

Clough Global Allocation Fund  
Form N-CSR  
June 07, 2010  
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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: 811-21583

Clough Global Allocation Fund

(exact name of registrant as specified in charter)

1290 Broadway, Suite 1100, Denver, Colorado 80203

(Address of principal executive offices) (Zip code)

Erin E. Douglas, Secretary

Clough Global Allocation Fund

1290 Broadway, Suite 1100

Denver, Colorado 80203

(Name and address of agent for service)

Registrant's telephone number, including area code: 303-623-2577

Date of fiscal year end: March 31

Date of reporting period: March 31, 2010

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SHAREHOLDER LETTER

March 31, 2010

To our Shareholders:

During the 12 months ended March 31, 2010, the Clough Global Allocation Fund's (the Fund) total return, assuming reinvestment of all distributions, was 38.14% based on net asset value and 61.32% based on the market price of the stock. That compares with a 49.72% return for the S&P 500 for the same period. Since the Fund's inception on July 28, 2004, the total growth in net asset value assuming reinvestment of all distributions has been 46.22%, this compares to a cumulative total return of 20.00% for the S&P 500 through March 31, 2010. The Fund's compound annual return since inception is 6.92% compared to 3.26% of the S&P 500 through March 31, 2010. Total distributions since inception have been \$10.21 per share, and based on the current dividend rate of \$0.30 per share, offer a yield of 7.54% on market price as of March 31, 2010, of \$15.92.

In coming months we think the combination of a shortage of yield in the bond markets, a decline in stock market volatility and strong corporate cash flows will provide ongoing support for equities. We believe our strategy of identifying global profit cycles and having the patience to allow the financial markets time to recognize them should be quite effective in a low interest rate world.

We see three reasons for the yield shortage. First, household debt declined 1.7% in 2009. It was the first decline since 1945 according to a report in Barron's. Residential mortgages make up approximately 75% of consumer credit and represent a major source of yield. However, new mortgage supply is dependent upon the combination of new housing investment and inflation of the housing stock. Housing is still depreciating and loan to value ratios are declining so neither new construction nor inflation is likely to reemerge anytime soon. This suggests little new yield supply will emerge on the mortgage front.

Secondly, the contraction of the banking system is visibly underway. Bank loans fell 9% year on year in February according to the Federal Reserve, and such declines are rare in the postwar period. According to the Wall Street Journal, the total number of retail bank branches will actually decline this year. Banks are aggressively pruning their sprawling operations to get rid of locations deemed unattractive. Deposit rates are likely to remain at liquidation levels until the process is complete, a multi-year undertaking in our judgment.

Third, US business cash flow is strong. Again, according to the Wall Street Journal, non-financial businesses alone in the US have \$932 billion in cash. With so much of the corporate capital stock overbuilt, investment is likely to remain weak, businesses are likely to be managed for cash and debt is likely to be liquidated. In a nutshell so long as private debt is declining, the shortage of yield will only worsen and the forced migration of investment capital abroad will likely be sustained.

Moreover, the deleveraging going on in the economy is translating to the financial markets. The decline in financial market leverage and the lessening of speculative capital should bring about a decline in market volatility going forward. That seems equity bullish to us. Recent evidence of this is the continued decline in volatility in the face of the threats of sovereign collapse and recent dollar strength. People own a lot less stock than they used to and that alone reduces selling pressure.

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SHAREHOLDER LETTER (CONTINUED)

March 31, 2010

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That leaves the economy with two pillars of stranded capital: (1) the large stock of household savings trapped at the money rate; and (2) the pile of excess reserves at the Fed. The common fear is that private lending will revive and bring about the inflation event the world believes is coming. We don't think that is likely for a simple reason. The base effect of today's huge private debt structure limits additional borrowing because the cost of servicing already existing debt restricts its further expansion. We think the real macro risk is the US recovery decelerates and deflationary pressures reignite. As we opined in earlier communications this is not necessarily bearish for equities, particularly where investment and capacity is reduced and productivity is upgraded, nor will it short circuit the emergence of new profit cycles in which we are investing.

