

H&Q LIFE SCIENCES INVESTORS
Form N-CSRS
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-06565

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

2 Liberty Square, 9th Floor, Boston, MA
(Address of principal executive offices)

02109
(Zip code)

2 Liberty Square, 9th Floor, Boston, MA 02109
(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: October 1, 2010 to March 31, 2011

ITEM 1. REPORTS TO STOCKHOLDERS.

See Semiannual Report 3/31/11.

H&Q LIFE SCIENCES INVESTORS

Semiannual Report

March 31, 2011

(Unaudited)

To our Shareholders:

On March 31, 2011, the net asset value (NAV) per share of the Fund was \$12.96. During the six month period ended March 31, 2011, total return at NAV of your Fund was 17.53%, with distributions reinvested. During the most recent quarter ended March 31, 2011, total return at NAV of your Fund was 7.71%, with distributions reinvested. The total investment return at market with distributions reinvested was 30.83% during the six month period ended March 31, 2011 and was 14.00% during the quarter ended March 31, 2011. Comparisons to relevant indices are listed below:

Investment Returns	Quarter Ended 3/31/10	Six-Months Ended 3/31/10
Investment Return at Market	14.00%	30.83%
Net Asset Value	7.71%	17.53%
NASDAQ Biotech Index (NBI)	7.33%	16.34%
S&P 500 Index	5.92%	17.31%

Portfolio Highlights

As is typical, during the six month period ending March 31, 2011, a handful of themes appear to have had significant influence on healthcare sector performance. While in recent shareholder reports we have suggested that healthcare reform and the overall macroeconomic environment seemed to be central, in the current period it appears that sector specific topics including clinical data, regulatory action and merger & acquisition have been the dominant factors. It is our impression that when these bedrock, sector specific areas are central, it is more likely that the healthcare sector will outperform. We believe that as an investment opportunity, healthcare is most attractive when the focus is on the development and approval of novel and differentiated products that improve the quality or prolong the duration of patient's lives.

In recent months, we have seen the approval and/or launch of several new and impressive products. Among other examples, in the United States, Human Genome Sciences's Benlysta was approved for the treatment of lupus, Amgen's Xgeva was launched in oncology, Dendreon's Provenge was launched in prostate cancer and Allergan's Botox was launched in migraine. As one example in

the European Union, Intermune's Esbriet was approved in respiratory disease. Several of these drugs have the potential to be blockbusters and, in our view, are likely to have positive influence on investor sentiment about the healthcare sector. However, not all approval outcomes have been positive. In fact during the last few months, commercialization of the third of three promising obesity drugs has been meaningfully slowed or stopped by the US FDA over safety and/or efficacy concerns. On balance though we believe that overall in the last six months the drug regulatory approval process has been a significant net positive for the sector.

Similarly, there have been quite a few reports of promising clinical data in recent months. As examples, Amarin's AMR101 has demonstrated a substantive positive impact in hyperlipidemia, Vertex has demonstrated positive impact in Cystic Fibrosis, Ariad has reported positive data in two different cancer indications, Incyte has demonstrated apparent efficacy in myelofibrosis and Onyx has demonstrated impressive efficacy in the area of multiple myeloma. Moreover, the field of Hepatitis C is likely to be transformed by products from Vertex, Merck and Pharmasset. Inevitably, there have also been products that have failed to demonstrate hoped-for efficacy but, on balance, it is our view that clinical progress made in the last few months has been impressive. In addition to product related developments, merger & acquisition news has appeared to be a positive for the healthcare sector. Among the major pharmaceuticals and biotechs, Sanofi completed a long-anticipated acquisition of Genzyme, Merck acquired Inspire and Celgene acquired Abraxis. In addition, Royal DSM N.V. acquired Martek and Hologic acquired Interlace.

We note that during the report period, your Fund benefited not only from positive market conditions for the sector but also owned a number of the companies noted above including Human Genome Sciences, Amgen, Dendreon, Intermune, Ariad, Incyte, Vertex, Onyx, Pharmasset, Genzyme, Hologic and Interlace. In aggregate, we feel that your Fund and the healthcare sector benefited from a "healthy" dose of sector related news during the six month period ending March 31, 2011.

