

H&Q LIFE SCIENCES INVESTORS  
Form N-Q  
February 28, 2012

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

**OMB APPROVAL**  
OMB Number: 3235-0578  
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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: 12/31/11

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**Item 1. Schedule of Investments.**

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

DECEMBER 31, 2011

(Unaudited)

| SHARES    |   | VALUE      |
|-----------|---|------------|
|           | <b>CONVERTIBLE SECURITIES AND WARRANTS 11.7% of Net Assets</b>      |            |
|           | <b>Convertible Preferred and Warrants (Restricted)(a) (b) 11.6%</b> |            |
|           | <b><i>Biotechnologies/Biopharmaceuticals 2.0%</i></b>               |            |
| 1,967,757 | EBI Life Sciences, Inc. Series A                                    | \$ 39,355  |
| 1,967,757 | Euthymics Biosciences, Inc. Series A                                | 1,770,981  |
| 239,236   | MacroGenics, Inc. Series D  | 156,006    |
| 1,967,757 | Neurovance, Inc. Series A   | 157,421    |
| 688,889   | Verastem, Inc. Series C   | 1,550,000  |
|           |   | 3,673,763  |
|           | <b><i>Drug Discovery Technologies 1.7%</i></b>                      |            |
| 1,587,302 | Agilix Corporation Series B (c)                                     | 0          |
| 250,000   | Ceres, Inc. Series C  | 1,625,000  |
| 21,462    | Ceres, Inc. Series C-1  | 139,503    |
| 175,540   | Ceres, Inc. Series D  | 1,141,010  |
| 28,385    | Ceres, Inc. Series F  | 184,503    |
| 5,677     | Ceres, Inc. warrants (expiration 9/05/15)                           | 0          |
|           |   | 3,090,016  |
|           | <b><i>Healthcare Services 2.0%</i></b>                              |            |
| 3,589,744 | PHT Corporation Series D (c)  | 2,800,000  |
| 802,996   | PHT Corporation Series E (c)  | 626,337    |
| 99,455    | PHT Corporation Series F (c)  | 77,575     |
|           |   | 3,503,912  |
|           | <b><i>Medical Devices and Diagnostics 5.9%</i></b>                  |            |
| 2,379,916 | CardioKinetix, Inc. Series C  | 618,778    |
| 4,277,223 | CardioKinetix, Inc. Series D  | 470,495    |
| 8,462,336 | CardioKinetix, Inc. Series E  | 846,234    |
| N/A       | CardioKinetix, Inc. warrants (expiration 12/11/19) (d)              | 0          |
| N/A       | CardioKinetix, Inc. warrants (expiration 6/03/20) (d)               | 0          |
| N/A       | CardioKinetix, Inc. warrants (expiration 7/07/21) (d)               | 0          |
| 2,446,016 | Labcyte, Inc. Series C  | 1,280,000  |
| 2,161,090 | Magellan Biosciences, Inc. Series A                                 | 1,664,039  |
| 98,824    | Magellan Biosciences, Inc. warrants (expiration 4/01/19)            | 0          |
| 7,877     | Magellan Biosciences, Inc. warrants (expiration 5/06/19)            | 0          |
| 1,031,992 | OmniSonics Medical Technologies, Inc. Series A-1                    | 1,032      |
| 877,747   | OmniSonics Medical Technologies, Inc. Series B-1                    | 878        |
| 9,606,373 | Palyon Medical Corporation Series A (c)                             | 1,537,020  |
| 43,478    | TherOx, Inc. Series H   | 49,739     |
| 99,646    | TherOx, Inc. Series I   | 113,995    |
| 3,280,000 | Tibion Corporation Series B   | 1,640,000  |
| 2,606,033 | Veniti, Inc. Series A (c)   | 2,255,000  |
|           |   | 10,477,210 |
|           |   | 20,744,901 |