It also suggests that capital will be available where good returns exist at very low cost. What is so encouraging in the face of this is the number of emerging profit cycles we see in the world.

We still believe the major investment story is emerging world consumption. Asian assets in particular will be the key beneficiary of low money rates in the developed economies. Predictions of a China credit bubble and a coming investment collapse remain a constant staple in the popular media and we still think these analyses are too simplistic. In China, for example, the bank credit to GDP (gross domestic product) ratio is the lowest of all the major economies. Office building is 3% of GDP and urbanization still creates a continuing housing shortage and the need to invest.

We have argued first of all that China's huge domestic savings rate, its foreign reserve holdings and the high down payments required to purchase real estate all argue against widespread credit defaults. Household debt in China is around 17% of GDP compared to almost 100% in the US. And our belief is that its high investment rate is still adding to the economy's productivity. A recent Morgan Stanley research report notes how low China's capital to labor ratio is when compared to other economies. For example fixed capital formation per capita in China is only 14%, 11%, 6% and 4% respectively of that in Taiwan, Korea, the US and Japan. Of those four economies, only in the US and Japan are capital stock additions largely offsetting depreciation of the current capital stock. To us that suggests that return on investment is still strong in China, and as its capital to labor ratio rises, so will productivity. Since there is so much stranded capital in the world's financial markets, the needed capital will likely be available to China at low cost. To look at China's capital formation or debt growth in the eyes of western standards is not a valid approach. For one, as China moves from an importer to an exporter of higher value capital goods, there is even more need for domestic capital investment. And as China's consumers gradually adopt more of a credit culture, personal income growth of 10-12% should easily turn into consumption growth in the mid-teens. To us the popular negativism about China simply increases the potential upside for stocks. Fortunately we are able to invest substantial research resources into trying to find the best investment opportunities not only in China but across the Asian consumer economies.

Bank credit is also growing rapidly in Brazil. In 2009 it grew 15%. Since credit and profit growth are highly correlated we think a strong profit uptrend is likely. Real interest rates are still high (almost 4%) and mortgage activity is beginning to emerge. If real interest rates decline, domestic demand should surge. Mortgage debt is 3% of GDP and has a long way to rise.

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SHAREHOLDER LETTER (CONTINUED)

March 31, 2010

We have also maintained our energy investments. There is an enduring value to long lived oil reserves at a time most are in unstable political hands. We believe oil production from current fields will soon peak and global oil supplies will gradually tighten. These barrels can be replaced but only at much higher costs and we have positioned the portfolio to potentially benefit from the spending necessary to develop them. Moreover cost inflation is beginning to emerge in the deep water drilling sector and consolidation is beginning in both the oil and oil service industries. Exxon Mobil's acquisition of XTO Resources and Schlumberger's recent bid for Smith International put all of this in the spotlight.

Other themes of note reflected in the Funds are focused on industries where restructuring has reduced capacity and enhanced productivity to the point we think even a modest increase in demand substantially increases profits. For example, if automobile demand simply recovers to the level of scrappage, profitability among the original equipment auto parts companies should rise sharply. In fact it already has even at lower production rates. It is one of the few industries where pricing power is emerging. Pricing power is even beginning to emerge among the tire manufacturers, whose profitability has been held back by raw materials cost increase. We see these cost increases reversing as replacement demand for tires and pricing recover in the months ahead. We think the same dynamics are present in the aerospace industry where a recovery in travel demand after a long period of equipment parts underproduction is bringing on profit recovery.

Finally, our case for a longer period of lower money market rates will support profit recovery across the financial sector and the funds are well represented there. Many life insurers still sell below book value because of lingering balance sheet issues, but the boom in corporate cash flows continues to allow quality spreads to collapse and we suspect many of those stocks will price closer to stated book in the months ahead.

