

H&Q LIFE SCIENCES INVESTORS  
Form N-Q  
March 01, 2010

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

**OMB APPROVAL**  
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**FORM N-Q**

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

Investment Company Act file number 811-06565

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

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

02109  
(Zip code)

(Name and address of agent for service)

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

Date of fiscal year end: September 30

Date of reporting period: 12/31/09

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**Item 1. Schedule of Investments.**

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

DECEMBER 31, 2009

(Unaudited)

| SHARES    |  | VALUE      |
|-----------|--|------------|
|           | <b>CONVERTIBLE SECURITIES AND WARRANTS 10.3% of Net Assets</b> |            |
|           | <b>Convertible Preferred (Restricted)(a) (b) 10.0%</b>         |            |
|           | <b><i>Biotechnologies/Biopharmaceuticals 1.0%</i></b>          |            |
| 204,275   | MacroGenics, Inc. Series D                                     | \$ 133,208 |
| 50,145    | MacroGenics, Inc. Series D 18 Month Lock-up                    | 0          |
| 1,415,385 | TargeGen, Inc. Series C  | 1,840,000  |
| 407,825   | TargeGen, Inc. Series D  | 530,173    |
|           |  | 2,503,381  |
|           | <b><i>Drug Discovery Technologies 1.3%</i></b>                 |            |
| 1,587,302 | Agilix Corporation Series B (c)                                | 94,540     |
| 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   | 184,502    |
| 5,677     | Ceres, Inc. warrants (expiration 9/05/15)                      | 0          |
|           |  | 3,184,555  |
|           | <b><i>Healthcare Services 1.4%</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 6.3%</i></b>             |            |
| 2,379,916 | CardioKinetix, Inc. Series C                                   | 1,640,000  |
| N/A       | CardioKinetix, Inc. warrants (expiration 12/11/19) (d)         | 0          |
| 3,235,293 | Concentric Medical, Inc. Series B (c)                          | 1,682,352  |
| 1,162,790 | Concentric Medical, Inc. Series C (c)                          | 604,651    |
| 455,333   | Concentric Medical, Inc. Series D (c)                          | 236,773    |
| 453,094   | Concentric Medical, Inc. Series E (c)                          | 235,609    |
| 1,198,193 | Elemé Medical, Inc. Series C                                   | 644,628    |
| 1,592,852 | FlowCardia, Inc. Series C                                      | 1,708,334  |
| 1,304,545 | Interlace Medical, Inc. Series C                               | 1,435,000  |
| 2,446,016 | Labcyte Inc. Series C  | 1,280,000  |
| 2,161,090 | Magellan Biosciences, Inc. Series A                            | 2,161,090  |
| 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 | OmniSonic Medical Technologies, Inc. Series A-1                | 1,031      |
| 877,747   | OmniSonic Medical Technologies, Inc. Series B-1                | 877        |
| 9,606,373 | Palyon Medical Corporation Series A (c)                        | 2,050,000  |
| 43,478    | TherOx, Inc. Series H  | 72,122     |
| 99,646    | TherOx, Inc. Series I  | 165,293    |
| 2,813     | TherOx, Inc. warrants (expiration 1/26/11)                     | 0          |
| 5,427     | TherOx, Inc. warrants (expiration 6/09/10)                     | 0          |
| 640,625   | Xoft, Inc. Series D  | 1,601,562  |
| 122,754   | Xoft, Inc. Series E  | 306,885    |



