

TEKLA LIFE SCIENCES INVESTORS  
Form N-Q  
February 26, 2016

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

**OMB APPROVAL**  
OMB Number: 3235-0578  
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**FORM N-Q**

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

Investment Company Act file number 811-06565

Tekla Life Sciences Investors  
(Exact name of registrant as specified in charter)

100 Federal Street, 19th Floor, 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: 12/31/15

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**Item 1. Schedule of Investments.**

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**TEKLA LIFE SCIENCES INVESTORS****SCHEDULE OF INVESTMENTS**

DECEMBER 31, 2015

(Unaudited)

| SHARES   |  | VALUE        |
|--|--|--------------|
| <b>CONVERTIBLE PREFERRED AND WARRANTS (Restricted)(a) (b) 5.2%</b> |  |              |
| <b>Biotechnology 0.6%</b>  |  |              |
| 611,422  | Afferent Pharmaceuticals, Inc. Series C                      | \$ 1,500,002 |
| 2,568,939  | EBI Life Sciences, Inc. Series A (c)                         | 13,102       |
| 149,396  | Merus B.V. Class C (d)                                       | 1,081,291    |
|  |  | 2,594,395    |
| <b>Health Care Equipment &amp; Supplies 2.9%</b>                   |  |              |
| 2,338,198  | AlterG, Inc. Series C  | 958,661      |
| 79,330   | CardioKinetix, Inc. Series C                                 | 1,116,094    |
| 142,574  | CardioKinetix, Inc. Series D                                 | 542,779      |
| 439,333  | CardioKinetix, Inc. Series E                                 | 1,250,781    |
| 403,207  | CardioKinetix, Inc. Series F                                 | 1,377,516    |
| N/A(e)   | CardioKinetix, Inc. warrants (expiration 12/11/19)           | 0            |
| N/A(e)   | CardioKinetix, Inc. warrants (expiration 6/03/20)            | 0            |
| 8,822  | CardioKinetix, Inc. warrants (expiration 8/15/24)            | 0            |
| 4,042,777  | IlluminOss Medical, Inc. Series C-1                          | 287,846      |
| 5,126,388  | Insightra Medical, Inc. Series C (c)                         | 2,170,000    |
| 3,891,340  | Insightra Medical, Inc. Series C-2 (c)                       | 1,647,204    |
| 366,171  | Insightra Medical, Inc. warrants (expiration 3/31/25) (c)    | 0            |
| 2,013,938  | Insightra Medical, Inc. warrants (expiration 5/28/25) (c)    | 0            |
| 1,464,682  | Insightra Medical, Inc. warrants (expiration 8/18/25) (c)    | 0            |
| 2,161,090  | Magellan Diagnostics, Inc. Series A                          | 1,666,200    |
| 98,824   | Magellan Diagnostics, Inc. warrants (expiration 4/01/19)     | 0            |
| 7,877  | Magellan Diagnostics, Inc. warrants (expiration 5/06/19)     | 0            |
| 9,606,373  | Palyon Medical Corporation Series A (c)                      | 2,046        |
| 18,832,814   | Palyon Medical Corporation Series B (c)                      | 1,318        |
| N/A(e)   | Palyon Medical Corporation warrants (expiration 4/26/19) (c) | 0            |
| 3,280,000  | Tibion Corporation Series B                                  | 0            |
| N/A(e)   | Tibion Corporation warrants (expiration 7/12/17)             | 0            |
| N/A(e)   | Tibion Corporation warrants (expiration 10/30/17)            | 0            |
| N/A(e)   | Tibion Corporation warrants (expiration 11/28/17)            | 0            |
| 2,606,033  | Veniti, Inc. Series A (c)                                    | 1,578,474    |
| 1,307,169  | Veniti, Inc. Series B (c)                                    | 837,503      |
| 716,720  | Veniti, Inc. Series C (c)                                    | 574,021      |
|  |  | 14,010,443   |
| <b>Life Sciences Tools &amp; Services 0.6%</b>                     |  |              |
| 2,161,090  | Dynex Technologies, Inc. Series A                            | 1,080,545    |
| 98,824   | Dynex Technologies, Inc. warrants (expiration 4/01/19)       | 0            |
| 7,877  | Dynex Technologies, Inc. warrants (expiration 5/06/19)       | 0            |
| 2,446,016  | Labcyte, Inc. Series C                                       | 1,743,765    |
| 107,178  | Labcyte, Inc. Series D                                       | 88,915       |
|  |  | 2,913,225    |
| <b>Pharmaceuticals 1.1%</b>  |  |              |
| 2,862,324  | Euthymics Biosciences, Inc. Series A (c)                     | 1,099,991    |
| 53,948   | Neurovance, Inc. Series A (c)                                | 200,147      |
| 670,837  | Neurovance, Inc. Series A-1 (c)                              | 2,488,805    |

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The accompanying notes are an integral part of this Schedule of Investments.

