

TEKLA HEALTHCARE INVESTORS
Form N-CSRS
June 02, 2015

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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

Tekla Healthcare Investors
(Exact name of registrant as specified in charter)

100 Federal Street, 19th Floor, Boston, MA
(Address of principal executive offices)

02110
(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: October 1, 2014 to March 31, 2015

ITEM 1. REPORTS TO STOCKHOLDERS.

See Semiannual Report as of March 31, 2015.

TEKLA HEALTHCARE INVESTORS

Semiannual Report

March 31, 2015

(Unaudited)

TEKLA HEALTHCARE INVESTORS

DISTRIBUTION POLICY

The Fund has implemented a managed distribution policy (the Policy) that provides for 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. With each distribution, the Fund will issue a notice to shareholders and a press release that will provide detailed information regarding the amount and estimated composition of the distribution. You should not draw any conclusions about the Fund's investment performance from the amount of distributions pursuant to the Policy or from the terms of the Policy. The Policy has been established by the Trustees and may be changed or terminated by them without shareholder approval. The Trustees regularly review the Policy and the frequency and rate of distributions 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 suspension or termination of the Policy could have the effect of creating a trading discount (if the Fund's stock is trading at or below net asset value) or widening an existing trading discount. At this time there are no reasonably foreseeable circumstances that might cause the Trustees to terminate the Policy.

To our Shareholders:

On March 31, 2015, the net asset value (NAV) per share of the Fund was \$33.90. During the six month period ended March 31, 2015, total return at NAV of the Fund was 19.55%, with distributions reinvested. The total investment return at market with distributions reinvested was 27.22% during the same period. Comparisons to the relevant indices are listed below.

Investment Returns	Six Months Ended 3/31/15
At Market	27.22%
At Net Asset Value	19.55%
NASDAQ Biotech Index	25.94%
S&P 500 Index	5.92%

Investment Highlights

After several years of solid performance, our view of the healthcare and biotech sectors remains largely unchanged. That is, population demographics will continue to drive demand for products and services. In addition, good fundamentals, generally encouraging data, notable approval rates and M&A activity should continue to drive favorable sentiment. And after an impressive three year run, while valuations are notably higher than they were previously, solid revenue and earnings growth rates in our sector relative to other sectors should attract investors.

As we have noted previously, population demographics in the U.S. and abroad continue to create demand for healthcare. The population in much of the developed world is getting older. As they age, people develop chronic and rare diseases which require treatment. In the U.S., Obamacare is increasing the number of individuals covered by health insurance, thus increasing their access to healthcare services. In many emerging markets, the middle class is growing and demanding new healthcare services. Overall, these trends have led and should continue to lead to an increase in healthcare spending as a percentage of GDP. There are certainly trends that will pressure pricing, but in general we and most others seem to think that demand for healthcare services will continue to grow, probably at a rate that exceeds that of GDP.

We continue to see the development of new and differentiated products, particularly in the biotech sector. In the last couple of years, there has been an impressive spate of new IPOs and follow-on financings that has created a new generation of companies developing the next generation of healthcare and biotech products. Just in the six month period ending March 31, 2015, BioCentury reports that there were 45 IPOs which raised a total of approximately \$4B. Even more impressive, a total of 128 follow-on financings raised approximately \$14B for the sponsoring companies. This created an impressive group of well financed companies which appears poised to develop many differentiated, high-value products. As an example, it looks to us that after a number of years of effort, the burgeoning field of immuno-oncology is in the process of demonstrating a real move forward in the treatment of both hematologic and solid tumor cancers. For some time, the industry has been developing products that are more effective at targeting a cancer within the body. By getting the product to the actual site of the tumor, the goal has been to increase clinical effectiveness and to decrease side effects. In the last decade a number of these kinds of products have been developed. The opportunity at the moment is to develop treatments that recruit the body's natural immune system to be more able to attack one's cancer. In theory, this approach should be even more effective than products developed in the last decade. The first two products in the general area were sponsored by large pharmaceutical companies and approved by the FDA in the last six months. Clinical data demonstrated by these products in a variety of clinical trials have been impressive. The ultimate goal is to combine this new approach with existing drugs to effect even better results for patients. Initial results in these so-called "combination" trials have often been impressive. There are a number of other approaches being developed, but immune-oncology is emblematic of the current generation of therapeutic advances.

Generally, positive clinical data and high product approval rates are an important part of developing investor interest in the healthcare sector. In a diverse population of companies developing a wide range of products and technologies, there are always some successes and some failures. But it is helpful when highly anticipated results come out positively. There were myriad trial results reported in the last six months but arguably Biogen Inc.'s Alzheimer's Disease trial was the most anticipated clinical trial result of recent months. We would say that trial met or exceeded market expectations. As for regulatory approvals, FDA approved approximately 40 new medicines in 2014. This is among the most approvals of recent years. Moreover, it is likely that new initiatives, like the FDA's Breakthrough Therapy program, introduced several years ago to facilitate development and review of novel treatments, is having an

effect on overall approval rates. Additional programs and legislative initiatives are being developed.

