

TEKLA HEALTHCARE INVESTORS  
Form N-Q  
February 26, 2019

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

**FORM N-Q**

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

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: 12/31/18

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**Item 1. Schedule of Investments.**

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**TEKLA HEALTHCARE INVESTORS****SCHEDULE OF INVESTMENTS**

DECEMBER 31, 2018

(Unaudited)

| SHARES  |   | VALUE        |
|---|---|--------------|
| <b>CONVERTIBLE PREFERRED AND WARRANTS(a) - 4.2% of Net Assets</b> |   |              |
| <b>Biotechnology 2.5%</b>   |   |              |
| 326,667   | Amphivena Therapeutics, Inc. Series B (Restricted) (b) (c)                                  | \$ 4,900,001 |
| 525,972   | Amphivena Therapeutics, Inc. Series C (Restricted), 6.00% (b) (c)                           | 1,887,315    |
| 708,154   | Atreca, Inc. Series C1 (Restricted) (b)   | 1,649,999    |
| 1,043,219   | Galera Therapeutics, Inc. Series C (Restricted), 6.00% (b)                                  | 2,310,000    |
| 226,667   | GenomeDx Biosciences, Inc. Series C (Restricted), 6.00% (b)                                 | 754,800      |
| 198,403   | GenomeDx Biosciences, Inc. Series D (Restricted), 8.00% (b)                                 | 605,129      |
| 38,960  | GenomeDx Biosciences, Inc. Series D Prime (Restricted), 8.00% (b)                           | 356,487      |
| 186,067   | GenomeDx Biosciences, Inc. Series E (Restricted), 8.00% (b)                                 | 435,211      |
|   | GenomeDx Biosciences, Inc. Warrants (Restricted, expiration 11/1/27, exercise price \$3.05) |              |
| 27,357  | (b)   | 0            |
| 2,692,309   | Rainier Therapeutics, Inc. Series A (Restricted), 6.00% (b)                                 | 1,750,001    |
| 1,559,715   | Rainier Therapeutics, Inc. Series B (Restricted), 6.00% (b)                                 | 1,166,667    |
| 287,958   | Sutro Biopharma Series E (Restricted), 8.00%  | 2,337,644    |
| 875,000   | Therachon Holding AG Series B (Restricted), 8.00% (b)                                       | 3,500,000    |
| 210,000   | Trillium Therapeutics, Inc. Series II (d)   | 359,100      |
|   |   | 22,012,354   |
| <b>Health Care Equipment &amp; Supplies (Restricted) (b) 0.2%</b> |   |              |
| 114,158   | CardioKinetix, Inc. Series C, 8.00%   | 0            |
| 205,167   | CardioKinetix, Inc. Series D, 8.00%   | 0            |
| 632,211   | CardioKinetix, Inc. Series E, 8.00%   | 0            |
| 692,715   | CardioKinetix, Inc. Series F, 8.00%   | 0            |
| N/A(e)  | CardioKinetix, Inc. Warrants (expiration 12/11/19, exercise price \$0.69)                   | 0            |
| N/A(e)  | CardioKinetix, Inc. Warrants (expiration 6/03/20, exercise price \$0.69)                    | 0            |
| 12,695  | CardioKinetix, Inc. Warrants (expiration 8/15/24, exercise price \$2.85)                    | 0            |
| 951,000   | IlluminOss Medical, Inc. Series AA, 8.00% (c)   | 951,000      |
| 895,848   | IlluminOss Medical, Inc. Junior Preferred, 8.00% (c)  | 895,848      |
| 47,542  | IlluminOss Medical, Inc. Warrants (expiration 1/11/28, exercise price \$1.00) (c)           | 0            |
| 23,771  | IlluminOss Medical, Inc. Warrants (expiration 11/20/27, exercise price \$1.00) (c)          | 0            |
| 47,542  | IlluminOss Medical, Inc. Warrants (expiration 2/6/28, exercise price \$1.00) (c)            | 0            |
| 71,324  | IlluminOss Medical, Inc. Warrants (expiration 3/31/27, exercise price \$1.00) (c)           | 0            |
| 59,426  | IlluminOss Medical, Inc. Warrants (expiration 9/6/27, exercise price \$1.00)(c)             | 0            |
|   |   | 1,846,848    |
| <b>Life Sciences Tools &amp; Services (Restricted) (b) 0.6%</b>   |   |              |
| 3,669,024   | Labcyte, Inc. Series C, 8.00%   | 4,622,970    |
| 160,767   | Labcyte, Inc. Series D, 8.00%   | 221,858      |

The accompanying notes are an integral part of this Schedule of Investments.

