

H&Q LIFE SCIENCES INVESTORS
Form N-Q
August 27, 2014

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

OMB APPROVAL
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FORM N-Q

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

Investment Company Act file number 811-06565

H&Q Life Sciences Investors
(Exact name of registrant as specified in charter)

2 Liberty Square, 9th Floor, Boston, MA
(Address of principal executive offices)

02109
(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: 6/30/14

Item 1. Schedule of Investments.

H&Q LIFE SCIENCES INVESTORS**SCHEDULE OF INVESTMENTS**

JUNE 30, 2014

(Unaudited)

| SHARES | | VALUE |
|------------|---|-------------------|
| | CONVERTIBLE AND NON-CONVERTIBLE SECURITIES AND WARRANTS | 8.1% of |
| | Net Assets | |
| | Convertible Preferred and Warrants (Restricted)(a) (b) | 5.8% |
| | Biotechnologies/Biopharmaceuticals | 0.5% |
| 2,568,939 | EBI Life Sciences, Inc. Series A (c) | \$ 13,102 |
| 2,862,324 | Euthymics Biosciences, Inc. Series A (c) | 1,099,991 |
| 2,568,939 | Neurovance, Inc. Series A (c) | 199,863 |
| 12,106,416 | Neurovance, Inc. Series A-1 (c) | 941,879 |
| | | 2,254,835 |
| | Healthcare Services | 1.6% |
| 3,589,744 | PHT Corporation Series D (c) | 4,953,847 |
| 802,996 | PHT Corporation Series E (c) | 1,349,033 |
| 99,455 | PHT Corporation Series F (c) | 273,501 |
| | | 6,576,381 |
| | Medical Devices and Diagnostics | 3.7% |
| 2,338,198 | AlterG, Inc. Series C | 958,661 |
| 79,330 | CardioKinetix, Inc. Series C | 1,116,094 |
| 142,574 | CardioKinetix, Inc. Series D | 542,779 |
| 439,333 | CardioKinetix, Inc. Series E | 1,250,781 |
| | N/A(d) CardioKinetix, Inc. warrants (expiration 12/11/19) | 0 |
| | N/A(d) CardioKinetix, Inc. warrants (expiration 6/03/20) | 0 |
| 2,161,090 | Dynex Technologies, Inc. Series A | 641,844 |
| 98,824 | Dynex Technologies, Inc. warrants (expiration 4/01/19) | 0 |
| 7,877 | Dynex Technologies, Inc. warrants (expiration 5/06/19) | 0 |
| 2,615,919 | IlluminOss Medical, Inc. Series C-1 | 1,002,943 |
| 5,126,388 | Insightra Medical, Inc. Series C | 2,170,000 |
| 2,446,016 | Labcyte, Inc. Series C | 1,743,765 |
| 107,178 | Labcyte, Inc. Series D | 88,915 |
| 2,161,090 | Magellan Diagnostics, Inc. Series A | 1,480,995 |
| 98,824 | Magellan Diagnostics, Inc. warrants (expiration 4/01/19) | 0 |
| 7,877 | Magellan Diagnostics, Inc. warrants (expiration 5/06/19) | 0 |
| 9,606,373 | Palyon Medical Corporation Series A (c) | 9,606 |
| 18,832,814 | Palyon Medical Corporation Series B (c) | 653,499 |
| | N/A(d) Palyon Medical Corporation warrants (expiration 4/26/19) (c) | 0 |
| 43,478 | TherOx, Inc. Series H | 435 |
| 99,646 | TherOx, Inc. Series I | 997 |
| 3,280,000 | Tibion Corporation Series B | 11,250 |
| | N/A(d) Tibion Corporation warrants (expiration 07/12/17) | 0 |
| | N/A(d) Tibion Corporation warrants (expiration 10/30/17) | 0 |
| | N/A(d) Tibion Corporation warrants (expiration 11/28/17) | 0 |
| 2,606,033 | Veniti, Inc. Series A (c) | 2,633,396 |
| 1,307,169 | Veniti, Inc. Series B (c) | 1,386,253 |
| | | 15,692,213 |
| | TOTAL CONVERTIBLE PREFERRED AND WARRANTS | 24,523,429 |

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The accompanying notes are an integral part of this schedule of investments.