Beyond product development fundamentals, there is little question that M&A activity is having a positive impact on sector sentiment. A number of acquisitions have been announced of late but the proposed acquisition of Pharmacyclics, Inc., makers of Imbruvica, for a price estimated to be over \$21B by AbbVie Inc. was a particularly notable transaction.

In summary, we are favorable on the fundamentals of the healthcare and biotech sectors. However, we also want to express a note of caution. After several years of outperformance, valuations in the healthcare and biotech sectors, while reasonable relative to other sectors on a growth adjusted (P/E divided by G) basis, they are high on a trailing twelve month Price/Earnings basis:

Sector	Price/Earnings	Estimated Earnings Growth¹	PEG
Information Technology	20.02	11.07	1.59
Healthcare	24.78	9.67	1.9
Consumer Discretionary	19.58	8.67	2.10
Telecommunications	17.75	7.13	2.38
Industrials	18.70	7.08	2.41
Consumer Staples	21.72	6.81	3.01
Financials	14.37	3.08	4.50
Utilities ²	17.77	-0.84	High
Energy ²	19.91	-3.36	High
Materials ²	20.35	-89.37	High

¹ Source: Bloomberg May 5, 2015

² PEG values high due to negative earnings estimates; PEG would be incalculably high

However, on a growth adjusted (PEG), healthcare sector valuations are among the most attractive. This is of course due to the fact that estimated healthcare earnings growth rates are among the highest of the illustrated sectors. It is our belief that expected earnings growth is a key metric in stock price appreciation. As a consequence we think valuations in the sector are reasonable and may well attract continued investor interest.

Portfolio Highlights

During the report period, considering both market return and Fund weighting, investments in Celgene Corporation, Incyte Corporation, BioMarin Pharmaceuticals Inc., Biogen Inc., Regeneron Pharmaceuticals, Inc. and Actavis plc were among those that provided beneficial contributions to return. Investments in Gilead Sciences, Inc. and Sagent

Pharmaceuticals, Inc. were among those that produced a negative contribution to return.

Investment Changes

During the six month period ended March 31, 2015, within the public portfolio, the Fund established positions in several companies including AbbVie, Allscripts Healthcare Solutions, Inc., Flex Pharma, Inc., Intra-Cellular Therapies, Inc., Receptos, Inc., TherapeuticsMD, Inc. and Trovagene, Inc. During the same six month period, the Fund exited its position in several companies including Allergan, Inc., Amarin Corporation plc, Celladon Corporation, Cubist Pharmaceuticals, Inc., MacroGenics, Inc., PerkinElmer, Inc., Jazz Pharmaceuticals plc, Shire plc, and UnitedHealthcare Group, Inc.

During the same six month period, within the venture portfolio, the Fund made follow-on investments in CardioKinetix, Inc., IlluminOss Medical, Inc., Insigntra Medical, Inc. Neurovance, Inc., Palyon Medical Corporation and Veniti, Inc.

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

Daniel R. Omstead, PhD
President

TEKLA HEALTHCARE INVESTORS

LARGEST HOLDINGS BY ISSUER

(Excludes Short-Term Investments)

*As of March 31, 2015
(Unaudited)*

Issuer - Sector	% of Net Assets
Celgene Corporation	
<i>Biotechnologies/Biopharmaceuticals</i>	9.3%
Gilead Sciences, Inc.	
<i>Biotechnologies/Biopharmaceuticals</i>	7.9%
Actavis plc	
<i>Generic Pharmaceuticals</i>	6.1%
Biogen Inc.	
<i>Biotechnologies/Biopharmaceuticals</i>	5.6%
Regeneron Pharmaceuticals, Inc.	
<i>Biotechnologies/Biopharmaceuticals</i>	4.8%
Alexion Pharmaceuticals, Inc.	
<i>Biotechnologies/Biopharmaceuticals</i>	4.2%
BioMarin Pharmaceutical Inc.	
<i>Biotechnologies/Biopharmaceuticals</i>	4.1%
Incyte Corporation	
<i>Drug Discovery Technologies</i>	3.8%
Amgen Inc.	
<i>Biotechnologies/Biopharmaceuticals</i>	3.2%
Vertex Pharmaceuticals, Inc.	
<i>Biotechnologies/Biopharmaceuticals</i>	3.1%

SECTOR DIVERSIFICATION (% of Net Assets)

*As of March 31, 2015
(Unaudited)*

TEKLA HEALTHCARE INVESTORS**SCHEDULE OF INVESTMENTS**

MARCH 31, 2015

(Unaudited)

