

H&Q LIFE SCIENCES INVESTORS  
Form N-Q  
August 29, 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: 6/30/2006

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-1 (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.**

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

JUNE 30, 2006

(Unaudited)

| SHARES    |  | VALUE         |
|-----------|--|---------------|
|           | <b>CONVERTIBLE SECURITIES AND WARRANTS 18.8% of Net Assets</b> |               |
|           | <b>Convertible Preferred (Restricted) 17.0%</b>                |               |
|           | <i>Drug Discovery Technologies 1.8%</i>                        |               |
| 1,587,302 | Agilix Corporation Series B (a)(b)                             | \$ 94,540     |
| 250,000   | Ceres, Inc. Series C (a)                                       | 1,500,000     |
| 21,462    | Ceres, Inc. Series C-1 (a)                                     | 128,772       |
| 175,540   | Ceres, Inc. Series D (a)                                       | 1,053,240     |
| 174,848   | Cougar Biotechnology Inc. Series A (a)                         | 787,498       |
| 932,488   | Galileo Pharmaceuticals, Inc. Series F-1 (a)                   | 93            |
| 1,846,154 | Matritech Inc. warrants (expiration 1/17/11) (a)               | 0             |
| 200,000   | Zyomyx, Inc. Series A New (a)                                  | 20,000        |
| 200       | Zyomyx, Inc. Series B New (a)                                  | 20            |
|           | <i>Emerging Biopharmaceuticals 5.1%</i>                        |               |
| 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     |
| 2,722,014 | 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)                     | 309           |
| 160,000   | Therion Biologics Corporation Series B (a)                     | 1,600         |
| 271,808   | Therion Biologics Corporation Series C (a)                     | 2,718         |
| 203,856   | Therion Biologics Corp. warrants (expiration 9/26/06) (a)      | 0             |
| 22,224    | Therion Biologics Corporation Series C-2 (a)                   | 222           |
| 16,668    | Therion Biologics Corp. warrants (expiration 8/18/08) (a)      | 0             |
| 28,991    | Therion Biologics Corporation Sinking Fund (a)                 | 290           |
| 1,645,000 | Xanthus Life Sciences, Inc. Series B (a)                       | 1,645,000     |
|           | <i>Healthcare Services 3.8%</i>                                |               |
| 1,051,429 | CardioNet, Inc. Series C (a)                                   | 3,680,001     |
| 35,254    | CardioNet warrants (expiration 5/01/11) (a)                    | 0             |
| 322,168   | CytoLogix Corporation Series A (a) (b)                         | 265,789       |
| 151,420   | CytoLogix Corporation Series B (a) (b)                         | 124,922       |
| 3,589,744 | PHT Corporation Series D (a) (b)                               | 2,800,000     |
| 802,996   | PHT Corporation Series E (a) (b)                               | 626,337       |
|           | <i>Medical Devices and Diagnostics 6.3%</i>                    |               |
| 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                                    | 1,430,000     |
| 1,088,436 | OmniSonics Medical Technologies, Inc. Series B (a)             | 1,308,518     |
| 1,031,992 | OmniSonics Medical Technologies, Inc. Series C (a)             | 1,077,400     |
| 43,478    | TherOx, Inc. Series H (a)                                      | 165,216       |
| 99,646    | TherOx, Inc. Series I (a)                                      | 384,733       |
| 2,813     | Therox warrants (expiration 1/26/10) (a)                       | 0             |
| 5,427     | Therox warrants (expiration 6/09/09) (a)                       | 0             |
|           |  | \$ 33,574,441 |



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| PRINCIPAL AMOUNT |  | VALUE                |
|------------------|--|----------------------|
|                  | <b>Convertible Notes (Restricted) 1.8%</b>       |                      |
|                  | <i>Drug Discovery Technologies 1.6%</i>          |                      |
| \$ 2,000,000     | Matritech Inc., 15.00% due 2009                  | \$ 3,261,538         |
|                  | <i>Healthcare Services 0.2%</i>                  |                      |
| 211,310          | CardioNet, Inc. Cvt. Note, 8.00% due 2006        | 211,310              |
| 112,224          | CytoLogix Corporation Cvt. Note, 6.75% (b) (c)   | 112,224              |
|                  |  | \$ 3,585,072         |
|                  | <b>TOTAL CONVERTIBLE SECURITIES AND WARRANTS</b> |                      |
|                  | <b>(Cost \$44,511,927)</b>                       | <b>\$ 37,159,513</b> |