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| PRINCIPAL AMOUNT | | VALUE |
|---------------------|--|------------------|
| | Convertible Notes 2.2% | |
| | Biotechnologies/Biopharmaceuticals 0.5% | |
| \$ 1,485,000 | Merrimack Pharmaceuticals, Inc. 4.5%, due 7/15/20 | \$ 1,965,769 |
| | Drug Discovery Technologies 0.0% | |
| 700,000 | deCode Genetics, Inc. 3.5%, due 4/15/11 (a) (b) | 0 |
| | Pharmaceuticals 1.7% | |
| 1,500,000 | Spectrum Pharmaceuticals, Inc., 2.75% due 12/15/18 (g) | 1,562,812 |
| 2,000,000 | Supernus Pharmaceuticals, Inc., 7.50% due 5/1/19 (g) | 4,352,500 |
| 1,350,000 | TetraLogic Pharmaceuticals Corp, 8.00% due 6/15/19 (a) (g) | 1,350,000 |
| | | 7,265,312 |
| | TOTAL CONVERTIBLE NOTES | 9,231,081 |
| | Non-Convertible Notes (Restricted)(a)(b) 0.1% | |
| | Medical Devices and Diagnostics 0.1% | |
| 238,286 | Tibion Corporation Non-Cvt. Promissory Note, 0.00%, due 12/31/18 | 238,286 |
| 28,211 | Tibion Corporation Non-Cvt. Promissory Note, 0.00%, due 12/31/18 | 28,211 |
| | TOTAL NON-CONVERTIBLE NOTES | 266,497 |
| | TOTAL CONVERTIBLE AND NON-CONVERTIBLE SECURITIES AND WARRANTS | |
| | (Cost \$35,208,244) | 34,021,007 |

| SHARES | | |
|---------|---|------------|
| | COMMON STOCKS AND WARRANTS 74.5% | |
| | Biotechnologies/Biopharmaceuticals 50.2% | |
| 69,092 | Acorda Therapeutics, Inc. (b) | 2,329,091 |
| 20 | Aegerion Pharmaceuticals, Inc. (b) | 642 |
| 101,245 | Alexion Pharmaceuticals, Inc. (b) | 15,819,531 |
| 77,253 | Alkermes plc (b) | 3,888,144 |
| 61,595 | Alnylam Pharmaceuticals, Inc. (b) | 3,890,956 |
| 136,594 | Amgen, Inc. | 16,168,632 |
| 501,553 | BioDelivery Sciences International, Inc. (b) | 6,053,745 |
| 54,182 | Biogen Idec, Inc. (b) | 17,084,126 |
| 94,354 | BioMarin Pharmaceutical Inc. (b) | 5,869,762 |
| 54,527 | bluebird bio, Inc. (b) | 2,103,106 |
| 290,522 | Celgene Corporation (b) | 24,950,029 |
| 300,856 | Celladon Corporation (Restricted) (a) (b) | 4,096,756 |
| 4,940 | Celladon Corporation warrants (expiration 10/10/18) (a) (b) | 43,176 |
| 1,892 | Ceres, Inc. warrants (Restricted, expiration 9/05/15) (a) (b) | 0 |
| 47,364 | Clovis Oncology, Inc. (b) | 1,961,343 |
| 87,014 | Cubist Pharmaceuticals, Inc. (b) | 6,075,318 |
| 70,162 | Epizyme, Inc. (b) | 2,183,442 |
| 464,770 | Gilead Sciences, Inc. (b) | 38,534,081 |
| 207,030 | Infinity Pharmaceuticals, Inc. (b) | 2,637,562 |
| 49,000 | KYTHERA Biopharmaceuticals Inc. (b) | 1,880,130 |

The accompanying notes are an integral part of this schedule of investments.