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| SHARES       |   | VALUE        |
|--------------|---|--------------|
|              | <b>Pharmaceuticals continued</b>  |              |
| 240,770      | Ovid Therapeutics, Inc. Series B  | \$ 1,499,997 |
|              |   | 5,288,940    |
|              | <b>TOTAL CONVERTIBLE PREFERRED AND WARRANTS</b>   |              |
|              | (Cost \$32,228,776)   | 24,807,003   |
|              | <b>PRINCIPAL AMOUNT</b>   |              |
|              | <b>CONVERTIBLE AND NON-CONVERTIBLE NOTES 1.6% of Net Assets</b>                             |              |
|              | <b>Convertible Notes 1.6%</b>   |              |
|              | <b>Biotechnology 0.5%</b>   |              |
| \$ 1,485,000 | Merrimack Pharmaceuticals, Inc., 4.50%, due 7/15/20   | 2,198,728    |
|              | <b>Health Care Equipment &amp; Supplies 0.0%</b>  |              |
| 99,000       | IlluminOss Medical, Inc. Secured Senior Promissory Note, 8.00% due 9/28/40 (Restricted) (a) | 99,000       |
| 37,399       | Palyon Medical Corporation Promissory Note, 8.00% due 5/15/16 (Restricted) (a) (c)          | 0            |
| 30,339       | Palyon Medical Corporation Promissory Note, 8.00% due 7/15/16 (Restricted) (a) (c)          | 0            |
|              |   | 99,000       |
|              | <b>Pharmaceuticals 1.1%</b>   |              |
| 2,000,000    | Supernus Pharmaceuticals, Inc., 7.50% due 5/1/19 (g)  | 5,356,250    |
|              | <b>TOTAL CONVERTIBLE NOTES</b>  | 7,653,978    |
|              | <b>Non-Convertible Notes (Restricted)(a) (b) 0.0%</b>                                       |              |
|              | <b>Health Care Equipment &amp; Supplies 0.0%</b>  |              |
| 238,286      | Tibion Corporation Non-Cvt. Promissory Note, 0.00%, due 12/31/18                            | 0            |
| 28,211       | Tibion Corporation Non-Cvt. Promissory Note, 0.00%, due 12/31/18                            | 0            |
|              | <b>TOTAL NON-CONVERTIBLE NOTES</b>  | 0            |
|              | <b>TOTAL CONVERTIBLE AND NON-CONVERTIBLE NOTES</b>  |              |
|              | (Cost \$3,947,484)  | 7,653,978    |
|              | <b>SHARES</b>   |              |
|              | <b>COMMON STOCKS AND WARRANTS 91.8%</b>   |              |
|              | <b>Biotechnology 72.2%</b>  |              |
| 147,800      | ACADIA Pharmaceuticals Inc. (b)   | 5,269,070    |
| 27,500       | Adaptimmune Therapeutics plc (b) (f)  | 331,650      |
| 127,799      | Alexion Pharmaceuticals, Inc. (b)   | 24,377,659   |
| 116,453      | Alkermes plc (b)  | 9,244,039    |
| 73,025       | Alnylam Pharmaceuticals, Inc. (b)   | 6,874,574    |
| 53,557       | Amgen Inc.  | 8,693,908    |
| 44,638       | Anacor Pharmaceuticals, Inc. (b)  | 5,042,755    |
| 811,227      | ARCA biopharma, Inc. (b) (c)  | 3,772,208    |

The accompanying notes are an integral part of this Schedule of Investments.

