

TEKLA HEALTHCARE INVESTORS  
Form N-CSRS  
June 01, 2018

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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 September 30  
end:

Date of reporting period: October 1, 2017 to March 31, 2018

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**ITEM 1. REPORTS TO STOCKHOLDERS.**

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**TEKLA HEALTHCARE INVESTORS**

*Semiannual Report*

March 31, 2018

*(Unaudited)*

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## 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 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. A return of capital may occur, for example, when some or all of the money that you invested in the Fund is paid back to you. A return of capital distribution does not necessarily reflect the Fund's investment performance and should not be confused with "yield" or "income."

The amounts and sources of distributions reported in the Fund's notices pursuant to Section 19(a) of the Investment Company Act of 1940 are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during its fiscal year and may be subject to changes based on tax regulations. The Fund will send you a Form 1099-DIV for the calendar year that tells you how to report distributions for federal income tax purposes.

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 or widening an existing trading discount. At this time there are no reasonably foreseeable circumstances that might cause the Trustees to terminate the Policy.

**Consider these risks before investing:** As with any investment company that invests in equity securities, the Fund is subject to market risk—the possibility that the prices of equity securities will decline over short or extended periods of time. As a result, the value of an investment in the Fund's shares will fluctuate with the market generally and market sectors in particular. You could lose money over short or long periods of time. Political and economic news can influence marketwide trends and can cause disruptions in the U.S. or world financial markets. Other factors may be ignored by the market as a whole but may cause movements in the price of one company's stock or the stock of companies in one or more industries. All of these factors may have a greater impact on initial public offerings and emerging company shares. Different types of equity securities tend to shift into and out of favor with investors, depending on market and economic conditions. The performance of funds that invest in equity securities of Healthcare Companies may at times be better or worse than the performance of funds that focus on other types of securities or that have a broader investment style.

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**TEKLA HEALTHCARE INVESTORS**

Dear Shareholders,

We continue to see mixed results from the market. After a pullback in the second half of 2015, the healthcare market advanced nicely during 2016 and most of 2017. Sentiment during this period appeared favorable. Whatever the politics, the market reacted favorably to the election of President Trump, advancing approximately 20% in 2017.

However, in late 2017 and particularly in early 2018, there appeared to be a reversal in sentiment. In January of 2018, we saw an apparent break in the upward trend that had been in place for some time in the healthcare/biotechnology market and in the broad S&P 500® Index\* (SPX). In addition, we saw a near record increase in volatility in February 2018. Furthermore, the healthcare/biotechnology market was flat to down during the first calendar quarter of 2018.

At the moment, it is not clear where the markets are heading, either sentiment or index level wise. On the macro front, valuations are high but not absurdly so. In the political domain, there has been an escalation in the level of rhetoric expressed by each of the principal U.S. political parties. However, while we see a lot of heat, we don't see much actual fire. We don't see either a macroeconomic or political tsunami coming.

Within the healthcare/biotechnology sector, we expect more of what we have seen for the last several years. We expect more dialogue about drug pricing and some concern about the expiration of patents associated with the pipelines of the largest biotechnology and pharmaceutical companies. As has been the case for some time, we think leadership of these large companies will take their time but will ultimately acquire mid- and small-cap companies with differentiated products, probably for prices that are higher than they would have been had management acted more quickly. The justification, or maybe rationalization, for waiting has been to wait until risk is materially reduced.

In any event, we remain cautiously optimistic about the healthcare/biotechnology sector. Investment capital continues to enter the sector. Innovation continues unabated though we have seen a recent period where it appears there have been a few more product misses than hits. Merger and Acquisition (M&A) activity seems to be picking up. After the pullback in the first quarter of 2018, valuations seem reasonable. The U.S. Food and Drug Administration (FDA) seems to be a bit more open

about approving new and novel drugs as well as assertive about increasing access to established (generic) drugs that have lost patent protection.

While we can't have any idea what will occur in the future, we feel that sector performance in the last five years, even in the face of a very difficult pullback in 2015, has been reasonable, representing a fair return for the not inconsiderable risk associated with the sector. We note that in the last five years, the annualized return of the NASDAQ Biotechnology Index<sup>®\*</sup> (NBI) (+15.39%) and the S&P Composite 1500<sup>®</sup> Health Care Index<sup>\*</sup> ("S15HLTH") (+14.47%) has exceeded that of the SPX (+13.30%).

**Biotechnology, Healthcare, and S&P 500 Index Performance**  
**2013 2018**

We note that Dr. Uwe Reinhardt has been one of the leading lights in the debate about cost/effectiveness in the healthcare industry for many decades. We mourn Uwe's recent passing and will miss him as colleague, mentor, friend and Trustee of the Fund.

As always, we thank you for your consideration of the Tekla Funds. Please call our distribution partner Destra Capital or us if you have any questions.

Be well,

Daniel R. Omstead  
President and Portfolio Manager

### **Perspective on the Biotechnology and Healthcare Sectors**

As is well documented, after a pullback in the second half of 2015, we saw a general market advance in both the healthcare/biotech and broad market indices in 2016 and through most of 2017. Much has been written about this move, including its characterization as a slow, steady upward "grind" of stocks. Sector performance has been attributed to positive sentiment, promises by the new administration, reasonable valuations and the like. The prospect of tax reform, implemented late in 2017, probably contributed positively to sentiment as well. In any event, despite partisan rancor, rampant since the Presidential election, the stock market performed well through much of 2017.