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| SHARES | | VALUE |
|---|---|-------------|
| Common Stocks and Warrants continued | | |
| Biotechnologies/Biopharmaceuticals continued | | |
| 12,743 | MacroGenics, Inc. (Restricted) (a) (b) | \$ 276,905 |
| 243,920 | MEI Pharma, Inc. (b) | 1,546,453 |
| 567,787 | Merrimack Pharmaceuticals, Inc. (b) | 4,139,167 |
| 353,475 | Momenta Pharmaceuticals, Inc. (b) | 4,269,978 |
| 207,412 | Neurocrine Biosciences, Inc. (b) | 3,077,994 |
| 82,900 | NPS Pharmaceuticals, Inc. (b) | 2,739,845 |
| 113,100 | OncoGenex Pharmaceuticals, Inc. (b) | 421,863 |
| 37,500 | OncoGenex Pharmaceuticals, Inc. warrants (Restricted, expiration 10/22/15) (a) (b) | 17,625 |
| 79,150 | PTC Therapeutics, Inc. (b) | 2,068,981 |
| 60,822 | Regeneron Pharmaceuticals, Inc. (b) | 17,180,390 |
| 120,400 | Sangamo BioSciences, Inc. (b) | 1,838,508 |
| 283,628 | Verastem, Inc. (b) | 2,569,670 |
| 159,867 | Vertex Pharmaceuticals, Inc. (b) | 15,136,208 |
| | | 210,853,159 |
| Drug Delivery 1.5% | | |
| 260,583 | Heron Therapeutics, Inc. (b) | 3,210,383 |
| 103,333 | Heron Therapeutics, Inc. warrants (Restricted, expiration 7/01/16) (a) (b) | 664,640 |
| 575,640 | IntelliPharmaceuticals International Inc. (b) (c) | 2,193,188 |
| 319,800 | IntelliPharmaceuticals International Inc. warrants (Restricted, expiration 2/01/16) (a) (b) (c) | 297,414 |
| | | 6,365,625 |
| Drug Discovery Technologies 3.5% | | |
| 259,915 | Incyte Corporation (b) | 14,669,603 |
| 46 | Zyomyx, Inc. (Restricted) (a) (b) | 11 |
| | | 14,669,614 |
| Financial Services 0.0% | | |
| 3,939,544 | Sarossa Capital plc (b) (f) | 126,301 |
| Generic Pharmaceuticals 9.9% | | |
| 46,815 | Actavis plc (b) | 10,442,086 |
| 255,050 | Akorn, Inc. (b) | 8,480,412 |
| 99,469 | Impax Laboratories, Inc. (b) | 2,983,075 |
| 147,916 | Mylan, Inc. (b) | 7,626,549 |
| 18,854 | Perrigo Company plc (f) | 2,748,159 |
| 122,830 | Sagent Pharmaceuticals, Inc. (b) | 3,176,384 |
| 115,118 | Teva Pharmaceutical Industries Ltd. (e) | 6,034,486 |
| | | 41,491,151 |
| Healthcare Services 0.2% | | |
| 148,148 | InnovaCare Health, Inc. (Restricted) (a) (b) (g) | 777,777 |
| Medical Devices and Diagnostics 4.6% | | |
| 226,902 | Accuray, Inc. (b) | 1,996,737 |
| 130,000 | Cercacor Laboratories, Inc. (Restricted) (a) (b) | 83,790 |
| 17,668 | IDEXX Laboratories, Inc. (b) | 2,359,915 |

The accompanying notes are an integral part of this schedule of investments.

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| SHARES | | VALUE |
|--|--|--------------|
| Common Stocks and Warrants continued | | |
| <i>Medical Devices and Diagnostics continued</i> | | |
| 47,854 | Illustrina, Inc. (b) | \$ 8,543,853 |
| 68,058 | PerkinElmer, Inc. | 3,187,837 |
| 139 | Songbird Hearing, Inc. (Restricted) (a) (b) | 93 |
| 24,884 | Thermo Fisher Scientific Inc. | 2,936,312 |
| | | 19,108,537 |
| <i>Pharmaceuticals 4.6%</i> | | |
| 41,773 | Endo International PLC (b) | 2,924,945 |
| 232,784 | Ironwood Pharmaceuticals, Inc. (b) | 3,568,579 |
| 27,828 | Jazz Pharmaceuticals plc (b) | 4,090,994 |
| 37,379 | Shire plc (e) | 8,802,381 |
| | | 19,386,899 |
| TOTAL COMMON STOCKS AND WARRANTS | | |
| | (Cost \$173,569,580) | 312,779,063 |
| EXCHANGE TRADED FUND 0.5% | | |
| 7,514 | iShares Nasdaq Biotechnology ETF | 1,931,323 |
| TOTAL EXCHANGE TRADED FUND | | |
| | (Cost \$1,445,969) | 1,931,323 |
| | | |
| PRINCIPAL AMOUNT | | |
| SHORT-TERM INVESTMENT 5.5% | | |
| \$ 23,030,930 | Repurchase Agreement, State Street Bank and Trust Co., repurchase value \$23,030,930, 0.00%, dated 06/30/14, due 07/01/14 (collateralized by U.S. Treasury Bond 8.000%, due 11/15/21, market value \$23,495,815) | 23,030,930 |
| TOTAL SHORT-TERM INVESTMENTS | | |
| | (Cost \$23,030,930) | 23,030,930 |
| TOTAL INVESTMENTS BEFORE MILESTONE INTERESTS - 88.6% | | |
| | (Cost \$233,254,722) | 371,762,323 |
| | | |
| INTEREST | | |
| MILESTONE INTERESTS (RESTRICTED) (a) (b) 0.0% of Net Assets | | |
| <i>Biotechnologies/Biopharmaceuticals 0.0%</i> | | |
| 1 | Targegen Milestone Interest | 69,267 |
| TOTAL MILESTONE INTERESTS | | |
| | (Cost \$2,960,669) | 69,267 |