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| SHARES   |   | VALUE      |
|--|---|------------|
| <b>Life Sciences Tools &amp; Services continued</b>                    |   |            |
| 122,220  | Labcyte, Inc. Series E, 8.00%                       | \$ 196,774 |
|  |   | 5,041,602  |
| <b>Pharmaceuticals (Restricted) (b) 0.9%</b>                           |   |            |
| 3,173,164  | Curasen Therapeutics, Inc. Series A (c)             | 3,500,000  |
| 1,538,235  | Milestone Pharmaceuticals, Inc. Series C, 8.00% (d) | 2,099,998  |
| 1,076,939  | Milestone Pharmaceuticals, Inc. Series D1, 8.00%    | 1,909,090  |
|  |   | 7,509,088  |
| <b>TOTAL CONVERTIBLE PREFERRED AND WARRANTS</b><br>(Cost \$46,921,887) |   | 36,409,892 |

**PRINCIPAL  
AMOUNT**

| <b>CONVERTIBLE NOTES (Restricted) (b)- 0.1% of Net Assets</b> |   |           |
|---|---|-----------|
| <b>Biotechnology 0.0%</b>                                     |   |           |
| \$ 145,883  | GenomeDx Biosciences, Inc. Promissory Note, 6.00% due 12/28/19  | 145,883   |
| <b>Health Care Equipment &amp; Supplies 0.1%</b>              |   |           |
| 74,456  | CardioKinetix, Inc. Promissory Note, 5.00% due 1/31/19          | 0         |
| 285,294   | IlluminOss Medical, Inc. Promissory Note, 8.00% due 1/31/19 (c) | 285,294   |
| 95,083  | IlluminOss Medical, Inc. Promissory Note, 8.00% due 1/31/19 (c) | 95,083    |
| 237,708   | IlluminOss Medical, Inc. Promissory Note, 8.00% due 1/31/19 (c) | 237,708   |
| 190,166   | IlluminOss Medical, Inc. Promissory Note, 8.00% due 1/31/19 (c) | 190,166   |
| 190,166   | IlluminOss Medical, Inc. Promissory Note, 8.00% due 1/31/19 (c) | 190,166   |
|   |   | 998,417   |
| <b>TOTAL CONVERTIBLE NOTES (Cost \$1,218,900)</b>             |   | 1,144,300 |

**SHARES**

| <b>COMMON STOCKS AND WARRANTS - 92.7% of Net Assets</b> |                                   |            |
|---|-----------------------------------|------------|
| <b>Biotechnology 60.3%</b>                              |                                   |            |
| 94,915  | AbbVie Inc.                       | 8,750,214  |
| 119,074   | AC Immune SA (a) (d)              | 1,125,249  |
| 147,674   | Akebia Therapeutics, Inc. (a)     | 816,637    |
| 86,667  | Albireo Pharma, Inc. (a)          | 2,125,942  |
| 242,630   | Alexion Pharmaceuticals, Inc. (a) | 23,622,457 |
| 109,903   | Alkermes plc (a)                  | 3,243,238  |
| 87,873  | Alnylam Pharmaceuticals, Inc. (a) | 6,406,820  |
| 364,971   | Amarin Corporation plc (a) (f)    | 4,967,255  |
| 369,150   | Amgen Inc.                        | 71,862,431 |
| 398,911   | Amicus Therapeutics, Inc. (a)     | 3,821,567  |
| 45,862  | AnaptysBio, Inc. (a)              | 2,925,537  |
| 31,146  | Arena Pharmaceuticals, Inc. (a)   | 1,213,137  |
| 261,150   | Array Biopharma Inc. (a)          | 3,721,388  |
| 24,923  | Ascendis Pharma A/S (a) (f)       | 1,561,426  |
| 31,680  | Athenex, Inc. (a)                 | 402,019    |

