

Item 1. Schedule of Investments

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

December 31, 2004

(Unaudited)

SHARES		VALUE
	CONVERTIBLE SECURITIES - 12.7% of Net Assets	
	Convertible Preferred (Restricted) - 12.6% (see table below)	
	<i>Drug Discovery Technologies - 2.5%</i>	
2,380,953	Agilix Corporation Series B*^	\$ 571,429
850,436	Avalon Pharmaceuticals Series B*	1,020,523
375,000	Ceres, Inc. Series C*	2,250,000
27,443	Ceres, Inc. Series C-1*#	164,658
277,967	Ceres, Inc. Series D*#	1,667,802
1,398,732	Galileo Pharmaceuticals, Inc. Series F-1*	489,556
1,212,709	Idun Pharmaceuticals, Inc. Series A-1*^	2,486,053
462,963	Idun Pharmaceuticals, Inc. Series B-1*^	740,741
1,750,000	Triad Therapeutics, Inc. Series A*^	1,750
525,000	Triad Therapeutics, Inc. Series B*^	525
1,200,000	Triad Therapeutics, Inc. Series C*^	24,000
300,000	Zyomyx, Inc. Series A New*	30,000
300	Zyomyx, Inc. Series B New*	30
	<i>Emerging Biopharmaceuticals - 3.4%</i>	
952,381	Agensys, Inc. Series C*	3,000,000
2,586,207	Corus Pharma, Inc. Series C*	3,000,000
1,818,182	Raven biotechnologies Series B*^	1,509,091
2,809,157	Raven biotechnologies Series C*^	2,331,600
47,407	Therion Biologics Corporation Series A*	85,333
240,000	Therion Biologics Corporation Series B*#	432,000
407,712	Therion Biologics Corporation Series C*	733,882
36,092	Therion Biologics Corporation Sinking Fund*	361
2,100,000	Xanthus Life Sciences, Inc. Series B*^	2,100,000
	<i>Healthcare Services - 3.7%</i>	
1,577,144	CardioNet, Inc. Series C*^	5,520,004
484,829	CytoLogix Corporation Series A*^	399,984
227,130	CytoLogix Corporation Series B*#^	187,382
160,000	I-trax, Inc. Series A*	3,184,000
5,384,615	PHT Corporation Series D*^	4,200,000
1,204,495	PHT Corporation Series E*^	939,506
	<i>Medical Devices and Diagnostics - 3.0%</i>	
4,852,940	Concentric Medical, Inc. Series B*^	4,173,527
1,744,186	Concentric Medical, Inc. Series C*^	1,500,000
222,222	EPR, Inc. Series A*	2,222
160,000	Masimo Corporation Series D*	1,760,000
1,632,653	OmniSonics Medical Technologies, Inc. Series B*^	2,181,224
1,547,988	OmniSonics Medical Technologies, Inc. Series C*^	1,800,000
652,173	TherOx Series H*	247,826
		\$ 48,735,010

**PRINCIPAL
AMOUNT**

	Convertible Bonds and Notes (Restricted) - 0.1%	
	<i>Healthcare Services - 0.04%</i>	
\$ 168,337	CytoLogix Corporation^ 6.75% Cvt. Note, (see table below)	\$ 168,337
	<i>Medical Devices and Diagnostics - 0.05%</i>	

