

H&Q HEALTHCARE INVESTORS  
Form N-Q  
August 27, 2010

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

**OMB APPROVAL**  
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**FORM N-Q**

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

Investment Company Act file number 811-04889

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

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

02109  
(Zip code)

(Name and address of agent for service)

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

Date of fiscal year end: September 30

Date of reporting period: 6/30/10

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**Item 1. Schedule of Investments.**

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

JUNE 30, 2010

(Unaudited)

| SHARES     |  | VALUE      |
|------------|--|------------|
|            | <b>CONVERTIBLE SECURITIES AND WARRANTS 10.3% of Net Assets</b> |            |
|            | <b>Convertible Preferred (Restricted)(a) (b) 9.7%</b>          |            |
|            | <b>Biotechnologies/Biopharmaceuticals 1.1%</b>                 |            |
| 306,413    | MacroGenics, Inc. Series D                                     | \$ 199,812 |
| 75,217     | MacroGenics, Inc. Series D 18 Month Lock-up                    | 0          |
| 2,123,077  | TargeGen, Inc. Series C  | 2,760,000  |
| 586,871    | TargeGen, Inc. Series D  | 762,932    |
|            |  | 3,722,744  |
|            | <b>Drug Discovery Technologies 1.4%</b>                        |            |
| 2,380,953  | Agilix Corporation Series B (c)                                | 141,809    |
| 375,000    | Ceres, Inc. Series C   | 2,437,500  |
| 32,193     | Ceres, Inc. Series C-1   | 209,255    |
| 280,105    | Ceres, Inc. Series D   | 1,820,683  |
| 40,846     | Ceres, Inc. Series F   | 265,499    |
| 8,170      | Ceres, Inc. warrants (expiration 9/05/15)                      | 0          |
|            |  | 4,874,746  |
|            | <b>Healthcare Services 1.6%</b>                                |            |
| 5,384,615  | PHT Corporation Series D (c)                                   | 4,200,000  |
| 1,204,495  | PHT Corporation Series E (c)                                   | 939,506    |
| 149,183    | PHT Corporation Series F (c)                                   | 116,363    |
|            |  | 5,255,869  |
|            | <b>Medical Devices and Diagnostics 5.6%</b>                    |            |
| 3,424,756  | CardioKinetix, Inc. Series C (c)                               | 2,359,999  |
| N/A        | CardioKinetix, Inc. warrants (expiration 12/11/19) (c) (d)     | 0          |
| N/A        | CardioKinetix, Inc. warrants (expiration 06/03/20) (c) (d)     | 0          |
| 4,852,940  | Concentric Medical, Inc. Series B (c)                          | 2,523,529  |
| 1,744,186  | Concentric Medical, Inc. Series C (c)                          | 906,977    |
| 683,000    | Concentric Medical, Inc. Series D (c)                          | 355,160    |
| 652,013    | Concentric Medical, Inc. Series E (c)                          | 339,047    |
| 1,724,230  | Elemé Medical, Inc. Series C (c)                               | 927,636    |
| 1,877,273  | Interlace Medical, Inc. Series C (c)                           | 2,065,000  |
| 3,669,024  | Labcyte Inc. Series C  | 1,920,000  |
| 3,109,861  | Magellan Biosciences, Inc. Series A                            | 3,109,861  |
| 142,210    | Magellan Biosciences, Inc. warrants (expiration 4/01/19)       | 0          |
| 11,335     | Magellan Biosciences, Inc. warrants (expiration 5/06/19)       | 0          |
| 1,547,988  | OmniSonics Medical Technologies, Inc. Series A-1               | 1,548      |
| 1,263,099  | OmniSonics Medical Technologies, Inc. Series B-1               | 1,263      |
| 13,823,805 | Palyon Medical Corporation Series A (c)                        | 2,211,809  |
| 65,217     | TherOx, Inc. Series H  | 108,181    |
| 149,469    | TherOx, Inc. Series I  | 247,939    |
| 4,220      | TherOx, Inc. warrants (expiration 1/26/11)                     | 0          |
| 8,141      | TherOx, Inc. warrants (expiration 2/06/11)                     | 0          |
| 921,875    | Xoft, Inc. Series D  | 1,382,812  |
| 176,647    | Xoft, Inc. Series E  | 264,971    |