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SHARES

VALUE

| <b>Biotechnology continued</b> |  |            |
|--------------------------------|--|------------|
| 26,960                         | Audentes Therapeutics, Inc. (a)  | \$ 574,787 |
| 54,497                         | BeiGene, Ltd. (a) (f)  | 7,643,749  |
| 214,129                        | Biogen Inc. (a)  | 64,435,699 |
| 125,253                        | BioMarin Pharmaceutical Inc. (a)   | 10,665,293 |
| 67,060                         | bluebird bio, Inc. (a)   | 6,652,352  |
| 96,638                         | Blueprint Medicines Corporation (a)  | 5,209,755  |
| 735,486                        | Celgene Corporation (a)  | 47,137,298 |
| 52,600                         | Clovis Oncology, Inc. (a)  | 944,696    |
| 243,482                        | Coherus BioSciences, Inc. (a)  | 2,203,512  |
| 123,392                        | CRISPR Therapeutics AG (a) (d)   | 3,525,309  |
| 104,609                        | Dermira, Inc. (a)  | 752,139    |
| 48,794                         | Editas Medicine, Inc. (a)  | 1,110,064  |
| 251,377                        | Epizyme, Inc. (a)  | 1,548,482  |
| 86,390                         | Esperion Therapeutics, Inc. (a)  | 3,973,940  |
| 210,962                        | Exelixis, Inc. (a)   | 4,149,623  |
| 135,904                        | FibroGen, Inc. (a)   | 6,289,637  |
| 49,714                         | Galapagos NV (a) (f)   | 4,560,762  |
| 835,283                        | Gilead Sciences, Inc.  | 52,246,952 |
| 54,124                         | Global Blood Therapeutics, Inc. (a)  | 2,221,790  |
| 329,676                        | Incyte Corporation (a)   | 20,964,097 |
| 113,891                        | Innoviva, Inc. (a)   | 1,987,398  |
| 101,896                        | Intellia Therapeutics, Inc. (a)  | 1,390,880  |
| 9,317                          | Intercept Pharmaceuticals, Inc. (a)  | 939,060    |
| 53,387                         | Ionis Pharmaceuticals, Inc. (a)  | 2,886,101  |
| 127,421                        | Iovance Biotherapeutics, Inc. (a)  | 1,127,676  |
| 48,710                         | Lexicon Pharmaceuticals, Inc. (a)  | 323,434    |
| 12,271                         | Ligand Pharmaceuticals, Inc. (a)   | 1,665,175  |
| 15,300                         | Loxo Oncology, Inc. (a)  | 2,143,071  |
| 258,907                        | Merus N.V. (a) (d)   | 3,624,698  |
| 81,916                         | Molecular Templates, Inc. (a)  | 330,941    |
| 57,488                         | Nektar Therapeutics (a)  | 1,889,631  |
| 130,603                        | Neurocrine Biosciences, Inc. (a)   | 9,326,360  |
| 347,884                        | Ovid Therapeutics Inc. (a)   | 841,879    |
| 1,297,531                      | Pieris Pharmaceuticals, Inc. (a)   | 3,451,433  |
|                                | Pieris Pharmaceuticals, Inc., Series A Warrants (expiration 6/8/21, exercise price \$3.00) |            |
| 54,790                         | (a) (b)  | 37,257     |
|                                | Pieris Pharmaceuticals, Inc., Series B Warrants (expiration 6/8/21, exercise price \$2.00) |            |
| 27,394                         | (a) (b)  | 26,846     |
| 70,557                         | Portola Pharmaceuticals, Inc. (a)  | 1,377,273  |
| 129,682                        | Protagonist Therapeutics, Inc. (a)   | 872,760    |
| 41,261                         | PTC Therapeutics, Inc. (a)   | 1,416,078  |
| 35,515                         | Puma Biotechnology, Inc. (a)   | 722,730    |
| 80,256                         | Regeneron Pharmaceuticals, Inc. (a)  | 29,975,616 |
| 60,966                         | Sage Therapeutics, Inc. (a)  | 5,839,933  |
| 176,239                        | Sangamo Therapeutics, Inc. (a)   | 2,023,224  |

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| SHARES   |  | VALUE         |
|--|--|---------------|
| <b>Biotechnology continued</b>                   |  |               |
| 104,624  | Sarepta Therapeutics, Inc. (a)                   | \$ 11,417,617 |
| 151,655  | Seattle Genetics, Inc. (a)                       | 8,592,772     |
| 159,839  | Sutro Biopharma, Inc. (a)                        | 1,441,748     |
| 317,526  | Trillium Therapeutics, Inc. (a) (d)              | 542,969       |
| 53,419   | Ultragenyx Pharmaceutical Inc. (a)               | 2,322,658     |
| 34,119   | United Therapeutics Corporation (a)              | 3,715,559     |
| 213,482  | Vertex Pharmaceuticals Incorporated (a)          | 35,376,102    |
| 39,793   | Viking Therapeutics, Inc. (a)                    | 304,416       |
| 25,451   | Xencor, Inc. (a)                                 | 920,308       |
|  |  | 522,228,856   |
| <b>Drug Discovery Technologies 0.1%</b>          |  |               |
| 117,030  | Immunogen, Inc. (a)                              | 561,744       |
| <b>Health Care Equipment &amp; Supplies 2.9%</b> |  |               |
| 85,589   | Abbott Laboratories                              | 6,190,652     |
| 103,950  | Alliqua BioMedical, Inc. (a)                     | 194,386       |
| 28,123   | Baxter International Inc.                        | 1,851,056     |
| 4,170  | Becton, Dickinson and Company                    | 939,584       |
| 160,000  | Cercacor Laboratories, Inc. (Restricted) (a) (b) | 610,721       |
| 25,327   | Dentsply Sirona, Inc.                            | 942,418       |
| 19,960   | IDEXX Laboratories, Inc. (a)                     | 3,712,959     |
| 97,680   | Inovalon Holdings, Inc. (a)                      | 1,385,102     |
| 27,150   | LeMaitre Vascular, Inc.                          | 641,826       |
| 68,760   | Nevro Corp. (a)                                  | 2,674,076     |
| 37,380   | Stryker Corporation                              | 5,859,315     |
| 10,735   | TherOx, Inc. (Restricted) (a) (b)                | 215           |
|  |  | 25,002,310    |
| <b>Health Care Providers &amp; Services 4.2%</b> |  |               |
| 69,045   | Acadia Healthcare Company, Inc. (a)              | 1,775,147     |
| 26,832   | Anthem, Inc.                                     | 7,046,888     |
| 55,158   | Centene Corporation (a)                          | 6,359,718     |
| 7,121  | CVS Health Corporation                           | 466,568       |
| 9,407  | Humana Inc.                                      | 2,694,917     |
| 222,222  | InnovaCare Health, Inc. (Restricted) (a) (b) (g) | 695,555       |
| 69,493   | UnitedHealth Group Incorporated                  | 17,312,096    |
|  |  | 36,350,889    |
| <b>Health Care Technology 0.1%</b>               |  |               |
| 42,150   | Evolent Health, Inc. (a)                         | 840,893       |
| <b>Life Sciences Tools &amp; Services 6.3%</b>   |  |               |
| 131,039  | Illumina, Inc. (a)                               | 39,302,527    |
| 32,460   | PRA Health Sciences, Inc. (a)                    | 2,985,022     |
| 52,912   | Thermo Fisher Scientific Inc.                    | 11,841,176    |
|  |  | 54,128,725    |
| <b>Medical Devices and Diagnostics 1.5%</b>      |  |               |
| 4,213  | Align Technology, Inc. (a)                       | 882,329       |
| 46,400   | Boston Scientific Corporation (a)                | 1,639,776     |