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| | |
|--|----------------|
| TOTAL INVESTMENTS - 88.6% | |
| (Cost \$236,215,392) | 371,831,590 |
| OTHER ASSETS IN EXCESS OF LIABILITIES - 11.4% | 47,639,832 |
| NET ASSETS - 100% | \$ 419,471,422 |

-
- (a) Security fair valued. See Investment Valuation for 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 \$16,004,572).
 - (d) Number of warrants to be determined at a future date.
 - (e) American Depository Receipt
 - (f) Foreign security.
 - (g) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

The accompanying notes are an integral part of this schedule of investments.

H&Q LIFE SCIENCES INVESTORS

NOTES TO SCHEDULE OF INVESTMENTS

JUNE 30, 2014

(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) have established and approved fair valuation policies and procedures with respect to securities for which quoted prices may not be available or which do not reflect fair value. Shares of publicly traded companies for which market quotations are not readily available, such as stocks for which trading has been halted or for which there are no current day sales, or whose quoted price may otherwise not reflect fair value, are valued in good faith by the Adviser using a fair value process pursuant to policies and procedures approved by the Trustees described below. Restricted securities of companies that are publicly traded are typically valued based on the closing market quote on the valuation date adjusted for the impact of the restriction as determined in good faith by the Adviser also using fair valuation policies and procedures approved by the Trustees described below. Non-exchange traded warrants of publicly traded companies are typically valued using the Black-Scholes model, which incorporates both observable and unobservable inputs. Short-term investments with a maturity of 60 days or less are valued at amortized cost, which approximates fair value.

Convertible preferred shares, warrants or convertible note interests in private companies, milestone interests, other restricted securities, as well as shares of publicly traded companies for which market quotations are not available or which do not reflect fair value, are typically valued in good faith, based upon the recommendations made by the Adviser pursuant to fair valuation policies and procedures approved by the Trustees. The Adviser has a Valuation Sub-Committee comprised of senior management which reports to the Valuation Committee of the Board at least quarterly. Each fair value determination is based on a consideration of relevant factors, including both observable and unobservable inputs. Observable and unobservable inputs the Adviser considers may include (i) the existence of any contractual restrictions on the disposition of securities; (ii) information obtained from the company, which may include an analysis of the company's financial statements, the company's products or intended markets or the company's technologies; (iii) the price of the same or similar security negotiated at arm's length in an issuer's completed subsequent round of financing; (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies; or (v) a probability and time value adjusted analysis of contractual term. Where available and appropriate, multiple valuation methodologies are applied to confirm fair value. Significant unobservable inputs identified by the Adviser are often used in the fair value determination. A significant change in any of these inputs may result in a significant change in the fair value measurement. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the investments existed, and differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different from the valuations used at the date of this Schedule of Investments.

Federal Income Tax Cost

At June 30, 2014, the cost of securities for Federal income tax purposes was \$236,215,392. The net unrealized gain on securities held by the Fund was \$135,616,198, including gross unrealized gain of \$160,017,068 and gross unrealized loss of \$24,400,870.

