

TEKLA LIFE SCIENCES 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 811-06565

Tekla Life Sciences 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 LIFE SCIENCES INVESTORS**

*Semiannual Report*

March 31, 2018

*(Unaudited)*

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## TEKLA LIFE SCIENCES 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 LIFE SCIENCES 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\* (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 LIFE SCIENCES INVESTORS****Fund Essentials***(Unaudited)***Objective of the Fund**

The Fund's investment objective is to seek long-term capital appreciation by investing primarily in securities of Life Sciences companies.

**Description of the Fund**

Tekla Life Sciences Investors (HQL) is a non-diversified closed-end healthcare fund traded on the New York Stock Exchange under the ticker HQL. HQL primarily invests in the life sciences industries and will emphasize the smaller, emerging 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
- 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>19.22</b>
NAV <sup>2</sup>	\$	<b>19.85</b>
Premium/(Discount)		<b>-3.17%</b>
Average 30 Day Volume		<b>47,854</b>
Net Assets	\$	<b>436,949,650</b>
Ticker		<b>HQL</b>
NAV Ticker		<b>XHQLX</b>
Commencement of Operations Date		<b>5/8/92</b>
Fiscal Year to Date Distributions Per Share	\$	<b>0.83</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

Sub-Sector Allocation as of 3/31/18

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

<b>Issuer</b> <i>Sector</i>	<b>% of Net Assets</b>
<b>Gilead Sciences, Inc.</b> <i>Biotechnology</i>	7.7%
<b>Biogen Inc.</b> <i>Biotechnology</i>	6.3%
<b>Amgen Inc.</b> <i>Biotechnology</i>	6.1%
<b>Celgene Corporation</b> <i>Biotechnology</i>	6.1%
<b>Vertex Pharmaceuticals Incorporated</b> <i>Biotechnology</i>	5.5%
<b>Illumina, Inc.</b> <i>Life Sciences Tools &amp; Services</i>	4.1%
<b>Alexion Pharmaceuticals, Inc.</b> <i>Biotechnology</i>	3.4%
<b>Incyte Corporation</b> <i>Biotechnology</i>	3.4%
<b>Regeneron Pharmaceuticals, Inc.</b> <i>Biotechnology</i>	3.3%
<b>Mylan N.V.</b> <i>Pharmaceuticals</i>	2.8%
<b>SPDR S&amp;P Biotech ETF</b> <i>Exchange Traded Fund</i>	2.4%
<b>IDEXX Laboratories, Inc.</b> <i>Health Care Equipment &amp; Supplies</i>	2.4%
<b>BioMarin Pharmaceutical Inc.</b> <i>Biotechnology</i>	1.9%
<b>Sarepta Therapeutics, Inc.</b> <i>Biotechnology</i>	1.5%
<b>Neurocrine Biosciences, Inc.</b> <i>Biotechnology</i>	1.5%
<b>Galapagos NV</b> <i>Biotechnology</i>	1.5%
<b>Jazz Pharmaceuticals plc</b> <i>Pharmaceuticals</i>	1.3%
<b>Nektar Therapeutics</b> <i>Biotechnology</i>	1.3%
<b>Alnylam Pharmaceuticals, Inc.</b> <i>Biotechnology</i>	1.2%
<b>Sage Therapeutics, Inc.</b> <i>Biotechnology</i>	1.1%

**Fund Performance**

HQL Investors is a closed-end fund which invests predominantly in life science companies. Subject to regular consideration, the Trustees of HQL 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 life science 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, HQL 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 65-80% of net assets.

There is no commonly published index which matches the investment strategy of HQL. The S15HLTH consists of more than 160 companies representing most or all of the healthcare subsectors in which HQL typically invests; biotechnology often represents 15-25% 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.

HQL generally invests in a combination of large cap growth-oriented and earlier stage innovative healthcare companies with a focus on the biotechnology sector. Generally, HQL 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 Ended March 31, 2018**

<b>Period</b>	<b>HQL NAV</b>	<b>HQL MKT</b>	<b>NBI</b>	<b>S15HLTH</b>	<b>SPX</b>
6 month	-4.16	-6.60	-3.73	1.11	5.83
1 year	5.13	7.52	9.83	12.35	13.98
5 year	13.03	11.60	15.39	14.47	13.30
10 year	13.05	14.31	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 Life Sciences Investors' performance benefitted in the past six months by the following:

*Argenx (ARGX)* is a Belgian biotechnology company focused on next generation antibody technologies. The company's share price experienced significant appreciation with the advancement of their novel anti-inflammation agent in phase II studies. We continue to believe that the company has upside from these levels in other disease states and in combination with other pipeline candidates such as one partnered with Abbvie for immuno-oncology.

*Idexx Laboratories Inc. (IDXX)* is situated in a hybrid position in veterinary health between central labs and point of care rapid diagnostics. We believe IDXX to be favorably positioned among its peers.

*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.

Among other examples, Tekla Life Sciences 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. HQL was underweight this stock during the report period.

*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.

*Juno Therapeutics, Inc. (JUNO)* was acquired by Celgene in January to support their advancing cell therapy business. We were not investors in the stock at the time of the acquisition due to questions about their lead agent's durable activity in lymphoma patients as presented at the ASH conference the prior month.

\*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 LIFE SCIENCES INVESTORS****SCHEDULE OF INVESTMENTS**

MARCH 31, 2018

(Unaudited)

SHARES	CONVERTIBLE PREFERRED AND WARRANTS <sup>(a) (b)</sup> - 4.3% of Net Assets	VALUE
	<i>Biotechnology - 0.9%</i>	
1,400,000	Amphivena Therapeutics, Inc. Series B (Restricted)	\$ 2,100,000
15,000	Amphivena Therapeutics, Inc. Warrants (Restricted, expiration 12/26/22, exercise price \$0.01)	0
1,153,847	BioClin Therapeutics, Inc. Series A, 6.00% (Restricted)	750,001
445,633	BioClin Therapeutics, Inc. Series B, 6.00% (Restricted)	333,333
933,333	GenomeDx Biosciences, Inc. Series C, 6.00% (Restricted)	310,800
10,193	GenomeDx Biosciences, Inc. Warrants (Restricted, expiration 10/31/27)	0
5,192	GenomeDx Biosciences, Inc. Warrants (Restricted, expiration 1/16/28)	0
7,519	GenomeDx Biosciences, Inc. Warrants (Restricted, expiration 2/15/28)	0
90,000	Trillium Therapeutics, Inc. Series II <sup>(d)</sup>	648,000
		4,142,134
	<i>Health Care Equipment &amp; Supplies (Restricted) - 2.4%</i>	
2,338,198	AlterG, Inc. Series C, 8.00%	233,820
79,330	CardioKinetix, Inc. Series C, 8.00%	0
142,574	CardioKinetix, Inc. Series D, 8.00%	0
439,333	CardioKinetix, Inc. Series E, 8.00%	0
481,378	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
8,822	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% (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
71,324	IlluminOss Medical, Inc. Warrants (expiration 3/31/27, exercise price \$1.00) (c)	0

The accompanying notes are an integral part of these Financial Statements.