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| SHARES  |  | VALUE        |
|---------|--|--------------|
|         | <b>Medical Devices and Diagnostics continued</b> |              |
| 47,260  | Danaher Corporation                              | \$ 4,873,451 |
| 12,085  | Genomic Health, Inc. (a)                         | 778,395      |
| 4,970   | Intuitive Surgical, Inc. (a)                     | 2,380,232    |
| 22,100  | ResMed Inc.                                      | 2,516,527    |
|         |  | 13,070,710   |
|         | <b>Pharmaceuticals 17.3%</b>                     |              |
| 112,338 | Accelaron Pharma Inc. (a)                        | 4,892,320    |
| 26,980  | Aerie Pharmaceuticals, Inc. (a)                  | 973,978      |
| 528,740 | Aerpio Pharmaceuticals, Inc. (a)                 | 898,858      |
| 27,555  | Agios Pharmaceuticals, Inc. (a)                  | 1,270,561    |
| 22,991  | Allergan plc                                     | 3,072,977    |
| 172,920 | ArQule, Inc. (a)                                 | 478,988      |
| 97,397  | Bristol-Myers Squibb Company                     | 5,062,696    |
| 31,507  | Concert Pharmaceuticals, Inc. (a)                | 395,413      |
| 34,138  | Eli Lilly and Company                            | 3,950,449    |
| 465,507 | Endo International plc (a)                       | 3,398,201    |
| 210,543 | Foamix Pharmaceuticals Ltd. (a) (d)              | 755,849      |
| 42,029  | GW Pharmaceuticals plc (a) (f)                   | 4,093,204    |
| 293,845 | Immunomedics, Inc. (a)                           | 4,193,168    |
| 76,880  | Intra-Cellular Therapies, Inc. (a)               | 875,663      |
| 75,067  | Jazz Pharmaceuticals plc (a)                     | 9,305,305    |
| 197,647 | Johnson & Johnson                                | 25,506,345   |
| 4,640   | Madrigal Pharmaceuticals, Inc. (a)               | 523,021      |
| 526,459 | Marinus Pharmaceuticals, Inc. (a)                | 1,510,937    |
| 132,804 | Medicines Company (The) (a)                      | 2,541,869    |
| 243,985 | Merck & Co., Inc.                                | 18,642,894   |
| 9,460   | Mirati Therapeutics, Inc. (a)                    | 401,293      |
| 788,792 | Mylan N.V. (a)                                   | 21,612,901   |
| 26,860  | MyoKardia, Inc. (a)                              | 1,312,380    |
| 372,467 | Pfizer Inc.                                      | 16,258,185   |
| 17,320  | Rhythm Pharmaceuticals, Inc. (a)                 | 465,562      |
| 79,790  | Spectrum Pharmaceuticals, Inc. (a)               | 698,163      |
| 574,944 | Tetraphase Pharmaceuticals, Inc. (a)             | 649,687      |
| 382,571 | Teva Pharmaceutical Industries Limited (a) (f)   | 5,899,245    |
| 92,782  | Zoetis Inc.                                      | 7,936,572    |
| 69,446  | Zogenix, Inc. (a)                                | 2,532,001    |
|         |  | 150,108,685  |
|         | <b>TOTAL COMMON STOCKS AND WARRANTS</b>          |              |
|         | (Cost \$684,620,456)                             | 802,292,812  |
|         | <b>EXCHANGE TRADED FUND - 1.0% of Net Assets</b> |              |
| 119,000 | SPDR S&P Biotech ETF                             | \$ 8,538,250 |
|         | <b>TOTAL EXCHANGE TRADED FUND</b>                |              |
|         | (Cost \$8,746,602)                               | 8,538,250    |