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| SHARES   |  | VALUE         |
|--|--|---------------|
| <b>Convertible Preferred (Restricted)(a) (b) continued</b> |  |               |
| N/A  | Xoft, Inc. warrants (expiration 6/12/14) (d) | \$ 0          |
|  |  | 15,826,207    |
|  |  | \$ 25,018,055 |

| PRINCIPAL AMOUNT                                 |   |                      |
|--|---|----------------------|
| <b>Convertible Notes 0.3%</b>                    |   |                      |
| <b>Biotechnologies/Biopharmaceuticals 0.1%</b>   |   |                      |
| \$ 152,404                                       | TargeGen, Inc., Cvt. Promissory Note, 8.00% due 2010 (Restricted) (a)                   | 152,404              |
| <b>Drug Discovery Technologies 0.0%</b>          |   |                      |
| 700,000  | deCODE Genetics, Inc., 3.50% due 2011   | 38,500               |
| <b>Medical Devices and Diagnostics 0.2%</b>      |   |                      |
| 131,244  | CardioKinetix, Inc., Cvt. Promissory Note, 4.25% due 2010 (Restricted) (a)              | 131,244              |
| 48,545   | Elemé Medical, Inc., Subordinated Cvt. Promissory Note, 10.50% due 2012 (Restricted)(a) | 48,545               |
| 410,000  | Xoft, Inc., Cvt. Promissory Note, 10.00% due 2010 (Restricted) (a)                      | 410,000              |
|  |   | 589,789              |
|  |   | \$ 780,693           |
| <b>TOTAL CONVERTIBLE SECURITIES AND WARRANTS</b> |   |                      |
|  | <b>(Cost \$35,613,109)</b>  | <b>\$ 25,798,748</b> |

| SHARES  |   |            |
|---|---|------------|
| <b>COMMON STOCKS AND WARRANTS 84.2%</b>         |   |            |
| <b>Biotechnologies/Biopharmaceuticals 42.8%</b> |   |            |
| 142,614   | Acorda Therapeutics Inc. (b)  | 3,596,725  |
| 168,282   | Affymax, Inc. (b)   | 4,163,297  |
| 8,200   | Alexion Pharmaceuticals, Inc. (b)   | 400,324    |
| 191,758   | Alnylam Pharmaceuticals, Inc. (b)   | 3,378,776  |
| 93,864  | AMAG Pharmaceuticals, Inc. (b)  | 3,569,648  |
| 169,027   | Amgen Inc. (b)  | 9,561,857  |
| 180,959   | Amylin Pharmaceuticals, Inc. (b)  | 2,567,808  |
| 3,932,015                                       | Antisoma plc (b) (e)  | 2,093,773  |
| 82,000  | Athersys, Inc. warrants (Restricted, expiration 6/08/12) (a) (b)                | 17,220     |
| 131,000   | BioMarin Pharmaceutical Inc. (b)  | 2,464,110  |
| 218,696   | Celgene Corporation (b)   | 12,176,993 |
| 110,853   | Cephalon, Inc. (b) (i)  | 6,918,336  |
| 174,224   | Cornerstone Therapeutics Inc. (b)   | 1,062,766  |
| 15,967  | Cornerstone Therapeutics Inc. warrants (Restricted, expiration 6/06/10) (a) (b) | 0          |