**TEKLA LIFE SCIENCES INVESTORS****SCHEDULE OF INVESTMENTS**

MARCH 31, 2018

(Unaudited, continued)

<b>SHARES</b>	<i>Health Care Equipment &amp; Supplies (Restricted) - continued</i>	<b>VALUE</b>
	<b>ILLUMINOSS MEDICAL, INC. WARRANTS</b> (expiration 2/06/28, exercise price \$1.00) (c)	\$ 0
47,542		
2,606,033	Veniti, Inc. Series A, 8.00% (c)	4,541,534
1,307,169	Veniti, Inc. Series B, 8.00% (c)	2,343,362
716,720	Veniti, Inc. Series C, 8.00% (c)	1,448,849
		10,414,413
	<i>Life Sciences Tools &amp; Services (Restricted) - 0.8%</i>	
2,446,016	Labcyte, Inc. Series C, 8.00%	3,081,980
107,178	Labcyte, Inc. Series D, 8.00%	147,906
81,480	Labcyte, Inc. Series E, 8.00%	131,183
		3,361,069
	<i>Pharmaceuticals (Restricted) - 0.2%</i>	
659,244	Milestone Pharmaceuticals, Inc. Series C (d)	900,000
	<b>TOTAL CONVERTIBLE PREFERRED AND WARRANTS</b> (Cost \$20,718,538)	18,817,616
	<b>CONVERTIBLE NOTES (Restricted)</b> (a) - 0.2% of Net Assets	
<b>PRINCIPAL AMOUNT</b>	<i>Biotechnology - 0.1%</i>	
\$ 112,500	Amphivena Therapeutics, Inc. Promissory Note, 6.00%, due 12/26/18	112,500
61,162	GenomeDx Biosciences, Inc. Promissory Note, 8.00%, due 4/30/19	61,162
45,115	GenomeDx Biosciences, Inc. Promissory Note, 8.00%, due 5/1/19	45,115
31,151	GenomeDx Biosciences, Inc. Promissory Note, 8.00%, due 5/1/19	31,151
		249,928
	<i>Health Care Equipment &amp; Supplies - 0.1%</i>	
12,336	AlterG, Inc. Promissory Note, 6.00%, due 9/8/18	12,336
51,741		0

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CardioKinetix, Inc. Promissory Note,  
5.00%,  
due 7/31/18 <sup>(b)</sup>

95,083	95,083
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IlluminOss Medical, Inc. Promissory  
Note,  
8.00%, due 12/31/18 <sup>(c)</sup>

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

The accompanying notes are an integral part of these Financial Statements.

**TEKLA LIFE SCIENCES INVESTORS****SCHEDULE OF INVESTMENTS**

MARCH 31, 2018

(Unaudited, continued)

<b>PRINCIPAL AMOUNT</b>	<i>Health Care Equipment &amp; Supplies - continued</i>	<b>VALUE</b>
\$ 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
		773,045
	<b>TOTAL CONVERTIBLE NOTES</b> (Cost \$1,075,319)	1,022,973
	<b>COMMON STOCKS AND WARRANTS - 90.8%</b> <b>of Net Assets</b>	
	<i>Biotechnology - 72.5%</i>	
4,120	AbbVie Inc.	389,958
52,739	AC Immune SA <sup>(b) (d)</sup>	545,321
37,607	ACADIA Pharmaceuticals Inc. <sup>(b)</sup>	845,029
616,000	Achillion Pharmaceuticals, Inc. <sup>(b)</sup>	2,285,360
362,631	Adaptimmune Therapeutics plc <sup>(b) (f)</sup>	4,072,346
400,000	Affimed N.V. <sup>(b)</sup>	740,000
41,269	Akebia Therapeutics, Inc. <sup>(b)</sup>	393,294
38,333	Albireo Pharma, Inc. <sup>(b)</sup>	1,248,506
47,100	Alder Biopharmaceuticals, Inc. <sup>(b)</sup>	598,170
134,870	Alexion Pharmaceuticals, Inc. <sup>(b)</sup>	15,032,610
47,341	Alkermes plc <sup>(b)</sup>	2,743,884
42,503	Alnylam Pharmaceuticals, Inc. <sup>(b)</sup>	5,062,107
145,998	Amarin Corporation plc <sup>(b) (f)</sup>	439,454
157,553	Amgen Inc.	26,859,635
270,622	Amicus Therapeutics, Inc. <sup>(b)</sup>	4,070,155
811,227	ARCA biopharma, Inc. <sup>(b) (c)</sup>	405,127
	ARCA biopharma, Inc. Warrants (expiration 6/11/22, exercise price \$6.10) <sup>(a) (b) (c)</sup>	68,143
324,491	Ardelyx, Inc. <sup>(b)</sup>	1,616,682
5,227	Arena Pharmaceuticals, Inc. <sup>(b)</sup>	206,467
38,931	argenx SE <sup>(b) (f)</sup>	3,131,610
39,025	Array Biopharma Inc. <sup>(b)</sup>	636,888
4,477	Ascendis Pharma A/S <sup>(b) (f)</sup>	292,796
20,869	AveXis, Inc. <sup>(b)</sup>	2,578,991
4,789	BeiGene, Ltd. <sup>(b) (f)</sup>	804,552
60,000	Bellicum Pharmaceuticals, Inc. <sup>(b)</sup>	393,600

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100,245	Biogen Inc. <sup>(b)</sup>	27,449,086
27,547	Biohaven Pharmaceutical Holding Company Ltd. <sup>(b)</sup>	709,611

The accompanying notes are an integral part of these Financial Statements.

## TEKLA LIFE SCIENCES INVESTORS

## SCHEDULE OF INVESTMENTS

MARCH 31, 2018

(Unaudited, continued)

SHARES	Biotechnology - continued	VALUE
104,048	BioMarin Pharmaceutical Inc. (b)	\$ 8,435,171
17,522	bluebird bio, Inc. (b)	2,991,882
10,027	Blueprint Medicines Corporation (b)	919,476
297,980	Celgene Corporation (b)	26,582,796
40,000	Collectis S.A. (b) (f)	1,260,400
158,784	Cidara Therapeutics, Inc. (b)	635,136
22,800	Clovis Oncology, Inc. (b)	1,203,840
43,498	CRISPR Therapeutics AG (b)	1,988,294
42,114	Cytokinetics, Incorporated (b)	303,221
79,513	CytomX Therapeutics, Inc. (b)	2,262,145
78,899	Dermira, Inc. (b)	630,403
42,419	Editas Medicine, Inc. (b)	1,406,190
14,244	Eiger BioPharmaceuticals, Inc. (b)	140,303
	Eiger BioPharmaceuticals, Inc. Warrants (expiration 10/10/18, exercise price \$84.15) (a)	
329	(b)	0
164,575	Epizyme, Inc. (b)	2,921,206
28,785	Esperion Therapeutics, Inc. (b)	2,082,019
115,874	Exelixis, Inc. (b)	2,566,609
21,538	FibroGen, Inc. (b)	995,056
46,000	Galapagos NV (b) (d)	4,601,636
19,000	Galapagos NV (b) (f)	1,895,440
447,128	Gilead Sciences, Inc.	33,708,980
62,500	Global Blood Therapeutics, Inc. (b)	3,018,750
178,214	Incyte Corporation (b)	14,850,573
47,712	Innoviva, Inc. (b)	795,359
51,530	Intellia Therapeutics, Inc. (b)	1,086,768
58,902	Ionis Pharmaceuticals, Inc. (b)	2,596,400
10,127	Jounce Therapeutics, Inc. (b)	226,338
85,404	Lexicon Pharmaceuticals, Inc. (b)	731,912
142,583	Merus N.V. (b) (d)	2,642,063
33,844	Molecular Templates, Inc. (b)	270,752
45,142	Myovant Sciences Ltd. (b)	960,170
19,502	Natera, Inc. (b)	180,784
53,937	Nektar Therapeutics (b)	5,731,346
79,711	Neurocrine Biosciences, Inc. (b)	6,610,433
63,211	NewLink Genetics Corporation (b)	458,280
358,000	Novavax, Inc. (b)	751,800
7,622	NuCana plc (b) (f)	144,208
160,747	Ovid Therapeutics Inc. (b)	1,136,481
563,608	Pieris Pharmaceuticals, Inc. (b)	3,843,807



23,821	Pieris Pharmaceuticals, Inc., Series A Warrants (expiration 6/8/21, exercise price \$3.00) <sup>(a)</sup> <sup>(b)</sup>	85,517
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The accompanying notes are an integral part of these Financial Statements.