However, in early 2018, sentiment appeared to us to shift significantly. And in February 2018, we saw both a substantive spike in volatility and a market pullback. Since that time, the market has been choppy, with several successive up and down moves. In the first three months of 2018, both the broad healthcare/biotechnology market and the general market were flattish to down.

As with recent market trends, events in the healthcare/biotechnology market have been mixed. Performance trends in this market tend to be driven by clinical and regulatory events. As we have reported we continue to see increases in the number of clinical trials undertaken.

### **Number of Registered Clinical Trials Over Time**

However, while there have been successes, it is our impression that in the last six months or so, there have been more clinical trial endpoint misses than hits. It appears that investors have become less willing to increase exposure to prospective clinical trial outcomes. It doesn't look to us that investors are being adequately rewarded for taking such risk.



In contrast to this apparent reluctance to invest, we see several hopeful signs. The advance of technology seems to us to be moving forward relentlessly. For example, immuno-oncology (I/O) is dramatically improving prospects for cancer patients. This area uses one or more drugs to enhance rather than replace a patient's existing immune system to fight disease. In the last six months we have seen impressive advances in the treatment of lung cancer, by far the most common type of cancer. It has been reported that more than 1000 single agent clinical trials and more than 1600 multiple agent I/O clinical trials are in process in many types of cancer. The progress in this area is remarkable. Impressive developments, both in clinical trial development and commercialization, are also being demonstrated in related areas of gene therapy and gene editing.

With regard to commercialization, the product lines of many of the largest biotechnology and pharmaceutical companies are subject to patent expiration, challenging growth of sales and profits. This trend has caused some investors to decrease exposure to large biotech and pharma companies. A solution for many companies will be to acquire small and mid-sized companies. This of course is good for both the acquired and the acquiring companies. The acquirer gets a new product while the acquired company gets taken out at a premium. In the last six to twelve months, we have seen an increase in M&A. Among other transactions, Gilead Sciences, Inc. has acquired Kite Pharma, Inc., Sanofi S.A. has acquired Bioverativ Inc. and Celgene Corporation has acquired Juno Therapeutics, Inc. This trend is also good for investors, as positive sentiment usually follows increased M&A activity.

Regulatory trends have also been important. The FDA plays a critical role in approval of drugs. The principal role of the FDA is to protect the public safety; this sometimes leads the Agency to be cautious about product approvals. However, in the last year or more, we have been impressed by the FDA's efforts to get new and novel drugs to market. We think the new FDA commissioner, Scott Gottlieb has had much to do with this trend.

**New Molecular Entity (NME) and New Biologic License  
Application (BLA) FDA Approvals by Calendar Year**

Beyond these observed trends, we are also overall optimistic about the next year or so. There are a number of products that have the ability to dramatically affect the future of the sector. There will be plenty of successes AND some failures in the sector's product development pipeline. I/O, through use of checkpoint inhibitors and cellular therapies (including both CAR-T and T cell receptor based therapies) will continue to make progress. We expect improvement in the treatment of hematologic malignancies that have been the hallmark of these techniques to date. We are also hopeful that these approaches can be extended to the treatment of solid tumor cancers. We expect the most impressive progress to come through the combination of I/O with other forms of cell therapy, gene therapy and gene editing. We also expect to see more M&A activity as well as a continuation of the open mindedness we have been seeing from the FDA.

But, as usual, the sector is not without its challenges. The healthcare sector consumes a "healthy" portion of the US' GDP and as such is always under scrutiny with respect to cost/benefit analysis. In particular, there are regular calls for limiting drug prices. Such calls are always a risk to sentiment regarding the drug sector. In our view, however, the cost/benefit of the drug industry's products is favorable. Overall, we remain cautiously optimistic about the healthcare/biotechnology sector.

**TEKLA HEALTHCARE INVESTORS****Fund Essentials***(Unaudited)***Objective of the Fund**

The Fund's investment objective is to seek long-term capital appreciation.

**Description of the Fund**

Tekla Healthcare Investors (HQH) is a non-diversified closed-end healthcare fund traded on the New York Stock Exchange under the ticker HQH. HQH primarily invests in healthcare industries with an emphasis on mid to large cap biotechnology and pharmaceutical growth companies with a maximum of 40% of the Fund's assets in restricted securities of both public and private companies.

**Investment Philosophy**

Tekla Capital Management LLC, the Investment Adviser to the Fund, believes that:

- Aging demographics and adoption of new medical products and services can provide long-term tailwinds for healthcare companies
- Late stage biotechnology product pipeline could lead to significant increases in biotechnology sales
- Investment opportunity spans 11 sub-sectors including biotechnology, healthcare technology, managed care and healthcare REITs
- Robust M&A activity in healthcare may create additional investment opportunities

**Fund Overview and Characteristics as of 3/31/18**

Market Price <sup>1</sup>	\$	<b>21.53</b>
NAV <sup>2</sup>	\$	<b>23.37</b>
Premium/(Discount)		<b>-7.87%</b>
Average 30 Day Volume		<b>119,452</b>
Net Assets	\$	<b>971,060,459</b>
Ticker		<b>HQH</b>
NAV Ticker		<b>XHQHX</b>
Commencement of Operations Date		<b>4/22/87</b>
Fiscal Year to Date Distributions Per Share	\$	<b>1.00</b>

<sup>1</sup> The closing price at which the Fund's shares were traded on the exchange.