SHARES	(Restricted) ^(a) ^(b) - 3.6% of Net Assets	VALUE
	<i>Biotechnologies/Biopharmaceuticals - 0.4%</i>	
3,696,765	EBI Life Sciences, Inc. Series A ^(c)	\$ 18,854
4,118,954	Euthymics Biosciences, Inc. Series A ^(c)	1,582,914
77,633	Neurovance, Inc. Series A ^(c)	287,615
716,116	Neurovance, Inc. Series A-1 ^(c)	2,653,067
		4,542,450
	<i>Healthcare Services - 0.9%</i>	
5,384,615	PHT Corporation Series D ^(c)	9,153,845
1,204,495	PHT Corporation Series E ^(c)	2,192,181
149,183	PHT Corporation Series F ^(c)	423,680
		11,769,706
	<i>Medical Devices and Diagnostics - 2.3%</i>	
3,364,723	AlterG, Inc. Series C	1,379,536
114,158	CardioKinetix, Inc. Series C ^(c)	1,606,089
205,167	CardioKinetix, Inc. Series D ^(c)	781,071
632,211	CardioKinetix, Inc. Series E ^(c)	1,799,905
580,225	CardioKinetix, Inc. Series F ^(c)	1,982,281
N/A ^(d)	CardioKinetix, Inc. warrants (expiration 12/11/19) ^(c)	0
N/A ^(d)	CardioKinetix, Inc. warrants (expiration 6/03/20) ^(c)	0
12,695	CardioKinetix, Inc. warrants (expiration 8/15/24) ^(c)	0
3,109,861	Dynex Technologies, Inc. Series A ^(c)	1,554,931
142,210	Dynex Technologies, Inc. warrants (expiration 4/01/19) ^(c)	0
11,335	Dynex Technologies, Inc. warrants (expiration 5/06/19) ^(c)	0
7,145,838	IlluminOss Medical, Inc. Series C-1 ^(c)	2,739,714
11,410,347	Insightra Medical, Inc. Series C ^(c)	4,830,000
3,669,024	Labcyte, Inc. Series C	2,615,647
160,767	Labcyte, Inc. Series D	133,372
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)	2,944

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27,100,879	Palyon Medical Corporation Series B ^(c)	1,897
N/A ^(d)	Palyon Medical Corporation warrants (expiration 4/26/19) ^(c)	0

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

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TEKLA HEALTHCARE INVESTORS**SCHEDULE OF INVESTMENTS**

MARCH 31, 2015

(Unaudited)

(continued)

SHARES	Convertible Preferred and Warrants (Restricted) ^(a) ^(b) - continued	VALUE
65,217	TherOx, Inc. Series H	\$ 652
149,469	TherOx, Inc. Series I	1,495
4,720,000	Tibion Corporation Series B	0
N/A ^(d)	Tibion Corporation warrants (expiration 7/12/17)	0
N/A ^(d)	Tibion Corporation warrants (expiration 10/30/17)	0
N/A ^(d)	Tibion Corporation warrants (expiration 11/28/17)	0
3,750,143	Veniti, Inc. Series A ^(c)	3,789,519
1,881,048	Veniti, Inc. Series B ^(c)	1,994,851
1,031,378	Veniti, Inc. Series C ^(c)	1,180,000
		28,525,092
	TOTAL CONVERTIBLE PREFERRED AND WARRANTS (Cost \$48,322,318)	44,837,248
	CONVERTIBLE AND NON-CONVERTIBLE NOTES - 0.6%	
PRINCIPAL AMOUNT	Convertible Notes - 0.6%	
	<i>Medical Devices and Diagnostics - 0.1%</i>	
	Insightra Medical, Inc. Promissory Note, 8.00%, due 11/1/15 (Restricted) ^(a) ^(c)	1,725,000
\$ 1,725,000	Palyon Medical Corporation Promissory Note, 8.00%, due 5/15/15 (Restricted) ^(a) ^(c)	54
53,818	Palyon Medical Corporation Promissory Note, 8.00%, due 6/15/15 (Restricted) ^(a) ^(c)	37
37,421	Palyon Medical Corporation Promissory Note, 8.00%, due 7/15/15 (Restricted) ^(a) ^(c)	44
43,658	Palyon Medical Corporation Promissory Note, 8.00%, due 8/15/15 (Restricted) ^(a) ^(c)	52
52,210		

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		1,725,187
	<i>Pharmaceuticals - 0.5%</i>	
3,500,000	Spectrum Pharmaceuticals, Inc., 2.75%, due 12/15/18 (g)	3,200,312
3,150,000	TetraLogic Pharmaceuticals Corporation, 8.00%, due 6/15/19 (g)	2,779,875
		5,980,187
	TOTAL CONVERTIBLE NOTES	7,705,374

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

TEKLA HEALTHCARE INVESTORS

SCHEDULE OF INVESTMENTS

MARCH 31, 2015

(Unaudited)

(continued)

