

TEKLA HEALTHCARE INVESTORS
Form N-CSRS
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-04889

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

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

02110
(Zip code)

(Name and address of agent for service)

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

Date of fiscal year end: September 30

Date of reporting period: October 1, 2014 to March 31, 2015

ITEM 1. REPORTS TO STOCKHOLDERS.

See Semiannual Report as of March 31, 2015.

TEKLA HEALTHCARE INVESTORS

Semiannual Report

March 31, 2015

(Unaudited)

TEKLA HEALTHCARE INVESTORS

DISTRIBUTION POLICY

The Fund has implemented a managed distribution policy (the Policy) that provides for quarterly distributions at a rate set by the Board of Trustees. Under the current Policy, the Fund intends to make quarterly distributions at a rate of 2% of the Fund's net assets to shareholders of record. The Fund intends to use net realized capital gains when making quarterly distributions, if available, but the Policy would result in a return of capital to shareholders, if the amount of the distribution exceeds the Fund's net investment income and realized capital gains. With each distribution, the Fund will issue a notice to shareholders and a press release that will provide detailed information regarding the amount and estimated composition of the distribution. You should not draw any conclusions about the Fund's investment performance from the amount of distributions pursuant to the Policy or from the terms of the Policy. The Policy has been established by the Trustees and may be changed or terminated by them without shareholder approval. The Trustees regularly review the Policy and the frequency and rate of distributions considering the purpose and effect of the Policy, the financial market environment, and the Fund's income, capital gains and capital available to pay distributions. The suspension or termination of the Policy could have the effect of creating a trading discount (if the Fund's stock is trading at or below net asset value) or widening an existing trading discount. At this time there are no reasonably foreseeable circumstances that might cause the Trustees to terminate the Policy.

To our Shareholders:

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

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

Investment Highlights

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

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

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

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

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

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

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

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

¹ Source: Bloomberg May 5, 2015

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

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

Portfolio Highlights

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

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

Investment Changes

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

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

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

Daniel R. Omstead, PhD
President

TEKLA HEALTHCARE INVESTORS

LARGEST HOLDINGS BY ISSUER

(Excludes Short-Term Investments)

*As of March 31, 2015
(Unaudited)*

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

SECTOR DIVERSIFICATION (% of Net Assets)

*As of March 31, 2015
(Unaudited)*

TEKLA HEALTHCARE INVESTORS**SCHEDULE OF INVESTMENTS**

MARCH 31, 2015

(Unaudited)

SHARES	(Restricted) ^(a) ^(b) - 3.6% of Net Assets	VALUE
	<i>Biotechnologies/Biopharmaceuticals - 0.4%</i>	
3,696,765	EBI Life Sciences, Inc. Series A ^(c)	\$ 18,854
4,118,954	Euthymics Biosciences, Inc. Series A ^(c)	1,582,914
77,633	Neurovance, Inc. Series A ^(c)	287,615
716,116	Neurovance, Inc. Series A-1 ^(c)	2,653,067
		4,542,450
	<i>Healthcare Services - 0.9%</i>	
5,384,615	PHT Corporation Series D ^(c)	9,153,845
1,204,495	PHT Corporation Series E ^(c)	2,192,181
149,183	PHT Corporation Series F ^(c)	423,680
		11,769,706
	<i>Medical Devices and Diagnostics - 2.3%</i>	
3,364,723	AlterG, Inc. Series C	1,379,536
114,158	CardioKinetix, Inc. Series C ^(c)	1,606,089
205,167	CardioKinetix, Inc. Series D ^(c)	781,071
632,211	CardioKinetix, Inc. Series E ^(c)	1,799,905
580,225	CardioKinetix, Inc. Series F ^(c)	1,982,281
N/A ^(d)	CardioKinetix, Inc. warrants (expiration 12/11/19) ^(c)	0
N/A ^(d)	CardioKinetix, Inc. warrants (expiration 6/03/20) ^(c)	0
12,695	CardioKinetix, Inc. warrants (expiration 8/15/24) ^(c)	0
3,109,861	Dynex Technologies, Inc. Series A ^(c)	1,554,931
142,210	Dynex Technologies, Inc. warrants (expiration 4/01/19) ^(c)	0
11,335	Dynex Technologies, Inc. warrants (expiration 5/06/19) ^(c)	0
7,145,838	IlluminOss Medical, Inc. Series C-1 ^(c)	2,739,714
11,410,347	Insightra Medical, Inc. Series C ^(c)	4,830,000
3,669,024	Labcyte, Inc. Series C	2,615,647
160,767	Labcyte, Inc. Series D	133,372
3,109,861	Magellan Diagnostics, Inc. Series A ^(c)	2,131,188
142,210	Magellan Diagnostics, Inc. warrants (expiration 4/01/19) ^(c)	0
11,335	Magellan Diagnostics, Inc. warrants (expiration 5/06/19) ^(c)	0
13,823,805	Palyon Medical Corporation Series A ^(c)	2,944

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

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

6

TEKLA HEALTHCARE INVESTORS**SCHEDULE OF INVESTMENTS**

MARCH 31, 2015

(Unaudited)

(continued)

SHARES	Convertible Preferred and Warrants (Restricted) ^(a) ^(b) - continued	VALUE
65,217	TherOx, Inc. Series H	\$ 652
149,469	TherOx, Inc. Series I	1,495
4,720,000	Tibion Corporation Series B	0
N/A ^(d)	Tibion Corporation warrants (expiration 7/12/17)	0
N/A ^(d)	Tibion Corporation warrants (expiration 10/30/17)	0
N/A ^(d)	Tibion Corporation warrants (expiration 11/28/17)	0
3,750,143	Veniti, Inc. Series A ^(c)	3,789,519
1,881,048	Veniti, Inc. Series B ^(c)	1,994,851
1,031,378		