

H&Q LIFE SCIENCES INVESTORS
Form N-Q
February 28, 2006

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 811-004889

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

30 Rowes Wharf, Boston, MA
(Address of principal executive offices)

02110
(Zip code)

(Name and address of agent for service)

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

Date of fiscal year end: September 30

Date of reporting period: 12/31/2005

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-% (ss.ss. 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b-15 under the Investment Company Act of 1940 (17CFR 270.3b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss.3507.

Item 1. Schedule of Investments.

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

DECEMBER 31, 2005

(Unaudited)

| SHARES | | VALUE |
|-----------|--|---------------|
| | CONVERTIBLE SECURITIES 16.4% of Net Assets | |
| | Convertible Preferred (Restricted) 16.3% | |
| | Drug Discovery Technologies 1.6% | |
| 1,587,302 | Agilix Corporation Series B (a) (b) | \$ 380,952 |
| 250,000 | Ceres, Inc. Series C (a) | 1,500,000 |
| 18,296 | Ceres, Inc. Series C-1 (a) (c) | 109,776 |
| 174,200 | Ceres, Inc. Series D (a) (c) | 1,045,200 |
| 932,488 | Galileo Pharmaceuticals, Inc. Series F-1 (a) | 326,371 |
| 200,000 | Zyomyx, Inc. Series A New (a) | 20,000 |
| 200 | Zyomyx, Inc. Series B New (a) | 20 |
| | Emerging Biopharmaceuticals 5.0% | |
| 744,921 | Agensys, Inc. Series C (a) | 2,200,201 |
| 1,724,138 | Corus Pharma, Inc. Series C (a) | 1,000,000 |
| 1,212,121 | Raven biotechnologies, Inc. Series B (a) | 1,006,060 |
| 1,872,772 | Raven biotechnologies, Inc. Series C (a) | 1,554,401 |
| 2,722,015 | Raven biotechnologies, Inc. Series D (a) | 800,000 |
| 1,415,385 | TargeGen, Inc. Series C (a) | 1,840,001 |
| 30,920 | Therion Biologics Corporation Series A (a) | 37,722 |
| 160,000 | Therion Biologics Corporation Series B (a) | 195,200 |
| 271,808 | Therion Biologics Corporation Series C (a) (c) | 331,606 |
| 22,224 | Therion Biologics Corporation Series C-2 (a) (c) | 27,113 |
| 28,991 | Therion Biologics Corporation Sinking Fund (a) | 290 |
| 1,400,000 | Xanthus Life Sciences, Inc. Series B (a) | 1,400,000 |
| | Healthcare Services 3.6% | |
| 1,051,429 | CardioNet, Inc. Series C (a) | 3,680,001 |
| 322,168 | CytoLogix Corporation Series A (a) (b) | 265,789 |
| 151,420 | CytoLogix Corporation Series B (a) (b) (c) | 124,922 |
| 3,589,744 | PHT Corporation Series D (a) (b) | 2,800,000 |
| 802,996 | PHT Corporation Series E (a) (b) | 626,337 |
| | Medical Devices and Diagnostics 6.1% | |
| 3,235,293 | Concentric Medical, Inc. Series B (a) (b) | 4,529,410 |
| 1,162,790 | Concentric Medical, Inc. Series C (a) (b) | 1,627,906 |
| 455,333 | Concentric Medical, Inc. Series D (a) (b) | 637,466 |
| 177,778 | EPR, Inc. Series A (a) | 1,778 |
| 2,446,016 | Labcyte, Inc. Series C (a) | 1,280,000 |
| 130,000 | Masimo Corporation Series D (a) | 1,430,000 |
| 1,088,436 | OmniSonics Medical Technologies, Inc. Series B (a) | 1,454,151 |
| 1,031,992 | OmniSonics Medical Technologies, Inc. Series C (a) | 1,200,000 |
| 43,478 | TherOx, Inc. Series H (a) | 165,217 |
| 99,646 | TherOx, Inc. Series I (a) (c) | 384,733 |
| | | \$ 33,982,623 |

VALUE

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PRINCIPAL
AMOUNT

| | | | |
|----|---------|--|---------|
| | | Convertible Notes (Restricted) 0.1% | |
| | | <i>Healthcare Services 0.1%</i> | |
| \$ | 200,000 | CardioNet, Inc. 8% Cvt. Note, due 2006 (c) | 200,000 |