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200,272	TherOx 6.0% Bridge Note, due 2006# (see table below)		200,272
		\$	368,609
TOTAL CONVERTIBLE SECURITIES			
(Cost \$68,450,111)			\$ 49,103,619
SHARES			
COMMON STOCKS - 77.0%			
Biopharmaceuticals - 30.0%			
263,891	Amgen, Inc.*	\$	16,928,608
153,900	Celgene Corporation*		4,082,967
286,000	Chiron Corporation		9,532,380
1,021,657	Cubist Pharmaceuticals, Inc.*		12,086,202
450,000	Endo Pharmaceuticals Holdings*		9,459,000
207,000	Genzyme Corporation*		12,020,490
214,000	Gilead Sciences, Inc.*		7,487,860
138,000	Imclone Systems, Inc.*		6,359,040
290,000	King Pharmaceuticals, Inc.		3,596,000
329,000	MedImmune, Inc.*		8,919,190
180,000	Millennium Pharmaceuticals, Inc.*		2,181,600
217,800	NPS Pharmaceuticals, Inc.*		3,981,384
188,000	Neurocrine Biosciences, Inc.*		9,268,400
224,400	Pfizer, Inc.		6,034,116
252,800	Pozen, Inc.*		1,837,856
464,900	Vivus, Inc.*		2,068,805
			115,843,898
Drug Delivery - 3.3%			
208,824	Connetics Corporation*		5,072,335
750,533	DepoMed, Inc.*		4,052,878
258,920	Penwest Pharmaceuticals Co.*		3,096,683
66,000	Penwest Pharmaceuticals Co. (Restricted)* (see table below)		670,956
			12,892,852
Drug Discovery Technologies - 3.5%			
833,200	deCODE Genetics, Inc.*		6,507,292
857,143	Senomyx, Inc.*		7,097,144
300,000	Zyomyx, Inc. (Restricted)* (see table below)		3,000
			13,607,436
Emerging Biopharmaceuticals - 17.3%			
565,000	ACADIA Pharmaceuticals, Inc.*		3,825,050
632,100	Adolor Corporation*		6,270,432
633,041	Ariad Pharmaceuticals, Inc.*		4,703,495
418,400	Cytokinetics, Inc.*		4,288,600
221,100	DOV Pharmaceutical, Inc.*		3,990,855
548,102	Dyax Corporation*		3,957,296
732,600	Exelixis, Inc.*		6,959,700
717,400	Guilford Pharmaceuticals, Inc.*		3,551,130
568,600	Kosan Biosciences, Inc.*		3,940,398
182,120	Momenta Pharmaceuticals, Inc.*		1,285,767
510,880	Myogen, Inc.*		4,122,802
102,176	Myogen, Inc., Warrants*		27,588
417,750	Neurogen Corporation*		3,910,140
139,200	Nuvelo, Inc.*		1,371,120
506,292	Seattle Genetics, Inc.*		3,306,087
200,609	Telik, Inc.*		3,839,848
77,026	Tercica, Inc.*		771,030
157,887	Theravance, Inc.*		2,826,177
265,654	Theravance, Inc. (Restricted)* (see table below)		3,804,165
226,760	Therion Biologics Corporation (Restricted)*# (see table below)		2,268
33,332	Therion Biologics Corporation (Restricted) C-2 Units*# (see table below)		59,998
			66,813,946
Generic Pharmaceuticals - 11.0%			
164,700	Barr Pharmaceuticals, Inc.*		7,500,438
623,067	Impax Laboratories, Inc.*		9,894,304

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308,250	IVAX Corporation*	4,876,515
228,000	Par Pharmaceutical Companies, Inc.*	9,434,640
355,200	Teva Pharmaceutical Industries, Ltd. ADR	10,606,272
		42,312,169
	Healthcare Services - 2.7%	
26,125	DakoCytomation, Inc. (Restricted)< (see table below)	271,961
260,000	Provident Senior Living Trust (Restricted) (see table below)	3,900,000
306,208	Syntiro Healthcare Services (Restricted)* (see table below)	3,062
754,500	WebMD Corporation*	6,156,720
		10,331,743

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Medical Devices and Diagnostics - 9.0%		
200,000	Boston Scientific Corporation	7,110,000
949,200	Conor Medsystems, Inc. (Restricted)* (see table below)	9,859,815
142,326	IDEXX Laboratories, Inc.*	7,769,577
160,000	Masimo Corporation (Restricted)* (see table below)	1,600
1,020,000	Orthovita, Inc.*	4,273,800
208,529	Songbird Hearing, Inc. (Restricted)* (see table below)	2,085
546,875	VNUS Medical Technologies, Inc. (Restricted)* (see table below)	5,915,000
		34,931,877
TOTAL COMMON STOCKS		
(Cost \$234,371,888)		\$ 296,733,921

PRINCIPAL AMOUNT

SHORT-TERM INVESTMENTS - 11.2%		
\$ 5,000,000	American Express Credit Corp.; 2.26, due 1/4/05%	4,999,058
4,000,000	American Express Credit Corp.; 2.21, due 1/10/05%	3,997,790
14,000,000	General Electric Capital Corp.; 2.1 due 1/3/05%	13,998,367
1,608,000	State Street Repo; .75, due 1/3/05%	1,608,000
11,000,000	U. S. Treasury Bills; 2.01, due 1/6/05%	10,996,929
7,600,000	U. S. Treasury Bills; 1.81, due 1/20/05%	7,592,764
TOTAL SHORT-TERM INVESTMENTS		
(Cost \$43,192,908)		\$ 43,192,908
TOTAL INVESTMENTS - 100.9%		
(Cost \$346,014,907)		\$ 389,030,448
LIABILITIES, NET OF CASH AND OTHER ASSETS - (0.9%)		(3,475,442)
NET ASSETS - 100%		\$ 385,555,006

* Non income-producing security

With warrants attached

< Foreign security

Variable maturity

^ Affiliated issuers in which the Fund holds 5% or more of the voting securities (Total Market Value of \$30,835,153)

Real Estate Investment Trust

ADR American Depository Receipt

At December 31, 2004, the total cost of securities for Federal income tax purposes was \$346,294,248.

The net unrealized gain on securities held by the Fund was \$43,015,541, including gross unrealized gain of \$83,935,877

and gross unrealized loss of \$40,920,336.

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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 December 31, 2004, as determined by the Trustees of the Fund.