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



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| PRINCIPAL AMOUNT                                 |  | VALUE      |
|--|--|------------|
| <b>Convertible Notes 0.1%(a)</b>                 |  |            |
| <b>Drug Discovery Technologies 0.1%</b>          |  |            |
| \$ 108,086                                       | Ceres, Inc., Cvt. Promissory Notes, 0.00% due 2/01/12 (Restricted) | \$ 108,086 |
| 700,000  | deCode Genetics, Inc., 3.50% due 4/15/11                           | 0          |
|  |  | 108,086    |
| <b>TOTAL CONVERTIBLE SECURITIES AND WARRANTS</b> |  |            |
| (Cost \$27,788,785)                              |  | 20,852,987 |

| SHARES  |   |           |
|---|---|-----------|
| <b>COMMON STOCKS AND WARRANTS 79.8%</b>         |   |           |
| <b>Biotechnologies/Biopharmaceuticals 41.8%</b> |   |           |
| 34,600  | Acorda Therapeutics, Inc. (b)   | 824,864   |
| 46,500  | Aegerion Pharmaceuticals, Inc. (b)  | 778,410   |
| 352,127   | Affymax, Inc. (b)   | 2,327,560 |
| 87,744  | Alexion Pharmaceuticals, Inc. (b)   | 6,273,696 |
| 193,986   | Alkermes plc (b)  | 3,367,597 |
| 196,213   | Amarin Corporation plc (b)  | 1,469,635 |
| 29,301  | Amgen, Inc.   | 1,881,417 |
| 3,939,544                                       | Antisoma plc (b) (e)  | 113,265   |
| 124,744   | ARIAD Pharmaceuticals, Inc. (b)   | 1,528,114 |
| 82,000  | Athersys, Inc. warrants (Restricted, expiration 6/08/12) (a) (b)                  | 0         |
| 100,362   | Auxilium Pharmaceuticals, Inc. (b)  | 2,000,215 |
| 25,082  | Biogen Idec, Inc. (b)   | 2,760,274 |
| 93,724  | Celgene Corporation (b)   | 6,335,742 |
| 250,000   | Corcept Therapeutics Incorporated (b)   | 855,000   |
| 174,224   | Cornerstone Therapeutics, Inc. (b)  | 975,654   |
| 67,501  | Cubist Pharmaceuticals, Inc. (b)  | 2,674,390 |
| 186,840   | Curis, Inc. (b)   | 874,411   |
| 255,612   | Dendreon Corporation (b)  | 1,942,651 |
| 141,792   | Elan Corporation plc (b) (f)  | 1,948,222 |
| 155,380   | Gilead Sciences, Inc. (b)   | 6,359,703 |
| 268,122   | Human Genome Sciences, Inc. (b)   | 1,981,422 |
| 217,553   | Inhibitex, Inc. (b)   | 2,380,030 |
| 812,176   | Keryx Biopharmaceuticals, Inc. (b)  | 2,054,805 |
| 55,366  | Momenta Pharmaceuticals, Inc. (b)   | 962,815   |
| 315,055   | Nektar Therapeutics (b)   | 1,762,733 |
| 611,382   | Neurocrine Biosciences, Inc. (b)  | 5,196,747 |
| 312,230   | NPS Pharmaceuticals, Inc. (b)   | 2,057,596 |
| 93,100  | OncoGenex Pharmaceutical, Inc. (b)  | 1,092,994 |
| 37,500  | OncoGenex Pharmaceutical, Inc. warrants (Restricted, expiration 10/22/15) (a) (b) | 76,500    |
| 48,743  | Onyx Pharmaceuticals, Inc. (b)  | 2,142,255 |
| 343,067   | Puma Biotechnology, Inc. (Restricted) (a) (b)                                     | 1,286,501 |