SHARES

| <b>COMMON STOCKS AND WARRANTS 75.9%</b> |   |            |
|---|---|------------|
|   | <b>Biopharmaceuticals 26.3%</b>                         |            |
| 311,111                                 | Akorn, Inc. (a)   | 1,238,222  |
| 108,889                                 | Akorn Inc. warrants (expiration 3/07/11) (a)            | 0          |
| 201,250                                 | Alexza Pharmaceuticals, Inc. (a)                        | 1,475,162  |
| 39,300                                  | Amgen, Inc. (a)   | 2,563,539  |
| 351,500                                 | Bioenvision, Inc. (a)                                   | 1,873,495  |
| 7,000                                   | Celgene Corp. (a)                                       | 332,010    |
| 194,180                                 | Corcept Therapeutics Inc. (a)                           | 786,429    |
| 534,805                                 | Critical Therapeutics, Inc. (a)                         | 1,925,298  |
| 159,672                                 | Critical Therapeutics warrants (expiration 6/20/08) (a) | 0          |
| 247,653                                 | Cubist Pharmaceuticals, Inc. (a)                        | 6,235,903  |
| 33,500                                  | Genentech, Inc. (a)                                     | 2,740,300  |
| 84,732                                  | Genzyme Corporation (a)                                 | 5,172,889  |
| 149,425                                 | Gilead Sciences, Inc. (a)                               | 8,839,983  |
| 242,325                                 | Idenix Pharmaceuticals Inc. (a)                         | 2,277,855  |
| 400,950                                 | Insmed Inc. (a)   | 641,520    |
| 540,559                                 | Inspire Pharmaceuticals, Inc. (a)                       | 2,513,599  |
| 93,810                                  | MedImmune, Inc. (a)                                     | 2,542,251  |
| 82,740                                  | Myriad Genetics Inc. (a)                                | 2,089,185  |
| 668,100                                 | Point Therapeutics, Inc. (a)                            | 1,656,888  |
| 378,480                                 | SGX Pharmaceuticals, Inc. (a)                           | 1,949,172  |
| 375,384                                 | Tercica, Inc. (a)                                       | 1,985,781  |
| 52,250                                  | United Therapeutics Corp. (a)                           | 3,018,482  |
|   |   | 51,857,963 |
|   | <b>Drug Delivery 2.5%</b>                               |            |
| 526,855                                 | DepoMed, Inc. (a)                                       | 3,092,639  |
| 106,760                                 | Noven Pharmaceuticals, Inc. (a)                         | 1,911,004  |
|   |   | 5,003,643  |

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| SHARES                                   |  | VALUE      |
|--|--|------------|
| <b>Drug Discovery Technologies 5.3%</b>  |  |            |
| 184,848                                  | Avalon Pharmaceuticals, Inc. (a)               | \$ 626,635 |
| 19,428                                   | Cougar Biotechnology Inc. (Restricted) (a)     | 87,502     |
| 460,232                                  | deCODE Genetics, Inc. (a)                      | 2,848,836  |
| 531,700                                  | Pharmacopeia Drug Discovery, Inc. (a)          | 2,126,800  |
| 120,737                                  | Senomyx, Inc. (a)                              | 1,742,235  |
| 156,000                                  | ZymoGenetics, Inc. (a)                         | 2,959,320  |
| 200,000                                  | Zyomyx, Inc. (Restricted) (a)                  | 2,000      |
|  |  | 10,393,328 |
| <b>Emerging Biopharmaceuticals 17.8%</b> |  |            |
| 253,420                                  | ACADIA Pharmaceuticals, Inc. (a)               | 2,138,865  |
| 506,354                                  | Ariad Pharmaceuticals, Inc. (a)                | 2,283,657  |
| 290,608                                  | Barrier Therapeutics, Inc. (a)                 | 1,900,576  |
| 25,000                                   | Coley Pharmaceutical Group Inc (a)             | 288,750    |
| 174,429                                  | Cytokinetics, Inc. (a)                         | 1,097,159  |
| 87,570                                   | DOV Pharmaceutical, Inc. (a)                   | 185,648    |
| 723,800                                  | Epix Pharmaceuticals, Inc. (a)                 | 3,148,530  |
| 319,380                                  | Exelixis, Inc. (a)                             | 3,209,769  |
| 261,311                                  | Kosan Biosciences, Inc. (a)                    | 1,045,244  |
| 774,000                                  | Lexicon Genetics, Inc. (a)                     | 3,397,860  |
| 62,909                                   | Momenta Pharmaceuticals, Inc. (a)              | 799,573    |
| 41,707                                   | Myogen, Inc. (a)                               | 1,209,503  |
| 51,080                                   | Myogen, Inc. warrants (expiration 9/29/09) (a) | 1,082,896  |
| 322,410                                  | Neurogen Corporation (a)                       | 1,650,739  |
| 251,822                                  | Nitromed, Inc. (a)                             | 1,216,300  |
| 153,300                                  | Rigel Pharmaceuticals, Inc. (a)                | 1,491,609  |
| 415,700                                  | Sangamo BioSciences, Inc. (a)                  | 2,452,630  |
| 455,320                                  | Seattle Genetics, Inc. (a)                     | 2,094,472  |
| 60,104                                   | Telik, Inc. (a)                                | 991,716    |
| 145,958                                  | Theravance, Inc. (a)                           | 3,339,519  |
| 146,982                                  | Therion Biologics Corporation (Restricted) (a) | 1,470      |
|  |  | 35,026,485 |
| <b>Generic Pharmaceuticals 4.3%</b>      |  |            |
| 305,100                                  | Caraco Pharmaceutical Laboratories, Ltd. (a)   | 2,791,665  |
| 429,582                                  | Impax Laboratories, Inc. (a)                   | 2,684,887  |
| 94,708                                   | Teva Pharmaceutical Industries, Ltd. (d)       | 2,991,826  |
|  |  | 8,468,378  |
| <b>Healthcare Services 4.5%</b>          |  |            |
| 148,148                                  | Aveta, Inc. (Restricted) (a)                   | 1,999,998  |
| 17,416                                   | DakoCytomation, Inc. (Restricted) (e)          | 181,301    |
| 212,890                                  | Emageon, Inc. (a)                              | 3,106,065  |
| 106,500                                  | National Medical Health Card Systems, Inc. (a) | 1,469,700  |
| 204,139                                  | Syntiro Healthcare Services (Restricted) (a)   | 204        |
| 2,475,000                                | Zix Corp. (a)                                  | 2,079,000  |
| 1,485,000                                | Zix Corp. warrants (expiration 10/01/11) (a)   | 0          |
|  |  | 8,836,268  |