We sincerely appreciate your interest in our Fund. If you have any questions about your investment, please call 1-877-256-8445.

Sincerely,

Charles I. Clough, Jr.

Clough Capital Partners, L.P. is a Boston-based investment management firm that has approximately \$3.0 billion under management. For equities, the firm uses a global and theme-based investment approach based on identifying chronic shortages and growth opportunities. For fixed-income, Clough believes changing economic fundamentals help reveal potential global credit market opportunities based primarily on flow of capital into or out of a country. Clough was founded in 2000 by Chuck Clough and partners James Canty and Eric Brock. These three are the portfolio managers for the Clough Global Allocation Fund.

*Forward-looking statements are based on information that is available on the date hereof, and neither the fund manager nor any other person affiliated with the fund manager has any duty to update any forward-looking statements. Important factors that could affect actual results to differ from these statements include, among other factors, material, negative changes to the asset class and the actual composition of the portfolio.*

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March 31, 2010

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**Asset Type (as a % of Market Value)\***

|                           |                |
|---------------------------|----------------|
| Common Stock US           | 51.96%         |
| Common Stock Foreign      | 21.02%         |
| ETF s                     | -2.25%         |
| <b>Total Equities</b>     | <b>70.73%</b>  |
| Corporate Debt            | 17.43%         |
| Government L/T            | 3.03%          |
| Asset/Mortgage backed     | 0.40%          |
| <b>Total Fixed Income</b> | <b>20.86%</b>  |
| Short-Term Investments    | 8.38%          |
| Options                   | 0.15%          |
| Other (Foreign Cash)      | -0.12%         |
| <b>Total Other</b>        | <b>8.41%</b>   |
| <b>TOTAL INVESTMENTS</b>  | <b>100.00%</b> |

**Global Breakdown (as a % of Market Value)^**

|                  |        |                        |        |
|------------------|--------|------------------------|--------|
| United States    | 77.15% | South Korea            | 0.45%  |
| Brazil           | 5.63%  | British Virgin Islands | 0.37%  |
| Hong Kong        | 2.16%  | Thailand               | 0.35%  |
| Canada           | 1.74%  | France                 | 0.28%  |
| Bermuda          | 1.70%  | Singapore              | 0.23%  |
| China            | 1.58%  | Luxembourg             | 0.22%  |
| Japan            | 1.53%  | United Kingdom         | 0.20%  |
| Switzerland      | 1.38%  | Germany                | 0.12%  |
| Papua New Guinea | 1.31%  | Israel                 | 0.11%  |
| Indonesia        | 1.00%  | Cayman Islands         | 0.03%  |
| South Africa     | 0.93%  | Vietnam                | 0.03%  |
| Netherlands      | 0.88%  | India                  | -0.25% |
| Greece           | 0.65%  | Mexico                 | -0.25% |
| Taiwan           | 0.47%  |                        |        |

\* Includes securities sold short.

^ Includes securities sold short and foreign cash balances.

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6 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
March 31, 2010

To the Shareholders and Board of Trustees of Clough Global Allocation Fund:

We have audited the accompanying statement of assets and liabilities of Clough Global Allocation Fund (the Fund ), including the statement of investments, as of March 31, 2010, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for the periods presented. These financial statements and financial highlights are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of March 31, 2010, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Clough Global Allocation Fund as of March 31, 2010, the results of its operations and cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America.