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| SHARES  |  | VALUE      |
|---|--|------------|
| <b>Biotechnologies/Biopharmaceuticals continued</b> |  |            |
| N/A   | Puma Biotechnology, Inc. warrants (Restricted, expiration 10/04/21) (a) (b)                    | \$ 0       |
| 16,550  | Regeneron Pharmaceuticals, Inc. (b)  | 917,367    |
| 64,581  | United Therapeutics Corporation (b)  | 3,051,452  |
| 109,277   | Vertex Pharmaceuticals, Inc. (b)   | 3,629,089  |
| 92,814  | VIVUS, Inc. (b)  | 904,937    |
|   |  | 74,788,063 |
| <b>Drug Delivery 1.9%</b>                           |  |            |
| 4,133,334   | A.P. Pharma, Inc. (b)  | 950,667    |
| 2,066,667   | A.P. Pharma, Inc. warrants (Restricted, expiration 7/01/16) (b)                                | 223,200    |
| 639,600   | IntelliPharmaCeutics International, Inc. (b) (c)   | 1,752,504  |
| 319,800   | IntelliPharmaCeutics International, Inc. warrants (Restricted, expiration 2/01/13) (a) (b) (c) | 195,078    |
| 319,800   | IntelliPharmaCeutics International, Inc. warrants (Restricted, expiration 2/01/16) (a) (b) (c) | 377,364    |
|   |  | 3,498,813  |
| <b>Drug Discovery Technologies 0.0%</b>             |  |            |
| 1,601,039   | MZT Holdings, Inc. (b) (c)   | 43,228     |
| 952,381   | MZT Holdings, Inc. warrants (Restricted, expiration 1/22/12) (a) (b) (c)                       | 0          |
| 46  | Zyomyx, Inc. (Restricted) (a) (b)  | 11         |
|   |  | 43,239     |
| <b>Generic Pharmaceuticals 14.5%</b>                |  |            |
| 580,157   | Akorn, Inc. (b)  | 6,451,346  |
| 91,187  | Impax Laboratories, Inc. (b)   | 1,839,242  |
| 233,746   | Mylan, Inc. (b)  | 5,016,189  |
| 60,055  | Perrigo Company  | 5,843,351  |
| 167,681   | Teva Pharmaceutical Industries Ltd. (f)  | 6,767,605  |
|   |  | 25,917,733 |
| <b>Healthcare Services 1.6%</b>                     |  |            |
| 431,900   | Addus HomeCare Corporation (b)   | 1,541,883  |
| 148,148   | Aveta, Inc. (Restricted) (a) (g)   | 1,259,258  |
|   |  | 2,801,141  |
| <b>Medical Devices and Diagnostics 4.4%</b>         |  |            |
| 71,300  | Bruker Corporation (b)   | 885,546    |
| 130,000   | Ceracor Laboratories, Inc. (Restricted) (a) (b)  | 56,755     |
| 56,040  | Gen-Probe, Inc. (b)  | 3,313,085  |
| 36,296  | iCAD, Inc. (Locked-up until 12/31/11) (Restricted) (a)   | 19,654     |
| 145,186   | iCAD, Inc. (Locked-up until 6/30/12) (Restricted) (a)  | 74,480     |
| 19,631  | IDEXX Laboratories, Inc. (b)   | 1,510,802  |
| 57,700  | Illumina, Inc. (b)   | 1,758,696  |
| 447,080   | Medwave, Inc. (b)  | 581        |
| 62,005  | OmniSonics Medical Technologies, Inc. (Restricted) (a) (b)                                     | 62         |

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| SHARES   |   | VALUE       |
|--|---|-------------|
| <b>Medical Devices and Diagnostics continued</b> |   |             |
| 21,531   | Palomar Medical Technologies, Inc. (b)      | \$ 200,238  |
| 139  | Songbird Hearing, Inc. (Restricted) (a) (b) | 93          |
|  |   | 7,819,992   |
| <b>Pharmaceuticals 15.6%</b>                     |   |             |
| 57,086   | Medivation, Inc. (b)                        | 2,632,236   |
| 105,458  | Pharmasset, Inc. (b)                        | 13,519,716  |
| 47,597   | Sanofi, CVR (expiration 12/31/20) (b) (h)   | 57,116      |
| 854,385  | Santarus, Inc. (b)                          | 2,828,014   |
| 43,217   | Shire plc (f)                               | 4,490,246   |
| 178,188  | Warner Chilcott plc (b)                     | 2,695,984   |
| 725,000  | Zogenix, Inc. (b)                           | 1,624,000   |
|  |   | 27,847,312  |
| <b>TOTAL COMMON STOCKS AND WARRANTS</b>          |   |             |
| (Cost \$132,166,129)                             |   | 142,716,293 |

**PRINCIPAL AMOUNT**

|   |   |             |
|---|---|-------------|
| <b>SHORT-TERM INVESTMENT 2.9%</b>                           |   |             |
| \$ 5,165,000  | Repurchase Agreement, State Street Bank and Trust Co., repurchase value \$5,165,006, 0.01%, dated 12/30/11, due 1/03/12 (collateralized by U.S. Treasury Note 2.38%, 7/31/17, market value \$5,271,775) | 5,165,000   |
| <b>TOTAL SHORT-TERM INVESTMENT</b>                          |   |             |
| (Cost \$5,165,000)  |   | 5,165,000   |
| <b>TOTAL INVESTMENTS BEFORE MILESTONE INTERESTS - 94.4%</b> |   |             |
| (Cost \$165,119,914)  |   | 168,734,280 |