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Other Transactions with Affiliates

An affiliate company is a company in which the Fund holds 5% or more of the voting securities. Transactions with such companies during the period ended June 30, 2014 were as follows:

| Issuer | Value on September 30, 2013 | Purchases | Sales | Income | Value on June 30, 2014 |
|---|-----------------------------------|------------|------------|--------|------------------------------|
| EBI Life Sciences, Inc. | \$ 13,102 | | | | \$ 13,102 |
| Euthymics Biosciences, Inc. | 1,099,991 | | | | 1,099,991 |
| IntelliPharmaceutics International Inc. | 1,659,680 | | \$ 624,297 | | 2,490,602 |
| Neurovance, Inc. | 738,080 | \$ 405,105 | | | 1,141,742 |
| Palyon Medical Corporation | 1,319,874 | | | | 663,105 |
| PHT Corporation | 4,308,088 | | | | 6,576,381 |
| Veniti, Inc. | 3,581,754 | | | | 4,019,649 |
| | \$ 12,720,569 | \$ 405,105 | \$ 624,297 | \$ | \$ 16,004,572 |

H&Q LIFE SCIENCES INVESTORS**NOTES TO SCHEDULE OF INVESTMENTS**

JUNE 30, 2014

(Unaudited)

Fair Value Measurements

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

The following is a summary of the inputs used as of June 30, 2014 to value the Fund's net assets. For the period ended June 30, 2014, there were no transfers between Levels 1 and 2. The Fund accounts for transfers between levels at the beginning of the period.

| Assets at Value | Level 1 | Level 2 | Level 3 | Total |
|--|-----------------------|----------------------|----------------------|-----------------------|
| Convertible and Non-Convertible Securities and Warrants | | | | |
| Biotechnologies/Biopharmaceuticals | | \$ 1,965,769 | \$ 2,254,835 | \$ 4,220,604 |
| Healthcare Services | | | 6,576,381 | 6,576,381 |
| Medical Devices and Diagnostics | | | 15,958,710 | 15,958,710 |
| Drug Discovery Technologies | | | 0 | 0 |
| Pharmaceuticals | | 5,915,312 | 1,350,000 | 7,265,312 |
| Common Stocks and Warrants | | | | |
| Biotechnologies/Biopharmaceuticals | \$ 206,695,602 | | 4,157,557 | 210,853,159 |
| Drug Delivery | 5,403,571 | | 962,054 | 6,365,625 |
| Drug Discovery Technologies | 14,669,603 | | 11 | 14,669,614 |
| Financial Services | 126,301 | | | 126,301 |
| Generic Pharmaceuticals | 41,491,151 | | | 41,491,151 |
| Healthcare Services | | | 777,777 | 777,777 |
| Medical Devices and Diagnostics | 19,024,654 | | 83,883 | 19,108,537 |
| Pharmaceuticals | 19,386,899 | | | 19,386,899 |
| Exchange Traded Fund | 1,931,323 | | | 1,931,323 |
| Short-term Investment | | 23,030,930 | | 23,030,930 |
| Milestone Interest | | | | |
| Biotechnologies/Biopharmaceuticals | | | 69,267 | 69,267 |
| Other Assets | | | 305,701 | 305,701 |
| Total | \$ 308,729,104 | \$ 30,912,011 | \$ 32,496,176 | \$ 372,137,291 |

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

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| | Balance as of September 30, 2013 | Net realized gain (loss) and change in unrealized appreciation (depreciation) | Cost purchases and conversions | Proceeds from sales and conversions | Net transfers in (out of) Level 3 | Balance as of June 30, 2014 |
|--|---|--|---|--|---|-----------------------------------|
| Level 3 Assets | | | | | | |
| Convertible, Non-Convertible Securities and Warrants | | | | | | |
| Biotechnologies/Biopharmaceuticals | \$ 4,912,705 | \$ (686,157) | \$ 412,450 | \$ (2,384,163) | \$ | \$ 2,254,835 |
| Healthcare Services | 4,308,088 | 2,268,293 | | | | 6,576,381 |
| Medical Devices and Diagnostics | 15,587,351 | (267,094) | 852,740 | (214,287) | | 15,958,710 |
| Pharmaceuticals | | | 1,350,000 | | | 1,350,000 |
| Common Stocks and Warrants | | | | | | |
| Biotechnologies/Biopharmaceuticals | 4,125 | 2,370,230 | 1,783,202 | | | 4,157,557 |
| Drug Delivery | 544,434 | 417,620 | | | | 962,054 |
| Drug Discovery Technologies | 11 | | | | | 11 |
| Healthcare Services | 777,777 | | | | | 777,777 |
| Medical Devices and Diagnostics | 86,150 | (2,267) | | | | 83,883 |
| Milestone Interests | | | | | | |
| Biotechnologies/Biopharmaceuticals | 4,291,294 | (4,222,027) | | | | 69,267 |
| Medical Devices and Diagnostics | 10,690 | (10,690) | | | | |
| Other Assets | | | | | | |
| | 327,115 | | 2,339 | (23,753) | | 305,701 |
| Total | \$ 30,849,740 | \$ (132,092) | \$ 4,400,731 | \$ (2,622,203) | \$ | \$ 32,496,176 |
| Net change in unrealized appreciation (depreciation) from investments still held as of June 30, 2014 | | | | | | \$ (723,329) |