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| SHARES  |   | VALUE        |
|---|---|--------------|
| <b>Biotechnologies/Biopharmaceuticals continued</b> |   |              |
| 238,322   | Cubist Pharmaceuticals, Inc. (b)  | \$ 4,520,968 |
| 127,457   | Dendreon Corp (b)   | 3,349,570    |
| 175,521   | Eurand N.V. (b) (e)   | 2,264,221    |
| 160,098   | Genzyme Corporation (b)   | 7,846,403    |
| 169,930   | Gilead Sciences, Inc. (b)   | 7,354,570    |
| 292,400   | Isis Pharmaceuticals, Inc. (b)  | 3,245,640    |
| 157,476   | Martek Biosciences Corporation (b)  | 2,982,596    |
| 132,850   | Medicines Company (b)   | 1,107,969    |
| 175,880   | MiddleBrook Pharmaceuticals, Inc. warrants (Restricted, expiration 4/29/10) (a) (b) | 0            |
| 48,190  | OSI Pharmaceuticals, Inc. (b)   | 1,495,336    |
| 133,086   | Regeneron Pharmaceuticals, Inc. (b)   | 3,218,020    |
| 137,531   | United Therapeutics Corporation (b)   | 7,241,007    |
| 196,400   | Vertex Pharmaceuticals Inc. (b)   | 8,415,740    |
| 131,293   | XenoPort, Inc. (b)  | 2,436,798    |
|   |   | 107,450,471  |
| <b>Drug Delivery 2.4%</b>                           |   |              |
| 264,752   | Alkermes, Inc. (b)  | 2,491,316    |
| 997,671   | DURECT Corporation (b)  | 2,464,247    |
| 394,928   | Penwest Pharmaceuticals Co. (b)   | 1,022,864    |
| 199,514   | Penwest Pharmaceuticals Co. warrants (Restricted, expiration 3/11/13) (a) (b)       | 203,504      |
|   |   | 6,181,931    |
| <b>Drug Discovery Technologies 0.1%</b>             |   |              |
| 7,627   | Clinical Data, Inc. (b)   | 139,269      |
| 162,288   | Clinical Data, Inc. CVR (Restricted) (a) (b) (f)                                    | 27,856       |
| 1,601,039   | MZT Holdings, Inc. (b) (c)  | 51,393       |
| 1,846,154   | MZT Holdings, Inc. warrants (Restricted, expiration 1/17/11) (a) (b) (c)            | 0            |
| 952,381   | MZT Holdings, Inc. warrants (Restricted, expiration 1/22/12) (a) (b) (c)            | 0            |
| 46  | Zyomyx, Inc. (Restricted) (a) (b)   | 12           |
|   |   | 218,530      |
| <b>Generic Pharmaceuticals 8.9%</b>                 |   |              |
| 1,492,833   | Akorn, Inc. (b)   | 2,672,171    |
| 108,889   | Akorn, Inc. warrants (Restricted, expiration 3/08/11) (a) (b)                       | 26,133       |
| 313,503   | Impax Laboratories, Inc. (b)  | 4,263,641    |
| 116,786   | Mylan Inc. (b)  | 2,152,366    |
| 103,700   | Perrigo Company   | 4,131,408    |
| 161,513   | Teva Pharmaceutical Industries, Ltd. (g)  | 9,073,800    |
|   |   | 22,319,519   |
| <b>Healthcare Services 8.0%</b>                     |   |              |
| 287,500   | Addus HomeCare Corp. (b)  | 2,645,000    |