PRINCIPAL AMOUNT	Non-Convertible Notes (Restricted) ^(a) (b) - 0.0%	VALUE
	<i>Medical Devices and Diagnostics - 0.0%</i>	
	Tibion Corporation Non-Cvt. Promissory Note, 0.00%, due 12/31/18	\$ 0
\$ 342,899		
	Tibion Corporation Non-Cvt. Promissory Note, 0.00%, due 12/31/18	0
40,596		
	TOTAL NON-CONVERTIBLE NOTES	0
	TOTAL CONVERTIBLE AND NON-CONVERTIBLE NOTES (Cost \$9,082,888)	7,705,374
	COMMON STOCKS AND WARRANTS - 89.3%	
	<i>Biotechnologies/Biopharmaceuticals - 48.3%</i>	
321,170	Acorda Therapeutics, Inc. ^(b)	10,688,538
297,306	Alexion Pharmaceuticals, Inc. ^(b)	51,523,130
309,717	Alkermes plc ^(b)	18,883,445
244,165	Amgen Inc.	39,029,775
163,461	Biogen Inc. ^(b)	69,019,773
406,545	BioMarin Pharmaceutical Inc. ^(b)	50,663,638
993,770	Celgene Corporation ^(b)	114,561,806
10,996	Celladon Corporation warrants (Restricted, expiration 10/10/18) ^{(a) (b)}	154,384
2,723	Ceres, Inc. warrants (Restricted, expiration 9/05/15) ^{(a) (b)}	0
162,820	Flex Pharma, Inc. ^(b)	3,191,272
997,392	Gilead Sciences, Inc. ^(b)	97,874,077
231,593	Infinity Pharmaceuticals, Inc. ^(b)	3,237,670
150,000	Intra-Cellular Therapies, Inc. ^(b)	3,582,000
291,834	Neurocrine Biosciences, Inc. ^(b)	11,588,728
46,980	Receptos, Inc. ^(b)	7,746,532
132,644	Regeneron Pharmaceuticals, Inc. ^(b)	59,886,113
679,100	Sangamo BioSciences, Inc. ^(b)	10,648,288
705,199	Verastem, Inc. ^(b)	7,171,874
326,087	Vertex Pharmaceuticals, Inc. ^(b)	38,468,483
		597,919,526
	<i>Drug Delivery - 1.1%</i>	

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613,357	Heron Therapeutics, Inc. ^(b)	8,924,344
230,000	Heron Therapeutics, Inc. warrants (Restricted, expiration 7/01/16) ^(a) ^(b)	1,957,300

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

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TEKLA HEALTHCARE INVESTORS**SCHEDULE OF INVESTMENTS**

MARCH 31, 2015

(Unaudited)

(continued)

SHARES	<i>Drug Delivery - continued</i>	VALUE
822,460	IntelliPharmaceutics International Inc. (b) (c)	\$ 2,294,663
460,200	IntelliPharmaceutics International Inc. warrants (Restricted, expiration 2/01/16) (a) (b) (c)	262,314
		13,438,621
	<i>Drug Discovery Technologies - 3.8%</i>	
508,323	Incyte Corporation (b)	46,592,886
	<i>Generic Pharmaceuticals - 15.8%</i>	
252,901	Actavis plc (b)	75,268,396
594,432	Akorn, Inc. (b)	28,241,464
245,214	Impax Laboratories, Inc. (b)	11,493,180
504,293	Mylan NV (b)	29,929,790
44,098	Perrigo Company plc (f)	7,300,424
286,650	Sagent Pharmaceuticals, Inc. (b)	6,664,613
598,158	Teva Pharmaceutical Industries Ltd. (e)	37,265,243
		196,163,110
	<i>Healthcare Services - 7.3%</i>	
247,541	Aetna, Inc.	26,370,543
891,470	Allscripts Healthcare Solutions, Inc. (b)	10,661,981
231,000	Catamaran Corporation (b)	13,753,740
120,000	Centene Corporation (b)	8,482,800
222,222	InnovaCare Health, Inc. (Restricted) (a) (b) (g)	944,444
67,862	McKesson Corporation	15,350,384
212,541	Molina Healthcare, Inc. (b)	14,301,884
		89,865,776
	<i>Medical Devices and Diagnostics - 3.9%</i>	
505,041	Accuray, Inc. (b)	4,696,881
286,540	Alere, Inc. (b)	14,011,806
160,000	Cercacor Laboratories, Inc. (Restricted) (a) (b)	133,239
38,597	IDEXX Laboratories, Inc. (b)	5,962,465
55,987	Illumina, Inc. (b)	10,393,427
208	Songbird Hearing, Inc. (Restricted) (a) (b)	139
60,645	Thermo Fisher Scientific Inc.	8,147,049
650,000	Trovagene, Inc. (b)	4,426,500
		47,771,506

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Pharmaceuticals - 9.1%

565,458	AbbVie Inc.	33,101,911
202,600	Bristol-Myers Squibb Co.	13,067,700
147,000	Endo International PLC ^(b)	13,185,900
535,266	Ironwood Pharmaceuticals, Inc. ^(b)	8,564,256
85,209	Jazz Pharmaceuticals plc ^(b)	14,723,263

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

TEKLA HEALTHCARE INVESTORS**SCHEDULE OF INVESTMENTS**

MARCH 31, 2015

(Unaudited)

(continued)

SHARES	<i>Pharmaceuticals - continued</i>	VALUE
673,204	Pfizer, Inc.	\$ 23,420,767
1,037,050	TherapeuticsMD, Inc. ^(b)	6,274,153
		112,337,950
	TOTAL COMMON STOCKS AND WARRANTS (Cost \$578,277,237)	1,104,089,375
	EXCHANGE TRADED FUND - 1.6%	
57,670	iShares Nasdaq Biotechnology ETF	19,805,608
	TOTAL EXCHANGE TRADED FUND (Cost \$11,259,768)	19,805,608
	TOTAL INVESTMENTS BEFORE MILESTONE INTEREST - 95.1% (Cost \$646,942,211)	1,176,437,605
	MILESTONE INTEREST (Restricted) ^(a) ^(b) - 0.0%	
	<i>Biotechnologies/Biopharmaceuticals - 0.0%</i>	
1	Targen Milestone Interest	0
	TOTAL MILESTONE INTEREST (Cost \$4,194,994)	0
	TOTAL INVESTMENTS - 95.1% (Cost \$651,137,205)	1,176,437,605
	OTHER ASSETS IN EXCESS OF LIABILITIES - 4.9%	60,572,314
	NET ASSETS - 100%	\$ 1,237,009,919

(a) Security fair valued. See Investment Valuation and Fair Value Measurements.