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| <b>Medical Devices and Diagnostics 15.2%</b> |   |                |
|--|---|----------------|
| 100,970                                      | Adeza Biomedical Corporation (a)        | 1,415,599      |
| 458,850                                      | Align Technology, Inc. (a)              | 3,390,902      |
| 298,577                                      | Conor Medsystems, Inc. (a)              | 8,237,739      |
| 58,800                                       | Conor Medsystems, Inc. (Restricted) (a) | 1,541,177      |
| 73,832                                       | Genomic Health Inc. (a)                 | 869,003        |
| 57,920                                       | IDEXX Laboratories, Inc. (a)            | 4,351,530      |
| 130,000                                      | Masimo Corporation (Restricted)         | 1,300          |
| 447,080                                      | Medwave, Inc. (a)                       | 1,131,112      |
| 111,770                                      | Medwave Inc. (expiration 8/21/11) (a)   | 0              |
| 717,585                                      | Orthovita, Inc. (a)                     | 3,028,209      |
| 139,019                                      | Songbird Hearing, Inc. (Restricted) (a) | 1,390          |
| 927,713                                      | Third Wave Technologies, Inc. (a)       | 2,764,585      |
| 382,583                                      | VNUS Medical Technologies, Inc. (a)     | 3,206,046      |
|  |   | 29,938,592     |
| <b>TOTAL COMMON STOCKS AND WARRANTS</b>      |   |                |
| (Cost \$138,747,379)                         |   | \$ 149,524,657 |

**PRINCIPAL AMOUNT**

| <b>SHORT-TERM INVESTMENTS 4.6%</b>  |   |                       |
|-------------------------------------|---|-----------------------|
| \$ 6,000,000                        | American Express Corp.;                           |                       |
|                                     | 5.25% due 07/07/06                                | 5,994,750             |
| 2,994,000                           | United Parcel Service America Inc.;               |                       |
|                                     | 4.95% due 07/05/06                                | 2,992,353             |
| <b>TOTAL SHORT-TERM INVESTMENTS</b> |   |                       |
| <b>(Cost \$8,987,103)</b>           |   | <b>\$ 8,987,103</b>   |
| <b>TOTAL INVESTMENTS 99.3%</b>      |   |                       |
| <b>(Cost \$192,246,409)</b>         |   |                       |
|                                     | <b>OTHER ASSETS IN EXCESS OF LIABILITIES 0.7%</b> | 1,306,299             |
|                                     | <b>NET ASSETS - 100%</b>                          | <b>\$ 196,977,572</b> |

- 
- (a) Non-income producing security.
  - (b) Affiliated issuers in which the Fund holds 5% or more of the voting securities (Total Market Value of \$10,818,594).
  - (c) Variable maturity.
  - (d) American Depositary Receipt.
  - (e) Foreign security.

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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 fair value of venture capital and other restricted securities is determined in good faith by the Trustees. However, 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 Trustees consider 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; and (iii) the price of a security negotiated at arm's length in an issuer's completed subsequent round of financing. Short-term investments with maturity of 60 days or less are valued at amortized cost.