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| SHARES   |  | VALUE      |
|--|--|------------|
| <b>Convertible Preferred (Restricted)(a) (b) continued</b> |  |            |
| N/A  | Xoft, Inc. warrants (expiration 6/12/14) (d) | \$ 0       |
|  |  | 18,725,732 |
|  |  | 32,579,091 |

**PRINCIPAL AMOUNT**

|  |  |            |
|--|--|------------|
| <b>Convertible Notes (Restricted)(a) 0.6%</b>    |  |            |
| <b>Biotechnologies/Biopharmaceuticals 0.1%</b>   |  |            |
| \$ 7,375   | Euthymics Bioscience, Inc., Cvt. Promissory Notes, 8.00% due 2010            | 7,375      |
| 219,313  | TargeGen, Inc., Cvt. Promissory Notes, 8.00% due 2010                        | 219,313    |
|  |  | 226,688    |
| <b>Medical Devices and Diagnostics 0.5%</b>      |  |            |
| 531,178  | CardioKinetix, Inc., Cvt. Promissory Notes, 4.25% due 2010 (c)               | 531,178    |
| 756,794  | Elemé Medical, Inc., Subordinated Cvt. Promissory Notes, 10.50% due 2012 (c) | 756,794    |
| 590,000  | Xoft, Inc., Cvt. Promissory Notes, 10.00% due 2010                           | 590,000    |
|  |  | 1,877,972  |
|  |  | 2,104,660  |
| <b>TOTAL CONVERTIBLE SECURITIES AND WARRANTS</b> |  |            |
| (Cost \$50,345,627)                              |  | 34,683,751 |

**SHARES**

|   |  |            |
|---|--|------------|
| <b>COMMON STOCKS AND WARRANTS 86.8%</b>         |  |            |
| <b>Biotechnologies/Biopharmaceuticals 27.9%</b> |  |            |
| 229,701   | Acorda Therapeutics Inc. (b)                                     | 7,145,998  |
| 100,890   | Alexion Pharmaceuticals, Inc. (b)                                | 5,164,559  |
| 57,000  | AMAG Pharmaceuticals, Inc. (b)                                   | 1,957,950  |
| 252,444   | Amgen Inc. (b) (i)   | 13,278,554 |
| 207,326   | Amylin Pharmaceuticals, Inc. (b)                                 | 3,897,729  |
| 5,910,745                                       | Antisoma plc (b) (e)   | 512,898    |
| 118,000   | Athersys, Inc. warrants (Restricted, expiration 6/08/12) (a) (b) | 0          |
| 119,000   | Baxter International Inc.  | 4,836,160  |
| 296,744   | Celgene Corporation (b)  | 15,080,530 |
| 105,850   | Cephalon, Inc. (b)   | 6,006,988  |
| 160,705   | Cubist Pharmaceuticals, Inc. (b)                                 | 3,310,523  |
| 48,380  | Dendreon Corporation (b)   | 1,564,125  |
| 107,383   | Genzyme Corporation (b)  | 5,451,835  |
| 314,938   | Gilead Sciences, Inc. (b)  | 10,796,075 |
| 58,000  | Human Genome Sciences, Inc. (b)                                  | 1,314,280  |
| 191,742   | InterMune, Inc. (b)  | 1,792,788  |
| 164,616   | Martek Biosciences Corporation (b)                               | 3,903,045  |
| 97,940  | Vertex Pharmaceuticals Inc. (b)                                  | 3,222,226  |

