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H&Q HEALTHCARE INVESTORS  
Form DEF 14A  
May 10, 2005

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant /X/

Filed by a Party other than the Registrant / /

Check the appropriate box:

- / / Preliminary Proxy Statement
- / / CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e) (2))
- /X/ Definitive Proxy Statement
- / / Definitive Additional Materials
- / / Soliciting Material Pursuant to Section 240.14a-12

H&Q HEALTHCARE INVESTORS  
H&Q LIFE SCIENCES INVESTORS

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- /X/ No fee required.
- / / Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

- (1) Title of each class of securities to which transaction applies:  
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- (2) Aggregate number of securities to which transaction applies:  
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- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):  
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- (4) Proposed maximum aggregate value of transaction:  
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- (5) Total fee paid:  
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/ / Fee paid previously with preliminary materials.

/ / Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:  
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- (2) Form, Schedule or Registration Statement No.:  
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- (3) Filing Party:  
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(4) Date Filed:  
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H&Q HEALTHCARE INVESTORS  
H&Q LIFE SCIENCES INVESTORS  
30 Rowes Wharf, Fourth Floor  
Boston, Massachusetts 02110-3328  
(617) 772-8500

NOTICE OF JOINT ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of  
H&Q HEALTHCARE INVESTORS and H&Q LIFE SCIENCES INVESTORS:

An Annual Meeting of Shareholders of H&Q Healthcare Investors and of H&Q Life Sciences Investors (each a "Fund") will be held on Tuesday, June 14, 2005, at 9:00 a.m. at the Langham Hotel Boston, 250 Franklin Street, Boston, Massachusetts 02110, for the following purposes:

- (1) The election of Trustees of each Fund; and
- (2) The ratification or rejection of the selection of Deloitte & Touche LLP as the independent registered public accountants of each Fund for the fiscal year ending September 30, 2005; and
- (3) The transaction of such other business as may properly come before the Annual Meeting and any adjournment(s) or postponement(s) thereof.

Although the Annual Meetings are held together for convenience in order to hear common presentations, each Fund's shareholders take action independently of the other. Shareholders of record at the close of business on May 4, 2005 will be entitled to vote at the Annual Meeting or at any adjournment(s) or postponement(s) thereof.

By Order of the Board of Trustees,

/s/ Kathleen M. Eckert,

Kathleen M. Eckert,  
Secretary

May 10, 2005

PLEASE COMPLETE, DATE AND SIGN THE PROXY FOR THE SHARES HELD BY YOU AND RETURN THE PROXY IN THE ENVELOPE PROVIDED SO THAT YOUR VOTE CAN BE RECORDED. NO POSTAGE IS REQUIRED IF THE ENVELOPE IS MAILED IN THE UNITED STATES. IT IS IMPORTANT THAT YOU RETURN YOUR SIGNED PROXY PROMPTLY, REGARDLESS OF THE SIZE OF YOUR HOLDINGS, SO THAT A QUORUM MAY BE ASSURED.

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H&Q HEALTHCARE INVESTORS  
H&Q LIFE SCIENCES INVESTORS

JOINT PROXY STATEMENT

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This Proxy Statement is furnished in connection with the solicitation by the Board of Trustees of H&Q Healthcare Investors ("HQH") and of H&Q Life Sciences Investors ("HQL" and, together with HQH, each is referred to separately as the "Fund" and collectively as the "Funds") of proxies to be voted at the Joint Annual Meeting of Shareholders of the Funds to be held on June 14, 2005 (the "Annual Meeting"), and any adjournment(s) or postponement(s) thereof, for the purposes set forth in the accompanying Notice of Annual Meeting, dated May 10, 2005. Unless otherwise indicated, all information in this Proxy Statement and each proposal ("Proposal") applies separately to each Fund. This Proxy Statement, the Notice of Annual Meeting and the Proxy Card(s) are first being mailed to shareholders on or about May 10, 2005.

Proposal 1 relates to the election of Trustees for each Fund and Proposal 2 relates to the ratification of the selection of the independent registered public accountants of each Fund. Each Fund's shareholders will vote separately on each Proposal.

Each Fund will furnish, without charge, a copy of its Annual Report, or the most recent Semi-Annual Report succeeding the Annual Report, if any, to a shareholder upon request. Requests may be sent to each Fund at 30 Rowes Wharf, Suite 430, Boston, MA 02110-3328 or be made by calling (800) 451-2597.

### PROPOSAL 1 ELECTION OF TRUSTEES

Each Fund's Declaration of Trust provides that the Board of Trustees shall be divided into three classes with staggered terms. The term of office of the Class A Trustees expires on the date of the 2005 Annual Meeting, and the term of office of the Class B and Class C Trustees will expire one and two years, respectively, thereafter. Trustees chosen to succeed the Class A Trustees whose terms are expiring will be elected for a three-year term.

Each Fund's Declaration of Trust provides that a majority of the Trustees shall fix the number of the entire Board of Trustees and that such number shall be at least three and no greater than fifteen. Each Fund's Board of Trustees has fixed the number of Trustees at seven. Proxies will be voted for the election of the following nominee for HQH and three nominees for HQL. Each nominee is presently serving as a Class A Trustee and has consented to continue to so serve. In the event that a nominee is unable to serve for any reason (which is not now expected), when the election occurs, the accompanying Proxy will be voted for such other person or persons as the Board of Trustees may recommend.