H&Q LIFE SCIENCES INVESTORS**NOTES TO SCHEDULE OF INVESTMENTS**

JUNE 30, 2014

(Unaudited)

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 6/30/2014 | Valuation Technique | Unobservable Input | Range (Weighted Average) |
|---|-------------------------|-------------------------------------|-------------------------|-----------------------------|
| Private Companies and Other Restricted Securities | 6,553,401 | Public market price | None | N/A |
| | 21,677,642 | Adjuted Capital asset pricing model | Discount Rate | 12%-37% (16.95%) |
| | | | Price to sales multiple | 0.2-16.8 (2.52) 10%-300% |
| | | | Revenue growth rate | (62.68%) |
| | 2,833,105 | Independent valuation | None | N/A |
| | 1,432,028 | Probability adjusted value | Probability of events | 10%-99% (15.23%) |
| | | | Timing of events | 0.75-4.55 (1.19) years |
| | \$ 32,496,176 | | | |

Private Companies and Other Restricted Securities

The Fund may invest in private companies and other restricted securities if these securities would currently comprise 40% or less of net assets. The value of these securities represents 7.4% of the Fund's net assets at June 30, 2014.

At June 30, 2014, the Fund had commitments of \$626,635 relating to additional investments in two 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 June 30, 2014. The Fund on its own does not have the right to demand that such securities be registered.

H&Q LIFE SCIENCES INVESTORS**NOTES TO SCHEDULE OF INVESTMENTS**

JUNE 30, 2014

(Unaudited)

| Security (#) | Acquisition Date | Cost | Carrying Value per Unit | Value |
|---|---------------------|--------------|-------------------------|------------|
| AlterG, Inc. | | | | |
| Series C Cvt. Pfd. | 4/12/13 | \$ 1,427,152 | \$ 0.41 | \$ 958,661 |
| CardioKinetix, Inc. | | | | |
| Series C Cvt. Pfd. | 5/22/08 | 1,653,315 | 14.07 | 1,116,094 |
| Series D Cvt. Pfd. | 12/10/10 | 545,940 | 3.81 | 542,779 |
| Series E Cvt. Pfd. | 9/14/11 | 1,253,611 | 2.85 | 1,250,781 |
| Warrants (expiration 12/11/19) | 12/10/09, 2/11/10 | 123 | 0.00 | 0 |
| Warrants (expiration 6/03/20) | 6/03/10, 9/01/10 | 123 | 0.00 | 0 |
| Celladon Corporation | | | | |
| Common | 1/27/12 | 1,783,202 | 13.62 | 4,096,756 |
| Warrants (expiration 10/10/18) | 10/10/13 | 56 | 8.74 | 43,176 |
| Cercacor Laboratories, Inc. Common | 3/31/98 | 0 | 0.64 | 83,790 |
| Ceres, Inc. | | | | |
| Warrants (expiration 9/05/15) | 9/05/07 | 20 | 0.00 | 0 |
| Dynex Technologies, Inc. | | | | |
| Series A Cvt. Pfd. | 1/03/12 | 199,963 | 0.30 | 641,844 |
| Warrants (expiration 4/01/19) | 1/03/12 | 60 | 0.00 | 0 |
| Warrants (expiration 5/06/19) | 1/03/12 | 5 | 0.00 | 0 |
| EBI Life Sciences, Inc. | | | | |
| Series A Cvt. Pfd. | 12/29/11 | 13,597 | 0.01 | 13,102 |
| Euthymics Biosciences, Inc. | | | | |
| Series A Cvt. Pfd. | 7/14/10 - 5/21/12 | 2,635,558 | 0.38 | 1,099,991 |
| Heron Therapeutics Inc. | | | | |
| Warrants (expiration 7/01/16) | 06/30/11 | 555 | 6.43 | 664,640 |
| IlluminOss Medical, Inc. | | | | |
| Series C-1 Cvt. Pfd. | 9/26/12-6/13/14 | 1,003,425 | 0.38 | 1,002,943 |
| InnovaCare Health, Inc. Common | 12/21/12 | 643,296 | 5.25 | 777,777 |
| Insightra Medical, Inc. | | | | |
| Series C Cvt. Pfd. | 4/29/13-4/17/14 | 2,173,253 | 0.42 | 2,170,000 |
| IntelliPharmaceuticals International Inc. | | | | |
| Warrants (expiration 2/01/16) | 1/31/11 | 115 | 0.93 | 297,414 |
| Labcyte, Inc. | | | | |
| Series C Cvt. Pfd. | 7/18/05 | 1,283,959 | 0.71 | 1,743,765 |
| Series D Cvt. Pfd. | 12/12/2012 | 68,608 | 0.83 | 88,915 |
| Magellan Diagnostics, Inc. | | | | |
| Series A Cvt. Pfd. | 11/28/06 - 10/01/09 | 1,010,827 | 0.69 | 1,480,995 |
| Warrants (expiration 4/01/19) | 4/03/09 | 358 | 0.00 | 0 |
| Warrants (expiration 5/06/19) | 5/12/09 | 29 | 0.00 | 0 |
| Neurovance, Inc. | | | | |
| Series A Cvt. Pfd. | 12/29/11 | 202,963 | 0.08 | 199,863 |
| Series A-1 Cvt. Pfd. | 10/11/12 - 10/10/13 | 943,258 | 0.08 | 941,879 |
| OncoGenex Pharmaceuticals, Inc. | | | | |
| Warrants (expiration 10/22/15) | 10/22/10 | 0 | 0.47 | 17,625 |
| Palyon Medical Corporation | | | | |
| Series A Cvt. Pfd. | 4/28/09 | 2,068,781 | 0.00 | 9,606 |
| Series B Cvt. Pfd. | 6/28/13 | 1,312,161 | 0.03 | 653,499 |