(b) Non-income producing security.

(c) Affiliated issuers in which the Fund holds 5% or more of the voting securities (total market value of \$44,988,710).

(d) Number of warrants to be determined at a future date.

(e) American Depository Receipt

(f) Foreign security.

(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.

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

TEKLA HEALTHCARE INVESTORS
STATEMENT OF ASSETS AND LIABILITIES

MARCH 31, 2015

(Unaudited)

ASSETS:	
Investments in unaffiliated issuers, at value (cost \$603,604,721)	\$1,131,448,895
Investments in affiliated issuers, at value (cost \$43,337,490)	44,988,710
Milestone interest, at value (cost \$4,194,994)	0
Total Investments	1,176,437,605
Cash	67,797,367
Dividends and interest receivable	174,675
Receivable for investments sold	16,343
Prepaid expenses	59,184
Other assets (see Note 1)	170,321
Total assets	1,244,655,495
LIABILITIES:	
Payable for investments purchased	6,353,608
Accrued advisory fee	875,762
Accrued shareholder reporting fees	50,770
Accrued trustee fees	9,833
Accrued other	355,603
Total liabilities	7,645,576
Commitments and Contingencies (see Notes 1 and 5)	
NET ASSETS	\$1,237,009,919
SOURCES OF NET ASSETS:	
Shares of beneficial interest, par value \$.01 per share, unlimited number of shares authorized, amount paid in on 36,489,523 shares issued and outstanding	\$ 643,696,033
Accumulated net investment loss	(4,141,642)
Accumulated net realized gain on investments and milestone interest	72,155,128
Net unrealized gain on investments and milestone interest	525,300,400
Total net assets (equivalent to \$33.90 per share based on 36,489,523 shares outstanding)	\$1,237,009,919

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

TEKLA HEALTHCARE INVESTORS**STATEMENT OF OPERATIONS***SIX MONTHS ENDED MARCH 31, 2015**(Unaudited)*

INVESTMENT INCOME:	
Dividend income (net of foreign tax of \$40,337)	\$ 1,366,641
Interest and other income	240,857
Total investment income	1,607,498
EXPENSES:	
Advisory fees	5,263,541
Legal fees	252,089
Administration and auditing fees	135,832
Trustees' fees and expenses	92,609
Custodian fees	62,593
Shareholder reporting	57,561
Transfer agent fees	27,535
Other (see Note 2)	106,695
Total expenses	5,998,455
Less: Management fee waiver (see Note 2)	(249,315)
Net expenses	5,749,140
Net investment loss	(4,141,642)
REALIZED AND UNREALIZED GAIN (LOSS):	
Net realized gain (loss) on:	
Investments in unaffiliated issuers	82,854,825
Investments in affiliated issuers	1,487
Net realized gain	82,856,312
Change in unrealized appreciation (depreciation)	
Investments in unaffiliated issuers	127,773,377
Investments in affiliated issuers	(1,356,327)
Change in unrealized appreciation (depreciation)	126,417,050
Net realized and unrealized gain (loss)	209,273,362
Net increase in net assets resulting from operations	\$ 205,131,720

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

TEKLA HEALTHCARE INVESTORS

STATEMENTS OF CHANGES IN NET ASSETS

	Six months ended March 31, 2015 (Unaudited)	Year ended September 30, 2014
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS:		
Net investment loss	(\$ 4,141,642)	(\$ 7,157,179)
Net realized gain	82,856,312	92,343,953
Change in net unrealized appreciation	126,417,050	136,830,058
Net increase in net assets resulting from operations	205,131,720	222,016,832
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net realized capital gains	(43,898,122)	(63,835,631)
Total distributions	(43,898,122)	(63,835,631)
CAPITAL SHARE TRANSACTIONS:		
Reinvestment of distributions (672,374 and 1,203,029 shares, respectively)	22,579,385	32,613,567
Net Proceeds of shares issued in connection with the Fund's rights offering (0 and 6,899,838 shares, respectively)		172,297,485
Total capital share transactions	22,579,385	204,911,052
Net increase in net assets	183,812,983	363,092,253
NET ASSETS:		
Beginning of period	1,053,196,936	690,104,683
End of period	\$ 1,237,009,919	\$ 1,053,196,936
Accumulated net investment loss included in net assets at end of period	(\$ 4,141,642)	\$ 0 ^(a)

(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.