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| SHARES  |   | VALUE      |
|---|---|------------|
| <b>Biotechnologies/Biopharmaceuticals continued</b> |   |            |
| 103,300   | VIVUS, Inc. (b) (i)   | \$ 991,680 |
| 390,554   | XenoPort, Inc. (b)  | 3,831,335  |
|   |   | 94,059,278 |
| <b>Drug Delivery 0.1%</b>                           |   |            |
| 287,106   | Penwest Pharmaceuticals Co. warrants (Restricted, expiration 3/11/13) (a) (b) | 289,977    |
| <b>Drug Discovery Technologies 0.1%</b>             |   |            |
| 11,441  | Clinical Data, Inc. (b)   | 142,326    |
| 243,433   | Clinical Data, Inc. CVR (Restricted) (a) (b) (f)                              | 28,466     |
| 18,728  | Furiex Pharmaceuticals Inc (b)  | 190,276    |
| 70  | Zyomyx, Inc. (Restricted) (a) (b)   | 18         |
|   |   | 361,086    |
| <b>Generic Pharmaceuticals 10.7%</b>                |   |            |
| 1,321,151   | Akorn, Inc. (b)   | 3,923,819  |
| 202,223   | Akorn, Inc. warrants (Restricted, expiration 3/08/11) (a) (b)                 | 32,356     |
| 179,671   | Impax Laboratories, Inc. (b)  | 3,424,529  |
| 263,548   | Mylan Inc. (b)  | 4,490,858  |
| 106,376   | Perrigo Company (i)   | 6,283,630  |
| 342,877   | Teva Pharmaceutical Industries, Ltd. (g)                                      | 17,826,175 |
|   |   | 35,981,367 |
| <b>Healthcare Services 17.7%</b>                    |   |            |
| 317,221   | Aetna Inc.  | 8,368,290  |
| 222,222   | Aveta, Inc. (Restricted) (a) (h)  | 2,222,220  |
| 116,446   | Charles River Laboratories International, Inc. (b)                            | 3,983,618  |
| 376,200   | CVS Caremark Corporation  | 11,030,184 |
| 144,476   | Laboratory Corporation of America Holdings (b)                                | 10,886,267 |
| 117,114   | Medco Health Solutions, Inc. (b)  | 6,450,639  |
| 300,452   | Pharmaceutical Product Development, Inc.                                      | 7,634,485  |
| 185,959   | WellPoint, Inc. (b)   | 9,098,974  |
|   |   | 59,674,677 |
| <b>Medical Devices and Diagnostics 22.7%</b>        |   |            |
| 528,630   | Align Technology, Inc. (b)  | 7,860,728  |
| 509,696   | Hologic, Inc. (b)   | 7,100,065  |
| 161,459   | IDEXX Laboratories, Inc. (b)  | 9,832,853  |
| 173,229   | Illumina, Inc. (b)  | 7,540,659  |
| 211,479   | Inverness Medical Innovations, Inc. (b)                                       | 5,638,030  |
| 59,155  | Johnson & Johnson   | 3,493,694  |
| 88,000  | Kinetic Concepts, Inc. (b)  | 3,212,880  |
| 130,780   | Life Technologies Corporation (b)   | 6,179,355  |
| 109,720   | Masimo Corporation  | 2,612,433  |
| 160,000   | Masimo Laboratories, Inc. (Restricted) (a) (b)                                | 63,239     |
| 830,292   | Medwave, Inc. (b) (c)   | 4,069      |