The nominee to serve as a Class A Trustee of HQH until the 2008 Annual Meeting is Henri A. Termeer, and the nominees to serve as Class A Trustees of HQL until the 2008 Annual Meeting are Robert P. Mack, M.D., Eric Oddleifson and Oleg M. Pohotsky. The Class B Trustees serving until the 2006 Annual Meeting are Lawrence S. Lewin, Daniel R. Omstead, Ph.D., and Uwe E. Reinhardt, Ph.D for HQH and Daniel R. Omstead, Ph.D. and Henri A. Termeer for HQL. The Class C Trustees serving until the 2007 Annual Meeting are Robert P. Mack, M.D., Eric Oddleifson and Oleg M. Pohotsky for HQH and Lawrence S. Lewin and Uwe E. Reinhardt, Ph.D for HQL.

1

The nominees and Trustees and their principal occupations for at least the last five years are set forth in the table below.

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NAME (AGE), ADDRESS, POSITION(S) HELD WITH THE FUNDS  
AND LENGTH OF TIME SERVED, PRINCIPAL OCCUPATION(S)  
DURING PAST FIVE YEARS AND OTHER DIRECTORSHIPS HELD BY  
TRUSTEE OR NOMINEE FOR TRUSTEE

IN FU  
OVE  
TRUSTEE  
FOR

### INDEPENDENT TRUSTEES AND NOMINEES

LAWRENCE S. LEWIN<sup>^~+</sup> (67), 3305 ROLLING ROAD, CHEVY CHASE, MD 20815  
Trustee of HQH (since 1987) and of HQL (since 1992) and Chairman of HQH and HQL  
(since 2000); Executive Consultant (since December 1999); Director (since 2003)  
of Medco Health Solutions, Inc.; Chief Executive Officer (from 1970-1999) of The  
Lewin Group (healthcare public policy and Management consulting), a subsidiary  
of Quintiles Transnational Corp.

ROBERT P. MACK, M.D.<sup>#~^</sup> (69), 30 ROWES WHARF, BOSTON, MA 02110  
Trustee (since 1991) of HQH and (since 1992) of HQL; Consultant in Orthopedic  
Surgery to Orthopedic Associates of Aspen (since 2000).

ERIC ODDLEIFSON<sup>\*\*#+</sup> (70), 42 RIVER ROAD, COHASSET, MA 02025  
Trustee of HQH and of HQL (since 1992); Partner (1997-2003) and Investment  
Committee Chair (since Sept. 2003) of GMO Renewable Resources LLC (timber  
investment management).

OLEG M. POHOTSKY<sup>\*\*#+</sup> (58), 30 ROWES WHARF, BOSTON, MA 02110  
Trustee of HQH and of HQL (since 2000); Financial Consultant (since 2002);  
Senior Vice President (from 1991-2001) of FAC/Equities, a division of First  
Albany Corporation (investment bank).

UWE E. REINHARDT, PH.D.<sup>\*\*</sup> (67), 30 ROWES WHARF, BOSTON, MA 02110  
Trustee of HQH (since 1988) and of HQL (since 1992); Professor of Economics  
(since 1968) at Princeton University; Director (since 2000) of Triad Hospitals,  
Inc.; Director (since 2002) of Boston Scientific; Director (since 2002) of  
Amerigroup, Inc.; Director (since 2001) of Duke University; Director (since  
2001) of the Duke University Health System; Director (since 2002) of the  
National Bureau of Economic Research.

HENRI A. TERMEER<sup>^~</sup> (59), GENZYME CORPORATION, 500 KENDALL STREET, CAMBRIDGE, MA 02139  
Trustee of HQH (since 1989) and of HQL (since 1992); Chairman (since 1988),  
Chief Executive Officer (since 1985), and President (since 1983) of Genzyme  
Corporation (human healthcare products); Director (since 1987) of ABIOMED, Inc.

### INTERESTED TRUSTEE

DANIEL R. OMSTEAD, PH.D.<sup>\*</sup> (51), 30 ROWES WHARF, BOSTON, MA 02110  
President of HQH and of HQL (since 2001); Trustee of HQH and of HQL (since  
2003), President, Chief Executive Officer and Managing Member (since July 2002)  
of Hambrecht & Quist Capital Management LLC; President and Chief Executive  
Officer (2001-June 2002) and Managing Director (2000-June 2002) of Hambrecht &  
Quist Capital Management, Inc.; President and Chief Executive Officer (from  
1998-2000) of Reprogenesis, Inc.

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\* Trustee considered to be an "interested person" within the meaning of the  
Investment Company Act of 1940, as amended (the "1940 Act"), through  
position or affiliation with Hambrecht & Quist Capital Management LLC (the  
"Adviser").

\*\* Member of each Fund's Audit Committee.

^ Member of each Fund's Governance Committee.

~ Member of each Fund's Nominating Committee.

# Member of each Fund's Valuation Committee.

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+ Member of each Fund's Qualified Legal Compliance Committee.

2

The following table sets forth, for each Trustee, the aggregate dollar range of equity securities owned of each Fund and in the aggregate as of April 13, 2005. The information as to beneficial ownership is based upon statements furnished by each Trustee.

NAME OF TRUSTEE	DOLLAR RANGE OF EQUITY SECURITIES IN HQH	DOLLAR RANGE OF EQUITY SECURITIES IN HQL	AGGREGATE DOLLAR RANGE OF EQUITY SECURITIES IN FUNDS OVERSEEN BY TRUSTEE IN FUND CO
<b>INDEPENDENT TRUSTEES</b>			
Lawrence S. Lewin	\$50,001-\$100,000	\$10,001-\$50,000	Over \$100,000
Robert P. Mack, M.D.	\$50,001-\$100,000	None	\$50,001-\$100,000
Eric Oddleifson	\$50,001-\$100,000	\$50,001-\$100,000	Over \$100,000
Oleg M. Pohotsky	None	None	None
Uwe E. Reinhardt, Ph.D.	\$1-\$10,000	\$1-\$10,000	\$10,001-\$50,000
Henri A. Termeer	None	None	None
<b>INTERESTED TRUSTEE</b>			
Daniel R. Omstead, Ph.D.	\$50,001-\$100,000	\$50,000-\$100,000	Over \$100,000

Although Trustees are encouraged to attend the annual meetings of shareholders to the extent they are able, the Funds have no formal policy with regard to board members' attendance at annual meetings of shareholders. Last year, six of the seven Trustees then in office attended the annual meeting of shareholders.