TEKLA HEALTHCARE INVESTORS**STATEMENT OF CASH FLOWS**

SIX MONTHS ENDED MARCH 31, 2015

(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Purchases of portfolio securities	(\$ 192,699,205)
Net maturities of short-term investments	36,342,514
Sales of portfolio securities	248,983,343
Interest income received	188,020
Dividend income received	1,385,612
Other operating receipts (expenses paid)	(5,085,304)
Net cash provided from operating activities	89,114,980
CASH FLOWS FROM FINANCING ACTIVITIES:	
Cash distributions paid	(21,318,737)
Net cash used for financing activities	(21,318,737)
NET INCREASE IN CASH	67,796,243
CASH AT BEGINNING OF PERIOD	1,124
CASH AT END OF PERIOD	\$ 67,797,367
RECONCILIATION OF NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS TO NET CASH PROVIDED FROM OPERATING ACTIVITIES:	
Net increase in net assets resulting from operations	\$ 205,131,720
Purchases of portfolio securities	(192,699,205)
Net maturities of short-term investments	36,342,514
Sales of portfolio securities	248,983,343
Accretion of discount	(514)
Net realized gain on investments	(82,856,312)
Increase in net unrealized appreciation (depreciation) on investments	(126,417,050)
Increase in dividends and interest receivable	(33,352)
Increase in accrued expenses	158,082
Decrease in prepaid expenses and other assets	505,754
Net cash provided from operating activities	\$ 89,114,980
Noncash financing activities not included herein consist of reinvested distributions to shareholders of \$22,579,385.	

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

TEKLA HEALTHCARE INVESTORS

FINANCIAL HIGHLIGHTS

	Six months ended March 31, 2015 (Unaudited)	2014	2013	Years ended September 30,		
				2012	2011	2010
OPERATING PERFORMANCE FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD						
Net asset value per share, Beginning of period	\$ 29.40	\$24.90	\$19.20	\$14.46	\$14.47	\$14.05
Net investment loss (1)	(0.12)	(0.24)	(0.20)	(0.05)(2)	(0.16)(3)	(0.07)(4)
Net realized and unrealized gain	5.84	7.66	7.51	6.07	1.40	0.81
Total increase (decrease) from investment operations	5.72	7.42	7.31	6.02	1.24	0.74
Distributions to shareholders from:						
Net realized capital gains	(1.22)	(2.13)	(1.61)	(1.32)	(1.26)	(0.37)
Total distributions	(1.22)	(2.13)	(1.61)	(1.32)	(1.26)	(0.37)
Increase resulting from shares repurchased				0.04	0.01	0.05
Change due to rights offering		0.79(5)				
Net asset value per share, end of	\$ 33.90	\$29.40	\$24.90	\$19.20	\$14.46	\$14.47

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period						
Per share market value, end of period	\$ 34.85	\$28.40	\$23.97	\$18.36	\$13.15	\$12.08
Total investment return at market value	27.22%*	28.08%	41.12%	51.43%	18.90%	10.04%
Total investment return at net asset value	19.55%*	27.64%	40.18%	44.01%	9.15%	6.20%
RATIOS						
Expenses to average net assets	1.05%**	1.15%	1.26%	1.42%	1.47%	1.44%
Expenses to average net assets with waiver	1.00%**	1.13%				
Net investment loss to average net assets	(0.72%)**	(0.87%)	(0.92%)	(0.28%)(2)	(1.00%)(3)	(0.45%)(4)
SUPPLEMENTAL DATA						
Net assets at end of period (in millions)	\$ 1,237	\$1,053	\$ 690	\$ 510	\$ 379	\$ 365
Portfolio turnover rate	13.71%*	28.96%	35.41%	86.28%	93.75%	48.68%

* Not Annualized.

** Annualized.

(1) Computed using average shares outstanding.

(2) Includes special dividends from four issuers in the aggregate amount of \$0.13 per share. Excluding the special dividends, the ratio of net investment loss to average net assets would have been (1.05%).

(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%).

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(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%).

(5) See Note 1. These rights offering shares were issued at a subscription price of \$25.037 which was less than the fund NAV of \$29.01 on June 27, 2014 thus creating a dilution effect on the NAV.

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

TEKLA HEALTHCARE INVESTORS
NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(Unaudited)

(1) Organization and Significant Accounting Policies

Tekla 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. The Fund invests primarily in securities of public and private companies that are believed by the Fund's Investment Adviser, Tekla Capital Management LLC (the Adviser) to have significant potential for above-average growth. Effective October 15, 2014, the name of the Fund changed from H&Q HealthCare Investors to Tekla Healthcare Investors.

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 differences could be material. The following is a summary of significant accounting policies followed by the Fund, which are in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Events or transactions occurring after March 31, 2015, through the date that the financial statements were issued, have been evaluated in the preparation of these financial statements.

Investment Valuation

Shares of publicly traded companies listed on national securities exchanges or trading 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 Board of Trustees of the Fund (the "Trustees") have established and approved fair valuation policies and procedures with respect to securities for which quoted prices may not be available or which do not reflect fair value. Shares of publicly traded companies 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 value process pursuant to policies and procedures approved by the Trustees described below. Restricted securities of companies that are publicly traded are typically valued 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 fair valuation policies and procedures approved by the Trustees described below. Non-exchange 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 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. The Adviser has a Valuation Sub-Committee comprised of senior management which reports to the Valuation Committee of the Board at least quarterly. Each fair value determination is based on a consideration of relevant factors, including both observable and unobservable inputs. Observable and unobservable inputs 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 the same or similar security negotiated at arm's length in an issuer's completed subsequent round of financing; (iv) the price and

TEKLA HEALTHCARE INVESTORS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(continued)

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 available and appropriate, multiple valuation methodologies are applied to confirm fair value. Significant unobservable inputs identified by the Adviser are often used in the fair value determination. A significant change in any of these inputs may result in a significant change in the fair value measurement. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a 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 used at the date of these financial statements.