We also note that there have been a number of factors not directly related to the topics described above. Arguably, healthcare reform and the macroeconomic environment are two of the most important factors. With regard to healthcare reform, we have argued for some time that uncertainty, first prior to the passage of the 2010 Affordable Care Act and then prior to obtaining clarity regarding some of the consequences of the law's passage, would limit healthcare sector performance. Certainly, many details remain to be worked out regarding these laws but it looks now like reversal or major change

of the ACA is unlikely in the near term. As such, it appears that investors have begun to focus on the underlying fundamentals of the healthcare sector. From a macro view, the sector has appeared to be on sound footing with strong balance sheets, pending new product approvals and reasonable valuations. It is this combination of characteristics that appears to have led to the sector out performance in the report period. Our view is that while the sector and the market as a whole have moved quickly up in recent months, we would not be surprised if we saw a pullback in the near future. But from a sector view, we think that healthcare will outperform the broad market in the intermediate term.

Investment Changes

During the six month period ended March 31, 2011, within the public portfolio, the Fund established positions in several companies including Celera Corporation, Bruker Corporation, Affymetrix, Inc., Exact Sciences Corporation, and Life Technology Corporation. During the same six month period the Fund exited its positions in several companies including Vertex Pharmaceuticals, Inc., Martek Bioscience Corporation, Regeneron Pharmaceuticals Inc., Eurand N.V., Inc. BioMarin Pharmaceuticals, Inc.

During the six month period ended March 31, 2011, within the venture portfolio, the Fund established positions in several companies including Veniti, Inc., Tibion Corporation, and IntelliPharmaCeutics International, Inc.

We note that several activist investors acquired significant positions in HQL shares during 2010. One activist investor with short term liquidity interest, claiming to represent the general interest of like minded investors, demanded implementation of a liquidity program for shares of HQL. As part of a Compromise and Standstill Agreement, Hambrecht & Quist Capital Management LLC, the Fund's Adviser, with approval of the Fund's Trustees, has undertaken a 35% Tender Offer on behalf of the Fund for a portion of its shares. Shareholders have received details of this Tender Offer under separate cover. Please call the Adviser with any questions.

As always, if you have questions, please feel free to call us at 617-772-8500.

Daniel R. Omstead
President

H&Q LIFE SCIENCES INVESTORS

**LARGEST HOLDINGS BY ISSUER
(Excludes Short-Term Investments)**

*As of March 31, 2011
(Unaudited)*

Issuer - Sector	% of Net Assets
Illumina, Inc. <i>Medical Devices and Diagnostics</i>	3.7%
Gilead Sciences, Inc. <i>Biotechnologies/Biopharmaceuticals</i>	3.4%
Dendreon Corporation <i>Biotechnologies/Biopharmaceuticals</i>	3.1%
Alexion Pharmaceuticals, Inc. <i>Biotechnologies/Biopharmaceuticals</i>	2.9%
Mylan, Inc. <i>Generic Pharmaceuticals</i>	2.5%
Amgen, Inc. <i>Biotechnologies/Biopharmaceuticals</i>	2.4%
Alkermes, Inc. <i>Drug Delivery</i>	2.3%
Celgene Corporation <i>Biotechnologies/Biopharmaceuticals</i>	2.2%
Perrigo Company <i>Generic Pharmaceuticals</i>	2.0%
Celera Corporation <i>Medical Devices and Diagnostics</i>	1.9%

PORTFOLIO

*As of March 31, 2011
(Unaudited)*

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

MARCH 31, 2011

(Unaudited)

CONVERTIBLE SECURITIES AND WARRANTS - 7.6% of Net Assets		
SHARES	Convertible Preferred and Warrants (Restricted) ^(a) ^(b) - 7.5%	VALUE
	<i>Biotechnology/Biopharmaceuticals - 0.7%</i>	
1,967,757	Euthymics Biosciences, Inc. Series A	\$ 1,967,757
204,275	MacroGenics, Inc. Series D	133,208
50,145	MacroGenics, Inc. Series D 18 Month Lock-up	0
		2,100,965
	<i>Drug Discovery Technologies - 1.1%</i>	
1,587,302	Agilix Corporation Series B ^(c)	3,968
250,000	Ceres, Inc. Series C	1,625,000
21,462	Ceres, Inc. Series C-1	139,503
175,540	Ceres, Inc. Series D	1,141,010
28,385	Ceres, Inc. Series F	184,503
5,677	Ceres, Inc. warrants (expiration 9/05/15)	0
		3,093,984
	<i>Healthcare Services - 1.2%</i>	
3,589,744	PHT Corporation Series D ^(c)	2,800,000
802,996	PHT Corporation Series E ^(c)	626,337
99,455	PHT Corporation Series F ^(c)	77,575
		3,503,912
	<i>Medical Devices and Diagnostics - 4.5%</i>	
2,379,916	CardioKinetix, Inc. Series C	529,769
4,277,223	CardioKinetix, Inc. Series D	556,039
N/A	CardioKinetix, Inc. warrants (expiration 12/11/19) ^(d)	0
N/A	CardioKinetix, Inc. warrants (expiration 06/03/20) ^(d)	0
3,235,293	Concentric Medical, Inc. Series B ^(c)	1,682,352
1,162,790	Concentric Medical, Inc. Series C ^(c)	604,651
455,333	Concentric Medical, Inc. Series D ^(c)	236,773
453,094	Concentric Medical, Inc. Series E ^(c)	235,609
2,446,016	Labcyte, Inc. Series C	1,280,000
2,161,090	Magellan Biosciences, Inc. Series A	2,161,090
98,824	Magellan Biosciences, Inc. warrants (expiration 4/01/19)	0
7,877	Magellan Biosciences, Inc. warrants (expiration 5/06/19)	0