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| PRINCIPAL AMOUNT | | VALUE |
|---|---------------------|---|
| CONVERTIBLE SECURITIES continued | | |
| Convertible Notes (Restricted) continued | | |
| <i>Healthcare Services continued</i> | | |
| \$ | 112,224 | CytoLogix Corporation 6.75% Cvt. Note (b) (d) |
| | | \$ 112,224 |
| | | 312,224 |
| TOTAL CONVERTIBLE SECURITIES | | |
| | (Cost \$41,748,879) | \$ 34,294,847 |

| SHARES | | VALUE |
|--|---|------------|
| COMMON STOCKS 70.4% | | |
| Biopharmaceuticals 17.9% | | |
| 468,500 | Bioenvision, Inc. (a) | 3,059,305 |
| 159,672 | Critical Therapeutics warrants | 95,803 |
| 456,205 | Critical Therapeutics, Inc. (a) | 3,275,552 |
| 270,903 | Cubist Pharmaceuticals, Inc. (a) | 5,756,689 |
| 28,000 | Curis, Inc. (a) | 101,203 |
| 414,100 | Encysive Pharmaceuticals Inc. (a) | 3,267,249 |
| 40,607 | Genzyme Corporation (a) | 2,874,163 |
| 140,675 | Gilead Sciences, Inc. (a) | 7,403,725 |
| 400,950 | Insmed Inc. (a) | 789,872 |
| 396,809 | Inspire Pharmaceuticals, Inc. (a) | 2,015,790 |
| 93,810 | MedImmune, Inc. (a) | 3,285,226 |
| 108,240 | Myriad Genetics, Inc. (a) | 2,251,392 |
| 670,000 | Point Therapeutics, Inc. (a) | 2,311,500 |
| 312,200 | Vivus, Inc. (a) | 924,112 |
| | | 37,411,581 |
| Drug Delivery 2.9% | | |
| 535,355 | DepoMed, Inc. (a) | 3,212,130 |
| 141,710 | Noven Pharmaceuticals, Inc. (a) | 2,144,072 |
| 37,816 | Penwest Pharmaceuticals Co. (a) | 738,169 |
| | | 6,094,371 |
| Drug Discovery Technologies 4.9% | | |
| 46,560 | Avalon Pharmaceuticals, Inc. (a) | 209,520 |
| 138,288 | Avalon Pharmaceuticals, Inc. (Restricted) (a) | 497,837 |
| 376,232 | deCODE Genetics, Inc. (a) | 3,107,676 |
| 501,000 | Pharmacopeia Drug Discovery, Inc. (a) | 1,783,560 |
| 120,737 | Senomyx, Inc. (a) | 1,463,332 |
| 180,050 | ZymoGenetics, Inc. (a) | 3,062,651 |
| 200,000 | Zyomyx, Inc. (Restricted) (a) | 2,000 |
| | | 10,126,576 |
| Emerging Biopharmaceuticals 21.9% | | |
| 277,235 | ACADIA Pharmaceuticals, Inc. (a) | 2,730,765 |
| 366,659 | Ariad Pharmaceuticals, Inc. (a) | 2,144,955 |
| 243,828 | Barrier Therapeutics, Inc. (a) | 1,999,390 |