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| SHARES  |  | VALUE       |
|---------|--|-------------|
|         | <b>Biotechnology continued</b>   |             |
| 324,491 | ARCA biopharma, Inc. warrants (Restricted, expiration 6/11/22) (a) (c)     | \$ 269,328  |
| 320,135 | Ardelyx, Inc. (b)  | 5,800,846   |
| 60,000  | Bellicum Pharmaceuticals, Inc. (b)   | 1,216,200   |
| 79,512  | Biogen Inc. (b)  | 24,358,501  |
| 154,100 | BioMarin Pharmaceutical Inc. (b)   | 16,143,516  |
| 26,545  | bluebird bio, Inc. (b)   | 1,704,720   |
| 371,522 | Celgene Corporation (b)  | 44,493,475  |
| 4,940   | Celladon Corporation warrants (Restricted, expiration 10/10/18) (a) (b)    | 2,865       |
| 40,000  | Collectis S.A. (b) (d) (f)   | 1,241,200   |
| 174,590 | Cepheid, Inc. (b)  | 6,377,773   |
| 47,800  | Chimerix, Inc. (b)   | 427,810     |
| 17,500  | Cidara Therapeutics, Inc. (b)  | 300,300     |
| 98,417  | CytomX Therapeutics, Inc. (b)  | 2,053,963   |
| 128,410 | CytomX Therapeutics, Inc. (Restricted) (a) (b)                             | 2,411,916   |
| 137,500 | Dynavax Technologies Corporation (b)                                       | 3,322,000   |
| 309,952 | Exelixis, Inc. (b)   | 1,748,129   |
| 46,000  | Galapagos NV (b) (f)   | 2,837,460   |
| 6,000   | Galapagos NV (b) (d)   | 377,280     |
| 443,120 | Gilead Sciences, Inc.  | 44,839,313  |
| 200,000 | Halozyme Therapeutics, Inc. (b)  | 3,466,000   |
| 103,333 | Heron Therapeutics, Inc. warrants (Restricted, expiration 7/01/16) (a) (b) | 2,021,200   |
| 259,915 | Incyte Corporation (b)   | 28,187,782  |
| 229,000 | Inotek Pharmaceuticals Corporation (b)                                     | 2,594,570   |
| 156,600 | Insmed Incorporated (b)  | 2,842,290   |
| 138,500 | Medivation, Inc. (b)   | 6,695,090   |
| 567,787 | Merrimack Pharmaceuticals, Inc. (b)  | 4,485,517   |
| 170,641 | Natera, Inc. (b)   | 1,842,923   |
| 138,357 | Neurocrine Biosciences, Inc. (b)   | 7,826,856   |
| 358,000 | Novavax, Inc. (b)  | 3,003,620   |
| 769,638 | Pieris Pharmaceuticals, Inc. (b)   | 1,762,471   |
| 44,622  | Regeneron Pharmaceuticals, Inc. (b)  | 24,223,945  |
| 329,949 | Retrophin, Inc. (b)  | 6,364,716   |
| 15,000  | Sage Therapeutics, Inc. (b)  | 874,500     |
| 26,520  | Ultragenyx Pharmaceutical Inc. (b)   | 2,975,014   |
| 191,377 | Vertex Pharmaceuticals Incorporated (b)                                    | 24,080,968  |
| 20,000  | Xencor, Inc. (b)   | 292,400     |
| 13,307  | Zafgen, Inc. (b)   | 83,701      |
|         |  | 347,156,021 |
|         | <b>Health Care Equipment &amp; Supplies 1.6%</b>                           |             |
| 495,000 | Alliqua BioMedical, Inc. (b)   | 1,059,300   |
| 130,000 | Cercacor Laboratories, Inc. (Restricted) (a) (b)                           | 134,028     |
| 93,349  | GenMark Diagnostics, Inc. (b)  | 724,388     |
| 55,158  | IDEXX Laboratories, Inc. (b)   | 4,022,122   |
| 25,000  | Nevro Corp. (b)  | 1,687,750   |

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| SHARES        |  | VALUE       |
|---------------|--|-------------|
|               | <b>Health Care Equipment &amp; Supplies continued</b>  |             |
| 143,124       | TherOx, Inc. (Restricted) (a) (b)  | \$ 143      |
|               |  | 7,627,731   |
|               | <b>Health Care Providers &amp; Services 0.1%</b>   |             |
| 148,148       | InnovaCare Health, Inc. (Restricted) (a) (b) (g)   | 314,074     |
|               | <b>Life Sciences Tools &amp; Services 6.2%</b>   |             |
| 264,625       | Accelerate Diagnostics, Inc. (b)   | 5,686,791   |
| 125,728       | Illumina, Inc. (b)   | 24,132,861  |
|               |  | 29,819,652  |
|               | <b>Pharmaceuticals 11.7%</b>   |             |
| 53,342        | Akorn, Inc. (b)  | 1,990,190   |
| 17,915        | Allergan plc (b)   | 5,598,438   |
| 380,479       | Auris Medical Holding AG (b)   | 1,860,542   |
| 200,000       | Depomed Inc. (b)   | 3,626,000   |
| 29,100        | Endo International plc (b)   | 1,781,502   |
| 83,000        | Flamel Technologies SA (b) (f)   | 1,013,430   |
| 69,780        | Flex Pharma, Inc. (b)  | 868,761     |
| 124,140       | Foamix Pharmaceuticals Ltd. (b)  | 1,006,775   |
| 99,469        | Impax Laboratories, Inc. (b)   | 4,253,294   |
| 319,800       | IntelliPharmaceuticals International Inc. warrants (Restricted, expiration 2/01/16) (a) (b)  | 3,198       |
| 56,340        | Intra-Cellular Therapies, Inc. (b)   | 3,030,529   |
| 207,300       | Paratek Pharmaceuticals, Inc. (b)  | 3,932,481   |
| 21,315        | Shire plc (f)  | 4,369,575   |
| 88,764        | Tetraphase Pharmaceuticals Inc. (b)  | 890,303     |
| 235,961       | Teva Pharmaceutical Industries Ltd. (f)  | 15,488,480  |
| 181,570       | The Medicines Company (b)  | 6,779,824   |
|               |  | 56,493,322  |
|               | <b>TOTAL COMMON STOCKS AND WARRANTS</b>  |             |
|               | (Cost \$257,701,491)   | 441,410,800 |
|               | <br>   |             |
|               | <b>PRINCIPAL AMOUNT</b>  |             |
|               | <b>SHORT-TERM INVESTMENT 4.3%</b>  |             |
| \$ 20,568,000 | Repurchase Agreement, Fixed Income Clearing Corp., repurchase value \$20,568,000, 0.03%, dated 12/31/15, due 01/04/16 (collateralized by Federal Home Loan Mortgage Corp. 4.125%, due 10/11/33, market value \$20,979,956) | 20,568,000  |
|               | <b>TOTAL SHORT-TERM INVESTMENT</b>   |             |
|               | (Cost \$20,568,000)  | 20,568,000  |