## TEKLA LIFE SCIENCES INVESTORS

## SCHEDULE OF INVESTMENTS

MARCH 31, 2018

(Unaudited, continued)

SHARES		VALUE
	<i>Biotechnology - continued</i>	
	Pieris Pharmaceuticals, Inc., Series B Warrants (expiration 6/8/21, exercise price \$2.00)	
11,911	(a) (b)	\$ 48,716
37,141	Portola Pharmaceuticals, Inc. (b)	1,213,025
74,951	Protagonist Therapeutics, Inc. (b)	643,829
7,515	PTC Therapeutics, Inc. (b)	203,355
7,593	Puma Biotechnology, Inc. (b)	516,704
102,595	Ra Pharmaceuticals, Inc. (b)	544,779
42,108	Regeneron Pharmaceuticals, Inc. (b)	14,500,311
30,829	Sage Therapeutics, Inc. (b)	4,965,627
90,337	Sarepta Therapeutics, Inc. (b)	6,693,068
67,110	Seattle Genetics, Inc. (b)	3,512,537
22,046	Spark Therapeutics, Inc. (b)	1,468,043
200,000	Syndax Pharmaceuticals, Inc. (b)	2,846,000
17,577	TESARO, Inc. (b)	1,004,350
135,000	Trillium Therapeutics Inc. (b) (d)	972,000
45,639	Ultragenyx Pharmaceutical Inc. (b)	2,327,133
75,482	uniQure N.V. (b)	1,773,827
7,142	United Therapeutics Corporation (b)	802,475
148,247	Vertex Pharmaceuticals Incorporated (b)	24,161,296
20,000	Xencor, Inc. (b)	599,600
186,665	Xenon Pharmaceuticals Inc. (b)	914,659
		316,982,660
	<i>Health Care Equipment &amp; Supplies - 3.6%</i>	
49,500	Alliqua BioMedical, Inc. (b)	95,535
130,000	Cercacor Laboratories, Inc. (Restricted) (a) (b)	313,164
169,962	CymaBay Therapeutics, Inc. (b)	2,207,806
55,079	Glaukos Corporation (b)	1,698,086
55,158	IDEXX Laboratories, Inc. (b)	10,556,690
135,353	Quotient Limited (b)	637,513
7,157	TherOx, Inc. (Restricted) (a) (b)	143
		15,508,937
	<i>Health Care Providers &amp; Services - 0.1%</i>	
148,148	InnovaCare Health, Inc. (Restricted) (a) (b) (g)	322,963
	<i>Life Sciences Tools &amp; Services - 4.8%</i>	
75,374	Illumina, Inc. (b)	17,819,921
74,250	NanoString Technologies, Inc. (b)	557,618
13,090	Thermo Fisher Scientific Inc.	2,702,561
		21,080,100

The accompanying notes are an integral part of these Financial Statements.

**TEKLA LIFE SCIENCES INVESTORS****SCHEDULE OF INVESTMENTS**

MARCH 31, 2018

(Unaudited, continued)

SHARES	<i>Pharmaceuticals - 9.8%</i>	VALUE
106,840	Accelaron Pharma Inc. <sup>(b)</sup>	\$ 4,177,444
16,699	Adamas Pharmaceuticals, Inc. <sup>(b)</sup>	399,106
2,810	Agios Pharmaceuticals, Inc. <sup>(b)</sup>	229,800
317,800	Avadel Pharmaceuticals plc <sup>(b) (f)</sup>	2,316,762
29,100	Endo International plc <sup>(b)</sup>	172,854
124,140	Foamix Pharmaceuticals Ltd. <sup>(b) (d)</sup>	636,838
23,787	GW Pharmaceuticals plc <sup>(b) (f)</sup>	2,680,081
38,683	Jazz Pharmaceuticals plc <sup>(b)</sup>	5,840,746
35,194	Medicines Company (The) <sup>(b)</sup>	1,159,290
293,914	Mylan N.V. <sup>(b)</sup>	12,100,439
43,329	Revance Therapeutics, Inc <sup>(b)</sup>	1,334,533
27,934	Shire plc <sup>(f)</sup>	4,173,060
170,862	Teligent, Inc. <sup>(b)</sup>	574,096
284,378	Tetraphase Pharmaceuticals, Inc. <sup>(b)</sup>	873,041
176,069	TherapeuticsMD, Inc. <sup>(b)</sup>	857,456
8,083	Theravance Biopharma, Inc. <sup>(b)</sup>	196,013
929,053	Verona Pharma plc <sup>(b) (d)</sup>	2,411,405
115,500	Verona Pharma plc <sup>(b) (f)</sup>	2,310,000
371,622	Verona Pharma plc Warrants (expiration 4/27/22, exercise price \$2.07) <sup>(a) (b) (d)</sup>	294,375
		42,737,339
	<b>TOTAL COMMON STOCKS AND WARRANTS</b> (Cost \$279,848,681)	396,631,999
	<b>EXCHANGE TRADED FUND - 2.5% of Net Assets</b>	
121,460	SPDR S&P Biotech ETF	10,655,686
	<b>TOTAL EXCHANGE TRADED FUND</b> (Cost \$8,564,136)	10,655,686
<b>PRINCIPAL AMOUNT</b>	<b>SHORT-TERM INVESTMENT - 0.8% of Net Assets</b> Repurchase Agreement, Fixed Income Clearing Corp., repurchase value \$3,537,000, 0.28%, dated 03/29/18, due 04/02/18 (collateralized by U.S. Treasury Note 1.50%, due 08/15/26, market value \$3,610,067)	3,537,000
\$ 3,537,000		3,537,000
	<b>TOTAL SHORT-TERM INVESTMENT</b> (Cost \$3,537,000)	3,537,000
	<b>TOTAL INVESTMENTS BEFORE MILESTONE INTERESTS - 98.6%</b>	430,665,274

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(Cost \$313,743,674)

The accompanying notes are an integral part of these Financial Statements.

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**TEKLA LIFE SCIENCES INVESTORS****SCHEDULE OF INVESTMENTS**

MARCH 31, 2018

*(Unaudited, continued)*

<b>MILESTONE INTERESTS (Restricted)</b>		
<b>(a) (b) - 1.4%</b>		
<b>INTEREST</b>	<b>of Net Assets</b>	<b>VALUE</b>
	<i>Pharmaceuticals - 1.4%</i>	
1	Afferent Milestone Interest	\$ 1,204,635
1	Ethismos Research, Inc. Milestone Interest	0
1	Neurovance Milestone Interest	1,903,333
1	TargeGen Milestone Interest	3,128,695
	<b>TOTAL MILESTONE INTERESTS</b>	
	(Cost \$4,743,977)	6,236,663
	<b>TOTAL INVESTMENTS - 100.0%</b>	
	(Cost \$318,487,651)	436,901,937
	<b>OTHER ASSETS IN EXCESS OF</b>	
	<b>LIABILITIES - 0.0%</b>	47,713
	<b>NET ASSETS - 100%</b>	\$436,949,650

(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 \$11,414,527).

(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 these Financial Statements.



**TEKLA LIFE SCIENCES INVESTORS**  
**STATEMENT OF ASSETS AND LIABILITIES**

*MARCH 31, 2018*

*(Unaudited)*

<b>ASSETS:</b>	
Investments in unaffiliated issuers, at value (cost \$301,154,671)	\$419,250,702
Investments in affiliated issuers, at value (cost \$12,589,003)	11,414,572
Milestone interests, at value (cost \$4,743,977)	6,236,663
Total investments	436,901,937
Cash	10
Dividends and interest receivable	86,886
Prepaid expenses	43,575
Other assets (see Note 1)	604,411
Total assets	437,636,819
<b>LIABILITIES:</b>	
Accrued advisory fee	382,449
Accrued investor support service fees	18,086
Accrued shareholder reporting fees	124,953
Accrued trustee fees	29,564
Accrued other	132,117
Total liabilities	687,169
Commitments and Contingencies (see Note 1)	
<b>NET ASSETS</b>	<b>\$436,949,650</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 22,008,247 shares issued and outstanding	\$325,961,910
Accumulated net investment loss	(1,802,971)
Accumulated net realized loss on investments and milestone interests	(5,623,575)
Net unrealized gain on investments and milestone interests	118,414,286
Total net assets (equivalent to \$19.85 per share based on 22,008,247 shares outstanding)	\$436,949,650

The accompanying notes are an integral part of these Financial Statements.