Shareholders wishing to send communications to the Boards may communicate with members of the Boards of Trustees by submitting a written communication directed to the applicable Board of Trustees in care of the Funds' Secretary, Kathleen M. Eckert, at 30 Rowes Wharf, Boston, MA 02110.

### STANDING COMMITTEES

**AUDIT COMMITTEE.** Each Fund has an Audit Committee comprised solely of Trustees who are not "interested persons" (as that term is defined in Section 2(a)(19) of the 1940 Act) of the Funds and the Adviser (each an "Independent Trustee") and who are "independent" as defined in the New York Stock Exchange ("NYSE") Listing Standards. Each Fund's Board of Trustees has adopted a written charter for the Audit Committee, and a copy of this charter was included as Exhibit A to the Funds' Joint Proxy Statement dated May 24, 2004. The principal purpose of each Fund's Audit Committee is to assist the Board of Trustees in fulfilling its responsibility to oversee management's conduct of the Fund's financial reporting process, including reviewing the financial reports and other financial information provided by the Fund, the Fund's systems of internal accounting and financial controls and the annual independent audit process.

For each Fund, the Audit Committee's role is one of oversight, and it is recognized that the Fund's management is responsible for preparing the Fund's financial statements and that the independent registered public accountant is responsible for auditing those financial statements. Although each Audit Committee member must be financially literate and one member must have accounting or financial management expertise (as determined by the Board of

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Trustees in its business judgment), Audit Committee members are not professionally engaged in the practice of accounting or auditing and are not experts in the fields of accounting or auditing, including with respect to auditor independence. Audit Committee members rely, without independent verification, on the information provided to them and on the representations made by management and each Fund's independent public accountants.

3

The members of each Fund's Audit Committee are Messrs. Oddleifson, and Pohotsky and Dr. Reinhardt. Mr. Pohotsky is the Chairman of each Fund's Audit Committee. Each Fund's Audit Committee held one meeting during the fiscal year ended September 30, 2004.

GOVERNANCE COMMITTEE. Each Fund has a Governance Committee comprised solely of Independent Trustees who are "independent" as defined in the NYSE Listing Standards. Each Fund's Board of Trustees has adopted a written charter for the Governance Committee. Each Fund's Governance Committee's mission under its charter is to review, evaluate, and enhance the effectiveness of each Fund's Board of Trustees in its role in governing each Fund and to oversee management of each Fund in accordance with the Corporate Governance Guidelines, which have been adopted by each Fund's Board of Trustees.

Each Fund's Governance Committee shall review, discuss and make recommendations to the Board of Trustees relating to those issues that pertain to the effectiveness of the Board of Trustees in carrying out its responsibilities in governing each Fund and overseeing each Fund's management. The members of each Fund's Governance Committee are Messrs. Lewin and Termeer and Dr. Mack. Mr. Lewin is the Chairman of each Fund's Governance Committee. Each Fund's Nominating and Governance Committee met one time during the fiscal year ended September 30, 2004. For the fiscal year ended September 30, 2004 the Nominating and Governance Committees were combined as one Committee for each Fund.

NOMINATING COMMITTEE. Each Fund has a Nominating Committee comprised solely of Independent Trustees who are "independent" as defined in the NYSE Listing Standards. Each Fund's Board of Trustees has adopted a written charter for the Nominating Committee. The Nominating Committee charter is not available on the Fund's website but was included as Exhibit B to the Funds' Joint Proxy dated May 24, 2004.

Each Fund's Nominating Committee requires that each prospective trustee candidate have a college degree or equivalent business experience, and that each candidate is not serving in a similar capacity on the board of a registered investment company which is not sponsored or advised by the Funds' investment adviser or its affiliates. Each Fund's Nominating Committee may also take into account other factors when considering and evaluating potential trustee candidates, including but not limited to: (i) availability and commitment to attend meetings and perform responsibilities of the Board; (ii) relevant industry and related experience; (iii) educational background; (iv) financial expertise; (v) the candidate's ability, judgment and expertise; and (vi) the overall diversity of the Board's composition.

Each Fund's Nominating Committee may identify prospective trustees from any reasonable source, including, but not limited to, the consultation of third-party trustee search services. Each Fund's Nominating Committee will consider potential trustee candidates recommended by shareholders, provided that the proposed candidates (i) satisfy any minimum qualifications of the Fund for its trustees; (ii) are not "interested persons" (as that term is defined in Section 2(a)(19) of the 1940 Act) of the Fund or the Adviser; and (iii) are "independent" as defined in the NYSE Listing Standards. In order to be evaluated

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by the appropriate Committee, trustee candidates recommended by shareholders must also meet certain eligibility requirements as set out in the Committees' Nominating Charter. Other than those eligibility requirements, the Committees shall not evaluate shareholder trustee nominees in a different manner than other nominees. The standard of the Committees is to treat all equally qualified nominees in the same manner.