Security	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
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	4,173,527
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	2,403,660	10.39	9,859,815
Corus Pharma, Inc.				
Series C Cvt. Pfd.	4/8/04	3,002,196	1.16	3,000,000
CytoLogix Corporation^				
Series A Cvt. Pfd.	1/13/98-7/21/99	1,622,894	0.83	399,984
Series B Cvt. Pfd.*#	1/11/01	760,284	0.82	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.				
Series F-1 Cvt. Pfd.	8/18/00	3,002,895	0.35	489,556
Idun Pharmaceuticals, Inc.^				
Series A-1 Cvt. Pfd.	11/26/02	3,001,966	2.05	2,486,053
Series B-1 Cvt. Pfd.	5/24/04	741,719	1.60	740,741
I-trax, Inc.				
Series A Cvt. Pfd.	3/18/04	4,003,650	25.00	3,184,000
Masimo Corporation				
Series D Cvt. Pfd.	8/14/96	1,120,040	11.00	1,760,000
Restricted Common	3/31/98	0	0.01	1,600

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OmniSonic 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

Penwest Pharmaceuticals Co. ◇

Restricted Common	12/10/04	739,200	10.17	670,956
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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	707,755	0.78	939,506	
Provident Senior Living Trust					
Restricted Common	7/26/04	3,900,871	15.00	3,900,000	
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	
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	
Theravance, Inc.					
Restricted Common	2/5/99-8/28/00	3,603,204	14.31	3,804,165	
Therion Biologics Corporation					
Series A Cvt. Pfd.	8/20/96-10/16/96	444,850	1.80	85,333	
Series B Cvt. Pfd.#	6/22/99	900,914	1.80	432,000	
Series C Cvt. Pfd.	9/26/01-10/15/01	1,529,348	1.80	733,882	
Sinking Fund Cvt. Pfd.	10/18/94-8/20/96	721,291	0.01	361	
C-2 Units #	8/13/03	59,998	1.80	59,998	
Restricted Common	7/12/90-1/25/96	511,365	0.01	2,268	
TherOx, Inc.					
Series H Cvt. Pfd.	9/11/00	3,002,209	0.38	247,826	
Bridge Note #	1/28/04	200,272	1.00	200,272	
Triad Therapeutics, Inc.[^]					
Series A Cvt. Pfd.	6/8/99	1,751,170	0.00	1,750	
Series B Cvt. Pfd.	1/10/03	1,053,135	0.00	525	
Series C Cvt. Pfd.	12/20/00-11/25/02	920,659	0.02	24,000	
VNUS Medical Technologies, Inc.					
Series E Cvt. Pfd.	8/20/01	4,200,003	10.82	5,915,000	
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	
		\$ 92,822,671		\$ 73,597,529±	

With warrants attached

[^] Affiliated issuers in which the Fund holds 5% or more of the voting securities

◇ During the period from October 25, 2004 to December 10, 2004 the Fund purchased non-restricted common of the same issuer at prices ranging from \$10.33 to \$11.20.

± Represents 19% of the Fund's net asset as of December 31, 2004

Item 2. Controls and Procedures.

(a) Disclose the conclusions of the registrant's principal executive and principal financial officers, or persons performing similar functions, regarding the effectiveness of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))) as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Exchange Act (17 CFR 240.13a-15(b) or 240.15d-15(b)).

IN THE OPINION OF THE PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER, BASED ON THEIR EVALUATION, THE REGISTRANT'S DISCLOSURE CONTROLS AND PROCEDURES ARE ADEQUATELY DESIGNED AND ARE OPERATING EFFECTIVELY TO ENSURE (i) THAT MATERIAL INFORMATION RELATING TO THE REGISTRANT, INCLUDING ITS CONSOLIDATED SUBSIDIARIES, IS MADE KNOWN TO THEM BY OTHERS WITHIN THOSE ENTITIES, PARTICULARLY DURING THE PERIOD IN WHICH THIS REPORT IS BEING PREPARED; AND (ii) THAT INFORMATION REQUIRED TO BE DISCLOSED BY THE REGISTRANT ON FORM N-Q IS RECORDED, PROCESSED, SUMMARIZED AND REPORTED WITHIN THE TIME PERIODS SPECIFIED IN THE SECURITIES AND EXCHANGE COMMISSION'S RULES AND FORMS.

(b) Disclose any change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

THERE WERE NO CHANGES IN THE REGISTRANT'S INTERNAL CONTROL OVER FINANCIAL REPORTING THAT OCCURRED DURING THE REGISTRANT'S MOST RECENT FISCAL QUARTER THAT HAVE MATERIALLY AFFECTED OR ARE 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 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 March 1, 2005

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

(Registrant) H&Q Healthcare Investors
By (Signature and Title)* /s/ Kathleen Eckert, Treasurer
Date March 1, 2005

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