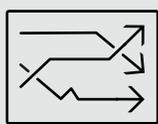


Fund performance



The equity portion of the Fund rose (gross of fees) but underperformed its benchmark, the NASDAQ Biotechnology Index.¹

Performance was held back by several stock-specific setbacks. Among these, uniQure detracted as regulatory uncertainty resurfaced around its Huntington's disease gene therapy after the FDA raised concerns over the acceptability of the natural history comparator, clouding filing timelines despite earlier durability data. Mereo BioPharma Group underperformed sharply after its Phase III osteogenesis imperfecta trial failed to meet its primary endpoint, representing a material break in the investment case. Korro Bio also detracted after clinical data fell short of expectations, prompting concerns over the translational effectiveness of its ribonucleic acid (RNA)-editing platform and weighing on sentiment towards early-stage biotechnology.

Positive contributions were led by Regeneron Pharmaceuticals, which benefited from improving investor confidence in the durability of its core franchises, robust Dupixent demand and easing concerns around retinal competition as Eylea High Dose gained traction. Dyne Therapeutics outperformed after encouraging clinical updates that reinforced confidence in its muscle-targeted delivery platform, alongside a broader re-rating of innovation-focused SMID-cap biotechnology stocks. Arrowhead Pharmaceuticals also contributed positively as investors reassessed the strategic value of its RNA interference platform, supported by partnership validation, business development activity and improved visibility across its pipeline.

Performance

The latest available performance figures have been calculated net-of-fees in U.S. dollars for the period:

Cumulative and annualized total return as of December 31, 2025 (%)

| | NAV | Market price |
|-----------------|-------|--------------|
| Quarter to date | 10.11 | 11.41 |
| Year to date | 40.59 | 45.38 |
| 1 year | 40.59 | 45.38 |
| 3 years (p.a.) | 16.82 | 18.89 |
| 5 years (p.a.) | 7.73 | 7.55 |
| 10 years (p.a.) | 7.43 | 6.60 |

Past Performance is no guarantee of future results. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. NAV return data includes investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions. abrdn Inc. (the "Adviser") became the Fund's adviser on October 27, 2023.

For periods prior to that date, the returns reflect performance information from a prior, unaffiliated adviser. The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

Expense ratios

Fiscal year ended September 30 (%)

| Annual Expenses | Percent of Net Assets |
|--------------------|-----------------------|
| Management Fees | 1.04 |
| Other Expenses | 0.32 |
| Operating Expenses | 1.36 |

Effective upon the close of business on October 27, 2023, the Adviser entered into a written contract with the Fund to limit the total ordinary operating expenses of the Fund (excluding leverage costs, interest, taxes, brokerage commissions, acquired fund fees and expenses and any non-routine expenses) from exceeding 1.36% of the average daily net assets of the Fund on an annualized basis for twelve months (the "Expense Limitation Agreement"). The Expense Limitation Agreement may not be terminated before October 27, 2025, without the approval of the Fund's trustees who are not "interested persons" of the Fund (as defined in the 1940 Act).

¹ The NASDAQ Biotechnology Index is a modified capitalization-weighted index that includes securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark as biotechnology or pharmaceuticals.

For current holdings information, please visit [abrdn Life Sciences Investors - Portfolio Holdings](#)



Market review

The U.S. healthcare sector in 2025 was marked by frustration followed by a gradual shift towards cautious optimism. The sector lagged the broader market as investors favored large-cap technology and artificial intelligence-driven growth, while healthcare faced persistent policy, reimbursement, and regulatory uncertainty. By late summer, valuations had fallen sharply relative to the S&P 500 Index.

An inflection point came in April, when new U.S. tariffs under President Donald Trump's administration triggered a sharp sell-off, particularly in small- and mid-cap (SMID-cap) biotechnology and innovation-focused companies.

As tariff concerns stabilized and financing conditions improved, SMID-cap biotechnology rebounded, supported by company-specific execution and clinical progress. Regulatory uncertainty persisted, including U.S. Food and Drug Administration (FDA) staffing reductions, reinforcing the importance of selectivity.