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| SHARES        |  | VALUE       |
|---------------|--|-------------|
|               | <b><i>Medical Devices and Diagnostics continued</i></b>  |             |
| 207,573       | Medwave, Inc. warrants (Restricted, expiration 8/21/11) (a) (b) (c)  | \$ 0        |
| 115,798       | Myriad Genetics, Inc. (b)  | 1,731,180   |
| 93,008        | OmniSonic Medical Technologies, Inc. (Restricted) (a) (b)  | 93          |
| 507,291       | PerkinElmer, Inc.  | 10,485,705  |
| 208           | Songbird Hearing, Inc. (Restricted) (a) (b)  | 139         |
| 215,477       | Stryker Corporation  | 10,786,779  |
|               |  | 76,541,901  |
|               | <b><i>Pharmaceuticals 7.6%</i></b>   |             |
| 81,320        | Endo Pharmaceuticals Holdings Inc. (b)   | 1,774,402   |
| 390,301       | Forest Laboratories, Inc. (b)  | 10,705,956  |
| 281,032       | Pfizer Inc.  | 4,007,516   |
| 74,232        | Shire plc (g)  | 4,556,360   |
| 206,323       | Warner Chilcott plc (b)  | 4,714,481   |
|               |  | 25,758,715  |
|               | <b>TOTAL COMMON STOCKS AND WARRANTS</b>  |             |
|               | (Cost \$310,204,300)   | 292,667,001 |
|               | <b>PRINCIPAL AMOUNT</b>  |             |
|               | <b>SHORT-TERM INVESTMENT 3.2%</b>  |             |
| \$ 10,725,000 | Repurchase Agreement, State Street Bank and Trust Co., repurchase value \$10,725,000 (collateralized by U.S. Treasury Bill 2.5%, 04/30/15, market value \$10,939,806); 0.0% due 07/01/10 | 10,725,000  |
|               | <b>TOTAL SHORT-TERM INVESTMENTS</b>  |             |
|               | (Cost \$10,725,000)  | 10,725,000  |
|               | <b>TOTAL INVESTMENTS BEFORE OUTSTANDING OPTIONS WRITTEN 100.3%</b>   |             |
|               | (Cost \$371,274,927)   | 338,075,752 |
|               | <b>NUMBER OF CONTRACTS (100 SHARES EACH)</b>   |             |
|               | <b>CALL OPTION CONTRACTS WRITTEN 0.0%</b>  |             |
| 1,033         | VIVUS, Inc., strike @ 15, expires Jul - 2010   | (82,640)    |
| 248           | Amgen, Inc., strike @ 57.5, expires Jul - 2010   | (2,480)     |
|               | <b>TOTAL CALL OPTION CONTRACTS WRITTEN</b>   |             |
|               | (Premiums received \$267,926)  | (85,120)    |

|   |               | VALUE          |
|---|---------------|----------------|
| <b>TOTAL INVESTMENTS NET OF OUTSTANDING OPTIONS WRITTEN</b> | <b>100.3%</b> |                |
| (Cost \$371,007,001)  |               | \$ 337,990,632 |
| <b>OTHER LIABILITIES IN EXCESS OF ASSETS - (0.3%)</b>       |               | (1,168,755)    |
| <b>NET ASSETS - 100%</b>                                    |               | 336,821,877    |

- 
- (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 \$18,378,876).
  - (d) Number of warrants to be determined at a future date.
  - (e) Foreign security.
  - (f) Contingent Value Rights
  - (g) American Depositary Receipt.
  - (h) 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.
  - (i) A portion of security is pledged as collateral for call options written.
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**Other Information** Financial Accounting Standards Board Accounting Standards Codification No. 820, Fair Value Measurements and Disclosures, establishes a three-tier hierarchy to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 quoted prices in active markets for identical investments
- Level 2 prices determined using other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 prices determined using significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

These inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2010 to value the Fund's net assets:

| Assets at Value                     | Level 1        | Level 2       | Level 3       | Total          |
|-------------------------------------|----------------|---------------|---------------|----------------|
| Convertible Securities and Warrants |                |               |               |                |
| Biotechnologies/Biopharmaceuticals  |                |               | \$ 3,949,432  | \$ 3,949,432   |
| Drug Discovery Technologies         |                |               | 4,874,746     | 4,874,746      |
| Healthcare Services                 |                |               | 5,255,869     | 5,255,869      |
| Medical Devices and Diagnostics     |                |               | 20,603,704    | 20,603,704     |
| Common Stocks and Warrants          |                |               |               |                |
| Biotechnologies/Biopharmaceuticals  | \$ 94,059,278  |               |               | 94,059,278     |
| Drug Delivery                       |                |               | 289,977       | 289,977        |
| Drug Discovery Technologies         | 332,602        |               | 28,484        | 361,086        |
| Generic Pharmaceuticals             | 35,949,011     |               | 32,356        | 35,981,367     |
| Healthcare Services                 | 57,452,457     |               | 2,222,220     | 59,674,677     |
| Medical Devices and Diagnostics     | 76,478,430     |               | 63,471        | 76,541,901     |
| Pharmaceuticals                     | 25,758,715     |               |               | 25,758,715     |
| Short-Term Investments              |                | \$ 10,725,000 |               | 10,725,000     |
| Other Assets                        |                |               | 570,902       | 570,902        |
| Total                               | \$ 290,030,493 | \$ 10,725,000 | \$ 37,891,161 | \$ 338,646,654 |