<sup>2</sup> Per-share dollar value of the Fund, calculated by dividing the total value of all the securities in its portfolio, plus any other assets and less liabilities, by the number of Fund shares outstanding.

**Holdings of the Fund** *(Data is based on net assets)*

Asset Allocation as of 3/31/18

Sector Diversification as of 3/31/18

*This data is subject to change on a daily basis.*

**TEKLA HEALTHCARE INVESTORS****Largest Holdings by Issuer****(Excludes Short-Term Investments)**As of March 31, 2018  
(Unaudited)

<b>Issuer</b>	<b>Sector</b>	<b>% of Net Assets</b>
<b>Gilead Sciences, Inc.</b>	<i>Biotechnology</i>	7.4%
<b>Amgen Inc.</b>	<i>Biotechnology</i>	6.5%
<b>Celgene Corporation</b>	<i>Biotechnology</i>	6.2%
<b>Biogen Inc.</b>	<i>Biotechnology</i>	5.6%
<b>Vertex Pharmaceuticals Incorporated</b>	<i>Biotechnology</i>	5.2%
<b>Illumina, Inc.</b>	<i>Life Sciences Tools &amp; Services</i>	4.3%
<b>Mylan N.V.</b>	<i>Pharmaceuticals</i>	4.0%
<b>Regeneron Pharmaceuticals, Inc.</b>	<i>Biotechnology</i>	3.1%
<b>Alexion Pharmaceuticals, Inc.</b>	<i>Biotechnology</i>	2.8%
<b>Incyte Corporation</b>	<i>Biotechnology</i>	2.8%
<b>Johnson &amp; Johnson</b>	<i>Pharmaceuticals</i>	2.6%
<b>Pfizer, Inc.</b>	<i>Pharmaceuticals</i>	1.6%
<b>IDEXX Laboratories, Inc.</b>	<i>Health Care Equipment &amp; Supplies</i>	1.5%
<b>BioMarin Pharmaceutical Inc.</b>	<i>Biotechnology</i>	1.5%
<b>Neurocrine Biosciences, Inc.</b>	<i>Biotechnology</i>	1.4%
<b>Merck &amp; Co., Inc.</b>	<i>Pharmaceuticals</i>	1.4%
<b>Jazz Pharmaceuticals plc</b>	<i>Pharmaceuticals</i>	1.3%
<b>SPDR S&amp;P Biotech ETF</b>	<i>Exchange Traded Fund</i>	1.2%
<b>Seattle Genetics, Inc.</b>	<i>Biotechnology</i>	1.1%
<b>Sarepta Therapeutics, Inc.</b>	<i>Biotechnology</i>	1.1%

**Fund Performance**

HQH is a closed-end fund which invests predominantly in healthcare companies. Subject to regular consideration, the Trustees of HQH have instituted a policy of making quarterly distributions to shareholders. The Fund seeks to make such distributions in the form of long-term capital gains.

The Fund considers investments in companies of all sizes and in all healthcare subsectors, including but not limited to, biotechnology, pharmaceuticals, healthcare equipment, healthcare supplies, life science tools and services, healthcare distributors, managed healthcare, healthcare technology, and healthcare facilities. The Fund emphasizes innovation, investing both in public and pre-public venture companies. The Fund considers its venture investments to be a differentiating characteristic.

Among the various healthcare subsectors, HQH has considered the biotechnology subsector, including both pre-public and public companies, to be a key contributor to the healthcare sector. The Fund holds biotech assets, including both public and pre-public, often representing 50-65% of net assets.

There is no commonly published index which matches the investment strategy of HQH. The S15HLTH consists of more than 160 companies representing most or all of the healthcare subsectors in which HQH typically invests; biotechnology often represents 15-23% of this index. By contrast, the NBI, which contains approximately 190 constituents, is much more narrowly constructed. The vast majority of this index is comprised of biotechnology, pharmaceutical and life science tools companies. In recent years, biotechnology has often represented 72-82% of the NBI. Neither the S15HLTH nor NBI indices contain any material amount of pre-public company assets.

Given these circumstances we present both NAV and stock returns for the Fund in comparison to several commonly published indices. One index, the SPX, is a commonly considered broad based index; this index is comprised of companies in many areas of the economy, including, but not limited to healthcare. As described above, the NBI is a healthcare index mostly focused in three healthcare sectors with a uniquely high level of biotechnology comparison. The S15HLTH contains a wider representation of healthcare subsectors, but typically contains a much lower biotechnology composition.

HQH generally invests in a combination of large cap growth-oriented and earlier stage innovative healthcare companies with a focus on the biotechnology sector. Generally, HQH targets biotechnology exposure below that of the NBI and substantially higher biotechnology exposure than that of the S15HLTH. We note that, in recent periods, biotechnology has been a significant contributor to returns (both positive and negative) associated with those indices. We believe this sector continues to have significant potential for growth in the future.