All shareholder recommended nominee submissions must be received by the Funds by the deadline for submission of any shareholder proposals which would be included in the Funds' proxy statement for the next annual meeting of the Funds. Each nominating shareholder or shareholder

4

group must meet the requirements stated in the Nominating Charter. A nominating shareholder or shareholder group may not submit more than one nominee per year. When nominating a trustee candidate, shareholders must include in their notice to the Funds' Secretary: (i) the shareholder's contact information; (ii) the trustee candidate's contact information and the number of Fund shares owned by the proposed candidate; (iii) all information regarding the candidate that would be required to be disclosed in solicitations of proxies for elections of trustees required by Regulation 14A of the Securities Act of 1934, as amended; and (iv) a notarized letter executed by the trustee candidate, stating his or her intention to serve as a nominee and be named in the Fund's proxy statement, if nominated by the Board of Trustees, and to be named as a trustee if so elected. Once a nomination has been timely received in proper form, the nominee will be asked to complete an eligibility questionnaire to assist the Funds in assessing the nominee's qualifications as a potential Independent Trustee and as someone who is "independent" under the NYSE Listing Standards. The Nominating Committee will make such determinations in its sole discretion and such determinations shall be final.

The members of each Fund's Nominating Committee are Messrs. Lewin and Termeer and Dr. Mack. Mr. Lewin is the Chairman of each Fund's Nominating Committee. Each Fund's Nominating and Governance Committee met one time during the fiscal year ended September 30, 2004. For the fiscal year ended September 30, 2004 the Nominating and Governance Committees were combined as one Committee for each Fund.

VALUATION COMMITTEE. Each Board has delegated to each Fund's Valuation Committee general responsibility for determining, in accordance with each Fund's valuation procedures, the value of assets held by each Fund on any day on which the net asset value per share is determined. Each Valuation Committee may appoint, and has appointed, a Sub-Committee made up of employees and officers of the Adviser, to deal in the first instance with day to day valuation decisions, subject to oversight by the Valuation Committee. Each Valuation Committee shall meet as often as necessary to ensure that each action taken by the Sub-Committee is reviewed within a calendar quarter of the occurrence. In connection with its review, each Valuation Committee shall ratify or revise the pricing methodologies authorized by the Sub-Committee since the last meeting of the Valuation Committee. Each Valuation Committee is charged with the responsibility of determining the fair value of each Fund's securities or other assets in situations set forth in each Fund's valuation procedures.

The members of each Fund's Valuation Committee are Messrs. Oddleifson and Pohotsky and Dr. Mack. Each Fund's Valuation Committee held six meetings during the fiscal year ended September 30, 2004.

QUALIFIED LEGAL COMPLIANCE COMMITTEE. Each Fund has a Qualified Legal Compliance Committee ("QLCC") comprised solely of Independent Trustees. Each Fund's Board of Trustees has adopted a written charter for the QLCC. The

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principal purpose of each Fund's QLCC is to review and respond to reports of Evidence of a Material Violation (as defined in the QLCC charter). Reporting Evidence of a Material Violation is required under the Standards of Professional Conduct for Attorneys adopted by the Commission under the Sarbanes-Oxley Act of 2002 (the "Standards"). Under the Standards, if an attorney appearing and practicing before the Commission in the representation of an issuer, such as the Funds, becomes aware of Evidence of a Material Violation by the issuer or by any officer, trustee, employee or agent of the issuer, the Standards provide for the attorney to report such evidence to the issuer's QLCC forthwith. In discharging its role, the QLCC is granted the power to investigate any Evidence of a Material Violation brought to its attention with full access to all books, records, facilities and personnel of the Funds and the power to retain outside counsel, auditors or other experts for this purpose.

5

The members of each Fund's QLCC are Messrs. Lewin, Oddleifson and Pohotsky. Mr. Pohotsky is the Chairman of each Fund's QLCC. Neither Fund's QLCC met during the fiscal year ended September 30, 2004.

ATTENDANCE. During the fiscal year ended September 30, 2004, each Fund's Board of Trustees held six meetings; each Fund's Audit Committee held one meeting; each Fund's Governance and Nominating Committee, which was combined as one Committee during the fiscal year ended September 30, 2004, held one meeting; and each Fund's Valuation Committee held six meetings. Each of the Trustees, other than Mr. Termeer, attended at least 75% of the aggregate number of meetings of the Board of Trustees and of all the Committees of the Board of Trustees on which he served. During the fiscal year ended September 30, 2004, Mr. Termeer attended 50% of the meetings of the Board of Trustees and all of the Committees of the Board on which he served.

### COMPENSATION OF TRUSTEES

For the fiscal year ended September 30, 2004 each Fund paid its Independent Trustees an annual fee of \$20,000. Each Fund currently pays each Independent Trustee \$500 for each Board and Committee meeting attended in person and \$250 for each Board and Committee meeting attended by telephone. For the fiscal year ended September 30, 2004 Independent Trustees of each Fund were paid \$1,000 for each Board and Committee meeting attended in person and \$500 for each Board and Committee meeting attended by telephone. Currently, the Chairman of the Board of Trustees, the Chairman of the Audit Committee and the Chairman of the Valuation Committee of each Fund receives an additional annual fee of \$2,500. Currently, the Chairman of the Nominating Committee and the Chairman of the Governance Committee of each Fund receives an additional fee of \$1,500. During the fiscal year ended September 30, 2004 the Chairman of each Committee received an additional fee of \$1,500. Independent Trustees are also reimbursed for travel expenses incurred in connection with attending such meetings. For the fiscal year ended September 30, 2004, the Independent Trustees as a group received \$169,608 from HQH and \$167,490 from HQL for fees and reimbursed expenses. Neither of the Funds directly paid any additional compensation to the Trustees for the fiscal year ended September 30, 2004. Neither of the Funds directly paid any compensation to any officer in excess of \$60,000 for the fiscal year ended September 30, 2004. Trustees and officers of the Funds who hold positions with the Adviser receive indirect compensation from the Funds in the form of the investment advisory fee paid to the Adviser. The following table sets forth information regarding compensation of Trustees by the Funds for the fiscal year ended September 30, 2004, but does not include expenses.