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| PRINCIPAL AMOUNT  | VALUE   |
|---|---|
| <b>SHORT-TERM INVESTMENT - 0.6% of Net Assets</b>                   |   |
| \$ 4,861,000  | Repurchase Agreement, Fixed Income Clearing Corp., repurchase Value \$4,861,000 , 0.50%, dated 12/31/18, due 01/02/19 (collateralized by U.S. Treasury Notes 2.625%, due 12/31/25, market value \$4,960,000) \$ 4,861,000 |
|   | <b>TOTAL SHORT-TERM INVESTMENT</b><br>(Cost \$4,861,000) 4,861,000  |
|   | <b>TOTAL INVESTMENTS BEFORE MILESTONE INTEREST - 98.6%</b><br>(Cost \$746,368,845) 853,246,254  |
| <b>INTEREST</b>   |   |
| <b>MILESTONE INTERESTS (Restricted)(a) (b) - 1.4% of Net Assets</b> |   |
| <b>Health Care Equipment &amp; Supplies 0.5%</b>                    |   |
| 1   | Veniti Milestone Interest 4,562,104   |
| <b>Pharmaceuticals 0.9%</b>   |   |
| 1   | Afferent Milestone Interest 775,758   |
| 1   | Ethismos Research, Inc. Milestone Interest 0  |
| 1   | Neurovance Milestone Interest 2,653,681   |
| 1   | TargeGen Milestone Interest 4,469,434   |
|   | 7,898,873   |
|   | <b>TOTAL MILESTONE INTERESTS</b><br>(Cost \$9,438,229) 12,460,977   |
|   | <b>TOTAL INVESTMENTS - 100.0%</b><br>(Cost \$755,807,074) 865,707,231   |
|   | <b>OTHER LIABILITIES IN EXCESS OF ASSETS - 0.0%</b> (391,804)   |
|   | <b>NET ASSETS - 100%</b> \$ 865,315,427   |

(a) Non-income producing security.

(b) Security fair valued using significant unobservable inputs. See Investment Valuation and Fair Value Measurements.

(c) Affiliated issuers in which the Fund holds 5% or more of the voting securities (total market value of \$13,132,581).

(d) Foreign security.

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

(f) American Depository Receipt

(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 this Schedule of Investments.





**TEKLA HEALTHCARE INVESTORS**

**NOTES TO SCHEDULE OF INVESTMENTS**

*DECEMBER 31, 2018*

*(Unaudited)*

***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) has 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. Convertible bonds, corporate and government bonds are valued using a third-party pricing service. Convertible bonds are valued using this pricing service only on days when there is no sale reported. 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 Tekla Capital Management LLC (the Adviser) also using fair valuation policies and procedures approved by the Trustees described below. Non-exchange traded warrants of publicly traded companies are generally 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 generally valued at amortized cost, which approximates fair value.

Convertible preferred shares, warrants or convertible note interests in private companies, milestone interests, and other restricted securities, as well as 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 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 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 terms. 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 this Schedule of Investments.

***Federal Income Tax Cost***

At December 31, 2018, the cost of securities for Federal income tax purposes was \$755,808,768. The net unrealized gain on securities held by the Fund was \$109,898,463, including gross unrealized gain of \$240,901,807 and gross

unrealized loss of \$131,003,344.

*Other Transactions with Affiliates*

An affiliate company is a company in which the Fund holds 5% or more of the voting securities. Transactions involving such companies during the period ended December 31, 2018 were as follows:

| Affiliated Companies         | Beginning Value as of September 30, 2018 | Purchases at Cost | Proceeds from Sales | Net Realized Gain/(Loss) on sale of Affiliated Companies | Change in Unrealized Appreciation/Depreciation | Ending Value as of December 31, 2018 | Shares/Principal Amount as of December 31, 2018 | Dividend Income from Affiliated Companies | Capital Gain Distributions from Affiliated Companies |
|------------------------------|--|-------------------|---------------------|--|--|--------------------------------------|---|---|--|
| Amphivena Therapeutics, Inc. | \$ 5,714,797                             | \$ 1,887,315      | \$ (816,284)        |  | \$ 1,488                                       | \$ 6,787,316                         | 852,639   | \$ 8,725                                  | \$   |
| Curasen Therapeutics, Inc.   | 3,500,000                                |                   |                     |  |  | 3,500,000                            | 3,173,164                                       |   |  |
| IlluminOss Medical, Inc.     | 2,845,265                                |                   |                     |  |  | 2,845,265                            | 3,097,870                                       | 20,117                                    |  |
|                              | \$ 12,060,062                            | \$ 1,887,315      | \$ (816,284)        | \$   | \$ 1,488                                       | \$ 13,132,581                        | 7,123,673                                       | \$ 28,842                                 | \$   |