| Liabilities at Value     | Level 1 | Level 2 | Level 3     | Total       |
|--------------------------|---------|---------|-------------|-------------|
| Option Contracts Written | \$      | \$      | \$ (85,120) | \$ (85,120) |

| Level 3 Assets                      | Balance as of September 30, 2009 | Accrued discounts/premiums | Realized gain/loss and change in unrealized appreciation (depreciation) | Net purchases/sales (out of) | Net transfers in Level 3 | Balance as of June 30, 2010 |
|-------------------------------------|----------------------------------|----------------------------|---|------------------------------|--------------------------|-----------------------------|
| Convertible Securities and Warrants |                                  |                            |   |                              |                          |                             |
| Biotechnologies/Biopharmaceuticals  | \$ 2,690,796                     |                            | \$ 1,134,542  | \$ 124,094                   |                          | \$ 3,949,432                |
| Drug Discovery Technologies         | 4,874,746                        |                            |   |                              |                          | 4,874,746                   |
| Healthcare Services                 | 5,255,869                        |                            |   |                              |                          | 5,255,869                   |
| Medical Devices and Diagnostics     | 27,394,646                       |                            | (4,151,931)   | (2,639,012)                  |                          | 20,603,703                  |
| Common Stocks and Warrants          |                                  |                            |   |                              |                          |                             |
| Biotechnologies/Biopharmaceuticals  | 277,541                          |                            | 258,802   | (536,343)                    |                          |                             |



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|                                 |               |    |                |                |               |
|---------------------------------|---------------|----|----------------|----------------|---------------|
| Drug Delivery                   | 267,009       |    | 22,968         |                | 289,977       |
| Drug Discovery Technologies     | 38,163        |    | (9,679)        |                | 28,484        |
| Generic Pharmaceuticals         | 30,333        |    | 2,023          |                | 32,356        |
| Healthcare Services             | 2,222,220     |    |                |                | 2,222,220     |
| Medical Devices and Diagnostics | 69,480        |    | (6,008)        |                | 63,472        |
| Other Assets                    | 922,146       |    | 640,256        | (991,500)      | 570,902       |
| Total                           | \$ 44,042,949 | \$ | \$ (2,109,027) | \$ (4,042,761) | \$ 37,891,161 |

### Level 3 Liabilities

|                          |    |    |            |           |    |             |
|--------------------------|----|----|------------|-----------|----|-------------|
| Option Contracts Written | \$ | \$ | \$ 182,806 | (267,926) | \$ | \$ (85,120) |
|--------------------------|----|----|------------|-----------|----|-------------|

|  |  |  |  |  |    |             |
|--|--|--|--|--|----|-------------|
| Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2010 |  |  |  |  | \$ | (4,507,184) |
|--|--|--|--|--|----|-------------|

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

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

**Venture Capital and Other Restricted Securities** The Fund may invest in venture capital and other restricted securities if these securities would currently comprise 40% or less of net assets. The value of these securities represents 11% of the Fund's net assets at June 30, 2010. 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, 2010. The Fund on its own does not have the right to demand that such securities be registered.

