 7,837,310 |
| 143,400 | Par Pharmaceutical Companies, Inc. | 4,561,554 |
| 248,700 | Teva Pharmaceutical Industries, Ltd. ADR | 7,744,518 |
| | | 36,564,103 |
| Healthcare Services 5.3% | | |
| 26,125 | DakoCytomation, Inc. (Restricted) (f) | 271,961 |
| 363,000 | Eclipsys Corporation | 5,107,410 |
| 240,124 | Emageon, Inc. | 3,364,137 |
| 306,208 | Syntiro Healthcare Services (Restricted) (a) | 3,062 |
| 300,000 | Tenet Healthcare Corporation (a) | 3,672,000 |
| 754,500 | WebMD Corp (a) | 7,748,715 |
| | | 20,167,285 |
| Medical Devices and Diagnostics 14.4% | | |
| 122,105 | Adeza Biomedical Corporation | 2,073,343 |
| 949,200 | Conor Medsystems, Inc. (Restricted) (a) | 13,841,709 |
| 136,000 | Gen-Probe, Inc. (a) | 4,927,280 |
| 131,900 | IDEXX Laboratories, Inc. (a) | 8,221,327 |
| 286,961 | Intralase Corporation (a) | 5,630,175 |
| 160,000 | Masimo Corporation (Restricted) (a) | 1,600 |
| 120,600 | Medtronic Inc. | 6,245,874 |
| 33,735 | Molecular Devices Corporation (a) | 729,688 |

| SHARES | | VALUE |
|--|--|----------------|
| COMMON STOCKS continued | | |
| Medical Devices and Diagnostics continued | | |
| 249,993 | Orchid Cellmark Inc. | \$ 2,702,425 |
| 1,020,000 | Orthovita, Inc. | 4,008,600 |
| 208,529 | Songbird Hearing, Inc. (Restricted) (a) | 2,085 |
| 546,875 | VNUS Medical Technologies, Inc. (a) | 6,578,906 |
| | | 54,963,012 |
| | TOTAL COMMON STOCKS | |
| | (Cost \$254,546,680) | \$ 294,210,051 |
| | | |
| PRINCIPAL AMOUNT | | VALUE |
| SHORT-TERM INVESTMENTS 10.1% | | |
| \$ 5,000,000 | American Express Credit Corp.; 3.21% due 07/13/05 | 4,994,650 |
| 4,000,000 | American Express Credit Corp.; 3.23% due 07/15/05 | 3,994,976 |
| 8,900,000 | ING U.S. Funding LLC.; 3.22% due 07/11/05 | 8,892,040 |
| 6,700,000 | Merrill Lynch & Co. Inc.; 3.07% due 07/01/05 | 6,700,000 |
| 3,400,000 | United Parcel Service America Inc.; 2.96% due 07/08/05 | 3,398,043 |
| 2,000,000 | Verizon Network Funding; 3.11% due 07/06/05 | 1,999,136 |
| 8,600,000 | Verizon Network Funding; 3.12% due 07/06/05 | 8,596,273 |
| | TOTAL SHORT-TERM INVESTMENTS | |
| | (Cost \$38,575,118) | \$ 38,575,118 |
| | TOTAL INVESTMENTS - 100% | |
| | (Cost \$355,945,086) | \$ 379,215,539 |
| | OTHER ASSETS IN EXCESS OF LIABILITIES - (0%) | \$ 1,056,349 |
| | NET ASSETS - (100%) | \$ 380,271,888 |

-
- (a) Non-income producing security.
(b) Affiliated issuers in which the Fund holds 5% or more of the voting securities (Total Market Value of \$28,782,086).
(c) Including associated warrants.
(d) Includes 321,000 non-voting shares.
(e) Variable maturity.
(f) Foreign Security.
ADR American Depository Receipt.

H&Q HEALTHCARE INVESTORS*(unaudited)*

The following table details the acquisition date, cost, carrying value per unit, and value of the Fund's venture capital and other restricted securities at June 30, 2005, as determined by the Trustees of the Fund.