**TEKLA HEALTHCARE INVESTORS****NOTES TO SCHEDULE OF INVESTMENTS**

DECEMBER 31, 2018

(Unaudited, continued)

**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.). The independent pricing vendor may value bank loans and debt securities at an evaluated bid price by employing methodologies that utilize actual market transactions, broker-supplied valuations, and/or other methodologies designed to identify the market value for such securities and such securities are considered Level 2 in the fair value hierarchy. 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 levels used as of December 31, 2018 to value the Fund's net assets.

| Assets at Value                    | Level 1        | Level 2      | Level 3       | Total          |
|------------------------------------|----------------|--------------|---------------|----------------|
| Convertible Preferred And Warrants |                |              |               |                |
| Biotechnology                      | \$ 359,100     | \$ 2,337,644 | \$ 19,315,610 | \$ 22,012,354  |
| Health Care Equipment & Supplies   |                |              | 1,846,848     | 1,846,848      |
| Life Sciences Tools & Services     |                |              | 5,041,602     | 5,041,602      |
| Pharmaceuticals                    |                |              | 7,509,088     | 7,509,088      |
| Convertible Notes                  |                |              |               |                |
| Biotechnology                      |                |              | 145,883       | 145,883        |
| Health Care Equipment & Supplies   |                |              | 998,417       | 998,417        |
| Common Stocks And Warrants         |                |              |               |                |
| Biotechnology                      | 522,164,753    |              | 64,103        | 522,228,856    |
| Drug Discovery Technologies        | 561,744        |              |               | 561,744        |
| Health Care Equipment & Supplies   | 24,391,374     |              | 610,936       | 25,002,310     |
| Health Care Providers & Services   | 35,655,334     |              | 695,555       | 36,350,889     |
| Health Care Technology             | 840,893        |              |               | 840,893        |
| Life Sciences Tools & Services     | 54,128,725     |              |               | 54,128,725     |
| Medical Devices And Diagnostics    | 13,070,710     |              |               | 13,070,710     |
| Pharmaceuticals                    | 150,108,685    |              |               | 150,108,685    |
| Exchange Traded Fund               | 8,538,250      |              |               | 8,538,250      |
| Short-term Investment              |                | 4,861,000    |               | 4,861,000      |
| Milestone Interests                |                |              |               |                |
| Health Care Equipment & Supplies   |                |              | 4,562,104     | 4,562,104      |
| Pharmaceuticals                    |                |              | 7,898,873     | 7,898,873      |
| Other Assets                       |                |              | 1,063,643     | 1,063,643      |
| Total                              | \$ 809,819,568 | \$ 7,198,644 | \$ 49,752,662 | \$ 866,770,874 |

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

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**TEKLA HEALTHCARE INVESTORS****NOTES TO SCHEDULE OF INVESTMENTS**

DECEMBER 31, 2018

(Unaudited, continued)

|   | Balance as of<br>September 30,<br>2018 | Net realized<br>gain (loss) and<br>change in<br>unrealized<br>appreciation<br>(depreciation) | Cost of<br>purchases and<br>conversions | Proceeds from<br>sales and<br>conversions | Net Transfers in<br>(out of) Level 3 | Balance as of<br>December 31,<br>2018 |
|---|--|--|---|---|--------------------------------------|---------------------------------------|
| <b>Investments in Securities</b>            |  |  |   |   |                                      |                                       |
| <b>Convertible Preferred and Warrants</b>   |  |  |   |   |                                      |                                       |
| Biotechnology                               | \$ 17,110,039                          | \$ (2,127)   | \$ 2,207,698                            | \$ 0                                      | \$ 0                                 | \$ 19,315,610                         |
| <b>Health Care Equipment &amp; Supplies</b> | 1,846,848                              | 0  | 0                                       | 0   | 0                                    | 1,846,848                             |
| <b>Life Sciences Tools &amp; Services</b>   | 5,041,602                              | 0  | 0                                       | 0   | 0                                    | 5,041,602                             |
| <b>Pharmaceuticals</b>                      | 5,599,998                              | 0  | 1,909,090                               | 0   | 0                                    | 7,509,088                             |
| <b>Convertible Notes</b>                    |  |  |   |   |                                      |                                       |
| Biotechnology                               | 814,796                                | 297  | 145,586                                 | (814,796)                                 | 0                                    | 145,883                               |
| <b>Health Care Equipment &amp; Supplies</b> | 998,417                                | 0  | 0                                       | 0   | 0                                    | 998,417                               |
| <b>Common Stock and Warrants</b>            |  |  |   |   |                                      |                                       |
| Biotechnology                               | 219,979                                | (155,876)  | 0                                       | 0   | 0                                    | 64,103                                |
| <b>Health Care Equipment &amp; Supplies</b> | 677,075                                | (66,139)   | 0                                       | 0   | 0                                    | 610,936                               |
| <b>Health Care Providers &amp; Services</b> | 602,222                                | 93,333   | 0                                       | 0   | 0                                    | 695,555                               |
| <b>Milestone Interests</b>                  |  |  |   |   |                                      |                                       |
| <b>Health Care Equipment &amp; Supplies</b> | 4,538,871                              | 23,233   | 0                                       | 0   | 0                                    | 4,562,104                             |
| <b>Pharmaceuticals</b>                      | 7,912,735                              | (13,862)   | 0                                       | 0   | 0                                    | 7,898,873                             |
| <b>Other Assets</b>                         | 1,150,714                              | 0  | 4,960                                   | (92,031)                                  |                                      | 1,063,643                             |
| <b>Total</b>                                | \$ 46,513,296                          | \$ (121,141)   | \$ 4,267,334                            | \$ (906,827)                              | \$ 0                                 | \$ 49,752,662                         |

Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2018 \$ (121,141)

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<br>December 31, 2018 | Valuation Technique                          | Unobservable Input                       | Range (Weighted Average)                       |
|---|------------------------------------|--|--|--|
| Private Companies and Other Restricted Securities | \$ 674,824                         | Income approach, Black-Scholes               | Discount for lack of marketability       | 20% (20%)                                      |
|   | 23,897,449                         | Probability - weighted expected return model | Discount rate<br>Price to sales multiple | 20.60%-50.11% (34.03%)<br>2.41x-10.37x (5.54x) |
|   | 10,960,214                         | Market approach, recent transaction          | (a)                                      | N/A  |

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|    |            |                            |                                    |                         |
|----|------------|----------------------------|------------------------------------|-------------------------|
|    | 695,555    | Market Comparable          | Discount for lack of marketability | 50.00%                  |
|    |            |                            | Price to earning multiple          | 17.00x                  |
|    | 13,524,620 | Probability adjusted value | Probability of events              | 15.00%-99.00% (46.01%)  |
|    |            |                            | Timing of events                   | 0.25-18.25 (2.59) years |
| \$ | 49,752,662 |                            |                                    |                         |

(a) The valuation technique used as a basis to approximate fair value of these investments is based upon subsequent financing rounds. There is no quantitative information to provide as these methods of measure are investment specific.

***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 represented 6% of the Fund's net assets at December 31, 2018.

At December 31, 2018, the Fund had a commitment of \$3,968,705 relating to additional investments in four private companies.

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 December 31, 2018. The Fund on its own does not have the right to demand that such securities be registered.

**TEKLA HEALTHCARE INVESTORS****NOTES TO SCHEDULE OF INVESTMENTS**

DECEMBER 31, 2018

(Unaudited, continued)