**INTEREST**

|   |                                      |           |
|---|--------------------------------------|-----------|
| <b>MILESTONE INTERESTS (Restricted)(a) (b) 4.5%</b> |                                      |           |
| <b>Biotechnologies/Biopharmaceuticals 2.6%</b>      |                                      |           |
| 1   | Targen Milestone Interest            | 4,682,856 |
| <b>Medical Devices and Diagnostics 1.9%</b>         |                                      |           |
| 1   | Interlace Medical Milestone Interest | 2,742,908 |
| 1   | Xoft Milestone Interest              | 635,530   |
|   |                                      | 3,378,438 |
| <b>TOTAL MILESTONE INTERESTS</b>                    |                                      |           |
| (Cost \$7,346,121)                                  |                                      | 8,061,294 |

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

|   | VALUE          |
|---|----------------|
| <b>TOTAL INVESTMENTS - 98.9%</b>                    |                |
| (Cost \$172,466,035)                                | \$ 176,795,574 |
| <b>OTHER ASSETS IN EXCESS OF LIABILITIES - 1.1%</b> | 1,987,600      |
| <b>NET ASSETS - 100%</b>                            | \$ 178,783,174 |

- 
- (a) Security fair valued.
  - (b) Non-income producing security.
  - (c) Affiliated issuers in which the Fund holds 5% or more of the voting securities (total market value of \$9,664,106).
  - (d) Number of warrants to be determined at a future date.
  - (e) Foreign security.
  - (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.
  - (h) Contingent Value Rights

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



**H&Q LIFE SCIENCES INVESTORS****NOTES TO FINANCIAL STATEMENTS***December 31, 2011*

(continued)

(unaudited)

***Other Information***

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 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 December 31, 2011 to value the Fund's net assets. For the period ended December 31, 2011, there were no transfers between Levels 1 and 2.

| <b>Assets at Value</b>                     | <b>Level 1</b>        | <b>Level 2</b>      | <b>Level 3</b>       | <b>Total</b>          |
|--|-----------------------|---------------------|----------------------|-----------------------|
| <b>Convertible Securities and Warrants</b> |                       |                     |                      |                       |
| Biotechnologies/Biopharmaceuticals         |                       |                     | \$ 3,673,763         | \$ 3,673,763          |
| Drug Discovery Technologies                |                       |                     | 3,198,102            | 3,198,102             |
| Healthcare Services                        |                       |                     | 3,503,912            | 3,503,912             |
| Medical Devices and Diagnostics            |                       |                     | 10,477,210           | 10,477,210            |
| <b>Common Stocks and Warrants</b>          |                       |                     |                      |                       |
| Biotechnologies/Biopharmaceuticals         | \$ 73,425,062         |                     | 1,363,001            | 74,788,063            |
| Drug Delivery                              | 2,703,171             |                     | 795,642              | 3,498,813             |
| Drug Discovery Technologies                | 43,228                |                     | 11                   | 43,239                |
| Generic Pharmaceuticals                    | 25,917,733            |                     |                      | 25,917,733            |
| Healthcare Services                        | 1,541,883             |                     | 1,259,258            | 2,801,141             |
| Medical Devices and Diagnostics            | 7,668,948             |                     | 151,044              | 7,819,992             |
| Pharmaceuticals                            | 27,847,312            |                     |                      | 27,847,312            |
| Short-Term Investment                      |                       | \$ 5,165,000        |                      | 5,165,000             |
| <b>Milestone Interests</b>                 |                       |                     |                      |                       |
| Biotechnologies/Biopharmaceuticals         |                       |                     | 4,682,856            | 4,682,856             |
| Medical Devices and Diagnostics            |                       |                     | 3,378,438            | 3,378,438             |
| Other Assets                               |                       |                     | 1,632,430            | 1,632,430             |
| <b>Total</b>                               | <b>\$ 139,147,337</b> | <b>\$ 5,165,000</b> | <b>\$ 34,115,667</b> | <b>\$ 178,428,004</b> |