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

<b>INVESTMENT INCOME:</b>	
Dividend income	\$ 942,269
Interest and other income	54,792
Total investment income	997,061
<b>EXPENSES:</b>	
Advisory fees	2,198,729
Investor support service fees	110,363
Legal fees	88,523
Trustees' fees and expenses	69,964
Shareholder reporting	67,738
Custodian fees	56,931
Auditing fees	49,933
Administration fees	44,868
Transfer agent fees	26,605
Other (see Note 2)	63,878
Total expenses	2,777,532
Net investment loss	(1,780,471)
<b>REALIZED AND UNREALIZED GAIN (LOSS):</b>	
Net realized gain (loss) on:	
Investments in unaffiliated issuers	4,662,143
Investments in affiliated issuers	(2,686,759)
Net realized gain	1,975,384
Change in unrealized appreciation (depreciation)	
Investments in unaffiliated issuers	(33,892,473)
Investments in affiliated issuers	9,618,329
Milestone interests	4,335,056
Change in unrealized appreciation (depreciation)	(19,939,088)
Net realized and unrealized gain (loss)	(17,963,704)
Net decrease in net assets resulting from operations	(\$ 19,744,175)

The accompanying notes are an integral part of these Financial Statements.

**TEKLA LIFE SCIENCES 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	(\$ 1,780,471)	(\$ 3,878,771)
Net realized gain	1,975,384	45,304,959
Change in net unrealized appreciation (depreciation)	(19,939,088)	27,129,489
Net increase (decrease) in net assets resulting from operations	(19,744,175)	68,555,677
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net realized capital gains	(17,997,711)	(33,490,625)
Total distributions	(17,997,711)	(33,490,625)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Reinvestment of distributions (435,755 and 853,189 shares, respectively)	8,340,732	16,719,637
Fund shares repurchased (0 and 24,167 shares, respectively) (see Note 1)		(406,764)
Total capital share transactions	8,340,732	16,312,873
Net increase (decrease) in net assets	(29,401,154)	51,377,925
<b>NET ASSETS:</b>		
Beginning of period	466,350,804	414,972,879
End of period	\$ 436,949,650	\$ 466,350,804
Accumulated net investment loss included in net assets at end of period	(\$ 1,802,971)	(\$ 22,500) <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 LIFE SCIENCES INVESTORS**

**FINANCIAL HIGHLIGHTS**

	Six months ended March 31, 2018 (Unaudited)	2017	Years ended September 30,			
		2016	2015	2014	2013	
<b>OPERATING PERFORMANCE FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD</b>						
Net asset value per share, beginning of period	\$ 21.62	\$20.00	\$23.51	\$23.37	\$20.16	\$ 15.74
Net investment loss <sup>(1)</sup>	(0.08)	(0.18)	(0.19)	(0.25)	(0.23)	(0.22)
Net realized and unrealized gain (loss)	(0.86)	3.39	(0.47)	2.48	5.71	5.94
Total increase (decrease) from investment operations	(0.94)	3.21	(0.66)	2.23	5.48	5.72
Distributions to shareholders from:						
Net realized capital gains	(0.83)	(1.59)	(2.85)	(2.09)	(1.70)	(1.30)
Total distributions	(0.83)	(1.59)	(2.85)	(2.09)	(1.70)	(1.30)
Increase resulting from shares repurchased <sup>(1)</sup>		(2)				
Change due to rights offering				(0.57) <sup>(3)</sup>		
Net asset value per share, end of period	\$ 19.85	\$21.62	\$20.00	\$23.51	\$23.37	\$ 20.16
	\$ 19.22	\$21.48	\$18.73	\$22.51	\$22.10	\$19.25

Per share market value, end of period						
Total investment return at market value	(6.60%)*	24.26%	(4.66%)	9.92%	24.20%	34.96%
Total investment return at net asset value	(4.16%)*	17.12%	(2.52%)	8.56%	25.40%	38.19%
<b>RATIOS</b>						
Expenses to average net assets	1.25%**	1.32%	1.27%	1.21%	1.34%	1.47%
Expenses to average net assets with waiver				1.17%	1.32%	
Net investment loss to average net assets	(0.80%)**	(0.92%)	(0.92%)	(0.91%)	(1.07%)	(1.26%)
<b>SUPPLEMENTAL DATA</b>						
Net assets at end of period (in millions)	\$ 437	\$ 466	\$ 415	\$ 463	\$ 444	\$ 302
Portfolio turnover rate	21.03%*	43.08%	30.99%	45.94%	30.62%	42.23%

\* Not Annualized.

\*\* Annualized.

(1) Computed using average shares outstanding.

(2) Rounds to less than \$0.005 per share.

(3) The rights offering shares were issued at a subscription price of \$19.750 which was less than the Fund's net asset value of \$22.78 on June 27, 2014 thus creating a dilution effect on the net asset value per share.

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



**TEKLA LIFE SCIENCES INVESTORS**  
**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2018*

*(Unaudited)*

*(1) Organization and Significant Accounting Policies*

Tekla Life Sciences Investors (the Fund) is a Massachusetts business trust formed on February 20, 1992, and registered under the Investment Company Act of 1940 as a non-diversified closed-end management investment company. The Fund commenced operations on May 8, 1992. The Fund's investment objective is long-term capital appreciation through investment in U.S. and foreign companies in the life sciences industry (including biotechnology, pharmaceutical, diagnostics, managed healthcare and medical equipment, hospitals, healthcare information technology and services, devices and supplies), agriculture and environmental management. The Fund invests primarily in securities of public and private companies that are believed by the Fund's Investment Adviser, Tekla Capital Management LLC (the Adviser), to have significant potential for above-average growth. The Fund may invest up to 20% of its net assets in securities of foreign issuers, expected to be located primarily in Western Europe, Canada and Japan, and securities of U.S. issuers that are traded primarily in foreign markets.

The preparation of these financial statements requires the use of certain estimates by management in determining the Fund's assets, liabilities, revenues and expenses. Actual results could differ from these estimates and such differences could be material. The following is a summary of significant accounting policies followed by the Fund, which are in conformity with accounting principles generally accepted in the United States of America (GAAP). The Fund is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board Accounting Standards Codification 946. Events or transactions occurring after March 31, 2018, through the date that the financial statements were issued, have been evaluated in the preparation of these financial statements.

*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 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



**TEKLA LIFE SCIENCES INVESTORS****NOTES TO FINANCIAL STATEMENTS***MARCH 31, 2018*

(continued)

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 these financial statements.

*Milestone Interests*

The Fund holds financial instruments which reflect the current value of future milestone payments the Fund may receive as a result of contractual obligations from other parties. The value of such payments are adjusted to reflect the estimated risk based on the relative uncertainty of both the timing and the achievement of individual milestones. A risk to the Fund is that the milestones will not be achieved and no payment will be received by the Fund. The milestone interests were received as part of the proceeds from the sale of four private companies. Any payments received are treated as a reduction of the cost basis of the milestone interest with payments received in excess of the cost basis treated as a realized gain. The contractual obligations with respect to the Afferent Milestone Interest, Ethismos Research, Inc. Milestone Interest, Neurovance Milestone Interest and the TargeGen Milestone Interest provide for payments at various stages of the development of Afferent's, Ethismos Research, Inc.'s, Neurovance's and TargeGen's principal product candidate as of the date of the sale.

The following is a summary of the impact of the milestone interests on the financial statements as of and for the six months ended March 31, 2018:

Statement of Assets and Liabilities, Milestone interests, at value	\$6,236,663
Statement of Assets and Liabilities, Net unrealized gain on milestone interests	\$1,492,686
Statement of Operations, Change in unrealized appreciation (depreciation) on milestone interests	\$4,335,056

*Other Assets*

Other assets in the Statement of Assets and Liabilities consists of amounts due to the Fund at various times in the future in connection with the sale of investments in five private companies.

*Investment Transactions and Income*

Investment transactions are recorded on a trade date basis. Gains and losses from sales of investments are recorded using the "identified cost" method. Interest income is recorded on the accrual basis, adjusted for amortization of premiums and accretion of discounts. Dividend income is recorded on the ex-dividend date, less any foreign taxes withheld. Upon notification from issuers, some of the dividend income received may be redesignated as a reduction of cost of the related investment if it represents a return of capital.