### COMPENSATION TABLE

For the fiscal year ended September 30, 2004



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NAME OF TRUSTEE	AGGREGATE COMPENSATION FROM EACH FUND	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF EACH FUND'S EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	TOTAL COMP FROM BOTH AND FUND PAID TO T
INDEPENDENT TRUSTEES				
Lawrence S. Lewin	\$ 25,500	N/A	N/A	\$
Robert P. Mack, M.D.	\$ 26,500	N/A	N/A	\$
Eric Oddleifson	\$ 30,500	N/A	N/A	\$
Oleg M. Pohotsky	\$ 32,050	N/A	N/A	\$
Uwe E. Reinhardt, Ph.D.	\$ 26,500	N/A	N/A	\$
Henri A. Termeer	\$ 23,500	N/A	N/A	\$
INTERESTED TRUSTEES				
Daniel R. Omstead, Ph.D.	\$ 0	N/A	N/A	\$

6

EXECUTIVE OFFICERS

The following table sets forth information (Name (Age), Address, Positions with the Funds) for at least the last five years with respect to the executive officers of the Funds who do not also serve as Trustees. Each officer has been elected by the Board of Trustees and serves at the pleasure of the Trustees.

KATHLEEN M. ECKERT (38), 30 ROWES WHARF, BOSTON, MA 02110

Chief Compliance Officer of HQH, HQL and Hambrecht & Quist Capital Management LLC (since October 2004); Secretary and Treasurer of HQH and HQL (since February 2005); Senior Vice President of Ivy Mackenzie Services Corp., from June 2002 to January 2004. Chief Compliance Officer of Mackenzie Investment Management, Inc. from June 2002 to June 2003. Director of Fund Administration of Mackenzie Investment Management Inc. from 1999 to June 2003.

REQUIRED VOTE

Each Fund's Declaration of Trust states that the Trustees shall be elected by a plurality of the Fund's shares voting at the Annual Meeting. The Trustees recommend a vote FOR all nominees.

INFORMATION PERTAINING TO THE ADVISER

Hambrecht & Quist Capital Management LLC, a limited liability company under the laws of Delaware, is the investment adviser for each Fund. Under each Fund's Current Agreement, the Adviser is responsible for the management of the Fund's assets, subject to the supervision of the Board of Trustees. The Adviser manages the investments of each Fund in accordance with its investment objective and policies. The Adviser is also obligated to supervise and perform certain administrative and management services and is obligated to provide the office space, facilities, equipment and personnel necessary to perform its duties. Except for a portion of the salary of the Funds' Chief Compliance Officer, the salaries of all officers of the Funds and all personnel of the Funds or of the Adviser performing services relating to research, statistical or investment activities, and of all Trustees who are Interested Persons of the Funds or of the Adviser, are paid by the Adviser or an affiliate thereof. The Adviser is located at 30 Rowes Wharf, Suite 430, Boston, MA 02110-3328.

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Each Fund's current Adviser is owned by Daniel R. Omstead Ph.D, Mary N. Omstead and the Alan G. Carr Irrevocable Trust. Mr. Carr, a former portfolio manager, president and trustee of each of the Funds, passed away in October 2003. Dr. Omstead is currently the President and Chief Executive Officer of the Adviser. Mary Omstead is Dr. Omstead's wife. Under the terms of the Adviser's current Amended and Restated Limited Liability Company Agreement, the Adviser will purchase the Alan G. Carr Irrevocable Family Trust's interest in the Adviser over the course of a number of years.

Daniel R. Omstead Ph.D serves as President and Chief Executive Officer of the Adviser. The address for Dr. Omstead is c/o the Adviser at 30 Rowes Wharf, Suite 430, Boston, Massachusetts 02110-3328.

### REPORT OF THE AUDIT COMMITTEE OF EACH FUND

Each Fund's Audit Committee reviewed and discussed the Fund's audited financial statements with management for the Fund's fiscal year ended September 30, 2004, and discussed with the Fund's independent registered public accountants, Deloitte & Touche LLP, the matters required to be discussed by SAS 61 (Communication with Audit Committees), which includes among other items, matters relating to the conduct of an audit of the Fund's financial statements. Each Fund's Audit Committee received written disclosures and the letter from Deloitte & Touche LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed

7

with Deloitte & Touche LLP its independence. Based on its review and discussions with management and Deloitte & Touche LLP, each Fund's Audit Committee recommended to the Board of Trustees that the Fund's audited financial statements for the Fund's fiscal year ended September 30, 2004 be included in the Fund's Annual Report filed with the Securities and Exchange Commission (the "SEC").

### INFORMATION REGARDING THE FUNDS' INDEPENDENT ACCOUNTANTS FOR PRIOR YEARS

PricewaterhouseCoopers LLP ("PWC") served as the independent accountants for the Funds for their fiscal years ended September 30, 2002 and 2003, and had been selected as the independent accountants for their fiscal year ending September 30, 2004. On May 7, 2004, PWC resigned as the Funds' independent accountants for the fiscal year ending September 30, 2004 effective upon the completion of services related to the Funds' semi-annual financial statements. The reports provided by PWC for each of the Funds for the fiscal years ending September 30, 2002 and September 30, 2003 were unqualified and contained no adverse opinion or disclaimer of opinion, nor were the reports modified as to uncertainly, audit scope, or accounting principle. Further, in connections with its audits for the two previous fiscal years and through the date of this proxy statement, there have been no disagreements between PWC and the Funds on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to their satisfaction, would have caused PWC to reference the subject matter of the disagreements in its report on the financial statements for such years.