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 enters 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 or currencies 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.

TEKLA HEALTHCARE INVESTORS
NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(continued)

Milestone Interest

The Fund holds a financial instrument which reflects 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 based on the relative uncertainty of both the timing and the achievement of individual milestones. A risk to the Fund is that the milestone will not be achieved and no payment will be received by the Fund. The milestone interest was received as part of the proceeds from the sale of one private company. Any payments received are treated as a reduction of the cost basis of the milestone interest with payments received in excess of the cost basis treated as a realized gain. The contractual obligations with respect to the TargeGen Milestone Interest provide for payments at various stages of the development of TargeGen's principal product candidate as of the date of the sale.

The following is a summary of the impact of the milestone interest on the financial statements as of and for the six months ended March 31, 2015:

Statement of Assets and Liabilities, Milestone interest, at value	\$ 0
Statement of Assets and Liabilities, Net unrealized (loss) on investments and milestone interest	(\$4,194,994)
Statement of Operations, Change in unrealized appreciation (depreciation) on milestone interest	\$ 0

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, less any foreign taxes withheld. Upon notification from issuers, some of the dividend income received may be redesignated as a reduction of cost of the related investment if it represents a return of capital.

The aggregate cost of purchases and proceeds from sales of investment securities (other than short-term investments) for the six months ended March 31, 2015 totaled \$150,104,896 and \$174,073,511, respectively.

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 may make periodic distributions that include capital gains as frequently as 12 times in any one taxable year in respect of its common shares, and the Fund has implemented a managed distribution policy

TEKLA HEALTHCARE INVESTORS
NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(continued)

(the Policy) providing for 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. If taxable income and net long-term realized gains exceed the amount required to be distributed under the Policy, the Fund will at a minimum make distributions necessary to comply with the requirements of the Internal Revenue Code. The Policy has been established by the Trustees and may be changed by them without shareholder approval. The Trustees regularly review the Policy and the frequency and rate of distribution 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 Trustees initially adopted a distribution policy in May, 1999, and since then the Fund has made quarterly distributions at a rate of 2.00% of the Fund's net assets, except for the periods from August 4, 2009, to April 5, 2010 (during which distributions were suspended) and from April 5, 2010, to November 1, 2010 (during which the Fund made distributions at a rate of 1.25% of the Fund's net assets).

The Fund's policy is to declare quarterly 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 of 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. Additional distributions, if any, made to satisfy requirements of the Internal Revenue Code may be paid in stock, as described above, or in cash.

Share Repurchase Program

In March 2015, 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, 2015. Prior to this renewal, in March 2014, the Trustees approved the renewal of the share repurchase program to allow the Fund to repurchase up to 12% of its outstanding shares for a one year period beginning July 11, 2014. 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.

During the six months ended March 31, 2015, the Fund did not repurchase any shares through the repurchase program.

During the year ended September 30, 2014, the Fund did not repurchase any shares through the repurchase program.

TEKLA HEALTHCARE INVESTORS
NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(continued)

Rights Offering

On June 27, 2014, the Fund issued 6,899,838 common shares in connection with a rights offering of the Fund's shares. Shareholders of record on May 30, 2014 were issued one non-transferable right for each share held on that date. The rights entitled the shareholder to purchase one new common share for every three rights held. These shares were issued at a subscription price of \$25.037. Proceeds to the Fund were \$172,751,244 before deducting the rights offering costs of \$453,759.

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, 2015, 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 on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from GAAP. These differences include temporary and permanent differences from losses on wash sale transactions, installment sale adjustments 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 March 31, 2015.

Commitments and Contingencies

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

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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%.

TEKLA HEALTHCARE INVESTORS
NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(continued)

The adviser has contractually agreed to waive a portion of management fees for a one-year period following the completion of the rights offering. During the one-year period ended June 27, 2015, the Adviser will waive its fees such that the Fund will pay 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, 0.70% of the average net assets for the next \$500 million and 0.70% of the average net assets thereafter.