**Fund Performance for the Period Ending March 31, 2018**

Period	HQH NAV	HQH MKT	NBI	S15HLTH	SPX
6 month	-6.05	-10.74	-3.73	1.11	5.83
1 year	2.09	-2.58	9.83	12.35	13.98
5 year	11.55	10.71	15.39	14.47	13.30
10 year	11.76	12.32	16.18	12.68	9.49

*All performance over one-year has been annualized.*

*Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. The NAV total return takes into account the Fund's total annual expenses and does not reflect transaction charges. If transaction charges were reflected, NAV total return would be reduced. All distributions are assumed to be reinvested either in accordance with the dividend reinvestment plan (DRIP) for market price returns or NAV for NAV returns. Until the DRIP price is available from the Plan Agent, the market price returns reflect the reinvestment at the closing market price on the last business day of the month. Once the DRIP is available around mid-month, the market price returns are updated to reflect reinvestment at the DRIP price.*

### **Portfolio Highlights as of March 31, 2018**

Among other investments, Tekla Healthcare Investors' performance benefitted in the past six months by the following:

*Neurocrine Biosciences Inc (NBIX)* has matured over the past year from a clinical stage company to a commercial stage company. They have successfully launched Ingrezza for the treatment of Tardive Dyskinesia and continue to drive sales forward in the face of a competitor launch (Teva, Auspex). Neurocrine and Abbvie will be launching Neurocrine's second drug, Elagolix, in 2018 for the treatment of endometriosis. We expect that both of these drugs will do well in the market and that Neurocrine's pipeline will continue to be fruitful.

*Mylan N.V. (MYL)* is a global generics and specialty pharmaceuticals company. While the subsector has been under pressure due to continued pricing erosion, Mylan has outperformed its peer group due to a strong pipeline of generic biologic drugs, several of which should gain approval by the end of 2018.

*Cascadian Therapeutics (CASC)* was an oncology-focused biopharmaceutical company that was recently acquired by Seattle Genetics, strengthening their strategy to enter the solid tumor space. The company's lead agent is a brain penetrant kinase inhibitor specific for the HER2 oncogene in breast cancer. The existing standard of care has no effective therapy for metastases to the brain and Cascadian's agent has the promise of treating these challenging cases.

Among other examples, Tekla Healthcare Investors' performance was negatively impacted by the following investments:

*Nektar Therapeutics (NKTR)* is a biopharmaceutical company with a pegylation-based technology platform that can significantly change the pharmacology of approved agents. Although the company has focused most of its attention historically on the pain space, their first immuno-oncology asset has caught the attention of the market and led to the stock appreciating significantly in the past year. HQH was underweight this stock during this report period.

*Celgene Corporation (CELG)* is a large cap biotechnology company with a particular focus on oncology and inflammation. While the company has historically been a strong performer it has recently suffered several setbacks to key pipeline drugs that were expected to drive future sales. This has raised concerns over Celgene's business development strategy and its ability to extend its core oncology franchise. We still believe there is latent value in the company's development pipeline but for now the stock is a show-me story.

*Bioverativ Inc. (BIVV)* was a spinout of Biogen's hemophilia business that was acquired by Sanofi in January. We were not invested in the company at the time due to our caution about new products in the hemophilia A space that appear to offer significant advantages to the present standard of care. This acquisition reinforces Sanofi's strategic intent to be a leader in rare diseases. HQH was underweight this stock during the report period.

\*The trademarks NASDAQ Biotechnology Index<sup>®</sup>, S&P1500<sup>®</sup> Health Care Index and S&P 500<sup>®</sup> Index referenced in this report are the property of their respective owners. These trademarks are not owned by or associated with the Fund or its service providers, including Tekla Capital Management LLC.





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

MARCH 31, 2018

(Unaudited)

**CONVERTIBLE PREFERRED AND  
WARRANTS <sup>(a)</sup> <sup>(b)</sup> - 3.2% of Net**

SHARES	Assets	VALUE
	<i>Biotechnology - 1.0%</i>	
3,266,667	Amphivena Therapeutics, Inc. Series B (Restricted) <sup>(c)</sup>	\$ 4,900,001
35,000	Amphivena Therapeutics, Inc. Warrants (Restricted, expiration 12/26/22, exercise Price \$0.01) <sup>(c)</sup>	0
2,692,309	BioClin Therapeutics, Inc. Series A, 6.00% (Restricted) <sup>(c)</sup>	1,750,001
1,039,811	BioClin Therapeutics, Inc. Series B, 6.00% (Restricted) <sup>(c)</sup>	777,779
2,266,666	GenomeDx Biosciences, Inc. Series C, 6.00% (Restricted)	754,800
24,756	GenomeDx Biosciences, Inc. Warrants (Restricted, expiration 10/31/27)	0
12,609	GenomeDx Biosciences, Inc. Warrants (Restricted, expiration 1/16/28)	0
18,261	GenomeDx Biosciences, Inc. Warrants (Restricted, expiration 2/15/28)	0
210,000	Trillium Therapeutics, Inc. Series II <sup>(d)</sup>	1,512,000
		9,694,581
	<i>Health Care Equipment &amp; Supplies (Restricted) - 1.5%</i>	
3,364,723	AlterG, Inc. Series C, 8.00%	336,472
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 <sup>(e)</sup>	CardioKinetix, Inc. Warrants (expiration 12/11/19, exercise price \$0.69)	0
N/A <sup>(e)</sup>	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% <sup>(c)</sup>	951,000

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895,848	IlluminOss Medical, Inc. Junior Preferred, 8.00% <sup>(c)</sup>	895,848
47,542	IlluminOss Medical, Inc. Warrants (expiration 1/11/28, exercise price \$1.00) <sup>(c)</sup>	0
23,771	IlluminOss Medical, Inc. Warrants (expiration 11/20/27, exercise price \$1.00) <sup>(c)</sup>	0
71,324	IlluminOss Medical, Inc. Warrants (expiration 3/31/27, exercise price \$1.00) <sup>(c)</sup>	0