### PROPOSAL 2 RATIFICATION OR REJECTION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

Pursuant to the 1940 Act, at a meeting called for such purpose on April 12, 2005, each Fund's Audit Committee recommended and a majority of the Board of Trustees of each Fund, including a majority of the Independent Trustees,

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selected Deloitte & Touche LLP as the independent registered public accountants for the year ending September 30, 2005. Each Fund has been advised that neither Deloitte & Touche LLP nor any of its partners has any direct or material indirect financial interest in either of the Funds, nor has had any connection during the past three years with the either of the Funds in the capacity of promoter, underwriter, voting trustee, director, officer or employee.

Accounting services to be performed by Deloitte & Touche LLP for each Fund will consist of the examination of the annual financial statements of the Funds, consultation on financial, accounting and reporting matters, review and consultation regarding various filings with the SEC and attendance at some meetings of the Board of Trustees. Deloitte & Touche LLP also will perform non-audit services consisting of review of income tax returns of each Fund.

A representative of Deloitte & Touche LLP will be present and available for questioning at the Annual Meeting and will have an opportunity to make a statement.

The following tables set forth the aggregate fees billed for professional services rendered by Delotte & Touche LLP or PWC to the Funds during the Funds' two most recent fiscal years:

### H&Q HEALTHCARE INVESTORS

FISCAL YEAR -----	AUDIT FEES -----	AUDIT-RELATED FEES -----	TAX FEES -----	ALL OTHER FEES -----
2004	\$ 59,740	\$ 0	\$ 5,000	\$ 18,947
2003	\$ 54,550	\$ 0	\$ 11,088	\$ 0

8

### H&Q LIFE SCIENCES INVESTORS

FISCAL YEAR -----	AUDIT FEES -----	AUDIT-RELATED FEES -----	TAX FEES -----	ALL OTHER FEES -----
2004	\$ 59,660	\$ 0	\$ 5,000	\$ 12,631
2003	\$ 54,550	\$ 0	\$ 7,392	\$ 0

All of the services described in the tables above were approved by the Audit Committees pursuant to its pre-approval policies and procedures (the "Pre-Approval Policies and Procedures") which are summarized below to the extent that such services were required to be pre-approved by the Audit Committee. The nature of the services comprising other fees was a review of Fund administration.

The aggregate non-audit fees billed by Deloitte & Touche LLP for services rendered to HQH and to the Adviser, or an affiliate thereof that provides ongoing services to HQH, for the fiscal year ended September 30, 2004 amounted to \$5,000. The aggregate non-audit fees billed by PWC for services rendered to HQH and to the Adviser, or an affiliate thereof that provides ongoing services to HQH, for the fiscal year ended September 30, 2003 amounted to \$11,088. The aggregate non-audit fees billed by Deloitte & Touche LLP for services rendered to HQL and to the Adviser, or an affiliate thereof that provides ongoing

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services to HQL, for the fiscal year ended September 30, 2004 amounted to \$5,000. The aggregate non-audit fees billed by PWC for services rendered to HQL and to the Adviser, or an affiliate thereof that provides ongoing services to HQL, for the fiscal year ended September 30, 2003 amounted to \$7,392.

The Funds' Audit Committees have adopted Pre-Approval Policies and Procedures pursuant to which the Committees pre-approve all audit and non-audit services provided by the Funds' independent auditor (the "Auditor") and any non-audit services provided by the Auditor to the Funds' Investment Adviser and Service Affiliates during the period of the Auditor's engagement to provide audit services to the Funds, if those services directly impact the Funds' operations and financial reporting. Audit services include those typically associated with the annual audit such as evaluation of internal controls. Non-Audit services include certain services that are audit-related, such as consultations regarding financial accounting and reporting standards and tax services. Certain services may not be provided by the Auditor to the Funds' or the Funds' Service Affiliates without jeopardizing the Auditor's independence. These services are deemed prohibited services and include certain management functions; human resources services; broker-dealer, investment adviser or investment banking services; legal services; and expert services unrelated to the audit. Other services are conditionally prohibited and may be provided if the Audit Committees reasonably conclude that the results of the services will not be subject to audit procedures during an audit of the Funds' financial statements. These types of services include bookkeeping; financial information systems design and implementation; appraisal or valuation services; actuarial services; and internal audit outsourcing services.

The Pre-Approval Policies and Procedures require Audit Committee approval of the engagement of the Auditor for each fiscal year and approval of the engagement by at least a majority of the Funds' independent trustees. In determining whether to engage the Auditor for its audit services, the Audit Committees will consider the Auditor's proposed fees for the engagement, in light of the scope and nature of the audit services that the Funds will receive. The Pre-Approval Policies and Procedures also permit the Audit Committees to pre-approve the provisions of types or categories of permissible non-audit services for the Funds and their Service Affiliates on an annual basis at the time of the Auditor's engagement and on a project-by-project basis. At the time of the annual engagement of the Funds' Auditor, the Audit Committees are to receive a list of the categories of expected non-audit

9

services with a description and an estimated budget of fees. In their pre-approval, the Audit Committees should determine that the provision of the service is consistent with, and will not impair, the ongoing independence of the Auditor and set any limits on fees or other conditions they find appropriate. Non-audit services may also be approved on a project-by-project basis by the Audit Committees consistent with the same standards for determination and information.