The accompanying notes are an integral part of this Schedule of Investments.

| INTEREST   | VALUE          |
|--|----------------|
| <b>TOTAL INVESTMENTS BEFORE MILESTONE INTERESTS - 102.9%</b><br>(Cost \$314,445,751) | \$ 494,439,781 |
| <b>MILESTONE INTEREST (RESTRICTED) (a) (b) 0.0% of Net Assets</b>                    |                |
| <b>Pharmaceuticals 0.0%</b>  |                |
| 1 Targegen Milestone Interest  | 0              |
| <b>TOTAL MILESTONE INTERESTS</b><br>(Cost \$2,962,363)                               | 0              |
| <b>TOTAL INVESTMENTS - 102.9%</b><br>(Cost \$317,408,114)                            | 494,439,781    |
| <b>OTHER LIABILITIES IN EXCESS OF ASSETS - (2.9)%</b>                                | (13,913,889)   |
| <b>NET ASSETS - 100%</b>   | \$ 480,525,892 |

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- (a) Security fair valued. See Investment Valuation and Fair Value Measurements.
- (b) Non-income producing security.
- (c) Affiliated issuers in which the Fund holds 5% or more of the voting securities (total market value of \$14,654,147).
- (d) Foreign security.
- (e) Number of warrants to be determined at a future date.
- (f) American Depository Receipt
- (g) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

The accompanying notes are an integral part of this Schedule of Investments.



**TEKLA LIFE SCIENCES INVESTORS**

**NOTES TO SCHEDULE OF INVESTMENTS**

DECEMBER 31, 2015

(Unaudited)

***Investment Valuation***

Shares of publicly traded companies listed on national securities exchanges or trading in the over-the-counter market are typically valued at the last sale price, as of the close of trading, generally 4 p.m., Eastern time. The Board of Trustees of the Fund (the Trustees) has established and approved fair valuation policies and procedures with respect to securities for which quoted prices may not be available or which do not reflect fair value. Shares of publicly traded companies for which market quotations are not readily available, such as stocks for which trading has been halted or for which there are no current day sales, or whose quoted price may otherwise not reflect fair value, are valued in good faith by the Adviser using a fair value process pursuant to policies and procedures approved by the Trustees described below. Restricted securities of companies that are publicly traded are typically valued based on the closing market quote on the valuation date adjusted for the impact of the restriction as determined in good faith by the Adviser also using fair valuation policies and procedures approved by the Trustees described below. Non-exchange traded warrants of publicly traded companies are generally valued using the Black-Scholes model, which incorporates both observable and unobservable inputs. Short-term investments with a maturity of 60 days or less are generally valued at amortized cost, which approximates fair value.