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

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

MARCH 31, 2018

(Unaudited, continued)

SHARES	<i>Health Care Equipment &amp; Supplies (Restricted) - continued</i>	VALUE
	IlluminOss Medical, Inc. Warrants (expiration 2/06/28, exercise price \$1.00) <sup>(c)</sup>	\$ 0
47,542		
3,750,143	Veniti, Inc. Series A, 8.00% <sup>(c)</sup>	6,535,374
1,881,048	Veniti, Inc. Series B, 8.00% <sup>(c)</sup>	3,372,155
1,031,378	Veniti, Inc. Series C, 8.00% <sup>(c)</sup>	2,084,931
		14,175,780
	<i>Life Sciences Tools &amp; Services (Restricted) - 0.5%</i>	
3,669,024	Labcyte, Inc. Series C, 8.00%	4,622,970
160,767	Labcyte, Inc. Series D, 8.00%	221,858
122,220	Labcyte, Inc. Series E, 8.00%	196,774
		5,041,602
	<i>Pharmaceuticals (Restricted) - 0.2%</i>	
1,538,235	Milestone Pharmaceuticals, Inc. Series C, 8.00% <sup>(d)</sup>	2,099,998
	<b>TOTAL CONVERTIBLE PREFERRED AND WARRANTS</b> (Cost \$36,138,827)	31,011,961
	<b>CONVERTIBLE NOTES (Restricted)</b> <b>(a) - 0.2%</b> <b>of Net Assets</b>	
<b>PRINCIPAL AMOUNT</b>	<i>Biotechnology - 0.1%</i>	
	Amphivena Therapeutics, Inc. Promissory Note, 6.00%, due 12/26/18 <sup>(c)</sup>	262,500
\$ 262,500		
148,536	GenomeDx Biosciences, Inc. Promissory Note, 8.00%, due 4/30/19	148,536
109,567	GenomeDx Biosciences, Inc. Promissory Note, 8.00%, due 5/1/19	109,567
75,654	GenomeDx Biosciences, Inc. Promissory Note, 8.00%, due 5/1/19	75,654
		596,257
	<i>Health Care Equipment &amp; Supplies - 0.1%</i>	
17,751	AlterG, Inc. Promissory Note, 6.00%, due 9/8/18	17,751
74,456	CardioKinetix, Inc. Promissory Note, 5.00%, due 7/31/18 <sup>(b)</sup>	0
95,083		95,083

	IlluminOss Medical, Inc. Promissory Note, 8.00%, due 12/31/18 <sup>(c)</sup>	
285,294	IlluminOss Medical, Inc. Promissory Note, 8.00%, due 12/31/18 <sup>(c)</sup>	285,294

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

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

MARCH 31, 2018

(Unaudited, continued)

PRINCIPAL AMOUNT	<i>Health Care Equipment &amp; Supplies - continued</i>	VALUE
\$ 190,166	IlluminOss Medical, Inc. Promissory Note, 8.00%, due 12/31/18 <sup>(c)</sup>	\$ 190,166
190,166	IlluminOss Medical, Inc. Promissory Note, 8.00%, due 12/31/18 <sup>(c)</sup>	190,166
		778,460
	<b>TOTAL CONVERTIBLE NOTES</b> (Cost \$1,449,917)	1,374,717
	<b>COMMON STOCKS AND WARRANTS - 93.7%</b> of Net Assets	
	<i>Biotechnology - 64.9%</i>	
67,995	AbbVie Inc.	6,435,727
119,074	AC Immune SA <sup>(b) (d)</sup>	1,231,225
56,082	ACADIA Pharmaceuticals Inc. <sup>(b)</sup>	1,260,163
91,580	Akebia Therapeutics, Inc. <sup>(b)</sup>	872,757
86,667	Albireo Pharma, Inc. <sup>(b)</sup>	2,822,744
232,850	Alder Biopharmaceuticals, Inc. <sup>(b)</sup>	2,957,195
246,615	Alexion Pharmaceuticals, Inc. <sup>(b)</sup>	27,487,708
162,841	Alkermes plc <sup>(b)</sup>	9,438,264
87,873	Alnylam Pharmaceuticals, Inc. <sup>(b)</sup>	10,465,674
332,151	Amarin Corporation plc <sup>(b) (f)</sup>	999,775
369,150	Amgen Inc.	62,932,692
398,911	Amicus Therapeutics, Inc. <sup>(b)</sup>	5,999,621
11,600	Arena Pharmaceuticals, Inc. <sup>(b)</sup>	458,200
117,031	Array Biopharma Inc. <sup>(b)</sup>	1,909,946
1,737	Ascendis Pharma A/S <sup>(b) (f)</sup>	113,600
49,478	AveXis, Inc. <sup>(b)</sup>	6,114,491
44,707	BeiGene, Ltd. <sup>(b) (f)</sup>	7,510,776
196,671	Biogen Inc. <sup>(b)</sup>	53,852,453
66,196	Biohaven Pharmaceutical Holding Company Ltd. <sup>(b)</sup>	1,705,209
177,028	BioMarin Pharmaceutical Inc. <sup>(b)</sup>	14,351,660
48,786	bluebird bio, Inc. <sup>(b)</sup>	8,330,210
64,194	Blueprint Medicines Corporation <sup>(b)</sup>	5,886,590
677,981	Celgene Corporation <sup>(b)</sup>	60,482,685
52,600	Clovis Oncology, Inc. <sup>(b)</sup>	2,777,280
90,000	Coherus BioSciences, Inc. <sup>(b)</sup>	994,500
97,693	CRISPR Therapeutics AG <sup>(b) (d)</sup>	4,465,547