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| Security (j)                         | Acquisition Date   | Cost         | Carrying Value per Unit | Value      |
|--------------------------------------|--------------------|--------------|-------------------------|------------|
| Agilix Corporation                   |                    |              |                         |            |
| Series B Cvt. Pfd.                   | 11/08/01           | \$ 2,495,500 | \$ 0.06                 | \$ 141,809 |
| Akorn, Inc.                          |                    |              |                         |            |
| Warrants (expiration 3/08/11)        | 3/07/06            | 0            | 0.16                    | 32,356     |
| Athersys, Inc.                       |                    |              |                         |            |
| Warrants (expiration 6/08/12)        | 6/07/07            | 0            | 0.00                    | 0          |
| Aveta, Inc.                          |                    |              |                         |            |
| Common                               | 12/21/05           | 3,004,731    | 10.00                   | 2,222,220  |
| CardioKinetix, Inc.                  |                    |              |                         |            |
| Series C Cvt. Pfd.                   | 5/22/08            | 2,367,320    | 0.69                    | 2,359,999  |
| Cvt. Promissory Notes                | 12/10/09 - 6/03/10 | 538,119      | 1.00                    | 531,178    |
| Warrants (expiration 12/11/19)       | 12/10/09, 2/11/10  | 177          | 0.00                    | 0          |
| Warrants (expiration 6/03/20)        | 06/03/10           | 89           | 0.00                    | 0          |
| Ceres, Inc.                          |                    |              |                         |            |
| Series C Cvt. Pfd.                   | 12/23/98           | 1,502,732    | 6.50                    | 2,437,500  |
| Series C-1 Cvt. Pfd.                 | 3/31/01            | 111,508      | 6.50                    | 209,255    |
| Series D Cvt. Pfd.                   | 3/14/01            | 1,668,294    | 6.50                    | 1,820,683  |
| Series F Cvt. Pfd.                   | 9/05/07            | 268,136      | 6.50                    | 265,499    |
| Warrants (expiration 9/05/15)        | 9/05/07            | 0            | 0.00                    | 0          |
| Clinical Data, Inc.                  |                    |              |                         |            |
| Contingent Value Rights              | 5/28/09            | 0            | 0.12                    | 28,466     |
| Concentric Medical, Inc.             |                    |              |                         |            |
| Series B Cvt. Pfd.                   | 5/07/02, 1/24/03   | 3,330,988    | 0.52                    | 2,523,529  |
| Series C Cvt. Pfd.                   | 12/19/03           | 1,500,818    | 0.52                    | 906,977    |
| Series D Cvt. Pfd.                   | 9/30/05            | 958,007      | 0.52                    | 355,160    |
| Series E Cvt. Pfd.                   | 12/18/08           | 655,011      | 0.52                    | 339,047    |
| Elemé Medical, Inc.                  |                    |              |                         |            |
| Series C Cvt. Pfd.                   | 7/15/08            | 3,253,120    | 0.54                    | 927,636    |
| Subordinated Cvt. Promissory Notes   | 12/18/09 - 6/04/10 | 768,249      | 1.00                    | 756,794    |
| Euthymics Bioscience, Inc.           |                    |              |                         |            |
| Subordinated Cvt. Promissory Note    | 5/14/10            | 7,375        | 1.00                    | 7,375      |
| Interlace Medical, Inc.              |                    |              |                         |            |
| Series C Cvt. Pfd.                   | 6/10/09            | 2,072,857    | 1.10                    | 2,065,000  |
| 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            | 1,002,546    | 0.65                    | 199,812    |
| Series D Cvt. Pfd. 18 Month Lock-up  | 9/04/08            | 315,748      | 0.00                    | 0          |
| Magellan Biosciences, Inc.           |                    |              |                         |            |
| Series A Cvt. Pfd.                   | 11/28/06 - 5/12/09 | 3,117,537    | 1.00                    | 3,109,861  |
| Warrants (expiration 4/01/19)        | 4/03/09            | 0            | 0.00                    | 0          |
| Warrants (expiration 5/06/19)        | 5/12/09            | 0            | 0.00                    | 0          |
| Masimo Laboratories, Inc.            |                    |              |                         |            |
| Common                               | 3/31/98            | 0            | 0.40                    | 63,239     |
| Medwave, Inc.                        |                    |              |                         |            |
| Warrants (expiration 8/21/11)        | 8/21/06            | 0            | 0.00                    | 0          |
| OmniSonic Medical Technologies, Inc. |                    |              |                         |            |
| Series A-1 Cvt. Pfd.                 | 10/01/03           | 1,801,555    | 0.001                   | 1,548      |
| Series B-1 Cvt. Pfd.                 | 6/04/07, 11/15/07  | 961,365      | 0.001                   | 1,263      |
| Common                               | 5/24/01, 7/02/07   | 2,409,096    | 0.001                   | 93         |
| Palyon Medical Corporation           |                    |              |                         |            |
| Series A Cvt. Pfd.                   | 4/28/09            | 2,967,403    | 0.16                    | 2,211,809  |
| Penwest Pharmaceuticals Co.          |                    |              |                         |            |
| Warrants (expiration 3/11/13)        | 3/11/08            | 0            | 1.01                    | 289,977    |
| PHT Corporation                      |                    |              |                         |            |
| Series D Cvt. Pfd.                   | 7/23/01            | 4,205,754    | 0.78                    | 4,200,000  |