Convertible preferred shares, warrants or convertible note interests in private companies, milestone interests, other restricted securities, as well as shares of publicly traded companies for which market quotations are not available or which do not reflect fair value, are typically valued in good faith, based upon the recommendations made by the Adviser pursuant to fair valuation policies and procedures approved by the Trustees. The Adviser has a Valuation Sub-Committee comprised of senior management which reports to the Valuation Committee of the Board at least quarterly. Each fair value determination is based on a consideration of relevant factors, including both observable and unobservable inputs. Observable and unobservable inputs the Adviser considers may include (i) the existence of any contractual restrictions on the disposition of securities; (ii) information obtained from the company, which may include an analysis of the company's financial statements, the company's products or intended markets or the company's technologies; (iii) the price of the same or similar security negotiated at arm's length in an issuer's completed subsequent round of financing; (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies; or (v) a probability and time value adjusted analysis of contractual terms. Where available and appropriate, multiple valuation methodologies are applied to confirm fair value. Significant unobservable inputs identified by the Adviser are often used in the fair value determination. A significant change in any of these inputs may result in a significant change in the fair value measurement. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the investments existed, and differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different from the valuations used at the date of these financial statements.

***Federal Income Tax Cost***

At December 31, 2015, the cost of securities for Federal income tax purposes was \$317,417,895. The net unrealized gain on securities held by the Fund was \$177,021,886, including gross unrealized gain of \$204,413,764 and gross unrealized loss of \$27,391,878.

*Other Transactions with Affiliates*

An affiliate company is a company in which the Fund holds 5% or more of the voting securities. Transactions involving such companies during the period ended December 31, 2015 were as follows:

| <b>Issuer</b>               | <b>Value on<br/>September 30,<br/>2015</b> | <b>Purchases</b> | <b>Sales</b> | <b>Income</b> | <b>Value on<br/>December 31,<br/>2015</b> |
|-----------------------------|--|------------------|--------------|---------------|---|
| ARCA Biopharma, Inc.        | \$ 4,408,210                               |                  |              |               | \$ 4,041,536                              |
| EBI Life Sciences, Inc.     | 13,102                                     |                  |              |               | 13,102                                    |
| Euthymics Biosciences, Inc. | 1,099,991                                  |                  |              |               | 1,099,991                                 |
| Insightra Medical, Inc.     | 3,817,204                                  |                  |              |               | 3,817,204                                 |
| Neurovance, Inc.            | 3,964,574                                  |                  |              |               | 2,688,952                                 |
| Palyon Medical Corporation  | 3,469                                      |                  |              |               | 3,364                                     |
| Veniti, Inc.                | 2,989,998                                  |                  |              |               | 2,989,998                                 |
|                             | \$ 16,296,548                              | \$ 0             | \$ 0         | \$ 0          | \$ 14,654,147                             |

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**TEKLA LIFE SCIENCES INVESTORS****NOTES TO SCHEDULE OF INVESTMENTS**

DECEMBER 31, 2015

(Unaudited)

(continued)

***Fair Value Measurements***

The Fund uses a three-tier hierarchy to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels. Level 1 includes quoted prices in active markets for identical investments. Level 2 includes prices determined using other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Level 3 includes prices determined using significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments). These inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2015 to value the Fund's net assets. For the period ended December 31, 2015, there were no transfers between Levels 1 and 2. The Fund accounts for transfers between levels at the beginning of the period.

| Assets at Value                    | Level 1        | Level 2       | Level 3       | Total          |
|------------------------------------|----------------|---------------|---------------|----------------|
| Convertible Preferred and Warrants |                |               |               |                |
| Biotechnology                      |                |               | \$ 2,594,395  | \$ 2,594,395   |
| Health Care Equipment & Supplies   |                |               | 14,010,443    | 14,010,443     |
| Life Sciences Tools & Services     |                |               | 2,913,225     | 2,913,225      |
| Pharmaceuticals                    |                |               | 5,288,940     | 5,288,940      |
| Convertible Notes                  |                |               |               |                |
| Biotechnology                      |                | \$ 2,198,728  |               | 2,198,728      |
| Health Care Equipment & Supplies   |                |               | 99,000        | 99,000         |
| Pharmaceuticals                    |                | 5,356,250     |               | 5,356,250      |
| Non-Convertible Notes              |                |               |               |                |
| Health Care Equipment & Supplies   |                |               | 0             | 0              |
| Common Stocks and Warrants         |                |               |               |                |
| Biotechnology                      | \$ 342,450,712 |               | 4,705,309     | 347,156,021    |
| Health Care Equipment & Supplies   | 7,493,560      |               | 134,171       | 7,627,731      |
| Health Care Providers & Services   |                |               | 314,074       | 314,074        |
| Life Sciences Tools & Services     | 29,819,652     |               |               | 29,819,652     |
| Pharmaceuticals                    | 56,490,124     |               | 3,198         | 56,493,322     |
| Short-term Investment              |                | 20,568,000    |               | 20,568,000     |
| Other Assets                       |                |               | 176,855       | 176,855        |
| Total                              | \$ 436,254,048 | \$ 28,122,978 | \$ 30,239,610 | \$ 494,616,636 |