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| SHARES                                       |   | VALUE                 |
|--|---|-----------------------|
| <b>Healthcare Services continued</b>         |   |                       |
| 55,910                                       | Aetna Inc.  | \$ 1,772,347          |
| 148,148                                      | Aveta, Inc. (Restricted) (a) (b) (h)                            | 1,481,480             |
| 208,000                                      | CardioNet, Inc. (b)   | 1,235,520             |
| 25,323                                       | Laboratory Corporation of America Holdings (b)                  | 1,895,173             |
| 145,120                                      | Pharmaceutical Product Development, Inc.                        | 3,401,613             |
| 124,217                                      | VCA Antech Inc. (b)   | 3,095,488             |
| 44,450                                       | WellPoint, Inc. (b)   | 2,590,990             |
| 1,157,112                                    | Zix Corporation (b)   | 1,978,662             |
|  |   | 20,096,273            |
| <b>Medical Devices and Diagnostics 17.9%</b> |   |                       |
| 284,302                                      | Align Technology, Inc. (b)                                      | 5,066,262             |
| 85,809                                       | Gen-Probe Inc. (b)  | 3,681,206             |
| 237,544                                      | Hologic, Inc. (b)   | 3,444,388             |
| 81,790                                       | IDEXX Laboratories, Inc. (b)                                    | 4,370,858             |
| 171,207                                      | Illumina, Inc. (b)  | 5,247,495             |
| 8,815  | Intuitive Surgical, Inc. (b)                                    | 2,673,766             |
| 123,159                                      | Inverness Medical Innovations, Inc. (b)                         | 5,112,330             |
| 61,014                                       | Life Technologies Corporation (b)                               | 3,186,761             |
| 130,000                                      | Masimo Laboratories, Inc. (Restricted) (a) (b)                  | 83,047                |
| 447,080                                      | Medwave, Inc. (b)   | 3,577                 |
| 111,770                                      | Medwave, Inc. warrants (Restricted, expiration 8/21/11) (a) (b) | 0                     |
| 137,833                                      | Myriad Genetics, Inc. (b)                                       | 3,597,441             |
| 62,005                                       | OmniSonic Medical Technologies, Inc. (Restricted) (a) (b)       | 62                    |
| 823,639                                      | Sequenom, Inc. (b)  | 3,409,865             |
| 139  | Songbird Hearing, Inc. (Restricted) (a) (b)                     | 93                    |
| 53,746                                       | Stryker Corporation   | 2,707,186             |
| 89,800                                       | Thoratec Corporation (b)  | 2,417,416             |
|  |   | 45,001,753            |
| <b>Pharmaceuticals 4.1%</b>                  |   |                       |
| 88,431                                       | Forest Laboratories, Inc. (b)                                   | 2,839,519             |
| 30,248                                       | Shire plc (g)   | 1,775,558             |
| 200,132                                      | Warner Chilcott plc (b) (i)                                     | 5,697,758             |
|  |   | 10,312,835            |
| <b>TOTAL COMMON STOCKS AND WARRANTS</b>      |   |                       |
|  | <b>(Cost \$218,811,796)</b>                                     | <b>\$ 211,581,312</b> |
| <b>PRINCIPAL AMOUNT</b>                      |   |                       |
| <b>SHORT-TERM INVESTMENTS 6.5%</b>           |   |                       |
| \$ 7,000,000                                 | General Electric Capital Co., 0.12% due 01/04/10                | 6,999,930             |
| 8,000,000                                    | General Electric Capital Co., 0.01% due 01/08/10                | 7,999,984             |

| PRINCIPAL<br>AMOUNT |   | VALUE                 |
|---------------------|---|-----------------------|
|                     | <b>SHORT-TERM INVESTMENTS continued</b>               |                       |
| 1,295,500           | General Electric Capital Co., 0.02% due 01/15/10      | 1,295,490             |
|                     | <b>TOTAL SHORT-TERM INVESTMENTS</b>                   |                       |
|                     | <b>(Cost \$16,295,404)</b>                            | <b>\$ 16,295,404</b>  |
|                     | <b>TOTAL INVESTMENTS -101.0%</b>                      |                       |
|                     | (Cost \$270,720,309)                                  | \$ 253,675,464        |
|                     | <b>OTHER LIABILITIES IN EXCESS OF ASSETS - (1.0)%</b> | <b>\$ (2,554,000)</b> |
|                     | <b>NET ASSETS - 100%</b>                              | <b>\$ 251,121,464</b> |

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- (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 \$8,459,230).
  - (d) Number of warrants to be determined at a future date.
  - (e) Foreign security.
  - (f) Contingent Value Rights
  - (g) American Depositary Receipt
  - (h) 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.
  - (i) A portion of security is pledged as collateral for call options written.



**SCHEDULE OF WRITTEN OPTIONS**

| NUMBER OF<br>CONTRACTS<br>(100 SHARES<br>EACH) |                                  | EXPIRATION<br>DATE |    | CURRENT<br>VALUE |
|--|----------------------------------|--------------------|----|------------------|
| <b>CALL OPTIONS WRITTEN</b>                    |                                  |                    |    |                  |
| 107  | Cephalon, Inc., strike @ 60      | Jan - 2010         | \$ | (36,380)         |
| 26   | Warner Chilcott plc, strike @ 30 | Jan - 2010         |    | (520)            |
| <b>TOTAL CALL OPTIONS WRITTEN</b>              |                                  |                    |    |                  |
|  | (Premiums received \$22,176)     |                    | \$ | (36,900)         |