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

|  | Balance as<br>of<br>September 30,<br>2011 | Realized<br>gain/loss and<br>change in<br>unrealized<br>appreciation<br>(depreciation) | Cost of<br>purchases | Proceeds<br>from<br>sales | Net transfers<br>in (out of)<br>Level 3 | Balance as<br>of<br>December 31,<br>2011 |
|--|---|--|----------------------|---------------------------|---|--|
| <b>Level 3 Assets</b>  |   |  |                      |                           |   |  |
| <b>Convertible Securities and Warrants</b>   |   |  |                      |                           |   |  |
| Biotechnologies/Biopharmaceuticals   | \$ 2,123,763                              |  | \$ 1,747,425         | \$ (197,425)              | \$                                      | \$ 3,673,763                             |
| Drug Discovery Technologies  | 3,200,737                                 | \$ 9   |                      | (2,644)                   |   | 3,198,102                                |
| Healthcare Services  | 3,503,912                                 |  |                      |                           |   | 3,503,912                                |
| Medical Devices and Diagnostics  | 17,269,542                                | (16,410)   | 2,661                | (6,778,583)               |   | 10,477,210                               |
| <b>Common Stocks and Warrants</b>  |   |  |                      |                           |   |  |
| Biotechnologies/Biopharmaceuticals   | 61,875                                    | 13,129   | 1,287,997            |                           |   | 1,363,001                                |
| Drug Delivery  | 890,798                                   | (95,156)   |                      |                           |   | 795,642                                  |
| Drug Discovery Technologies  | 11  |  |                      |                           |   | 11                                       |
| Healthcare Services  | 1,333,332                                 | (74,074)   |                      |                           |   | 1,259,258                                |
| Medical Devices and Diagnostics  | 150,808                                   | 236  |                      |                           |   | 151,044                                  |
| <b>Milestone Interests</b>   |   |  |                      |                           |   |  |
| Biotechnologies/Biopharmaceuticals   | 4,627,443                                 | 55,413   |                      |                           |   | 4,682,856                                |
| Medical Devices and Diagnostics  | 3,424,284                                 | (45,846)   |                      |                           |   | 3,378,438                                |
| Other Assets   | 746,232                                   |  | 1,078,177            | (191,979)                 |   | 1,632,430                                |
| <b>Total</b>   | <b>\$ 37,332,737</b>                      | <b>\$ (162,699)</b>  | <b>\$ 4,116,260</b>  | <b>\$ (7,170,631)</b>     | <b>\$</b>                               | <b>\$ 34,115,667</b>                     |
| Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2011 |   |  |                      |                           |   | \$ (148,958)                             |

In May 2011, the FASB issued Accounting Standards Update ( ASU ) No. 2011-04 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ( IFRS ). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity, and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers into and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the financial statements.

### *Investment Valuation*

Shares of publicly traded investments listed on national securities exchanges or 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 Trustees have established and approved fair valuation policies and procedures with respect to securities for which effective quoted prices may not be available. Shares of publicly traded investments 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 valuation process described below. Restricted securities of companies that are publicly traded are valued typically 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 the fair valuation process described below. Non-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. Each fair value determination is based on a consideration of relevant factors. Factors 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 a 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 appropriate, multiple valuation methodologies are applied to confirm fair value. Due to the uncertainty inherent in the valuation process, despite the Adviser's good faith effort, 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 currently assigned.

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**Federal Income Tax Cost**

At December 31, 2011, the cost of securities for Federal income tax purposes was \$172,466,035. The net unrealized gain on securities held by the Fund was \$4,329,539 including gross unrealized gain of \$43,267,604 and gross unrealized loss of \$38,938,065.

**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 December 31, 2011 were as follows:

| Issuer                                      | Value on<br>September 30, 2011 | Purchases | Sales        | Income | Value on<br>December 31, 2011 |
|---|--------------------------------|-----------|--------------|--------|-------------------------------|
| Agilix Corporation                          | \$ 2,635                       | \$        |              | \$     |                               |
| Concentric Medical, Inc.                    | 6,792,332                      |           | \$ 6,778,583 |        |                               |
| IntelliPharmaCeutics<br>International, Inc. | 2,785,458                      |           |              | \$     | 2,324,946                     |
| MZT Holdings, Inc.                          | 45,630                         |           |              |        | 43,228                        |
| Palyon Medical Corporation                  | 1,537,020                      |           |              |        | 1,537,020                     |
| PHT Corporation                             | 3,503,912                      |           |              |        | 3,503,912                     |
| Veniti, Inc .                               | 2,255,000                      |           |              |        | 2,255,000                     |
|   | \$ 16,921,987                  | \$        | \$ 6,778,583 | \$     | \$ 9,664,106                  |

**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 18% of the Fund's net assets at December 31, 2011.

At December 31, 2011, the Fund had commitments of \$1,040,143 relating to additional investments in three private companies.