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| SHARES | | VALUE |
|--|--|--------------|
| COMMON STOCKS continued | | |
| Emerging Biopharmaceuticals continued | | |
| 368,929 | Cytokinetics, Inc. (a) | \$ 2,412,796 |
| 89,470 | DOV Pharmaceutical, Inc. (a) | 1,313,420 |
| 442,800 | Epix Pharmaceuticals, Inc. (a) | 1,788,912 |
| 328,380 | Exelixis, Inc. (a) | 3,093,340 |
| 378,130 | Kosan Biosciences, Inc. (a) | 1,678,897 |
| 965,000 | Lexicon Genetics, Inc. (a) | 3,522,250 |
| 31,059 | Momenta Pharmaceuticals, Inc. (a) | 684,540 |
| 41,707 | Myogen, Inc. (a) | 1,257,883 |
| 51,080 | Myogen, Inc. warrants | 1,142,149 |
| 158,810 | Neurogen Corporation (a) | 1,046,558 |
| 158,337 | Nitromed, Inc. (a) | 2,208,801 |
| 270,044 | Nuvelo, Inc. (a) | 2,190,057 |
| 153,300 | Rigel Pharmaceuticals, Inc. (a) | 1,281,588 |
| 595,700 | Sangamo BioSciences, Inc. (a) | 2,400,671 |
| 455,320 | Seattle Genetics, Inc. (a) | 2,149,110 |
| 526,924 | Sirna Therapeutics, Inc. (a) | 1,596,580 |
| 96,474 | Telik, Inc. (a) | 1,639,093 |
| 226,384 | Tercica, Inc. (a) | 1,623,173 |
| 259,216 | Theravance, Inc. (a) | 5,837,544 |
| 146,982 | Therion Biologics Corporation (Restricted) (a) | 1,470 |
| | | 45,743,942 |
| Generic Pharmaceuticals 5.3% | | |
| 305,100 | Caraco Pharmaceutical Laboratories, Ltd. (a) | 2,739,798 |
| 404,082 | Impax Laboratories, Inc. (a) | 4,323,677 |
| 48,300 | IVAX Corporation (a) | 1,513,239 |
| 55,370 | Teva Pharmaceutical Industries, Ltd. ADR | 2,381,464 |
| | | 10,958,178 |
| Healthcare Services 2.8% | | |
| 148,148 | Aveta, Inc. (Restricted) (a) | 1,999,998 |
| 17,416 | Dako A/S (Restricted) (e) | 181,301 |
| 233,705 | Emageon, Inc. (a) | 3,715,909 |
| 204,139 | Syntiro Healthcare Services (Restricted) (a) | 204 |
| | | 5,897,412 |
| Medical Devices and Diagnostics 14.7% | | |
| 76,545 | Adeza Biomedical Corporation (a) | 1,611,272 |
| 74,250 | Affymetrix, Inc. (a) | 3,545,437 |
| 458,850 | Align Technology, Inc. (a) | 2,968,760 |
| 391,917 | Conor Medsystems, Inc. (a) | 7,583,594 |
| 58,800 | Conor Medsystems, Inc. (Restricted) (a) | 1,080,891 |
| 65,820 | IDEXX Laboratories, Inc. (a) | 4,737,724 |
| 130,000 | Masimo Corporation (Restricted) (a) | 1,300 |
| 195,217 | Orchid Cellmark, Inc. (a) | 1,483,649 |
| 784,900 | Orthovita, Inc. (a) | 3,045,412 |
| 139,019 | Songbird Hearing, Inc. (Restricted) (a) | 1,390 |
| 499,050 | Third Wave Technologies, Inc. (a) | 1,487,169 |

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| SHARES | | VALUE |
|--|-------------------------------------|-----------------------|
| COMMON STOCKS continued | | |
| Medical Devices and Diagnostics continued | | |
| 382,583 | VNUS Medical Technologies, Inc. (a) | \$ 3,206,046 |
| | | 30,752,644 |
| | TOTAL COMMON STOCKS | |
| | (Cost \$123,856,446) | \$ 146,984,704 |

| PRINCIPAL AMOUNT | | VALUE |
|-------------------------------------|--|-----------------------|
| SHORT-TERM INVESTMENTS 14.6% | | |
| \$ 12,400,000 | American Express Credit Corp.; 3.50% due 01/05/06 | 12,395,178 |
| 13,000,000 | General Electric Capital Corp.; 4.23% 4.28%, due 1/3/06 1/6/06 | 12,994,786 |
| 5,000,000 | Wisconsin Public Services Corp.; 4.36% due 1/10/06 | 4,994,550 |
| | Total SHORT-TERM INVESTMENTS | |
| | (Cost \$30,384,514) | \$ 30,384,514 |
| | TOTAL INVESTMENTS (101%) | |
| | (Cost \$195,989,839) | \$ 211,664,065 |
| | OTHER LIABILITIES IN EXCESS OF ASSETS - (-1%) | \$ (2,997,831) |
| | NET ASSETS 100% | \$ 208,666,234 |

- (a) Non-income producing security.
- (b) Affiliated issuers in which the Fund holds 5% or more of the voting securities (Total Market Value of \$11,105,006).
- (c) Including associated warrants.
- (d) Variable maturity.
- (e) Foreign Security.
- ADR American Depository Receipt.