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95,683	Cytokinetics, Incorporated <sup>(b)</sup>	688,918
185,532	CytomX Therapeutics, Inc. <sup>(b)</sup>	5,278,385

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

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**TEKLA HEALTHCARE INVESTORS**

**SCHEDULE OF INVESTMENTS**

*MARCH 31, 2018*

*(Unaudited, continued)*

SHARES	<i>Biotechnology - continued</i>	VALUE
155,301	Dermira, Inc. <sup>(b)</sup>	\$ 1,240,855
95,382	Editas Medicine, Inc. <sup>(b)</sup>	3,161,913
31,610	Eiger BioPharmaceuticals, Inc. <sup>(b)</sup>	311,359
	Eiger BioPharmaceuticals, Inc. Warrants (expiration 10/10/18, exercise price \$84.15) <sup>(a)</sup>	
733	<sup>(b)</sup>	0
320,750	Epizyme, Inc. <sup>(b)</sup>	5,693,313
104,858	Esperion Therapeutics, Inc. <sup>(b)</sup>	7,584,379
272,948	Exelixis, Inc. <sup>(b)</sup>	6,045,798
82,769	FibroGen, Inc. <sup>(b)</sup>	3,823,928
49,714	Galapagos NV <sup>(b) (f)</sup>	4,959,469
956,665	Gilead Sciences, Inc.	72,122,974
67,448	Global Blood Therapeutics, Inc. <sup>(b)</sup>	3,257,738
329,676	Incyte Corporation <sup>(b)</sup>	27,471,901
113,891	Innoviva, Inc. <sup>(b)</sup>	1,898,563
115,851	Intellia Therapeutics, Inc. <sup>(b)</sup>	2,443,298
106,775	Ionis Pharmaceuticals, Inc. <sup>(b)</sup>	4,706,642
145,650	Lexicon Pharmaceuticals, Inc. <sup>(b)</sup>	1,248,221
336,567	Merus B.V. <sup>(b) (d)</sup>	6,236,587
19,047	Molecular Templates, Inc. <sup>(b)</sup>	152,376
105,329	Myovant Sciences Ltd. <sup>(b)</sup>	2,240,348
44,603	Natera, Inc. <sup>(b)</sup>	413,470
70,580	Nektar Therapeutics <sup>(b)</sup>	7,499,831
163,036	Neurocrine Biosciences, Inc. <sup>(b)</sup>	13,520,575
141,815	NewLink Genetics Corporation <sup>(b)</sup>	1,028,159
16,914	NuCana plc <sup>(b) (f)</sup>	320,013
375,077	Ovid Therapeutics Inc. <sup>(b)</sup>	2,651,794
1,297,531	Pieris Pharmaceuticals, Inc. <sup>(b)</sup>	8,849,161
	Pieris Pharmaceuticals, Inc., Series A Warrants (expiration 6/8/21, exercise price \$3.00) <sup>(a) (b)</sup>	
54,790	<sup>(b)</sup>	196,696
	Pieris Pharmaceuticals, Inc., Series B Warrants (expiration 6/8/21, exercise price \$2.00) <sup>(a) (b)</sup>	
27,394	<sup>(b)</sup>	112,041
52,837	Portola Pharmaceuticals, Inc. <sup>(b)</sup>	1,725,656
144,091	Protagonist Therapeutics, Inc. <sup>(b)</sup>	1,237,742
16,784	PTC Therapeutics, Inc. <sup>(b)</sup>	454,175
235,970	Ra Pharmaceuticals, Inc. <sup>(b)</sup>	1,253,001
87,110	Regeneron Pharmaceuticals, Inc. <sup>(b)</sup>	29,997,200
67,761	Sage Therapeutics, Inc. <sup>(b)</sup>	10,914,264
148,449	Sarepta Therapeutics, Inc. <sup>(b)</sup>	10,998,586
212,307	Seattle Genetics, Inc. <sup>(b)</sup>	11,112,148
40,018	TESARO, Inc. <sup>(b)</sup>	2,286,629



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333,399	Trillium Therapeutics Inc. (b) (d)	2,400,473
102,919	Ultragenyx Pharmaceutical Inc. (b)	5,247,840
53,425	uniQure N.V. (b) (d)	1,255,487

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

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

MARCH 31, 2018

(Unaudited, continued)