The following table details the acquisition date, cost, carrying value per unit, and value of the Fund's private companies and other restricted securities at December 31, 2011. The Fund on its own does not have the right to demand that such securities be registered.

| Security (#)                             | Acquisition<br>Date | Cost         | Carrying<br>Value<br>per Unit | Value   |
|--|---------------------|--------------|-------------------------------|---------|
| Agilix Corporation<br>Series B Cvt. Pfd. | 11/08/01            | \$ 1,565,151 | \$ 0.00                       | \$ 0.00 |

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|  |                     |           |           |           |
|--|---------------------|-----------|-----------|-----------|
| A.P. Pharma, Inc.                        |                     |           |           |           |
| Warrants (expiration 7/01/16)            | 06/30/11            | 555       | 0.11      | 223,200   |
| Athersys, Inc.                           |                     |           |           |           |
| Warrants (expiration 6/08/12)            | 6/07/07             | 0         | 0.00      | 0         |
| Aveta, Inc.                              |                     |           |           |           |
| Common                                   | 12/21/05            | 2,003,155 | 8.50      | 1,259,258 |
| CardioKinetix, Inc.                      |                     |           |           |           |
| Series C Cvt. Pfd.                       | 5/22/08             | 1,652,778 | 0.26      | 618,778   |
| Series D Cvt. Pfd.                       | 12/10/10            | 544,955   | 0.11      | 470,495   |
| Series E Cvt. Pfd.                       | 9/14/11             | 803,462   | 0.10      | 846,234   |
| 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         |
| Warrants (expiration 7/07/21)            | 7/07/11             | 48        | 0.00      | 0         |
| Ceracor Laboratories, Inc.               |                     |           |           |           |
| Common                                   | 3/31/98             | 0         | 0.44      | 56,755    |
| Ceres, Inc.                              |                     |           |           |           |
| Series C Cvt. Pfd.                       | 12/23/98            | 1,001,628 | 6.50      | 1,625,000 |
| Series C-1 Cvt. Pfd.                     | 03/31/01            | 74,397    | 6.50      | 139,503   |
| Series D Cvt. Pfd.                       | 03/14/01            | 1,047,369 | 6.50      | 1,141,010 |
| Series F Cvt. Pfd.                       | 9/05/07             | 186,412   | 6.50      | 184,503   |
| Cvt. Promissory Notes                    | 8/01/11             | 108,341   | 100.00    | 108,086   |
| Warrants (expiration 9/05/15)            | 9/05/07             | 15        | 0.00      | 0         |
| EBI Life Sciences, Inc.                  |                     |           |           |           |
| Series A Cvt. Pfd.                       | 12/29/11            | 39,485    | 0.02      | 39,355    |
| Euthymics Biosciences, Inc.              |                     |           |           |           |
| Series A Cvt. Pfd.                       | 7/14/10 - 3/08/11   | 1,776,825 | 0.90      | 1,770,981 |
| iCAD, Inc.                               |                     |           |           |           |
| Common (Locked-up until 12/31/11)        | 1/05/11             | 47,584    | 0.54      | 19,654    |
| Common (Locked-up until 6/30/12)         | 1/05/11             | 180,321   | 0.51      | 74,480    |
| IntelliPharmaCeutics International, Inc. |                     |           |           |           |
| Warrants (expiration 2/01/13)            | 1/31/11             | 0         | 0.61      | 195,078   |
| Warrants (expiration 2/01/16)            | 1/31/11             | 0         | 1.18      | 377,364   |
| Interlace Medical                        |                     |           |           |           |
| Milestone Interest                       | 1/14/11             | 2,686,309 | 2,742,908 | 2,742,908 |
| Labcyte, Inc.                            |                     |           |           |           |
| Series C Cvt. Pfd.                       | 7/18/05             | 1,283,262 | 0.52      | 1,280,000 |
| MacroGenics, Inc.                        |                     |           |           |           |
| Series D Cvt. Pfd.                       | 9/04/08             | 878,863   | 0.65      | 156,006   |
| Magellan Biosciences, Inc.               |                     |           |           |           |
| Series A Cvt. Pfd.                       | 11/28/06 - 10/01/09 | 867,109   | 0.77      | 1,664,039 |
| Warrants (expiration 4/01/19)            | 4/03/09             | 253       | 0.00      | 0         |
| Warrants (expiration 5/06/19)            | 5/12/09             | 20        | 0.00      | 0         |
| MZT Holdings, Inc.                       |                     |           |           |           |
| Warrants (expiration 1/22/12)            | 1/21/06             | 0         | 0.00      | 0         |
| Neurovance, Inc.                         |                     |           |           |           |
| Series A Cvt. Pfd.                       | 12/29/11            | 157,940   | 0.08      | 157,421   |
| OmniSonics Medical Technologies, Inc.    |                     |           |           |           |
| Series A-1 Cvt. Pfd.                     | 10/01/03            | 1,201,037 | 0.00      | 1,032     |
| Series B-1 Cvt. Pfd.                     | 6/04/07, 11/15/07   | 668,067   | 0.00      | 878       |
| Common                                   | 5/24/01, 7/02/07    | 1,606,361 | 0.00      | 62        |
| OncoGenex Pharmaceuticals, Inc.          |                     |           |           |           |
| Warrants (expiration 10/22/15)           | 10/22/10            | 0         | 2.04      | 76,500    |
| Palyon Medical Corporation               |                     |           |           |           |
| Series A Cvt. Pfd.                       | 4/28/09             | 2,062,094 | 0.16      | 1,537,020 |
| PHT Corporation                          |                     |           |           |           |
| Series D Cvt. Pfd.                       | 7/23/01             | 2,804,181 | 0.78      | 2,800,000 |
| Series E Cvt. Pfd.                       | 9/12/03 - 10/14/04  | 627,548   | 0.78      | 626,337   |
| Series F Cvt. Pfd.                       | 7/21/08             | 81,729    | 0.78      | 77,575    |
| Puma Biotechnology, Inc.                 |                     |           |           |           |
| Common                                   | 10/04/11            | 1,287,997 | 3.75      | 1,286,501 |
| Warrants (expiration 10/04/21)           | 10/04/11            | 0         | 0.00      | 0         |
| Songbird Hearing, Inc.                   |                     |           |           |           |