By the fourth quarter, momentum improved meaningfully. U.S. Federal Reserve rate cuts supported longer-duration growth assets, and healthcare emerged as a stronger-performing sector. Pharmaceuticals and biotechnology led gains, while renewed mergers and acquisitions (M&A) activity further underpinned confidence.

Activity

On the initiation side, we added a broad set of positions across rare disease, oncology, neurology, and specialty therapeutics. New positions included BioCryst, Abeona, precision-adjacent neurology exposure, Revolution Medicines, Soleno, Taysha Gene Therapies, Arcellx, Biohaven, Praxis, Jade Biosciences and QNRx. We also participated in the EVMN initial public offering during the quarter, reflecting our willingness to support new listings where we believe investors may be underappreciating the medium-term opportunity. In addition, we initiated Veradermics as a venture investment, extending our exposure to earlier-stage innovation beyond the public markets.

On the disposal side, we sold a number of positions to streamline the portfolio and reallocate capital to higher-conviction ideas. Disposals included Illumina, BioMarin, Alkermes, Xencor, Ardelyx, Rhythm Pharmaceuticals, Arbutus, Merus, Akero, Codiak, Avidity Biosciences, Tarsus, Janux, Tenaya, Centessa, Mereo BioPharma, Korro Bio, and Palvella-related exposure. These sales were driven by a mix of factors: reduced conviction, less attractive risk-reward profiles, clinical or regulatory setbacks, and, in some cases, corporate transactions that allowed us to redeploy capital into opportunities with clearer upside.

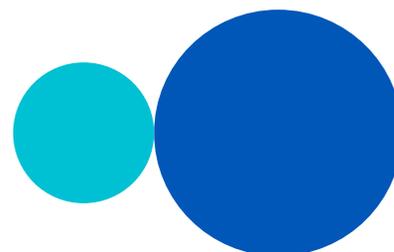
Outlook & strategy

As we enter 2026, we believe U.S. healthcare is better positioned than it has been in several years. The sector's prolonged period of underperformance has reset expectations and valuations, particularly within SMID-cap biotechnology and innovation-focused companies. While policy and regulatory uncertainty remains part of the landscape, recent market action suggests that investors are once again willing to differentiate between companies with strong fundamentals and those with less clear paths to value creation.

The long-term drivers for U.S. healthcare remain compelling. Demographic trends, unmet medical needs, and continued scientific progress across areas such as obesity, oncology, rare disease, and diagnostics continue to support durable demand. At the same time, renewed M&A activity reflects the strategic imperative for larger companies to replenish pipelines and expand growth opportunities, which can provide an additional source of upside for well-positioned SMID-cap companies.

Our positioning across the Fund reflects these dynamics. We are intentionally emphasizing SMID-cap innovation, where we believe the combination of reset valuations and improving sentiment creates attractive risk-adjusted opportunities. We continue to pair these positions with select large-cap holdings that offer durability and cash flow support, while remaining disciplined around position sizing and binary risk.

Portfolio construction remains an important part of our approach. Alongside equity exposure, we continue to utilize tools such as covered call writing. This integrated strategy is designed to balance upside participation with risk management. Overall, we are encouraged by the improving tone in the sector and believe that a selective, active approach positions the portfolio well for the opportunities ahead.



Important Information

Investments in HQL may be subject to additional risks including limited operating history, security selection, concentration in the healthcare industries, pharmaceuticals sector, biotechnology industry, managed care sector, life science and tool industry, healthcare technology sector, healthcare services sector, healthcare supplies sector, healthcare facilities sector, healthcare equipment sector, healthcare distributors sector, healthcare REIT, interest rate, credit/default, non-investment grade securities, key personnel, discount to NAV, anti-takeover provisions, related party transactions, non-diversification, government intervention, market disruption, geopolitical, and potential conflicts of interest. Please see the Fund's most recent annual report for more information on risks applicable to the Fund. As of 9/30/2023, Tekla Capital Management LLC was the Fund's investment manager. Effective immediately after the market close on 10/27/2023, abrdn Inc. became the Fund's investment manager. Destra Capital Advisors LLC, a registered investment advisor, is providing secondary market servicing for the Fund.

Please see the Fund's most recent annual report for more information on risks applicable to the Fund.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Fund. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

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