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| | | | | |
|-------------------------------|--------------------|-----------|--------|-----------|
| Warrants (expiration 4/26/19) | 4/25/12 | 0 | 0.00 | 0 |
| PHT Corporation | | | | |
| Series D Cvt. Pfd. | 7/23/01 | 2,804,181 | 1.38 | 4,953,847 |
| Series E Cvt. Pfd. | 9/12/03 - 10/19/04 | 627,548 | 1.68 | 1,349,033 |
| Series F Cvt. Pfd. | 7/21/08 | 81,729 | 2.75 | 273,501 |
| Songbird Hearing, Inc. Common | 12/14/00 | 2,003,239 | 0.67 | 93 |
| Targegen Milestone Interest | 7/20/10 | 2,960,669 | 69,267 | 69,267 |
| TherOx, Inc. | | | | |
| Series H Cvt. Pfd. | 9/11/00 - 8/21/07 | 2,001,787 | 0.01 | 435 |
| Series I Cvt. Pfd. | 7/08/05 | 386,639 | 0.01 | 997 |
| Tibion Corporation | | | | |
| Series B Cvt. Pfd. | 2/23/11 | 905,158 | 0.00 | 11,250 |
| Warrants (expiration 7/12/17) | 7/12/12 | 0 | 0.00 | 0 |

H&Q LIFE SCIENCES INVESTORS

NOTES TO SCHEDULE OF INVESTMENTS

JUNE 30, 2014

(Unaudited)

| | | | | |
|--------------------------------|-------------------|---------------|--------|---------------|
| Warrants (expiration 10/30/17) | 10/30/12 | 0 | 0.00 | 0 |
| Warrants (expiration 11/28/17) | 11/28/12 | 0 | 0.00 | 0 |
| Non-Cvt. Promissory Note | 7/12/12 | 239,081 | 100.00 | 238,286 |
| Non-Cvt. Promissory Note | 4/12/13 | 28,216 | 100.00 | 28,211 |
| Veniti, Inc. | | | | |
| Series A Cvt. Pfd. | 2/28/11 | 2,271,713 | 1.01 | 2,633,396 |
| Series B Cvt. Pfd. | 5/24/13 | 1,197,289 | 1.06 | 1,386,253 |
| Zyomyx, Inc. Common | 2/19/99 - 1/12/04 | 2,601,013 | 0.25 | 11 |
| | | \$ 38,332,575 | | \$ 30,840,475 |

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

Carrying value per unit is greater than \$0.00 but less than \$0.01.

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.