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|                               |                    |               |      |               |
|-------------------------------|--------------------|---------------|------|---------------|
| Series E Cvt. Pfd.            | 9/12/03 - 10/14/04 | 941,669       | 0.78 | 939,506       |
| Series F Cvt. Pfd.            | 7/21/08            | 122,580       | 0.78 | 116,363       |
| Songbird Hearing, Inc.        |                    |               |      |               |
| Common                        | 12/14/00           | 3,004,861     | 0.67 | 139           |
| TargeGen, Inc.                |                    |               |      |               |
| Series C Cvt. Pfd.            | 8/30/05            | 2,763,495     | 1.30 | 2,760,000     |
| Series D Cvt. Pfd.            | 5/08/07            | 764,407       | 1.30 | 762,932       |
| Cvt. Promissory Notes         | 9/08/09, 10/09/09  | 226,375       | 1.00 | 219,313       |
| TherOx, Inc.                  |                    |               |      |               |
| Series H Cvt. Pfd.            | 9/11/00            | 3,002,748     | 1.66 | 108,181       |
| Series I Cvt. Pfd.            | 7/08/05            | 579,958       | 1.66 | 247,939       |
| Warrants (expiration 1/26/11) | 1/26/05            | 0             | 0.00 | 0             |
| Warrants (expiration 2/06/11) | 6/09/04            | 0             | 0.00 | 0             |
| Xoft, Inc.                    |                    |               |      |               |
| Series D Cvt. Pfd.            | 3/23/07            | 2,958,518     | 1.50 | 1,382,812     |
| Series E Cvt. Pfd.            | 6/20/08            | 592,532       | 1.50 | 264,971       |
| Cvt. Promissory Note          | 6/12/09            | 598,183       | 1.00 | 590,000       |
| Warrants (expiration 6/12/14) | 6/12/09            | 59            | 0.00 | 0             |
| Zyomyx, Inc.                  |                    |               |      |               |
| Common                        | 2/19/99 - 7/22/04  | 3,902,233     | 0.25 | 18            |
|                               |                    | \$ 62,666,546 |      | \$ 37,320,259 |

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

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**Federal Income Tax Cost** - At June 30, 2010, the total cost of securities for Federal income tax purposes was \$371,007,001. The net unrealized loss on securities held by the Fund was \$33,016,369, including gross unrealized gain of \$29,803,156 and gross unrealized loss of \$62,819,525.

**Affiliate Transactions** - An affiliate issuer is a company in which the Fund holds 5% or more of the voting securities. Transactions with such companies during the period ended June 30, 2010 were as follows:

| Issuer                        | Value on October<br>1, 2009 | Purchases    | Sales | Income    | Value on June 30, 2010 |
|-------------------------------|-----------------------------|--------------|-------|-----------|------------------------|
| Agilix Corporation            | \$ 141,809                  |              | \$    |           | \$ 141,809             |
| CardioKinetix, Inc.           | 2,359,999                   | \$ 531,355   |       | \$ 15,761 | 2,891,177              |
| Concentric Medical, Inc.      | 7,932,139                   |              |       |           | 4,124,713              |
| Elemé Medical, Inc.           | 910,393                     | 756,794      |       | 38,230    | 1,684,430              |
| Interlace Medical, Inc.       | 2,065,000                   |              |       |           | 2,065,000              |
| Medwave, Inc.                 | 16,606                      |              |       |           | 4,069                  |
| Palyon Medical<br>Corporation | 2,950,000                   |              |       |           | 2,211,809              |
| PHT Corporation               | 5,255,869                   |              |       |           | 5,255,869              |
|                               | \$ 21,631,815               | \$ 1,288,149 | \$    | \$ 53,991 | \$ 18,378,876          |

**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.

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**SIGNATURES**

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

(Registrant) H&Q Healthcare Investors

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

Date 8/27/2010

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

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

Date 8/27/2010

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