| Security (#)                               | Acquisition Date  | Cost       | Carrying Value per Unit | Value      |
|--|-------------------|------------|-------------------------|------------|
| Afferent Milestone Interest                | 7/27/16           | \$ 377,701 | \$ 775,758.00           | \$ 775,758 |
| Amphivena Therapeutics, Inc.               |                   |            |                         |            |
| Series B Cvt. Pfd                          | 7/17/17           | 4,902,852  | 15.00                   | 4,900,001  |
| Series C Cvt. Pfd                          | 12/10/18          | 1,887,315  | 3.59                    | 1,887,315  |
| Atreca, Inc.                               |                   |            |                         |            |
| Series C1 Cvt. Pfd                         | 9/5/18            | 1,649,999  | 2.33                    | 1,649,999  |
| CardioKinetix, Inc.                        |                   |            |                         |            |
| Series C Cvt. Pfd                          | 5/22/08           | 2,379,300  | 0.00                    | 0          |
| Series D Cvt. Pfd                          | 12/10/10          | 785,862    | 0.00                    | 0          |
| Series E Cvt. Pfd                          | 9/14/11           | 1,805,145  | 0.00                    | 0          |
| Series F Cvt. Pfd                          | 12/4/14           | 2,368,365  | 0.00                    | 0          |
| Cvt. Promissory Note                       | 6/20/17           | 74,505     | 0.00                    | 0          |
| Warrants (expiration 12/11/19)             | 12/10/09, 2/11/10 | 177        | 0.00                    | 0          |
| Warrants (expiration 6/03/20)              | 6/3/10, 9/1/10    | 177        | 0.00                    | 0          |
| Warrants (expiration 8/15/24)              | 8/15/14           | 204        | 0.00                    | 0          |
| Cercacor Laboratories, Inc. Common         | 3/31/98           | 0          | 3.82                    | 610,721    |
| Curasen Therapeutics, Inc.                 |                   |            |                         |            |
| Series A Cvt. Pfd                          | 9/18/18           | 3,500,000  | 1.10                    | 3,500,000  |
| Ethismos Research, Inc. Milestone Interest | 10/31/17          | 0          | 0.00                    | 0          |
| Galera Therapeutics, Inc.                  |                   |            |                         |            |
| Series C Cvt. Pfd                          | 8/30/18           | 2,310,060  | 2.21                    | 2,310,000  |
| GenomeDx Biosciences, Inc.                 |                   |            |                         |            |
| Series C Cvt. Pfd                          | 2/22/16           | 3,407,980  | 3.33                    | 754,800    |
| Series D Cvt. Pfd                          | 4/4/18            | 521,689    | 3.05                    | 605,129    |
| Series D Prime Cvt. Pfd                    | 4/4/18            | 119,170    | 9.15                    | 356,487    |
| Series E Cvt. Pfd                          | 7/20/18           | 435,502    | 2.34                    | 435,211    |
| Cvt. Promissory Note                       | 12/28/18          | 145,883    | 100.00                  | 145,883    |
| Warrants (expiration 11/1/27)              | 4/4/18            | 239        | 0.00                    | 0          |
| IlluminOss Medical, Inc.                   |                   |            |                         |            |
| Series AA Cvt. Pfd                         | 1/21/16           | 960,650    | 1.00                    | 951,000    |
| Junior Preferred                           | 1/21/16           | 3,468,037  | 1.00                    | 895,848    |
| Cvt. Promissory Note                       | 3/28/17           | 285,355    | 100.00                  | 285,294    |
| Cvt. Promissory Note                       | 12/20/17          | 95,108     | 100.00                  | 95,083     |
| Cvt. Promissory Note                       | 9/5/18            | 237,708    | 100.00                  | 237,708    |
| Cvt. Promissory Note                       | 1/11/18           | 190,175    | 100.00                  | 190,166    |
| Cvt. Promissory Note                       | 2/6/18            | 190,166    | 100.00                  | 190,166    |
| Warrants (expiration 1/11/28)              | 1/11/18           | 29         | 0.00                    | 0          |
| Warrants (expiration 11/20/27)             | 11/21/17          | 88         | 0.00                    | 0          |
| Warrants (expiration 2/6/28)               | 2/6/18            | 0          | 0.00                    | 0          |
| Warrants (expiration 3/31/27)              | 3/28/17           | 331        | 0.00                    | 0          |
| Warrants (expiration 9/6/27)               | 9/5/18            | 0          | 0.00                    | 0          |
| InnovaCare Health, Inc. Common             | 12/21/12          | 965,291    | 3.13                    | 695,555    |
| Labcyte, Inc.                              |                   |            |                         |            |
| Series C Cvt. Pfd                          | 7/18/05           | 1,928,781  | 1.26                    | 4,622,970  |
| Series D Cvt. Pfd                          | 12/21/12          | 103,036    | 1.38                    | 221,858    |
| Series E Cvt. Pfd                          | 3/27/17           | 106,240    | 1.61                    | 196,774    |
| Milestone Pharmaceuticals, Inc.            |                   |            |                         |            |



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|                               |                   |               |              |               |
|-------------------------------|-------------------|---------------|--------------|---------------|
| Series C Cvt. Pfd             | 7/17/17           | 2,102,920     | 1.37         | 2,099,998     |
| Series D1 Cvt. Pfd            | 10/12/18          | 1,909,090     | 1.77         | 1,909,090     |
| Neurovance Milestone Interest | 3/20/17           | 4,917,881     | 2,653,681.00 | 2,653,681     |
| Rainier Therapeutics, Inc.    |                   |               |              |               |
| Series A Cvt. Pfd             | 1/19/16, 10/24/16 | 1,751,289     | 0.65         | 1,750,001     |
| Series B Cvt. Pfd             | 3/3/17            | 1,166,744     | 0.75         | 1,166,667     |
| Sutro Biopharma               |                   |               |              |               |
| Series E Cvt. Pfd             | 7/26/18           | 2,800,616     | 8.12         | 2,337,644     |
| TargeGen Milestone Interest   | 7/20/10           | 133,117       | 4,469,434.00 | 4,469,434     |
| Therachon Holding AG          |                   |               |              |               |
| Series B Cvt. Pfd             | 7/17/18           | 3,500,000     | 4.00         | 3,500,000     |
| TherOx, Inc. Common           | 9/11/00, 7/8/05   | 3,582,705     | 0.02         | 215           |
| Veniti Milestone Interest     | 08/16/18          | 4,009,530     | 4,562,104.00 | 4,562,104     |
|                               |                   | \$ 61,077,012 |              | \$ 50,962,560 |

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

Interest received as part of a corporate action for a previously owned security.

**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)                      Tekla Healthcare Investors

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

Date                      2/26/19

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                      2/26/19

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