**Other Information** Financial Accounting Standards Board Accounting Standards Codification No. 820, Fair Value Measurements and Disclosures, establishes 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 listed below:

- Level 1 quoted prices in active markets for identical investments
  
- Level 2 prices determined using other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
  
- Level 3 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, 2009 to value the Fund's net assets:

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|   | Level 1        | Level 2       | Level 3       | Total          |
|---|----------------|---------------|---------------|----------------|
| <b>Assets at Value</b>                    |                |               |               |                |
| Convertible Securities and Warrants       |                |               |               |                |
| Biotechnologies/Biopharmaceuticals        |                |               | \$ 2,655,785  | \$ 2,655,785   |
| Drug Discovery Technologies               | \$ 38,500      |               | 3,184,555     | 3,223,055      |
| Healthcare Services                       |                |               | 3,503,912     | 3,503,912      |
| Medical Devices and Diagnostics           |                |               | 16,415,996    | 16,415,996     |
| Total Convertible Securities and Warrants |                | 38,500        | 25,760,248    | 25,798,748     |
| Common Stocks and Warrants                |                |               |               |                |
| Biotechnologies/Biopharmaceuticals        | \$ 107,433,251 |               | 17,220        | 107,450,471    |
| Drug Delivery                             | 5,978,427      |               | 203,504       | 6,181,931      |
| Drug Discovery Technologies               | 190,662        |               | 27,868        | 218,530        |
| Generic Pharmaceuticals                   | 22,293,386     |               | 26,133        | 22,319,519     |
| Healthcare Services                       | 18,614,793     |               | 1,481,480     | 20,096,273     |
| Medical Devices and Diagnostics           | 44,918,551     |               | 83,202        | 45,001,753     |
| Pharmaceuticals                           | 10,312,835     |               |               | 10,312,835     |
| Total Common Stocks and Warrants          | 209,741,905    |               | 1,839,407     | 211,581,312    |
| Short-Term Investments                    |                | 16,295,404    |               | 16,295,404     |
| Other Assets                              |                |               | 358,620       | 358,620        |
| Total Assets at Value                     | \$ 209,741,905 | \$ 16,333,904 | \$ 27,958,275 | \$ 254,034,084 |
| <b>Liabilities at Value</b>               |                |               |               |                |
| Options Contracts Written                 | \$ 36,900      | \$            | \$            | \$ 36,900      |

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<br>September 30, 2009 | Accrued<br>discounts/<br>premiums | Realized gain (loss)<br>and change in<br>unrealized<br>appreciation<br>(depreciation) | Net purchases/<br>sales | Net transfers in<br>(out of) Level 3 | Balance as of<br>December 31,<br>2009 |
|-------------------------------------|-------------------------------------|-----------------------------------|---|-------------------------|--------------------------------------|---------------------------------------|
| Convertible Securities and Warrants |                                     |                                   |   |                         |                                      |                                       |
| Biotechnologies/Biopharmaceuticals  | \$ 1,811,330                        |                                   | \$ 763,345  | \$ 81,110               |                                      | \$ 2,655,785                          |
| Drug Discovery Technologies         | 3,184,555                           |                                   |   |                         |                                      | 3,184,555                             |
| Healthcare Services                 | 3,503,912                           |                                   |   |                         |                                      | 3,503,912                             |
| Medical Devices and Diagnostics     | 18,766,961                          |                                   | (2,536,454)   | 185,489                 |                                      | 16,415,996                            |
| Common Stocks and Warrants          |                                     |                                   |   |                         |                                      |                                       |
| Biotechnologies/Biopharmaceuticals  | 187,738                             |                                   | 18,630  |                         | \$ (189,148)                         | 17,220                                |
| Drug Delivery                       | 185,548                             |                                   | 17,956  |                         |                                      | 203,504                               |
| Drug Discovery Technologies         | 25,442                              |                                   | 2,426   |                         |                                      | 27,868                                |
| Generic Pharmaceuticals             | 16,333                              |                                   | 9,800   |                         |                                      | 26,133                                |
| Healthcare Services                 | 1,481,480                           |                                   |   |                         |                                      | 1,481,480                             |
| Medical Devices and Diagnostics     | 56,419                              |                                   | 26,783  |                         |                                      | 83,202                                |
| Other Assets                        | 618,509                             |                                   | 196,460   | (456,349)               |                                      | 358,620                               |
| Total                               | \$ 29,838,227                       |                                   | \$ (1,501,054)  | \$ (189,750)            | \$ (189,148)                         | \$ 27,958,275                         |

Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2009 \$ (1,706,250)

**Investment Valuation** Investments traded on national securities exchanges or in the over-the-counter market that are National Market System securities are valued at the last sale price or, lacking any sales, at the mean between the last bid and asked prices. Other over-the-counter securities are valued at the most recent bid prices as obtained from one or more dealers that make markets in the securities. Publicly traded investments for which market quotations are not readily available or whose quoted price may otherwise not reflect fair value and the fair value of venture capital and other restricted securities are valued in good faith by the Adviser pursuant to valuation policies and procedures approved by the Trustees. Such values are subject to regular oversight and ratification by the Trustees. Because of the uncertainty of fair valuations, these estimated values may differ significantly from the values that would have been used had a ready market for these securities existed, and the differences could be material. Each such 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 issuer, 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; and (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies. Short-term investments with maturity of 60 days or less are valued at amortized cost, which approximates fair value.

**Venture Capital and Other Restricted Securities** The Fund may invest in venture capital and other restricted securities if these securities would currently comprise 40% or less of net assets. The value of these securities represents 11% of the Fund's net assets at December 31, 2009. The following table details the acquisition date, cost, carrying value per unit, and value of the Fund's venture capital and other restricted securities at December 31, 2009. The Fund on its own does not have the right to demand that such securities be registered.