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, 2015, these payments amounted to \$54,208 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 to the Fund in an equitable fashion as approved by the Trustees 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, 2015 were as follows:

Issuer	Value on September 30, 2014	Purchases	Sales	Income	Value on March 31, 2015
CardioKinetix, Inc.	\$ 4,548,481	\$ 1,982,283	\$ 361,416		\$ 6,169,346
Dynex Technologies, Inc.	1,554,931				1,554,931
EBI Life Sciences, Inc.	18,854				18,854
Euthymics Biosciences, Inc.	1,582,914				1,582,914
IlluminOss Medical, Inc.	2,232,357	507,357			2,739,714
Insightra Medical, Inc.	4,830,000	1,725,000			6,555,000
IntelliPharmaceutics International, Inc.	2,787,891		16,343		2,556,977
Magellan Diagnostics, Inc.	2,131,188				2,131,188

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Neurovance, Inc.	2,159,333	782,418			2,940,682
Palyon Medical Corporation	954,225	187,111			5,028
PHT Corporation	11,769,706				11,769,706
Veniti, Inc.	5,784,370	1,180,000			6,964,370
	\$ 40,354,250	\$6,364,169	\$377,759	\$ 0	\$44,988,710

TEKLA HEALTHCARE INVESTORS
NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(continued)

(4) Fair Value Measurements

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

The following is a summary of the inputs used as of March 31, 2015 to value the Fund's net assets. For the six months ended March 31, 2015, there were no transfers between Levels 1 and 2. The Fund accounts for transfers between levels at the beginning of the period.

Assets at Value	Level 1	Level 2	Level 3	Total
Convertible Preferred and Warrants				
Biotechnologies/Biopharmaceuticals			\$ 4,542,450	\$ 4,542,450
Healthcare Services			11,769,706	11,769,706
Medical Devices and Diagnostics			28,525,092	28,525,092
Convertible and Non-Convertible Notes				
Medical Devices and Diagnostics			1,725,187	1,725,187
Pharmaceuticals		\$5,980,187		5,980,187
Common Stocks and Warrants				
Biotechnologies/Biopharmaceuticals	\$597,765,142		154,384	597,919,526
Drug Delivery	11,219,007		2,219,614	13,438,621
Drug Discovery Technologies	46,592,886			46,592,886
Generic Pharmaceuticals	196,163,110			196,163,110
Healthcare Services	88,921,332		944,444	89,865,776
Medical Devices and Diagnostics	47,638,128		133,378	47,771,506
Pharmaceuticals	112,337,950			112,337,950
Exchange Traded Fund	19,805,608			19,805,608
Other Assets			170,321	170,321
Total	\$1,120,443,163	\$5,980,187	\$50,184,576	\$1,176,607,926

TEKLA HEALTHCARE INVESTORS
NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(continued)

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

Level	Balance as of September 30, 2014	Net Realized gain (loss) and change in unrealized appreciation (depreciation)	Cost of purchases and conversions	Proceeds from sales and conversions	Net transfers in (out of) Level 3	Balance as of March 31, 2015
Convertible Preferred and Warrants						
Biotechnologies/ Biopharmaceuticals/ Healthcare Services	\$ 3,761,101	(\$ 3,795)	\$ 785,144		\$	\$ 4,542,450
Medical Devices and Diagnostics	11,769,706					11,769,706
Convertible and Non-Convertible Notes						
Medical Devices and Diagnostics	25,804,838	(949,596)	3,669,850			28,525,092
Medical Devices and Diagnostics						
Common Stocks and Warrants	361,416	(186,924)	1,912,111	(\$ 361,416)		1,725,187
Biotechnologies/ Biopharmaceuticals/ Drug Delivery Drug Discovery Technologies Healthcare Services						
Medical Devices and Diagnostics	51,750	98,632	2			154,384
Other Assets	1,245,808	973,806				2,219,614
Medical Devices and Diagnostics	18	(18)				
Other Assets	1,166,665	(222,568)	347			944,444
Medical Devices and Diagnostics	93,648	39,730				133,378
Other Assets	684,958		7,438	(522,075)		170,321
Total	\$44,943,908	(\$ 250,733)	\$6,374,892	(\$883,491)	\$ 0	\$50,184,576
Net change in unrealized appreciation (depreciation) from investments still held as of March 31, 2015						(\$ 250,716)

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The following is a quantitative disclosure about significant unobservable inputs used in the determination of the fair value of Level 3 assets.

	Fair Value at 3/31/2015	Valuation Technique	Unobservable Input	Range (Weighted Average)
Private Companies and Other Restricted Securities				
	\$ 2,507,237	Public market price	None	N/A
	29,174,998	Capital asset pricing model	Discount Rate	14%-39% (21.57%)
			Price to sales multiple	1.7-4.8 (2.7)
	18,329,734	Independent valuation	None	N/A
	172,607	Probability adjusted value	Probability of events	20%-100% (26.22%)
			Timing of events	0-2.83 (1.97) years
	\$50,184,576			

TEKLA HEALTHCARE INVESTORS
NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

(continued)

(5) 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 4% of the Fund's net assets at March 31, 2015.

At March 31, 2015, the Fund had commitments of \$710,286 relating to additional investments in one private company.

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, 2015. 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
AlterG, Inc.				
Series C Cvt. Pfd.	4/12/13	\$2,053,934	\$ 0.41	\$1,379,536
CardioKinetix, Inc.				
Series C Cvt. Pfd.	5/22/08	2,379,165	14.07	1,606,089
Series D Cvt. Pfd.	12/10/10	785,619	3.81	781,071
Series E Cvt. Pfd.	9/14/11	1,803,981	2.85	1,799,905
Series F Cvt. Pfd.	12/04/14	1,982,283	3.42	1,982,281
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 8/15/24)	8/15/14	181	0.00	