The Audit Committees may also appoint a Designated Member of the Committees to pre-approve non-audit services that have not been pre-approved or material changes in the nature or cost of any non-audit services previously pre-approved. The Designated Member may not pre-approve any project the estimated budget (or budgeted range) of fees of which exceed or may exceed \$15,000 per Fund. Any actions by the Designated Member are to be ratified by the Audit Committees by the time of their next scheduled meeting. The Funds' Pre-Approval Policies and Procedures are reviewed annually by the Audit Committees and the Funds maintain a record of the decisions made by the Committees pursuant to these procedures.

INFORMATION PERTAINING TO THE CUSTODIAN AND TRANSFER AGENT,

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### DIVIDEND DISBURSING AGENT AND REGISTRAR

The Funds' securities and cash are held under a custodian contract by State Street Bank and Trust Company (the "Custodian"), whose principal business address is 225 Franklin Street, Boston, MA 02110. The Custodian also performs certain accounting related functions for the Funds, including calculation of NAV and net income.

EquiServe, Inc. serves as Dividend Disbursing Agent. EquiServe Trust Company, a fully owned subsidiary of EquiServe, Inc., serves as (1) the Plan Agent for the Funds' Dividend Reinvestment Plan and (2) the Transfer Agent and Registrar for Shares of the Funds. EquiServe, Inc. and EquiServe Trust Company have their principal business at 150 Royall Street, Canton, MA 02021.

### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act and Section 30(j) of the 1940 Act, as applied to a Fund, require the Fund's officers and trustees, investment manager, affiliates of the investment manager, and persons who beneficially own more than ten percent of a registered class of the Fund's outstanding securities ("Reporting Persons"), to file reports of ownership of the Fund's securities and changes in such ownership with the SEC and the NYSE. Such persons are required by SEC regulations to furnish the Fund with copies of all such filings.

Based solely upon its review of the copies of such forms received by it, and written representations from certain Reporting Persons that no year-end reports were required for those persons, each Fund believes that during the fiscal year ended September 30, 2004, its Reporting Persons complied with all applicable filing requirements.

### OTHER BUSINESS

As of the date of this Proxy Statement, the Board of Trustees is not aware that any matters are to be presented for action at the Annual Meeting other than those described above. Should other business properly be brought before the Annual Meeting, it is intended that the accompanying Proxy will be voted thereon in accordance with the judgment of the persons named as proxies.

10

### PROXIES AND VOTING AT THE ANNUAL MEETING

Shareholders who execute proxies may revoke them at any time before they are voted by written notice to the Secretary of the Fund at 30 Rowes Wharf, Suite 430, Boston, MA 02110-3328, or by casting a vote at the Annual Meeting. All valid proxies received prior to the Annual Meeting, or any adjournment(s) or postponements(s) thereof, will be voted at the Annual Meeting and any adjournments or postponements thereof.

The representation in person or by proxy of a majority of the outstanding shares of each Fund is necessary to constitute a quorum for transacting business at the Annual Meeting. For purposes of determining the presence of a quorum, abstentions and broker "non-votes" will be treated as shares that are present. Broker non-votes are proxies received by a Fund from brokers or nominees when the broker or nominee has neither received instructions from the beneficial owner or other persons entitled to vote nor has discretionary power to vote on a particular matter. Broker non-votes are unlikely to be relevant to the Annual Meeting because the Proposal to be voted upon by the shareholders involves a matter that the NYSE considers to be routine and within the discretion of brokers to vote if no customer instructions are received.

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Shareholders of each Fund will vote separately with respect to Proposal 1, which requires the approval of a plurality of shares voting at the Annual Meeting (i.e., the one nominee, in the case of HQH, and the three nominees, in the case of HQL, receiving the greatest number of votes will be elected).

Shareholders of each Fund will vote separately with respect to Proposal 2, which requires the approval of a majority of all votes validly cast at the Annual Meeting.

Abstentions will not be counted in favor of, but will have no other effect on, the votes for Proposals 1 and 2.

Matters on which a choice has been provided will be voted as indicated on the proxy card and, if no instruction is given, the persons named as proxies will vote the shares represented thereby in favor of each Proposal, and will use their best judgment in connection with the transaction of such other business as may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof.

In the event that sufficient votes in favor any Proposal set forth in the Notice of Annual Meeting are not received by June 14, 2005 or the necessary quorum has not been obtained, the persons named as proxies on the enclosed proxy card may propose one or more adjournments of the Annual Meeting to permit further solicitation. Any such adjournment will require the affirmative vote of the holders of a majority of the shares present in person or by proxy at the session of the Annual Meeting to be adjourned. The persons named as proxies on the enclosed proxy card will vote in favor of such adjournment those proxies which they are entitled to vote in favor of the Proposal. They will vote against any such adjournment those proxies required to be voted against the Proposal.

As of May 4, 2005, there were 20,820,269 shares of beneficial interest of HQH and 12,343,273 shares of beneficial interest of HQL issued and outstanding. Shareholders will be entitled to one vote for each share held. Only shareholders of record at the close of business on May 4, 2005, the record date, will be entitled to vote at the Annual Meeting. As of May 4, 2005, the Trustees and officers of each Fund individually and as a group beneficially owned less than 1% of the outstanding voting securities of each Fund. To the best of the Fund's knowledge, based upon filings made with the SEC, as of May 4, 2005, no persons or group beneficially owned more than 5% of the voting securities of either Fund.