Investment Securities 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. Exchange traded investments for which market quotations are not readily available are valued at fair value as determined in good faith by the Trustees of the Fund. The value of venture capital and other restricted securities is determined in good faith by the Trustees. However, because of the uncertainty of venture capital and other restricted security valuations, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Short-term investments with maturity of 60 days or less are valued at amortized cost.

Federal Income Tax Cost- At December 31, 2005, the total cost of securities of Federal income tax purposed was \$195,989,839. The net unrealized gain on securities held by the Fund was \$15,674,227, including gross unrealized gain of \$45,113,202 and gross unrealized loss of \$29,438,975.

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 three months ended December 31, 2005 were as follows:

| Issuer | Value on October 1, 2005 | Purchases | Sales | Income | Value on December 31, 2005 |
|--------------------------|--------------------------------|-----------|-------|--------|----------------------------------|
| Agilix Corporation | \$ 380,952 | \$ | \$ | \$ | \$ 380,952 |
| Concentric Medical, Inc. | 6,794,782 | | | | 6,794,782 |
| CytoLogix Corporation | 502,935 | | | | 502,935 |
| PHT Corporation | 3,426,337 | | | | 3,426,337 |
| | \$ 11,105,006 | \$ | \$ | \$ | \$ 11,105,006 |

Venture Capital and Other Restricted Securities 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, 2005, as determined by the Trustees of the Fund. 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 represent 18% of the Fund's net assets at December 31, 2005. With the exception of Conor Medsystems, Inc. Restricted Common the Fund on its own does not have the right to demand that such securities be registered. Subject to certain conditions the Fund has the right to request registration of Conor Medsystems, Inc. Restricted Common.

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| Security (f) | Acquisition Date | Cost | Carrying Value per Unit | Value |
|---------------------------------------|------------------|--------------|-------------------------|--------------|
| Agensys, Inc. | | | | |
| Series C Cvt. Pfd. | 2/14/02, 9/27/05 | \$ 2,204,684 | \$ 2.95 | \$ 2,200,201 |
| Agilix Corporation | | | | |
| Series B Cvt. Pfd. | 11/8/01 | 2,009,507 | 0.24 | 380,952 |
| Avalon Pharmaceuticals, Inc. | | | | |
| Restricted Common | 10/22/01-2/11/05 | 2,145,319 | 3.60 | 497,837 |
| Aveta, Inc. | | | | |
| Restricted Common | 12/21/05 | 1,999,998 | 13.50 | 1,999,998 |
| CardioNet, Inc. | | | | |
| Series C Cvt. Pfd. | 5/3/01 - 3/25/03 | 3,700,899 | 3.50 | 3,680,001 |
| Convertible Note | 8/14/05 | 200,000 | 1.00 | 200,000 |
| Ceres, Inc. | | | | |
| Series C Cvt. Pfd. | 12/23/98 | 1,000,875 | 6.00 | 1,500,000 |
| Series C-1 Cvt. Pfd. | 3/31/01 | 74,325 | 6.00 | 109,776 |
| Series D Cvt. Pfd. | 3/14/01 | 1,046,778 | 6.00 | 1,045,200 |
| Concentric Medical, Inc. | | | | |
| Series B Cvt. Pfd. | 5/7/02 - 1/24/03 | 2,219,473 | 1.40 | 4,529,410 |
| Series C Cvt. Pfd. | 12/19/03 | 999,999 | 1.40 | 1,627,906 |
| Series D Cvt. Pfd. | 9/30/05 | 638,511 | 1.40 | 637,466 |
| Conor Medsystems, Inc. | | | | |
| Restricted Common | 10/23/03-8/6/04 | 351,643 | 18.38 | 1,080,891 |
| Corus Pharma, Inc. | | | | |
| Series C Cvt. Pfd. | 4/8/04 | 2,001,540 | 0.58 | 1,000,000 |
| CytoLogix Corporation | | | | |
| Series A Cvt. Pfd. | 1/13/98-7/21/99 | 1,077,912 | 0.83 | 265,789 |
| Series B Cvt. Pfd. | 1/11/01 | 506,622 | 0.83 | 124,922 |
| Convertible Note | 5/29/02 | 112,224 | 1.00 | 112,224 |
| Dako A/S (g) | | | | |
| Restricted Common | 6/14/04 | 734,913 | 10.41 | 181,301 |
| EPR, Inc. | | | | |
| Series A Cvt. Pfd. | 3/9/94 | 800,331 | 0.01 | 1,778 |
| Galileo Pharmaceuticals, Inc. | | | | |
| Series F-1 Cvt. Pfd. | 8/18/00 | 2,001,929 | 0.35 | 326,371 |
| Labcyte, Inc. | | | | |
| Series C Cvt. Pfd. | 7/18/05 | 1,282,337 | 0.52 | 1,280,000 |
| Masimo Corporation | | | | |
| Series D Cvt. Pfd. | 8/14/96 | 910,176 | 11.00 | 1,430,000 |
| Restricted Common | 3/31/98 | 0 | 0.01 | 1,300 |
| Omnisonics Medical Technologies, Inc. | | | | |
| Series B Cvt. Pfd. | 5/24/01 | 1,606,312 | 1.34 | 1,454,151 |
| Series C Cvt. Pfd. | 10/1/03 | 1,200,224 | 1.16 | 1,200,000 |
| PHT Corporation | | | | |
| Series D Cvt. Pfd. | 7/23/01 | 2,803,841 | 0.78 | 2,800,000 |
| Series E Cvt. Pfd. | 9/12/03-12/17/03 | 627,472 | 0.78 | 626,337 |
| Raven biotechnologies, Inc. | | | | |
| Series B Cvt. Pfd. | 12/12/00 | 2,001,150 | 0.83 | 1,006,060 |
| Series C Cvt. Pfd. | 11/26/02 | 1,554,400 | 0.83 | 1,554,401 |
| Series D Cvt. Pfd. | 6/23/05 | 803,610 | 0.29 | 800,000 |