**TEKLA LIFE SCIENCES INVESTORS**

**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2018*

(continued)

The aggregate cost of purchases and proceeds from sales of investment securities (other than short-term investments) for the six months ended March 31, 2018 totaled \$92,062,902 and \$95,615,756, respectively.

*Repurchase Agreements*

In managing short-term investments the Fund may from time to time enter into transactions in repurchase agreements. In a repurchase agreement, the Fund's custodian takes possession of the underlying collateral securities from the counterparty, the market value of which is at least equal to the principal, including accrued interest, of the repurchase transaction at all times. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral by the Fund may be delayed. The Fund may enter into repurchase transactions with any broker, dealer, registered clearing agency or bank. Repurchase agreement transactions are not counted for purposes of the limitations imposed on the Fund's investment in debt securities.

*Distribution Policy*

Pursuant to a Securities and Exchange Commission exemptive order, the Fund may make periodic distributions that include capital gains as frequently as 12 times in any one taxable year in respect of its common shares, and the Fund has implemented a managed distribution policy (the Policy) providing 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. If taxable income and net long-term realized gains exceed the amount required to be distributed under the Policy, the Fund will at a minimum make distributions necessary to comply with the requirements of the Internal Revenue Code. The Policy has been established by the Trustees and may be changed by them without shareholder approval. The Trustees regularly review the Policy and the frequency and rate of distribution 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 Fund's policy is to declare quarterly distributions in stock. The distributions are automatically paid in newly-issued full shares of the Fund unless otherwise instructed by the shareholder. Fractional shares will generally be settled in cash, except for registered shareholders with book entry accounts of the Fund's transfer agent who will have whole and fractional shares added to their accounts. The Fund's transfer agent delivers an election card and instructions to each registered shareholder in connection with each distribution. The number of shares issued will be determined by dividing the dollar amount of the distribution by the lower of net asset value or market price on the pricing date. If a shareholder elects to receive a distribution in cash, rather than in shares, the shareholder's relative ownership in the Fund will be reduced. The shares reinvested will be valued at the lower of the net asset value or market price on the pricing date. Distributions in stock will not relieve shareholders of any federal, state or local income taxes that may be payable on such distributions. Additional distributions, if any, made to satisfy requirements of the Internal Revenue Code may be paid in stock, as described above, or in cash.

*Share Repurchase Program*

In March 2018, the Trustees approved the renewal of the repurchase program to allow the Fund to repurchase up to 12% of its outstanding shares in the open market for a one year

**TEKLA LIFE SCIENCES INVESTORS**

**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2018*

(continued)

period ending July 14, 2019. Prior to this renewal, in March 2017, the Trustees approved the renewal of the share repurchase program to allow the Fund to repurchase up to 12% of its outstanding shares for a one year period ending July 14, 2018. The share repurchase program is intended to enhance shareholder value and potentially reduce the discount between the market price of the Fund's shares and the Fund's net asset value.

During the six months ended March 31, 2018, the Fund did not repurchase any shares through the repurchase program.

During the year ended September 30, 2017, the Fund repurchased 24,167 shares at a total cost of \$406,764. The weighted average discount per share between the cost of repurchase and net asset value applicable to such shares at the date of repurchase was 8.33%.

*Federal Taxes*

It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute to its shareholders substantially all of its taxable income and its net realized capital gains, if any. Therefore, no Federal income or excise tax provision is required.

As of March 31, 2018, the Fund had no uncertain tax positions that would require financial statement recognition or disclosure. The Fund's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years.

*Distributions*

The Fund records all distributions to shareholders on the ex-dividend date. Such distributions are determined in conformity with income tax regulations, which may differ from GAAP. These differences include temporary and permanent differences from losses on wash sale transactions, installment sale adjustments and ordinary loss netting to reduce short term capital gains. Reclassifications are made to the Fund's capital accounts to reflect income and gains available for distribution under income tax regulations.

*Commitments and Contingencies*

Under the Fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into agreements with service providers that may contain indemnification clauses. The Fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

*Investor Support Services*

The Fund has retained Destra Capital Investment LLC (Destra) to provide investor support services in connection with the ongoing operation of the Fund. The Fund pays Destra a fee in an annual amount equal to 0.05% of the average

aggregate daily value of the Fund's Managed Assets from January 1, 2017 through the remaining term of the investor support services agreement.

*(2) Investment Advisory and Other Affiliated Fees*

The Fund has entered into an Investment Advisory Agreement (the Advisory Agreement) with the Adviser. Pursuant to the terms of the Advisory Agreement, the Fund pays the Adviser a monthly fee at the rate when annualized of (i) 2.50% of the average net assets for the month

**TEKLA LIFE SCIENCES INVESTORS****NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2018

(continued)

of its venture capital and other restricted securities up to 25% of net assets and (ii) for all other net assets, 0.98% of the average net assets up to \$250 million, 0.88% of the average net assets for the next \$250 million, 0.80% of the average net assets for the next \$500 million and 0.70% of the average net assets thereafter. The aggregate fee would not exceed a rate when annualized of 1.36%.

The Fund has entered into a Services Agreement (the Agreement) with the Adviser. Pursuant to the terms of the Agreement, the Fund reimburses the Adviser for certain services related to a portion of the payment of salary and provision of benefits to the Fund's Chief Compliance Officer. During the six months ended March 31, 2018, these payments amounted to \$21,659 and are included in the Other category of expenses in the Statement of Operations, together with insurance and other expenses incurred to unaffiliated entities. Expenses incurred pursuant to the Agreement as well as certain expenses paid for by the Adviser are allocated to the Fund in an equitable fashion as approved by the Trustees of the Fund who are also officers of the Adviser.

The Fund pays compensation to Independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The Fund does not pay compensation directly to Trustees or officers of the Fund who are also officers of the Adviser.

*(3) 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 six months ended March 31, 2018 were as follows:

Affiliated Companies	Beginning Value as of September 30, 2017	Purchases at Cost	Proceeds from Sales	Net Realized Gain/(Loss) on sale of Affiliated Companies	Change in Unrealized Appreciation/Depreciation	Ending Value as of March 31, 2018
ARCA Biopharma, Inc.	\$ 924,799				(\$ 451,529)	\$ 473,270
EBI Life Sciences, Inc.	13,102			\$ (13,597)	495	**
Euthymics Biosciences, Inc.				(2,673,162)	2,673,162	**
IlluminOss Medical, Inc.	142,647*	\$ 484,679			1,980,231	2,607,557
Veniti, Inc.	2,917,509	266			5,415,970	8,333,745

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\$ 3,998,057      \$ 484,945      (\$      )      (\$ 2,686,759)      \$9,618,329      \$11,414,572  
\* Not an affiliate as of September 30, 2017.

\*\* Not an affiliate as of March 31, 2018.



**TEKLA LIFE SCIENCES INVESTORS**  
**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2018*

(continued)

	Shares/ Principal Amount as of March 31, 2018	Dividend Income from Affiliated Companies	Capital Gain Distributions from Affiliated Companies
ARCA Biopharma, Inc.	1,135,718		
EBI Life Sciences, Inc.			
Euthymics Biosciences, Inc.			
IlluminOss Medical, Inc.	2,797,736	\$ 42,817	
Veniti, Inc.	4,629,922		
	8,563,376	\$ 42,817	\$

*(4) 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.

For the period ended March 31, 2018, there was a transfer between Level 2 and 1 and no other transfers between Levels. The amount of transfers between Level 2 and Level 1 was \$2,432,360. The investment was transferred from Level 2 to Level 1 due to a removal of a trading restriction and the value is being supported by quoted prices. The Fund accounts for transfers between Levels at the beginning of the period.

The following is a summary of the levels used as of March 31, 2018 to value the Fund's net assets.