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 June 30, 2006, as determined by the Trustees of the Fund. The Fund may invest up to 40% of its net assets in venture capital and other restricted securities. The values of these securities represent 21% of the Fund's net assets at June 30, 2006. 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.

| Security (e)                  | 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          | 1,711,313    | 0.06                    | 94,540       |
| 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 | 3,701,130    | 3.50                    | 3,680,001    |
| Convertible Note              | 8/15/05          | 211,310      | 100.00                  | 211,310      |
| 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                    | 128,772      |
| Series D Cvt. Pfd.            | 3/14/01          | 1,046,778    | 6.00                    | 1,053,240    |
| 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      | 26.21                   | 1,541,177    |
| Corus Pharma, Inc.            |                  |              |                         |              |
| Series C Cvt. Pfd.            | 4/8/04           | 2,004,597    | 0.58                    | 1,000,000    |
| Cougar Biotechnology Inc.     |                  |              |                         |              |
| Series A Cvt. Pfd.            | 3/30/06          | 787,501      | 4.50                    | 787,498      |
| Restricted Common             | 3/30/06          | 87,500       | 4.50                    | 87,502       |
| 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      | 100.00                  | 112,224      |
| Dako A/S                      |                  |              |                         |              |
| 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. |                  |              |                         |              |



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|                                       |                  |           |        |           |
|---------------------------------------|------------------|-----------|--------|-----------|
| Series F-1 Cvt. Pfd.                  | 8/18/00          | 2,001,929 | 0.00   | 93        |
| 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          | 910,530   | 11.00  | 1,430,000 |
| Restricted Common                     | 3/31/98          | 0         | 0.01   | 1,300     |
| Matriotech, Inc.                      |                  |           |        |           |
| Convertible Note                      | 1/17/06          | 2,013,664 | 163.08 | 3,261,538 |
| Omnisonics Medical Technologies, Inc. |                  |           |        |           |
| Series B Cvt. Pfd.                    | 5/24/01          | 1,606,312 | 1.20   | 1,308,518 |
| Series C Cvt. Pfd.                    | 10/1/03          | 1,200,224 | 1.04   | 1,077,400 |
| 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   |

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| Security (e)                  | Acquisition Date | Cost          | Carrying Value per Unit | Value             |
|-------------------------------|------------------|---------------|-------------------------|-------------------|
| 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           |
| 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          | 1,842,331     | 1.30                    | 1,840,001         |
| Therion Biologics Corporation |                  |               |                         |                   |
| Series A Cvt. Pfd.            | 8/20/96-10/16/96 | 289,847       | 0.01                    | 309               |
| Series B Cvt. Pfd.            | 6/22/99          | 600,929       | 0.01                    | 1,600             |
| Series C Cvt. Pfd.            | 9/26/01-10/15/01 | 1,019,568     | 0.01                    | 2,718             |
| Series C-2 Cvt. Pfd.          | 8/13/03          | 40,003        | 0.01                    | 222               |
| 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                    | 165,216           |
| Series I Cvt. Pfd.            | 7/8/05           | 386,273       | 3.86                    | 384,733           |
| Xanthus Life Sciences, Inc.   |                  |               |                         |                   |
| Series B Cvt. Pfd.            | 12/5/03, 3/23/06 | 1,645,880     | 1.00                    | 1,645,000         |
| 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             |
|                               |                  | \$ 53,142,289 |                         | \$ 40,975,855 (f) |

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

(f) Represents 21% of the Fund's net assets as of June 30, 2006.

Federal Income Tax Cost- At June 30, 2006, the total cost of securities for Federal income tax purposes was \$192,246,409. The net unrealized gain on securities held by the Fund was \$3,424,864, including gross unrealized gain of \$43,423,675 and gross unrealized loss of \$39,998,811.

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 nine months ended June 30, 2006 were as follows:

| Issuer                   | Value on October 1, 2005 | Purchases | Sales | Income   | Value on June 30, 2006 |
|--------------------------|--------------------------|-----------|-------|----------|------------------------|
| Agilix Corporation       | \$ 380,952               | \$        | \$    | \$       | \$ 94,540              |
| Concentric Medical, Inc. | 6,794,782                |           |       |          | 6,794,782              |
| CytoLogix Corporation    | 502,935                  |           |       | 5,681    | 502,935                |
| PHT Corporation          | 3,426,337                |           |       |          | 3,426,337              |
|                          | \$ 11,105,006            | \$        | \$    | \$ 5,681 | \$ 10,818,594          |

**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 8/29/06

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/ Kathleen Eckert  
Kathleen Eckert, Treasurer

Date 8/29/06

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