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| Security (j)                        | Acquisition Date   | Cost         | Carrying Value per Unit | Value     |
|-------------------------------------|--------------------|--------------|-------------------------|-----------|
| Agilix Corporation                  |                    |              |                         |           |
| Series B Cvt. Pfd.                  | 11/08/01           | \$ 1,663,667 | \$ 0.06                 | \$ 94,540 |
| Akorn, Inc.                         |                    |              |                         |           |
| Warrants (expiration 3/08/11)       | 3/07/06            | 0.00         | 0.24                    | 26,133    |
| Athersys, Inc.                      |                    |              |                         |           |
| Warrants (expiration 6/08/12)       | 6/07/07            | 0.00         | 0.21                    | 17,220    |
| Aveta, Inc.                         |                    |              |                         |           |
| Common                              | 12/21/05           | 2,003,155    | 10.00                   | 1,481,480 |
| CardioKinetix, Inc.                 |                    |              |                         |           |
| Series C Cvt. Pfd.                  | 5/22/08            | 1,645,087    | 0.69                    | 1,640,000 |
| Cvt. Promissory Note                | 12/10/09           | 131,244      | 1.00                    | 131,244   |
| Warrants (expiration 12/11/19)      | 12/10/09           | 66           | 0.00                    | 0         |
| Ceres, Inc.                         |                    |              |                         |           |
| Series C Cvt. Pfd.                  | 12/23/98           | 1,000,950    | 6.50                    | 1,625,000 |
| Series C-1 Cvt. Pfd.                | 3/31/01            | 74,339       | 6.50                    | 139,503   |
| Series D Cvt. Pfd.                  | 3/14/01            | 1,046,887    | 6.50                    | 1,141,010 |
| Series F Cvt. Pfd.                  | 9/05/07            | 186,335      | 6.50                    | 184,502   |
| Warrants (expiration 9/05/15)       | 9/05/07            | 0.00         | 0.00                    | 0         |
| Clinical Data, Inc.                 |                    |              |                         |           |
| Contingent Value Rights             | 5/28/09            | 0.00         | 0.17                    | 27,856    |
| Concentric Medical, Inc.            |                    |              |                         |           |
| Series B Cvt. Pfd.                  | 5/07/02, 1/24/03   | 2,220,659    | 0.52                    | 1,682,352 |
| Series C Cvt. Pfd.                  | 12/19/03           | 1,000,545    | 0.52                    | 604,651   |
| Series D Cvt. Pfd.                  | 9/30/05            | 638,671      | 0.52                    | 236,773   |
| Series E Cvt. Pfd.                  | 12/18/08           | 455,177      | 0.52                    | 235,609   |
| Cornerstone Therapeutics Inc.       |                    |              |                         |           |
| Warrants (expiration 6/06/10)       | 6/20/05            | 0.00         | 0.00                    | 0         |
| Elemé Medical, Inc.                 |                    |              |                         |           |
| Series C Cvt. Pfd.                  | 7/15/08            | 2,260,641    | 0.54                    | 644,628   |
| Subordinated Cvt. Promissory Note   | 12/18/09           | 49,479       | 1.00                    | 48,545    |
| FlowCardia, Inc.                    |                    |              |                         |           |
| Series C Cvt. Pfd.                  | 8/29/07            | 1,720,327    | 1.07                    | 1,708,334 |
| Interlace Medical, Inc.             |                    |              |                         |           |
| Series C Cvt. Pfd.                  | 6/10/09            | 1,440,459    | 1.10                    | 1,435,000 |
| 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            | 668,364      | 0.65                    | 133,208   |
| Series D Cvt. Pfd. 18 Month Lock-up | 9/04/08            | 210,499      | 0.00                    | 0         |
| Magellan Biosciences, Inc.          |                    |              |                         |           |
| Series A Cvt. Pfd.                  | 11/28/06, 11/04/09 | 2,166,424    | 1.00                    | 2,161,090 |
| Warrants (expriation 4/01/19)       | 4/03/09            | 0.00         | 0.00                    | 0         |
| Warrants (expiration 5/06/19)       | 5/12/09            | 0.00         | 0.00                    | 0         |
| Masimo Laboratories, Inc.           |                    |              |                         |           |
| Common                              | 3/31/98            | 0.00         | 0.64                    | 83,047    |
| Medwave, Inc.                       |                    |              |                         |           |
| Warrants (expiration 8/21/11)       | 8/21/06            | 0.00         | 0.00                    | 0         |
| MiddleBrook Pharmaceuticals, Inc.   |                    |              |                         |           |
| Warrants (expiration 4/29/10)       | 4/29/05            | 0.00         | 0.00                    | 0         |
| MZT Holdings, Inc.                  |                    |              |                         |           |
| Warrants (expiration 1/17/11)       | 1/17/06            | 0.00         | 0.00                    | 0         |
| Warrants (expiration 1/22/12)       | 1/21/06            | 0.00         | 0.00                    | 0         |