| Security (g) | Acquisition Date | Cost | Carrying Value per Unit | Value |
|--------------------------------------|-------------------|--------------|-------------------------|--------------|
| Agensys, Inc. | | | | |
| Series C Cvt. Pfd. | 2/14/02 | \$ 3,005,073 | \$ 3.15 | \$ 3,000,000 |
| Agilix Corporation | | | | |
| Series B Cvt. Pfd. | 11/8/01 | 3,014,260 | 0.24 | 571,429 |
| Avalon Pharmaceuticals | | | | |
| Series B Cvt. Pfd. | 10/22/01 | 3,008,325 | 1.20 | 1,020,523 |
| Bridge Loan | 2/11/05 | 198,511 | 1.00 | 198,511 |
| CardioNet, Inc. | | | | |
| Series C Cvt. Pfd. | 5/3/01 - 3/25/03 | 5,549,183 | 3.50 | 5,520,004 |
| Ceres, Inc. | | | | |
| Series C Cvt. Pfd. | 12/23/98 | 1,502,620 | 6.00 | 2,250,000 |
| Series C-1 Cvt. Pfd. | 3/31/01 | 111,488 | 6.00 | 164,658 |
| Series D Cvt. Pfd. | 3/14/01 | 1,668,122 | 6.00 | 1,667,802 |
| Concentric Medical, Inc. | | | | |
| Series B Cvt. Pfd. | 5/7/02 - 1/24/03 | 3,329,210 | 0.86 | 4,173,528 |
| Series C Cvt. Pfd. | 12/19/03 | 1,500,000 | 0.86 | 1,500,000 |
| Conor MedSystems, Inc. | | | | |
| Restricted Common | 10/23/2003-8/6/04 | 3,056,876 | 14.58 | 13,841,709 |
| Corus Pharma, Inc. | | | | |
| Series C Cvt. Pfd. | 4/8/04 | 3,002,344 | 1.16 | 3,000,000 |
| Cubist Pharmaceuticals, Inc. | | | | |
| Restricted Common | 8/14/03 | 450,237 | 13.17 | 2,634,013 |
| CytoLogix Corporation | | | | |
| Series A Cvt. Pfd. | 1/13/98-7/21/99 | 1,622,895 | 0.83 | 399,984 |
| Series B Cvt. Pfd. | 1/11/01 | 760,284 | 0.83 | 187,382 |
| Cvt. Note | 5/29/02 | 168,337 | 1.00 | 168,337 |
| DakoCytomation, Inc. | | | | |
| Restricted Common | 6/14/04 | 1,102,920 | 10.41 | 271,961 |
| EPR, Inc. | | | | |
| Series A Cvt. Pfd. | 3/9/94 | 1,000,409 | 0.01 | 2,222 |
| Galileo Pharmaceuticals, Inc. | | | | |

Edgar Filing: H&Q HEALTHCARE INVESTORS - Form N-Q

| | | | | |
|--|--------------------|-----------|-------|-----------|
| Series F-1 Cvt. Pfd. | 8/18/00 | 3,002,895 | 0.35 | 489,556 |
| I-trax, Inc. | | | | |
| Series A Cvt. Pfd. | 3/18/04 | 4,003,650 | 16.40 | 2,624,000 |
| Masimo Corporation | | | | |
| Series D Cvt. Pfd. | 8/14/96 | 1,120,041 | 11.00 | 1,760,000 |
| Restricted Common | 3/31/98 | 0 | 0.01 | 1,600 |
| OmniSonics Medical Technologies, Inc. | | | | |
| Series B Cvt. Pfd. | 5/24/01 | 2,409,023 | 1.34 | 2,181,224 |
| Series C Cvt. Pfd. | 10/1/03 | 1,800,336 | 1.16 | 1,800,000 |
| PHT Corporation | | | | |
| Series D Cvt. Pfd. | 7/23/01 | 4,205,754 | 0.78 | 4,200,000 |
| Series E Cvt. Pfd. | 9/12/03 - 10/14/04 | 941,669 | 0.78 | 939,506 |

Edgar Filing: H&Q HEALTHCARE INVESTORS - Form N-Q

| | | | | | |
|--------------------------------------|-------------------|----|------------|----|-------------------|
| Raven biotechnologies, Inc. | | | | | |
| Series B Cvt. Pfd. | 12/12/00 | \$ | 3,001,725 | \$ | 0.83 \$ 1,509,091 |
| Series C Cvt. Pfd. | 11/26/02 | | 2,331,600 | | 0.83 2,331,600 |
| Series D Cvt. Pfd. | 6/23/05 | | 1,200,000 | | 0.33 1,200,000 |
| Songbird Hearing, Inc. | | | | | |
| Restricted Common | 12/14/00 | | 3,004,861 | | 0.01 2,085 |
| Syntiro Healthcare Services | | | | | |
| Restricted Common | 2/5/97 | | 1,200,325 | | 0.01 3,062 |
| Therion Biologics Corporation | | | | | |
| Series A Cvt. Pfd. | 8/20/96-10/16/96 | | 444,850 | | 1.22 57,837 |
| Series B Cvt. Pfd. | 6/22/99 | | 901,393 | | 1.22 292,800 |
| Series C Cvt. Pfd. | 9/26/01-10/15/01 | | 1,529,348 | | 1.22 497,409 |
| Series C-2 Units | 8/13/03 | | 59,998 | | 1.22 40,665 |
| Sinking Fund Cvt. Pfd. | 10/18/94-8/20/96 | | 721,291 | | 0.01 361 |
| Restricted Common | 7/12/90-1/25/96 | | 511,365 | | 0.01 2,268 |
| TherOx, Inc. | | | | | |
| Series H Cvt. Pfd. | 9/11/00 | | 3,002,506 | | 0.38 247,826 |
| Cvt. Bridge Note | 1/28/04 | | 304,085 | | 1.00 304,085 |
| Xanthus Life Sciences, Inc. | | | | | |
| Series B Cvt. Pfd. | 12/5/03 | | 2,101,320 | | 1.00 2,100,000 |
| Zyomyx, Inc. | | | | | |
| New Common | 2/19/99 - 7/22/04 | | 3,602,065 | | 0.01 3,000 |
| Series A New Cvt. Pfd. | 1/12/04 | | 299,700 | | 0.10 30,000 |
| Series B New Cvt. Pfd. | 2/19/99-1/12/04 | | 468 | | 0.10 30 |
| | | \$ | 75,751,362 | \$ | 63,190,068(h) |

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

(h) Represents 17% of the Fund's net assets as of June 30, 2005.

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 Omstead, President

Date August 26, 2005

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/ Kathleen Eckert, Treasurer

Date August 26, 2005