1,031,992	OmniSonics Medical Technologies, Inc. Series A-1	1,032
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The accompanying notes are an integral part of the financial statements.

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

MARCH 31, 2011

(Unaudited)

(continued)

SHARES	Convertible Preferred and Warrants (Restricted) ^(a) ^(b) - continued	VALUE
877,747	OmniSonics Medical Technologies, Inc. Series B-1	\$ 878
9,606,373	Palyon Medical Corporation Series A ^(c)	1,537,020
43,478	TherOx, Inc. Series H	72,121
99,646	TherOx, Inc. Series I	165,293
3,280,000	Tibion Corporation	1,640,000
2,606,033	Veniti, Inc. Series A ^(c)	2,255,000
		12,957,627
		21,656,488
PRINCIPAL AMOUNT	Convertible Notes - 0.1%	
	<i>Drug Discovery Technologies - 0.0%</i>	
\$ 700,000	deCODE Genetics, Inc., 3.50% due 4/15/11	5,250
	<i>Medical Devices and Diagnostics - 0.1%</i>	
	CardioKinetix, Inc., Cvt. Promissory Notes,	
246,083	4.25% due 12/31/11 (Restricted) ^(a)	246,083
		251,333
	TOTAL CONVERTIBLE SECURITIES AND WARRANTS	
	(Cost \$31,169,522)	21,907,821
SHARES	COMMON STOCKS AND WARRANTS - 86.4%	
	<i>Biotechnology/Biopharmaceuticals - 39.8%</i>	
61,510	Acorda Therapeutics, Inc. ^(b)	1,427,032
1,637,179	Adolor Corporation ^(b)	2,308,422
352,127	Affymax, Inc. ^(b)	2,066,986
85,385	Alexion Pharmaceuticals, Inc. ^(b)	8,425,792
93,643	Alnylam Pharmaceuticals, Inc. ^(b)	896,164
453,480	Amarin Corporation plc ^(b)	3,310,404
128,936	Amgen, Inc. ^(b)	6,891,629
88,714	Amylin Pharmaceuticals, Inc. ^(b)	1,008,678
3,939,544	Antisoma plc ^(b) ^(c)	153,136
343,875	ARIAD Pharmaceuticals, Inc. ^(b)	2,585,940
82,000		0

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	Athersys, Inc. warrants (Restricted, expiration 6/08/12) ^(a) ^(b)	
144,350	Auxilium Pharmaceuticals, Inc. ^(b)	3,099,195
386,934	Cadence Pharmaceuticals, Inc. ^(b)	3,563,662
110,092	Celgene Corporation ^(b)	6,333,593
27,460	Cephalon, Inc. ^(b) ^(h)	2,080,919
250,000	Corcept Therapeutics Incorporated ^(b)	1,062,500

The accompanying notes are an integral part of the financial statements.

H&Q LIFE SCIENCES INVESTORS

SCHEDULE OF INVESTMENTS

MARCH 31, 2011

(Unaudited)

(continued)

SHARES	<i>Biotechnologies/ Biopharmaceuticals - continued</i>	VALUE
174,224	Cornerstone Therapeutics, Inc. ^(b)	\$ 1,153,363
174,122	Cubist Pharmaceuticals, Inc. ^(b)	4,394,839
235,489	Dendreon Corporation ^(b)	8,814,353
642,060	Elan Corporation plc ^{(b) (f)}	4,417,373
47,597	Genzyme Corporation ^(b)	3,624,512
566,761	Geron Corporation ^(b)	2,862,143
231,098	Gilead Sciences, Inc. ^(b)	9,807,799