SHARES		VALUE
	<i>Biotechnology - continued</i>	
34,119	United Therapeutics Corporation <sup>(b)</sup>	\$ 3,833,611
310,915	Vertex Pharmaceuticals Incorporated <sup>(b)</sup>	50,672,927
		630,405,136
	<i>Health Care Equipment &amp; Supplies - 2.9%</i>	
85,589	Abbott Laboratories	5,128,493
115,500	Alliqua BioMedical, Inc. <sup>(b)</sup>	222,915
160,000	Cercacor Laboratories, Inc. (Restricted) <sup>(a) (b)</sup>	385,432
77,194	IDEXX Laboratories, Inc. <sup>(b)</sup>	14,774,159
52,990	Nevro Corp. <sup>(b)</sup>	4,592,643
307,108	Quotient Limited <sup>(b)</sup>	1,446,479
7,700	Stryker Corporation	1,239,084
10,735	TherOx, Inc. (Restricted) <sup>(a) (b)</sup>	215
		27,789,420
	<i>Health Care Providers &amp; Services - 2.9%</i>	
109,000	Acadia Healthcare Company, Inc. <sup>(b)</sup>	4,270,620
10,829	Anthem, Inc.	2,379,131
55,158	Centene Corporation <sup>(b)</sup>	5,894,735
31,400	Henry Schein, Inc. <sup>(b)</sup>	2,110,394
9,407	Humana Inc.	2,528,884
222,222	InnovaCare Health, Inc. (Restricted) <sup>(a)</sup> <sup>(b) (g)</sup>	484,444
46,882	UnitedHealth Group Incorporated	10,032,748
		27,700,956
	<i>Health Care Technology - 0.2%</i>	
122,500	Evolent Health, Inc. <sup>(b)</sup>	1,745,625
	<i>Life Sciences Tools &amp; Services - 5.7%</i>	
178,017	Illumina, Inc. <sup>(b)</sup>	42,086,779
32,460	PRA Health Sciences, Inc. <sup>(b)</sup>	2,692,882
52,912	Thermo Fisher Scientific Inc.	10,924,212
		55,703,873
	<i>Medical Devices and Diagnostics - 0.4%</i>	
46,400	Boston Scientific Corporation <sup>(b)</sup>	1,267,648
6,353	Foundation Medicine, Inc. <sup>(b)</sup>	500,299
3,000	Intuitive Surgical, Inc. <sup>(b)</sup>	1,238,490
13,000	ResMed, Inc.	1,280,110
		4,286,547
	<i>Pharmaceuticals 16.7%</i>	
166,258	Acceleron Pharma Inc. <sup>(b)</sup>	6,500,688
22,991	Allergan plc	3,869,155
117,402	Bristol-Myers Squibb Company	7,425,677

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

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

MARCH 31, 2018

(Unaudited, continued)

SHARES	<i>Pharmaceuticals - continued</i>	VALUE
103,766	Eli Lilly and Company	\$ 8,028,375
637,200	Endo International plc <sup>(b) (d)</sup>	3,784,968
289,660	Foamix Pharmaceuticals Ltd. <sup>(b) (d)</sup>	1,485,956
47,811	GW Pharmaceuticals plc <sup>(b) (f)</sup>	5,386,865
83,799	Jazz Pharmaceuticals plc <sup>(b)</sup>	12,652,811
195,318	Johnson & Johnson	25,030,002
79,205	Medicines Company (The) <sup>(b)</sup>	2,609,013
243,985	Merck & Co., Inc.	13,289,863
941,720	Mylan N.V. <sup>(b)</sup>	38,770,612
436,467	Pfizer Inc.	15,490,214
43,197	Shire plc <sup>(f)</sup>	6,453,200
380,567	Teligent, Inc. <sup>(b)</sup>	1,278,705
574,944	Tetraphase Pharmaceuticals, Inc. <sup>(b)</sup>	1,765,078
430,658	Teva Pharmaceutical Industries Limited <sup>(f)</sup>	7,359,945
292,700	TherapeuticsMD, Inc. <sup>(b)</sup>	1,425,449
		162,606,576
	<b>TOTAL COMMON STOCKS AND WARRANTS</b>	
	(Cost \$701,943,333)	910,238,133
	<b>EXCHANGE TRADED FUND - 1.2% of Net Assets</b>	
129,000	SPDR S&P Biotech ETF	11,317,170
	<b>TOTAL EXCHANGE TRADED FUND</b>	
	(Cost \$9,705,930)	11,317,170
<b>PRINCIPAL AMOUNT</b>	<b>SHORT-TERM INVESTMENT - 0.7% of Net Assets</b>	
	Repurchase Agreement, Fixed Income Clearing Corp., repurchase value \$7,077,000, 0.28%, dated 03/29/18, due 04/02/18 (collateralized by U.S. Treasury Notes 1.50%, due 08/15/26, market value \$7,220,134)	7,077,000
\$ 7,077,000		7,077,000
	<b>TOTAL SHORT-TERM INVESTMENT</b>	
	(Cost \$7,077,000)	7,077,000
	<b>TOTAL INVESTMENTS BEFORE MILESTONE INTEREST - 99.0%</b>	961,018,981

(Cost \$756,315,007)

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

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

MARCH 31, 2018

(Unaudited, continued)

<b>MILESTONE INTERESTS</b>		
<b>(Restricted)<sup>(a)</sup> <sup>(b)</sup> - 1.0%</b>		
<b>INTEREST</b>	<b>of Net Assets</b>	<b>VALUE</b>
	<i>Pharmaceuticals - 1.0%</i>	
1	Afferent Milestone Interest	\$ 2,810,812
1	Ethismos Research, Inc. Milestone Interest	0
1	Neurovance Milestone Interest	2,738,952
1	TargeGen Milestone Interest	4,502,268
	<b>TOTAL MILESTONE INTERESTS</b>	
	(Cost \$7,672,779)	10,052,032
	<b>TOTAL INVESTMENTS - 100.0%</b>	
	(Cost \$763,987,786)	971,071,013
	<b>OTHER LIABILITIES IN EXCESS OF ASSETS - 0.0%</b>	(10,554)
	<b>NET ASSETS - 100%</b>	<b>\$971,060,459</b>

(a) Security fair valued using significant unobservable inputs. 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 \$22,290,298).

(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 the financial statements.