Assets at Value	Level 1	Level 2	Level 3	Total
Convertible Preferred and Warrants				
Biotechnology	\$ 648,000		\$ 3,494,134	\$ 4,142,134
Health Care Equipment & Supplies			10,414,413	10,414,413
Life Sciences Tools & Services			3,361,069	3,361,069

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Pharmaceuticals	900,000	900,000
Convertible Notes		
Biotechnology	249,928	249,928
Health Care		
Equipment & Supplies	773,045	773,045

**TEKLA LIFE SCIENCES INVESTORS**

**NOTES TO FINANCIAL STATEMENTS**

*MARCH 31, 2018*

(continued)

Assets at Value	Level 1	Level 2	Level 3	Total
<b>Common Stocks and Warrants</b>				
Biotechnology	\$316,780,284		\$ 202,376	\$316,982,660
<b>Health Care</b>				
Equipment & Supplies	15,195,630		313,307	15,508,937
Health Care Providers & Services			322,963	322,963
<b>Life Sciences</b>				
Tools & Services	21,080,100			21,080,100
Pharmaceuticals	42,442,964		294,375	42,737,339
<b>Exchange Traded Fund</b>				
	10,655,686			10,655,686
<b>Short-Term Investment</b>				
		\$3,537,000		3,537,000
<b>Milestone Interests</b>				
Pharmaceuticals			6,236,663	6,236,663
<b>Other Assets</b>				
			604,411	604,411
<b>Total</b>	<b>\$406,802,664</b>	<b>\$3,537,000</b>	<b>\$27,166,684</b>	<b>\$437,506,348</b>

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

Level 3 Assets	Balance as of September 30, 2017	Net realized gain (loss) and change in unrealized appreciation (depreciation)	Cost of purchases and conversions	Proceeds from sales and conversions	Net transfers in (out of) Level 3	Balance as of March 31, 2018
<b>Convertible Preferred and Warrants</b>						
Biotechnology	\$ 4,596,436	(\$ 1,104,642)	\$ 2,340			\$ 3,494,134
<b>Health Care</b>						
Equipment & Supplies	3,782,642	6,621,209	10,562			10,414,413
<b>Life Sciences</b>						
Tools & Services	3,361,069	(1,134)	1,134			3,361,069
Pharmaceuticals	900,000	(1,252)	1,252			900,000
<b>Convertible and Non-Convertible Notes</b>						
Biotechnology	0	(121)	250,049			249,928

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Health Care Equipment & Supplies	154,983	141,243	476,819			773,045
Common Stocks and Warrants						
Biotechnology	140,479	61,897				202,376
Health Care Equipment & Supplies	284,445	28,862				313,307
Health Care Providers & Services	322,963					322,963
Pharmaceuticals	138,636	155,739				294,375
Milestone Interests						
Pharmaceuticals	4,660,996	4,335,057	3,204	(\$2,762,594)		6,236,663
Other Assets	693,984		244,530	(334,103)		604,411
Total	\$ 19,036,633	\$ 10,236,858	\$ 989,890	(\$3,096,697)	\$	\$ 27,166,684
Net change in unrealized appreciation (depreciation) from investments still held as of March 31, 2018						\$ 10,249,960

## TEKLA LIFE SCIENCES INVESTORS

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

(continued)

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 March 31, 2018	Valuation Technique	Unobservable Input	Range (Weighted Average)
Private Companies and Other Restricted Securities	\$809,915	Income approach, Black-Scholes	Discount for lack of marketability	20%-50% (24.12)%
	7,051,960	Probability weighted expected return model	Discount rate Price to sales multiple	19.74%-79.93% (35.84)% 1.95x-9.05x (3.94x)
	12,140,772	Market approach, recent transaction	(a)	N/A
	322,963	Market Comparable	Discount for lack of marketability Price to earnings multiple	50% 17.00x
	6,841,074	Probability adjusted value	Probability of events Timing of events	10%-100% (56.15)% 0-7.25 (2.46) years
	\$27,166,684			

(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 as these methods of measure are investment specific.

*(5) 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 March 31, 2018.

At March 31, 2018, the Fund had commitments of \$1,664,406 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 March 31, 2018. The Fund on its own does not have the right to demand that such securities be registered.

Security (#)	Acquisition Date	Cost	Carrying Value per Unit	Value
	7/27/16	\$1,123,622	\$1,204,635.00	\$1,204,635

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Afferent Milestone Interest				
AlterG, Inc.				
Series C Cvt. Pfd	4/12/13	1,429,098	0.10	233,820
Cvt. Promissory Note	9/8/17	12,338	100.00	12,336
Amphivena Therapeutics, Inc.				
Series B Cvt. Pfd	7/17/17	2,101,139	1.50	2,100,000
Cvt. Promissory Note	12/26/17	112,542	100.00	112,500
Warrants (expiration 12/26/22)				
	12/26/17	120	0.00	0
BioClin Therapeutics, Inc.				
	1/19/16,			
Series A Cvt. Pfd	10/24/16	750,495	0.65	750,001
Series B Cvt. Pfd	3/3/17	333,333	0.75	333,333

## TEKLA LIFE SCIENCES INVESTORS

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

(continued)

Security (#)	Acquisition Date	Cost	Carrying Value per Unit	Value
<b>CardioKinetix, Inc.</b>				
Series C Cvt. Pfd	5/22/08	\$ 1,653,409	\$ 0.00	\$ 0
Series D Cvt. Pfd	12/10/10	546,109	0.00	0
Series E Cvt. Pfd	9/14/11	1,254,419	0.00	0
Series F Cvt. Pfd	12/04/14	1,645,812	0.00	0
Cvt. Promissory Note	6/20/17	51,775	0.00	0
Warrants (expiration 12/10/09, 12/11/19)	2/11/10	123	0.00	0
Warrants (expiration 6/03/10, 6/03/20)	9/01/10	123	0.00	0
Warrants (expiration 8/15/24)	8/15/14	142	0.00	0
Cercacor Laboratories, Inc. Common	3/31/98	0	2.41	313,164
Ethismos Research, Inc. Milestone Interest	10/31/17	0	0.00	0
<b>GenomeDx Biosciences, Inc.</b>				
Series C Cvt. Pfd	2/22/16	1,402,656	0.33	310,800
Cvt. Promissory Note	02/15/18	45,115	100.00	45,115
Cvt. Promissory Note	12/15/17	61,208	100.00	61,162
Cvt. Promissory Note	01/18/18	31,151	100.00	31,151
Warrants (expiration 10/31/27)	10/30/17	12	0.00	0
Warrants (expiration 1/16/28)	1/18/18	1	0.00	0
Warrants (expiration 2/15/28)	2/15/18	0	0.00	0
<b>IlluminOss Medical, Inc.</b>				
Series AA Cvt. Pfd	1/21/16	960,247	1.00	951,000
Junior Preferred Cvt. Pfd	1/21/16	1,565,910	1.00	895,848
Cvt. Promissory Note	12/20/17	95,294	100.00	95,083
Cvt. Promissory Note	3/28/17	285,538	100.00	285,294
Cvt. Promissory Note	01/11/18	190,192	100.00	190,166
Cvt. Promissory Note	02/06/18	190,166	100.00	190,166
Warrants (expiration 1/11/28)	01/11/18	8	0.00	0
Warrants (expiration 11/20/27)	11/21/17	77	0.00	0
	3/28/17	301	0.00	0

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Warrants (expiration 3/31/27)				
Warrants (expiration 2/06/28)	2/06/18	0	0.00	0
InnovaCare Health, Inc. Common				
	12/21/12†	643,528	2.18	322,963
Labcyte, Inc.				
Series C Cvt. Pfd	7/18/05	1,285,854	1.26	3,081,980
Series D Cvt. Pfd	12/21/12	68,691	1.38	147,906
Series E Cvt. Pfd	3/27/17	70,826	1.61	131,183
Milestone Pharmaceuticals, Inc.				
Series C Cvt. Pfd	7/17/17	901,252	1.37	900,000
Neurovance Milestone Interest				
	3/20/17	3,417,500	1,903,333.00	1,903,333
TargeGen Milestone Interest				
	7/20/10	202,855	3,128,695.00	3,128,695
	9/11/00,			
TherOx, Inc. Common	7/8/05	2,388,426	0.02	143
Veniti, Inc.				
Series A Cvt. Pfd	2/28/11	2,277,041	1.74	4,541,534
Series B Cvt. Pfd	5/24/13	1,199,962	1.79	2,343,362
Series C Cvt. Pfd	12/12/14	821,378	2.02	1,448,849
		\$29,119,788		\$26,065,522

(#) 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.