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

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|   | Balance as<br>of September<br>30, 2015 | Net realized<br>gain (loss)<br>and change in<br>unrealized<br>appreciation<br>(depreciation) | Cost of<br>purchases<br>and<br>conversions | Proceeds<br>from sales<br>and<br>conversions | Net<br>transfers<br>in (out<br>of)<br>Level 3 | Balance as<br>of December<br>31, 2015 |
|---|--|--|--|--|---|---------------------------------------|
| <b>Level 3 Assets</b>   |  |  |  |  |   |                                       |
| <b>Convertible Preferred and Warrants</b>   |  |  |  |  |   |                                       |
| Biotechnology   | \$ 2,624,891                           | \$ (33,674)  | \$ 3,178                                   | \$ 0   |   | \$ 2,594,395                          |
| Health Care Equipment & Supplies  | 15,337,282                             | (1,327,087)  | 248  |  |   | 14,010,443                            |
| Life Sciences Tools & Services  | 2,913,225                              |  |  |  |   | 2,913,225                             |
| Pharmaceuticals   | 6,564,562                              | (1,277,274)  | 1,652                                      |  |   | 5,288,940                             |
| <b>Convertible Notes</b>  |  |  |  |  |   |                                       |
| Health Care Equipment & Supplies  | 105                                    | (105)  | 99,000                                     |  |   | 99,000                                |
| <b>Non-Convertible Notes</b>  |  |  |  |  |   |                                       |
| Health Care Equipment & Supplies  | 0                                      |  |  |  |   | 0                                     |
| <b>Common Stocks and Warrants</b>   |  |  |  |  |   |                                       |
| Biotechnology   | 3,051,084                              | 1,653,174  | 1,051                                      |  |   | 4,705,309                             |
| Health Care Equipment & Supplies  | 118,144                                | 16,027   |  |  |   | 134,171                               |
| Health Care Providers & Services  | 314,074                                |  |  |  |   | 314,074                               |
| Pharmaceuticals   | 22,386                                 | (19,188)   |  |  |   | 3,198                                 |
| Other Assets  | 255,284                                |  | 126  | (78,555)                                     |   | 176,855                               |
| <b>Total</b>  | <b>\$ 31,201,037</b>                   | <b>\$ (988,127)</b>  | <b>\$ 105,255</b>                          | <b>\$ (78,555)</b>                           | <b>\$ 0</b>                                   | <b>\$ 30,239,610</b>                  |
| <b>Net change in unrealized appreciation (depreciation) from investments still held as of December 31, 2015</b> |  |  |  |  |   | <b>\$ (987,946)</b>                   |

**TEKLA LIFE SCIENCES INVESTORS****NOTES TO SCHEDULE OF INVESTMENTS**

DECEMBER 31, 2015

(Unaudited)

(continued)

The following is a quantitative disclosure about significant unobservable inputs used in the determination of the fair value of Level 3 assets.

|  | Fair Value at<br>12/31/2015 | Valuation Technique                    | Unobservable Input                        | Range<br>(Weighted Average)              |
|--|-----------------------------|--|---|--|
| Private Companies and<br>Other Restricted Securities | \$ 2,430,619                | Income approach,<br>Black-Scholes      | Discount for lack of<br>marketability     | 20%-30% (26%)                            |
|  | 17,068,144                  | Capital asset pricing<br>model         | Discount rate<br>Price to sales multiple  | 13%-36.9% (20.49%)<br>1.6-8.3 (2.65)     |
|  | 10,563,992                  | Market approach, recent<br>transaction | (1)                                       | N/A                                      |
|  | 176,855                     | Probability adjusted<br>value          | Probability of events<br>Timing of events | 20%-100% (26.83%)<br>0-2.58 (1.32) years |
|  | \$ 30,239,610               |  |   |  |

(1) The valuation technique used as a basis to approximate fair value of these investments is based upon subsequent financing rounds. There is no quantitative information to provide as these methods of measure are investment specific.

***Private Companies and Other Restricted Securities***

The Fund may invest in private companies and other restricted securities if these securities would currently comprise 40% or less of net assets. The value of these securities represented 6% of the Fund's net assets at December 31, 2015.

At December 31, 2015, the Fund had commitments of \$376,500 relating to an additional investment in one private company.

The following table details the acquisition date, cost, carrying value per unit, and value of the Fund's private companies and other restricted securities at December 31, 2015. The Fund on its own does not have the right to demand that such securities be registered.