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| Security (j)                                 | Acquisition Date  | Cost          | Carrying Value per Unit | Value         |
|--|-------------------|---------------|-------------------------|---------------|
| <b>OmniSonics Medical Technologies, Inc.</b> |                   |               |                         |               |
| Series A-1 Cvt. Pfd.                         | 10/01/03          | \$ 1,201,037  | \$ 0.001                | \$ 1,031      |
| Series B-1 Cvt. Pfd.                         | 6/04/07, 11/15/07 | 668,067       | 0.001                   | 877           |
| Common                                       | 5/24/01, 7/02/07  | 1,606,361     | 0.001                   | 62            |
| <b>Palyon Medical Corporation</b>            |                   |               |                         |               |
| Series A Cvt. Pfd.                           | 4/28/09           | 2,062,094     | 0.21                    | 2,050,000     |
| <b>Penwest Pharmaceuticals Co.</b>           |                   |               |                         |               |
| Warrants (expiration 3/11/13)                | 3/11/08           | 0.00          | 1.02                    | 203,504       |
| <b>PHT Corporation</b>                       |                   |               |                         |               |
| Series D Cvt. Pfd.                           | 7/23/01           | 2,803,841     | 0.78                    | 2,800,000     |
| Series E Cvt. Pfd.                           | 9/12/03-10/14/04  | 627,472       | 0.78                    | 626,337       |
| Series F Cvt. Pfd.                           | 7/21/08           | 81,720        | 0.78                    | 77,575        |
| <b>Songbird Hearing, Inc.</b>                |                   |               |                         |               |
| Common                                       | 12/14/00          | 2,003,239     | 0.67                    | 93            |
| <b>TargeGen, Inc.</b>                        |                   |               |                         |               |
| Series C Cvt. Pfd.                           | 8/30/05           | 1,842,330     | 1.30                    | 1,840,000     |
| Series D Cvt. Pfd.                           | 5/08/07           | 531,198       | 1.30                    | 530,173       |
| Cvt. Promissory Note                         | 9/08/09, 10/09/09 | 157,312       | 1.00                    | 152,404       |
| <b>TherOx, Inc.</b>                          |                   |               |                         |               |
| Series H Cvt. Pfd.                           | 9/11/00           | 2,001,787     | 1.66                    | 72,122        |
| Series I Cvt. Pfd.                           | 7/08/05           | 386,640       | 1.66                    | 165,293       |
| Warrants (expiration 1/26/11)                | 1/26/05           | 0.00          | 0.00                    | 0             |
| Warrants (expiration 6/09/10)                | 6/09/04           | 0.00          | 0.00                    | 0             |
| <b>Xoft, Inc.</b>                            |                   |               |                         |               |
| Series D Cvt. Pfd.                           | 3/23/07           | 2,055,919     | 2.50                    | 1,601,562     |
| Series E Cvt. Pfd.                           | 6/20/08           | 411,757       | 2.50                    | 306,885       |
| Cvt. Promissory Note                         | 6/12/09           | 415,686       | 1.00                    | 410,000       |
| Warrants (expiration 6/12/14)                | 6/12/09           | 41            | 0.00                    | 0             |
| <b>Zyomyx, Inc.</b>                          |                   |               |                         |               |
| Common                                       | 2/19/99 - 7/22/04 | 2,601,013     | 0.25                    | 12            |
|  |                   | \$ 43,323,751 |                         | \$ 27,599,655 |

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

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**Federal Income Tax Cost** - At December 31, 2009, the total cost of securities for Federal income tax purposes was \$270,720,309. The net unrealized loss on securities held by the Fund was \$17,044,845, including gross unrealized gain of \$21,295,852 and gross unrealized loss of \$38,340,697.

**Affiliate Transactions** - An affiliate issuer 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, 2009 were as follows:

| Issuer                     | Value on October 1,<br>2009 | Purchases | Sales | Income | Value on December 31, 2009 |
|----------------------------|-----------------------------|-----------|-------|--------|----------------------------|
| Agilix Corporation         | \$ 94,540                   | \$        | \$    | \$     | \$ 94,540                  |
| Concentric Medical, Inc.   | 5,306,510                   |           |       |        | 2,759,385                  |
| MZT Holdings, Inc.         | 48,031                      |           |       |        | 51,393                     |
| Palyon Medical Corporation | 2,050,000                   |           |       |        | 2,050,000                  |
| PHT Corporation            | 3,503,912                   |           |       |        | 3,503,912                  |
|                            | \$ 11,002,993               | \$        | \$    | \$     | \$ 8,459,230               |

**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 Omstead  
Daniel Omstead, President  
Date 3/1/2010

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 3/1/2010

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