11

### PROPOSALS FOR 2006 ANNUAL MEETING

Shareholder proposals for each Fund's 2006 Annual Meeting must be received at the Fund's executive offices at 30 Rowes Wharf, Fourth Floor, Boston, Massachusetts 02110-3328 no later than January 14, 2006 for inclusion in the 2006 Proxy Statement and form of proxy. Submission of such proposals does not insure that they will be included in the 2006 Proxy Statement or submitted for a vote at the 2006 Annual Meeting.

In addition, under Rule 14a-4 of the SEC's proxy rules a company may use discretionary voting authority to vote on matters coming before an annual meeting of shareholders if the company does not have notice of the matter at least 45 days before the date corresponding to the date on which the company first mailed its proxy materials for the prior year's annual meeting of shareholders or the date specified by an overriding advance notice provision in the company's by-laws. As neither Funds' by-laws contain such an advance notice provision, the Funds may use discretionary voting authority to vote on matters coming before the Funds' 2006 Annual Meeting of Shareholders, if the Funds do



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FOR  
/ /

AGAINST  
/ /

ABSTAIN  
/ /

3. In their discretion, on all other business that may properly come before the Annual Meeting and any adjournment(s) or postponement(s) thereof.

Mark box at right if an address change or comment has been noted on the reverse side of this card. / /

Please be sure to sign and date this Proxy.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

DETACH HERE

H&Q HEALTHCARE INVESTORS

PROXY FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD JUNE 14, 2005  
THIS PROXY IS BEING SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES

The undersigned hereby appoints Daniel R. Omstead, Ph.D., Henri A. Termeer and Kathleen M. Eckert, and each of them, proxies of the undersigned, with full powers of substitution, to vote at the Annual Meeting of Shareholders of H&Q HEALTHCARE INVESTORS (the "Fund") to be held on June 14, 2005 at 9:00 A.M. at the Langham Hotel Boston, 250 Franklin Street, Boston, Massachusetts 02110, and at any adjournment(s) or postponement(s) thereof, all the shares of the Fund outstanding in the name of the undersigned as follows on the reverse of this card.

THIS PROXY WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES FOR TRUSTEE, AND WITH RESPECT TO ITEM 2, AS SAID PROXIES, AND EACH OF THEM, MAY DETERMINE.

PLEASE VOTE, DATE AND SIGN ON OTHER SIDE AND  
RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

Please sign this proxy exactly as your name appears on the books of the Fund. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign, and where more than one name appears, a majority must sign. If a corporation, this signature should be that of an authorized officer who should state his or her title.

HAS YOUR ADDRESS CHANGED?

DO YOU HAVE ANY COMMENTS?

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H & Q LIFE SCIENCES INVESTORS  
C/O EQUISERVE TRUST COMPANY, N.A.  
P.O. BOX 8694  
EDISON, NJ 08818-8694

[GRAPHIC]

YOUR VOTE IS IMPORTANT. PLEASE VOTE IMMEDIATELY.



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VOTE-BY-INTERNET

VOTE-BY-TELEPHONE

Log on to the Internet and go to
http://www.eproxyvote.com/hql
[GRAPHIC]

Call toll-free
1-877-PRX-VOTE (1-877-779-8683)
[GRAPHIC]

IF YOU VOTE OVER THE INTERNET OR BY TELEPHONE, PLEASE DO NOT MAIL YOUR CARD.

DETACH HERE IF YOU ARE RETURNING YOUR PROXY CARD BY MAIL

PLEASE MARK
/X/ VOTES AS IN
THIS EXAMPLE.

H&Q LIFE SCIENCES INVESTORS

THE BOARD OF TRUSTEES RECOMMENDS A VOTE FOR ALL NOMINEES AND FOR ITEM 2.

1. On the election of three Trustees:

NOMINEES: (01) Robert P. Mack, M.D., (02) Eric Oddleifson and
(03) Oleg M. Pohotsky.

FOR WITHHELD
ALL / / / / FROM ALL
NOMINEES NOMINEES

/ /

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For all nominees except as noted above

- 2. On the ratification of the selection of Deloitte & Touche LLP as the independent registered public accountants of the Fund for the fiscal year ending September 30, 2005.
3. In their discretion, on all other business that may properly come before the Annual Meeting and any adjournment(s) or postponement(s) thereof.

Mark box at right if an address change or comment has been noted on the reverse side of this card. / /

Please be sure to sign and date this Proxy.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

DETACH HERE

H&Q LIFE SCIENCES INVESTORS

PROXY FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD JUNE 14, 2005
THIS PROXY IS BEING SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES

The undersigned hereby appoints Daniel R. Omstead, Ph.D., Henri A. Termeer and Kathleen M. Eckert, and each of them, proxies of the undersigned, with full powers of substitution, to vote at the Annual Meeting of Shareholders of H&Q LIFE SCIENCES INVESTORS (the "Fund") to be held on June 14, 2005 at 9:00 A.M. at the Langham Hotel Boston, 250 Franklin Street, Boston, Massachusetts 02110, and at any adjournment(s) or postponement(s) thereof,

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all the shares of the Fund outstanding in the name of the undersigned as follows on the reverse of this card.

THIS PROXY WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES FOR TRUSTEE, AND WITH RESPECT TO ITEM 2, AS SAID PROXIES, AND EACH OF THEM, MAY DETERMINE.

PLEASE VOTE, DATE AND SIGN ON OTHER SIDE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

Please sign this proxy exactly as your name appears on the books of the Fund. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign, and where more than one name appears, a majority must sign. If a corporation, this signature should be that of an authorized officer who should state his or her title.

HAS YOUR ADDRESS CHANGED?

DO YOU HAVE ANY COMMENTS?

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