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| Security (#)  | Acquisition Date | Cost         | Carrying Value per Unit | Value        |
|---|------------------|--------------|-------------------------|--------------|
| Afferent Pharmaceuticals, Inc.<br>Series C Cvt. Pfd | 7/1/15           | \$ 1,501,707 | \$ 2.45                 | \$ 1,500,002 |
| AlterG, Inc.<br>Series C Cvt. Pfd                   | 4/12/13          | 1,427,310    | 0.41                    | 958,661      |

**TEKLA LIFE SCIENCES INVESTORS****NOTES TO SCHEDULE OF INVESTMENTS**

DECEMBER 31, 2015

(Unaudited)

(continued)

|   |                     |    |           |    |        |    |           |
|---|---------------------|----|-----------|----|--------|----|-----------|
| ARCA biopharma, Inc.                    |                     |    |           |    |        |    |           |
| Warrants (expiration 6/11/22)           | 6/11/15             | \$ | 522       | \$ | 0.83   | \$ | 269,328   |
| CardioKinetix, Inc.                     |                     |    |           |    |        |    |           |
| Series C Cvt. Pfd                       | 5/22/08             |    | 1,653,315 |    | 14.07  |    | 1,116,094 |
| Series D Cvt. Pfd                       | 12/10/10            |    | 545,940   |    | 3.81   |    | 542,779   |
| Series E Cvt. Pfd                       | 9/14/11             |    | 1,253,611 |    | 2.85   |    | 1,250,781 |
| Series F Cvt. Pfd                       | 12/04/14            |    | 1,377,518 |    | 3.42   |    | 1,377,516 |
| Warrants (expiration 12/11/19)          | 12/10/09, 2/11/10   |    | 123       |    | 0.00   |    | 0         |
| Warrants (expiration 6/03/20)           | 6/03/10, 9/01/10    |    | 123       |    | 0.00   |    | 0         |
| Warrants (expiration 8/15/24)           | 8/15/14             |    | 126       |    | 0.00   |    | 0         |
| Celladon Corporation                    |                     |    |           |    |        |    |           |
| Warrants (expiration 10/10/18)          | 10/10/13            |    | 65        |    | 0.58   |    | 2,865     |
| Cercacor Laboratories, Inc. Common      | 3/31/98             |    | 0         |    | 1.03   |    | 134,028   |
| CytomX Therapeutics, Inc.               |                     |    |           |    |        |    |           |
| Common                                  | 6/12/15             |    | 1,200,529 |    | 18.78  |    | 2,411,916 |
| Dynex Technologies, Inc.                |                     |    |           |    |        |    |           |
| Series A Cvt. Pfd                       | 1/03/12             |    | 199,963   |    | 0.50   |    | 1,080,545 |
| Warrants (expiration 4/01/19)           | 1/03/12             |    | 60        |    | 0.00   |    | 0         |
| Warrants (expiration 5/06/19)           | 1/03/12             |    | 5         |    | 0.00   |    | 0         |
| EBI Life Sciences, Inc.                 |                     |    |           |    |        |    |           |
| Series A Cvt. Pfd                       | 12/29/11            |    | 13,597    |    | 0.01   |    | 13,102    |
| Euthymics Biosciences, Inc.             |                     |    |           |    |        |    |           |
| Series A Cvt. Pfd                       | 7/14/10 - 5/21/12   |    | 2,635,558 |    | 0.38   |    | 1,099,991 |
| Heron Therapeutics, Inc.                |                     |    |           |    |        |    |           |
| Warrants (expiration 7/01/16)           | 6/30/11             |    | 555       |    | 19.56  |    | 2,021,200 |
| IlluminOss Medical, Inc.                |                     |    |           |    |        |    |           |
| Series C-1 Cvt. Pfd                     | 9/26/12 - 6/13/14   |    | 1,551,426 |    | 0.07   |    | 287,846   |
| IlluminOss Medical, Inc. Secured Senior |                     |    |           |    |        |    |           |
| Cvt. Promissory Note                    | 11/25/15            |    | 99,000    |    | 100.00 |    | 99,000    |
| InnovaCare Health, Inc. Common          | 12/21/12            |    | 643,527   |    | 2.12   |    | 314,074   |
| Insightra Medical, Inc.                 |                     |    |           |    |        |    |           |
| Series C Cvt. Pfd                       | 4/29/13             |    | 2,173,806 |    | 0.42   |    | 2,170,000 |
| Series C-2 Cvt. Pfd                     | 5/25/15             |    | 1,647,279 |    | 0.42   |    | 1,647,204 |
| Warrants (expiration 3/31/25)           | 7/24/15             |    | 7         |    | 0.00   |    | 0         |
| Warrants (expiration 5/28/25)           | 5/28/15             |    | 39        |    | 0.00   |    | 0         |
| Warrants (expiration 8/18/25)           | 8/8/15              |    | 28        |    | 0.00   |    | 0         |
| IntelliPharmaceutics International Inc. |                     |    |           |    |        |    |           |
| Warrants (expiration 2/01/16)           | 1/31/11             |    | 115       |    | 0.01   |    | 3,198     |
| Labcyte, Inc.                           |                     |    |           |    |        |    |           |
| Series C Cvt. Pfd                       | 7/18/05             |    | 1,283,959 |    | 0.71   |    | 1,743,765 |
| Series D Cvt. Pfd                       | 12/21/12            |    | 68,607    |    | 0.83   |    | 88,915    |
| Magellan Diagnostics, Inc.              |                     |    |           |    |        |    |           |
| Series A Cvt. Pfd                       | 11/28/06 - 10/01/09 |    | 1,010,827 |    | 0.77   |    | 1,666,200 |
| Warrants (expiration 4/01/19)           | 4/03/09             |    | 358       |    | 0.00   |    | 0         |
| Warrants (expiration 5/06/19)           | 5/12/09             |    | 28        |    | 0.00   |    | 0         |