## TEKLA LIFE SCIENCES INVESTORS

### INVESTMENT ADVISORY AGREEMENT APPROVAL

The Investment Advisory Agreement (the Advisory Agreement) between the Fund and the Adviser continues in effect so long as its continuance is approved at least annually by (i) the Trustees of the Fund and (ii) a majority of the Trustees of the Fund who are not interested persons (the Independent Trustees), by vote cast in person at a meeting called for the purpose of voting on such approval.

After considering the matter in a meeting held on March 22, 2018, the Board, and the Independent Trustees voting separately, determined that the terms of the Advisory Agreement are fair and reasonable and approved the continuance of the Advisory Agreement as being in the best interests of the Fund and its shareholders. In making its determination, the Board considered materials that were specifically prepared by the Adviser and by an independent data provider at the request of the Board and Fund counsel for purposes of the contract review process, including comparisons of (i) the Fund's performance both directly and on a risk adjusted basis to a benchmark, the NASDAQ Biotech Index<sup>®</sup> (NBI), and to a peer group of other investment companies, (ii) the Fund's expenses and expense ratios to those of a peer group of other investment companies, and (iii) the Adviser's profitability with respect to its services for the Fund to the profitability of other investment advisers. The Trustees took into account that the Adviser provides investment management services only to Tekla Life Sciences Investors, Tekla Healthcare Investors, Tekla Healthcare Opportunities Fund and Tekla World Healthcare Fund and does not derive any significant benefit from its relationship with the Fund other than receipt of advisory fees pursuant to the Advisory Agreement, market research and potential marketing exposure for the Adviser. The Board also received and reviewed information throughout the year about the portfolio performance, the investment strategy, the portfolio management team and the fees and expenses of the Fund.

In approving the Advisory Agreement, the Board considered, among other things, the nature, extent, and quality of the services to be provided by the Adviser, the investment performance of the Fund and the Adviser, the costs of services provided and profits realized by the Adviser and its affiliates, and whether fee levels reflect any economies of scale for the benefit of Fund shareholders and the extent to which economies of scale would be realized as the Fund grows. The Board reviewed information about the foregoing factors and considered changes, if any, in such information since its previous approval. The Board also evaluated the financial strength of the Adviser and the capability of the personnel of the Adviser, specifically the strength and background of its investment analysts. Fund counsel provided the Board with the statutory and regulatory requirements for approval and disclosure of investment advisory agreements. The Board, including the Independent Trustees, evaluated all of the foregoing and, considering all factors together, determined in the exercise of its business judgment that the continuance of the Advisory Agreement is in the best interests of the Fund and its shareholders. The following provides more detail on certain factors considered by the Trustees and the Board's conclusions with respect to each such factor.

The nature, extent and quality of the services to be provided by the Adviser. On a regular basis the Board considers the roles and responsibilities of the Adviser as a whole, along with specific portfolio management, support and trading functions the Adviser provides to the Fund. The Trustees considered the nature, extent and quality of the services provided by the Adviser to the Fund. The Trustees continue to be satisfied with the quality and value of the investment advisory services provided to the Fund by the Adviser, and, in particular, the management style and discipline followed by the Adviser and the quality of the Adviser's research, trading, portfolio management, compliance and administrative personnel. The Trustees also took into account the Adviser's significant investment in its business through the addition of portfolio management and administrative staff in recent years and the Adviser's commitment to continue to build out its infrastructure as future circumstances require.



**TEKLA LIFE SCIENCES INVESTORS**

**INVESTMENT ADVISORY AGREEMENT APPROVAL**

(continued)

The investment performance of the Fund and the Adviser. On a regular basis the Board reviews performance information of the Fund and discusses the Fund's investment strategy with the Adviser. The Trustees reviewed performance information for the Fund and in particular, performance information for the past one-, three-, five- and ten-year periods ending December 31, 2017, along with comparisons of the Fund's performance to its benchmark, the NBI, and to a variety of other relevant indices. The Trustees also compared performance to a peer group of funds and reviewed information relating to the performance of the Fund's venture capital portfolio. The Trustees noted that the performance information reviewed reflects a view of the Fund's performance only as of a certain date, and that the results might be significantly different if a different date was selected to generate the performance information. Additionally, the Trustees recognized that longer periods of performance for the Fund may be adversely and disproportionately affected by significant underperformance in one more recent period, and that such underperformance may be caused by a small number of investment decisions or positions.

Unlike many other broader-based healthcare indices, the NBI contains high levels of biotechnology-based companies. Over time, this index has demonstrated higher returns, but has also demonstrated higher price volatility than the broad S&P 500<sup>®</sup> Index. The Adviser seeks to operate the Fund at a biotechnology exposure level that is higher than many other indices and Funds but at a level that is below that of the NBI. The Adviser also seeks to operate the Fund at lower volatility than that of the NBI. In the most recent reporting period, the Adviser sought to position the Fund to produce a return that exceeded that of its targeted distribution while also approaching or equaling the return of the NBI.

The Trustees noted that in calendar year 2017, the Fund met its distribution target while underperforming the return of the NBI on a direct comparison basis. In this period, the Fund exhibited a lower volatility than that of the NBI. Over longer-term evaluation periods (except for four quarters during the Great Recession), the Trustees noted that the Fund had met its distribution target and operated at a lower volatility than the NBI, but generally underperformed (on a net asset value basis) the NBI on a direct comparison basis. During calendar year 2017, the Trustees noted that the Fund underperformed the NBI and the peer group average on a direct comparison basis, but produced an excess return relative to that expected when compared with those funds the Adviser believes are most similar to HQL (i.e., high biotech allocation funds).

In considering the Fund's relative performance, the Trustees noted that, although an independent service provider had been engaged to help identify the appropriate benchmark and peer group for the Fund, the Fund's unique strategy presents challenges when comparing the Fund's performance to a single benchmark or peer group as no single benchmark or fund within the peer group utilizes exactly the same investment strategy. In particular, the Trustees observed that the Fund's strategy has historically included a lower allocation to biotechnology compared to the NBI and a higher biotechnology allocation compared to many other healthcare indices and to many of the peer group funds. The Trustees noted, as a result, that all other things being equal, in periods when biotechnology performs relatively well, the Fund might be expected to underperform the NBI and vice versa. Additionally, the Trustees noted that unlike the NBI and most of the peer group, the Fund often maintains a meaningful allocation to venture and restricted securities. In light of these differences, the Trustees recognized the more limited usefulness of these performance comparisons for the Fund.

The Trustees concluded they continue to be satisfied with the investment performance of the Fund and the Adviser.



**TEKLA LIFE SCIENCES INVESTORS**

**INVESTMENT ADVISORY AGREEMENT APPROVAL**

(continued)

The costs of services to be provided and profits to be realized by the Adviser from its relationship with the Fund. The Trustees considered the various services provided by the Adviser to the Fund and reviewed comparative information regarding the expenses and expense ratios of the Fund and a peer group of other investment companies. The Trustees noted that the Adviser's fees are within the range of fees presented in the comparative information and noted that a portion of the Fund's investment portfolio is invested in venture and restricted securities, a portfolio management service that can warrant higher management fees than those charged by the Adviser to the Fund. The Trustees also considered financial information provided by the Adviser, including financial statements of the Adviser and a comparison of the Adviser's profitability with respect to its services for the Fund to the profitability of other investment advisers.

Based on the information provided to and evaluated by the Trustees, the Trustees concluded that the fees charged by the Adviser are fair and reasonable in light of the quality and nature of the services provided by the Adviser and that the profitability of the Adviser's relationship with the Fund has not been excessive. The fees charged by the Adviser are within a reasonable range of fees as compared to fees charged by other investment advisers, and the services provided by the Adviser and the amounts paid under the Advisory Agreement are sufficiently favorable in comparison to the services rendered and fees charged by others for similar services to warrant a finding that fees to be paid by the Fund are fair.