**TEKLA HEALTHCARE INVESTORS**  
**STATEMENT OF ASSETS AND LIABILITIES**

*MARCH 31, 2018*

*(Unaudited)*

<b>ASSETS:</b>	
Investments in unaffiliated issuers, at value (cost \$737,244,488)	\$938,728,683
Investments in affiliated issuers, at value (cost \$19,070,519)	22,290,298
Milestone interests, at value (cost \$7,672,779)	10,052,032
Total investments	971,071,013
Cash	59
Dividends and interest receivable	216,579
Prepaid expenses	63,003
Other assets (see Note 1)	872,657
Total assets	972,223,311
<b>LIABILITIES:</b>	
Accrued advisory fee	787,216
Accrued investor support service fees	40,741
Accrued shareholder reporting fees	109,170
Accrued trustee fees	29,344
Accrued other	196,381
Total liabilities	1,162,852
Commitments and Contingencies (see Notes 1)	
<b>NET ASSETS</b>	<b>\$971,060,459</b>
<b>SOURCES OF NET ASSETS:</b>	
Shares of beneficial interest, par value \$.01 per share, unlimited number of shares authorized, amount paid in on 41,549,658 shares issued and outstanding	\$769,388,577
Accumulated net investment loss	(2,504,938)
Accumulated net realized loss on investments and milestone interest	(2,906,407)
Net unrealized gain on investments and milestone interests	207,083,227
Total net assets (equivalent to \$23.37 per share based on 41,549,658 shares outstanding)	\$971,060,459

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



**TEKLA HEALTHCARE INVESTORS****STATEMENT OF OPERATIONS***SIX MONTHS ENDED MARCH 31, 2018**(Unaudited)*

<b>INVESTMENT INCOME:</b>	
Dividend income (net of foreign tax of \$9,361)	\$ 2,942,019
Interest and other income	52,589
Total investment income	2,994,608
<b>EXPENSES:</b>	
Advisory fees	4,557,769
Investor support service fees	249,977
Administration fees	103,286
Shareholder reporting	98,108
Legal fees	94,645
Custodian fees	82,361
Auditing fees	50,306
Trustees' fees and expenses	69,920
Transfer agent fees	27,714
Other (see Note 2)	112,960
Total expenses	5,447,046
Net investment loss	(2,452,438)
<b>REALIZED AND UNREALIZED GAIN (LOSS):</b>	
Net realized gain (loss) on:	
Investments in unaffiliated issuers	17,511,808
Investments in affiliated issuers	(3,866,312)
Net realized gain	13,645,496
Change in unrealized appreciation (depreciation)	
Investments in unaffiliated issuers	(96,728,359)
Investments in affiliated issuers	13,618,332
Milestone interest	6,407,774
Change in unrealized appreciation (depreciation)	(76,702,253)
Net realized and unrealized gain (loss)	(63,056,757)
Net decrease in net assets resulting from operations	\$(65,509,195)

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, 2018 (Unaudited)	Year ended September 30, 2017
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS:</b>		
Net investment loss	(\$ 2,452,438)	(\$ 5,164,404)
Net realized gain	13,645,496	81,064,642
Change in net unrealized appreciation (depreciation)	(76,702,253)	45,382,313
Net increase (decrease) in net assets resulting from operations	(65,509,195)	121,282,551
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net realized capital gains	(40,871,744)	(77,681,147)
Total distributions	(40,871,744)	(77,681,147)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Reinvestment of distributions (900,934 and 1,693,901 shares, respectively)	19,800,904	40,294,549
Fund shares repurchased (0 and 48,775 shares, respectively) (see Note 1)		(1,038,493)
Total capital share transactions	19,800,904	39,256,056
Net increase (decrease) in net assets	(86,580,035)	82,857,460
<b>NET ASSETS:</b>		
Beginning of period	1,057,640,494	974,783,034
End of period	\$ 971,060,459	\$ 1,057,640,494
Accumulated net investment loss included in net assets at end of period	(\$ 2,504,938)	(\$ 52,500) <sup>(a)</sup>

(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

## FINANCIAL HIGHLIGHTS

	Six months ended March 31, 2018 (Unaudited)	2017	2016	Years ended September 30,		2013
				2015	2014	
<b>OPERATING PERFORMANCE FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD</b>						
Net asset value per share, beginning of period	\$ 26.02	\$24.99	\$29.61	\$29.40	\$24.90	\$19.20
Net investment loss <sup>(1)</sup>	(0.06)	(0.13)	(0.17)	(0.22)	(0.24)	(0.20)
Net realized and unrealized gain (loss)	(1.59)	3.12	(1.35)	3.04	7.66	7.51
Total increase (decrease) from investment operations	(1.65)	2.99	(1.52)	2.82	7.42	7.31
Distributions to shareholders from:						
Net realized capital gains	(1.00)	(1.96)	(3.10)	(2.61)	(2.13)	(1.61)
Total distributions	(1.00)	(1.96)	(3.10)	(2.61)	(2.13)	(1.61)
Increase resulting from shares repurchased <sup>(1)</sup>		(2)				
Change due to rights offering					(0.79) <sup>(3)</sup>	
Short term gain due to trading error				0.00 <sup>(2)</sup>		
Net asset value per share, end of period	\$ 23.37	\$26.02	\$24.99	\$29.61	\$29.40	\$24.90

Per share market value, end of period	\$ 21.53	\$25.23	\$23.81	\$27.60
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