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|                               |                     |           |      |           |
|-------------------------------|---------------------|-----------|------|-----------|
| Merus B.V. Class C            | 8/15/17             | 1,104,255 | 7.24 | 1,081,291 |
| Neurovance, Inc.              |                     |           |      |           |
| Series A Cvt. Pfd             | 12/29/11            | 204,009   | 3.71 | 200,147   |
| Series A-1 Cvt. Pfd           | 10/11/12 - 10/10/13 | 2,495,742 | 3.71 | 2,488,805 |
| Ovid Therapeutics, Inc.       |                     |           |      |           |
| Series B Cvt. Pfd             | 8/7/15              | 1,499,997 | 6.23 | 1,499,997 |
| Palyon Medical Corporation    |                     |           |      |           |
| Series A Cvt. Pfd             | 4/28/09             | 2,070,040 | 0.00 | 2,046     |
| Series B Cvt. Pfd             | 6/28/13             | 1,314,671 | 0.00 | 1,318     |
| Cvt. Promissory Note          | 11/13/14            | 37,401    | 0.00 | 0         |
| Cvt. Promissory Note          | 1/22/15             | 30,339    | 0.00 | 0         |
| Warrants (expiration 4/26/19) | 4/25/12             | 21        | 0.00 | 0         |

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**TEKLA LIFE SCIENCES INVESTORS****NOTES TO SCHEDULE OF INVESTMENTS**

DECEMBER 31, 2015

*(Unaudited)**(continued)*

|                                |                 |    |            |    |      |    |            |
|--------------------------------|-----------------|----|------------|----|------|----|------------|
| Targegen Milestone Interest    | 7/20/10         | \$ | 2,962,363  | \$ | 0.00 | \$ | 0          |
| TherOx, Inc.                   | 9/11/00, 7/8/05 |    | 2,388,426  |    | 0.00 |    | 143        |
| Tibion Corporation             |                 |    |            |    |      |    |            |
| Series B Cvt. Pfd              | 2/23/11         |    | 905,158    |    | 0.00 |    | 0          |
| Non-Cvt. Promissory Note       | 7/12/12         |    | 238,513    |    | 0.00 |    | 0          |
| Non-Cvt. Promissory Note       | 4/12/13         |    | 28,212     |    | 0.00 |    | 0          |
| Warrants (expiration 10/30/17) | 10/30/12        |    | 0          |    | 0.00 |    | 0          |
| Warrants (expiration 11/28/17) | 11/28/12        |    | 0          |    | 0.00 |    | 0          |
| Warrants (expiration 7/12/17)  | 7/12/12         |    | 0          |    | 0.00 |    | 0          |
| Veniti, Inc.                   |                 |    |            |    |      |    |            |
| Series A Cvt. Pfd              | 2/28/11         |    | 2,272,078  |    | 0.61 |    | 1,578,474  |
| Series B Cvt. Pfd              | 5/24/13         |    | 1,197,472  |    | 0.64 |    | 837,503    |
| Series C Cvt. Pfd              | 12/12/14        |    | 820,013    |    | 0.80 |    | 574,021    |
|                                |                 | \$ | 39,858,343 |    |      | \$ | 30,062,755 |

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

Carrying value per unit is greater than \$0.00 but less than \$0.01

Interest received as part of a corporate action for a previously owned security.

**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)                      Tekla Life Sciences Investors  
By (Signature and Title)                      /s/ Daniel R. Omstead  
   Daniel R. Omstead, President  
Date                      2/26/16

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

By (Signature and Title)                      /s/ Laura Woodward  
   Laura Woodward, Treasurer  
Date                      2/26/16

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