Whether fee levels reflect economies of scale and the extent to which economies of scale would be realized as the Fund grows. The Trustees considered the fee schedule in the Advisory Agreement and noted that it provides for breakpoints that would reduce the effective fee to the extent the Fund's net assets should increase, allowing the Fund to share in the benefits of any economies of scale that would inure to the Adviser as the Fund's assets increase. Given the closed-end structure of the Fund, its current asset size, and the fact that any economies of scale are modest at current Fund asset levels, the Trustees determined that the Fund's advisory fee schedule is satisfactory and fair.

## TEKLA LIFE SCIENCES INVESTORS

**PRIVACY NOTICE:** If you are a registered shareholder of the Fund, the Fund and Tekla Capital Management LLC, the Fund's investment adviser, may receive nonpublic personal information about you from the information collected by the transfer agent from your transactions in Fund shares. Any nonpublic personal information is not disclosed to third parties, except as permitted or required by law. In connection with servicing your account and effecting transactions, the information received may be shared with the investment adviser and non-affiliates, including transfer agents, custodians or other service companies. Access to your nonpublic personal information is restricted to employees who need to know that information to provide products or services to you. To maintain the security of your nonpublic personal information, physical, electronic, and procedural safeguards are in place that comply with federal standards. The policies and practices described above apply to both current and former shareholders.

If your Fund shares are held in "street name" at a bank or brokerage, we do not have access to your personal information and you should refer to your bank's or broker's privacy policies for a statement of the treatment of your personal information.

**FOR MORE INFORMATION:** A description of the Fund's proxy voting policies and procedures and information on how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available (i) without charge, upon request by calling 1-800-451-2597; (ii) by writing to Tekla Capital Management LLC at 100 Federal Street, 19th Floor, Boston, MA 02110; (iii) on the Fund's website at [www.teklacap.com](http://www.teklacap.com); and (iv) on the SEC's website at <http://www.sec.gov>.

The Fund's complete Schedule of Investments for the first and third quarters of its fiscal year will be filed quarterly with the SEC on Form N-Q. This Schedule of Investments will also be available on the Fund's website at [www.teklacap.com](http://www.teklacap.com), or the SEC's website at <http://www.sec.gov>. The Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC or by calling 1-800-SEC-0330.

You can find information regarding the Fund at the Fund's website, [www.teklacap.com](http://www.teklacap.com). The Fund regularly posts information to its website, including information regarding daily share pricing and distributions and press releases, and maintains links to the Fund's SEC filings. The Fund currently publishes and distributes quarterly fact cards, including performance, portfolio and sector information for each fiscal quarter. These fact cards will be available on the Fund's website and by request from the Fund's marketing and investor support services agent, Destra Capital investments, at 1-877-855-3434.

**DISTRIBUTION POLICY:** The Fund has a managed distribution policy as described in the Notes to Financial Statements. For more information contact your financial adviser.

**SHARE REPURCHASE PROGRAM:** In March 2018, the Trustees reauthorized the share repurchase program to allow the Fund to repurchase up to 12% of its outstanding shares for a one year period ending July 14, 2019.

**PORTFOLIO MANAGEMENT:** Daniel R. Omstead, Ph.D., Jason C. Akus, M.D./M.B.A., Timothy Gasperoni, M.B.A, Ph.D., Christian M. Richard, M.B.A, M.S., Henry Skinner Ph.D., Christopher Abbott, Robert Benson, CFA, CAIA, Amanda Birdsey-Benson, Ph.D., Richard Goss and Alan Kwan, M.B.A, Ph.D. are members of a team that analyzes investments on behalf of the Fund. Dr. Omstead exercises ultimate decision making authority with respect to investments.

**HOUSEHOLDING:** A number of banks, brokers and financial advisers have instituted "householding". Under this practice, which has been approved by the SEC, only one copy of shareholder documents may be delivered to multiple shareholders who share the same address and satisfy other conditions. Householding is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. If you do not want the mailing of your shareholder

documents to be combined with those of other members of your household, please contact your bank, broker or financial adviser.





**TEKLA LIFE SCIENCES INVESTORS**

New York Stock Exchange Symbol: HQL  
NAV Symbol: XHQLX

100 Federal Street, 19th Floor  
Boston, Massachusetts 02110  
(617) 772-8500  
www.teklacap.com

**Officers**

Daniel R. Omstead, Ph.D., President  
Laura Woodward, CPA, Chief Compliance Officer,  
Secretary and Treasurer

**Trustees**

Michael W. Bonney  
Rakesh K. Jain, Ph.D.  
Thomas M. Kent, CPA  
Daniel R. Omstead, Ph.D.  
Oleg M. Pohotsky, M.B.A., J.D.  
William S. Reardon  
Lucinda H. Stebbins, CPA

**Investment Adviser**

Tekla Capital Management LLC

**Administrator & Custodian**

State Street Bank and Trust Company

**Transfer Agent**

Computershare, Inc.

**Legal Counsel**

Dechert LLP

Shareholders with questions regarding share transfers may call  
1-800-426-5523

Daily net asset value may be obtained from  
our website ([www.teklacap.com](http://www.teklacap.com)) or by calling

**617-772-8500**





**ITEM 2. CODE OF ETHICS.**

Not applicable to this semi-annual filing.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.**

Not applicable to this semi-annual filing.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

Not applicable to this semi-annual filing.

**ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.**

Not applicable to this semi-annual filing.

**ITEM 6. INVESTMENTS.**

The Registrant's Schedule of Investments is included as part of the Report to Shareholders filed under Item 1 of this form.

**ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.**

Not applicable to this semi-annual filing.

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**ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES**

Not applicable to this semi-annual filing.

**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.**

Period	(a) Total No. of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total No. of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum No. of Shares that May Yet Be Purchased Under the Plans or Programs
Month #1 (Oct. 1, 2017 - Oct. 31, 2017)				
Month #2 (Nov. 1, 2017 - Nov. 30, 2017)				
Month #3 (Dec. 1, 2017 - Dec. 31, 2017)				
Month #4 (Jan. 1, 2018 - Jan. 31, 2018)				
Month #5 (Feb. 1, 2018 - Feb. 28, 2018)				
Month #6 (Mar. 1, 2018 - Mar. 31, 2018)				
Total				

(1) On June 30, 2011, the share repurchase program was announced, which has been subsequently reviewed and approved by the Board of Trustees. On March 23, 2017, the share repurchase program was renewed, allowing the Registrant to repurchase up to 12% of its outstanding shares for a one year period ending July 14, 2018. On March 22, 2018, the Trustees approved the renewal of the repurchase program to allow the Registrant to repurchase up to 12% of its outstanding shares in the open market for a one year period ending July 14, 2019.

**ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

There have been no material changes to the procedures by which the shareholders may recommend nominees to the Registrant's Board of Trustees, where those changes were implemented after the Registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A, or this Item.

**ITEM 11. CONTROLS AND PROCEDURES.**

(a) In the opinion of the principal executive officer and principal financial officer, based on their evaluation which took place within 90 days of this filing, the Registrant's disclosure controls and procedures are adequately designed and are operating effectively to ensure (i) that material information relating to the Registrant, including its

consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this report is being prepared; and (ii) that information required to be disclosed by the registrant on Form N-CSR is recorded, processed, summarized and reported within the time period 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 that occurred during the Registrant's most recent second fiscal quarter that have materially affected or that are reasonably likely to materially affect the Registrant's internal control over financial reporting.

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**ITEM 12. EXHIBITS**

(a)(1) Code of Ethics - Not applicable to this semi-annual filing.

(a)(2) Separate certifications of the Principal Executive and Financial Officers as required by Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto (Exhibit 1 and 2).

(a)(3) Notice to Fund's shareholders in accordance with Investment Company Act Section 19(a) and Rule 19a-1 (Exhibit 3).

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto (Exhibit 4).

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