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|                    |                   |               |           |            |
|--------------------|-------------------|---------------|-----------|------------|
| Common             | 12/14/00          | 2,003,239     | 0.67      | 93         |
| TargeGen           |                   |               |           |            |
| Milestone Interest | 7/20/10           | 4,074,529     | 4,682,856 | 4,682,856  |
| TherOx, Inc.       |                   |               |           |            |
| Series H Cvt. Pfd. | 9/11/00           | 2,001,787     | 1.14      | 49,739     |
| Series I Cvt. Pfd. | 7/08/05           | 386,639       | 1.14      | 113,995    |
| Tibion Corporation |                   |               |           |            |
| Series B Cvt. Pfd. | 2/23/11           | 1,644,674     | 0.50      | 1,640,000  |
| Veniti, Inc.       |                   |               |           |            |
| Series A Cvt. Pfd. | 2/28/11           | 2,266,050     | 0.87      | 2,255,000  |
| Verastem, Inc.     |                   |               |           |            |
| Series C Cvt. Pfd. | 11/01/11          | 1,550,000     | 2.25      | 1,550,000  |
| Xoft               |                   |               |           |            |
| Milestone Interest | 1/05/11           | 585,283       | 635,530   | 635,530    |
| Zyomyx, Inc.       |                   |               |           |            |
| Common             | 2/19/99 - 7/22/04 | 2,601,012     | 0.25      | 11         |
|                    |                   | \$ 44,358,710 | \$        | 32,483,237 |

# 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.

**Item 2. Controls and Procedures.**

(a.) The registrant's principal executive officer and principal financial officer have concluded, based on their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this report, that these disclosure controls and procedures are adequately designed and are operating effectively to ensure that information required to be disclosed by the registrant on Form N-Q is (i) accumulated and communicated to the investment company's management, including its certifying officers, to allow timely decisions regarding required disclosure; and (ii) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b.) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits.**

Separate certifications for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)). Filed herewith.

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**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) H&Q Life Sciences Investors  
By (Signature and Title) /s/ Daniel R. Omstead  
Daniel R. Omstead, President  
Date 2/28/2012

Pursuant to the requirements of the Securities and Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Laura Woodward  
Laura Woodward, Treasurer  
Date 2/28/2012

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