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| Security(f) | Acquisition Date | Cost | Carrying Value per Unit | Value |
|--------------------------------------|------------------|---------------|-------------------------|------------------|
| Songbird Hearing, Inc. | | | | |
| Restricted Common | 12/14/00 | 2,003,239 | 0.01 | 1,390 |
| Syntiro Healthcare Services | | | | |
| Restricted Common | 2/5/97 | 800,325 | 0.001 | 204 |
| TargeGen, Inc. | | | | |
| Series C Cvt. Pfd. | 8/30/05 | 1,842,205 | 1.30 | 1,840,001 |
| Therion Biologics Corporation | | | | |
| Series A Cvt. Pfd. | 8/20/96-10/16/96 | 289,847 | 1.22 | 37,722 |
| Series B Cvt. Pfd. | 6/22/99 | 600,929 | 1.22 | 195,200 |
| Series C Cvt. Pfd. | 9/26/01-10/15/01 | 1,019,568 | 1.22 | 331,606 |
| Series C-2 Cvt. Pfd. | 8/13/03 | 40,003 | 1.22 | 27,113 |
| Sinking Fund Cvt. Pfd. | 10/18/94-4/3/96 | 582,505 | 0.01 | 290 |
| Restricted Common | 6/30/93 | 251,642 | 0.01 | 1,470 |
| TherOx, Inc. | | | | |
| Series H Cvt. Pfd. | 9/11/00 | 2,001,626 | 3.80 | 165,217 |
| Series I Cvt. Pfd. | 7/8/05 | 386,273 | 3.86 | 384,733 |
| Xanthus Life Sciences, Inc. | | | | |
| Series B Cvt. Pfd. | 12/5/03 | 1,400,880 | 1.00 | 1,400,000 |
| Zyomyx, Inc. | | | | |
| Series A New Cvt. Pfd. | 2/19/99-1/12/04 | 199,800 | 0.10 | 20,000 |
| Series B New Cvt. Pfd. | 3/31/04 | 112 | 0.10 | 20 |
| New Restricted Common | 2/19/99-7/22/02 | 2,401,101 | 0.01 | 2,000 |
| | | \$ 52,437,059 | | \$ 38,061,238(h) |

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

(g) Foreign security

(h) Represents 18% of the Fund's net assets as of December 31, 2005.

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.