Denver, Colorado  
May 19, 2010  
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March 31, 2010

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|   | Shares    | Value        |
|---|-----------|--------------|
| <b>COMMON STOCKS 112.81%</b>                                  |           |              |
| <b>Consumer/Retail 14.99%</b>                                 |           |              |
| American Axle & Manufacturing Holdings, Inc. <sup>(a)</sup>   | 106,400   | \$ 1,061,872 |
| Anta Sports Products, Ltd.                                    | 323,600   | 534,315      |
| Belle International Holdings, Ltd.                            | 297,500   | 400,026      |
| China Dongxiang Group Co.                                     | 1,196,000 | 862,620      |
| China Lilang, Ltd. <sup>(a)</sup>                             | 619,400   | 601,510      |
| Compagnie Generale des Etablissements Michelin                | 14,306    | 1,054,236    |
| Cooper Tire & Rubber Co.                                      | 28,700    | 545,874      |
| Delta Dunia Makmur Tbk PT <sup>(a)</sup>                      | 1,315,000 | 154,629      |
| Federal - Mogul Corp. <sup>(a)</sup>                          | 2,331     | 42,797       |
| Ford Motor Co. <sup>(a)</sup>                                 | 208,819   | 2,624,855    |
| Gafisa S.A. - ADR   | 26,000    | 357,240      |
| The Goodyear Tire & Rubber Co. <sup>(a)</sup>                 | 223,607   | 2,826,393    |
| Huiyin Household Appliances Holdings Co., Ltd. <sup>(a)</sup> | 242,900   | 77,898       |
| Hyatt Hotels Corp. <sup>(a)</sup>                             | 10,400    | 405,184      |
| Intercontinental Hotels Group PLC                             | 11,206    | 175,492      |
| Jardine Strategic Holdings, Ltd.                              | 21,295    | 409,716      |
| JOS A Bank Clothiers, Inc. <sup>(a)</sup>                     | 18,500    | 1,011,025    |
| Kraft Foods, Inc.   | 32,700    | 988,848      |
| Lear Corp. <sup>(a)</sup>                                     | 5,600     | 444,360      |
| Little Sheep Group, Ltd. <sup>(b)</sup>                       | 59,000    | 32,979       |
| New World Department Store China, Ltd.                        | 104,700   | 100,867      |
| Owens-Illinois, Inc. <sup>(a)</sup>                           | 59,622    | 2,118,966    |
| PCD Stores, Ltd. <sup>(a) (b)</sup>                           | 751,000   | 248,584      |
| Ports Design, Ltd.  | 156,700   | 397,590      |
| QuinStreet, Inc. <sup>(a)</sup>                               | 37,700    | 641,277      |
| Regal Hotels International Holdings, Ltd.                     | 238,390   | 95,181       |
| Starwood Hotels & Resorts Worldwide, Inc.                     | 30,600    | 1,427,184    |
| Tenneco, Inc. <sup>(a)</sup>                                  | 144,627   | 3,420,429    |
| Tiger Airways Holdings, Ltd. <sup>(a) (b)</sup>               | 197,200   | 250,914      |
| TJX Cos, Inc.   | 20,600    | 875,912      |
| TRW Automotive Holdings Corp. <sup>(a)</sup>                  | 35,700    | 1,020,306    |
| Wal-Mart Stores, Inc.   | 12,000    | 667,200      |
| The Walt Disney Co.   | 15,800    | 551,578      |
|   |           | 26,427,857   |
| <b>Energy 22.39%</b>  |           |              |
| <b>Coal 2.08%</b>   |           |              |
| Alpha Natural Resources, Inc. <sup>(a)</sup>                  | 27,700    | 1,381,953    |
| Arch Coal, Inc.   | 15,900    | 363,315      |
| Massey Energy Co.   | 10,000    | 522,900      |
| Walter Industries, Inc.                                       | 15,100    | 1,393,277    |
|   |           | 3,661,445    |
| <b>Exploration &amp; Production 12.60%</b>                    |           |              |
| Anadarko Petroleum Corp.                                      | 34,032    | 2,478,551    |
| Cabot Oil & Gas Corp.   | 9,900     | 364,320      |
| Canadian Natural Resources, Ltd.                              | 9,900     | 732,996      |
| EDP - Energias do Brasil S.A. <sup>(b)</sup>                  | 15,100    | 289,798      |

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## STATEMENT OF INVESTMENTS (CONTINUED)

March 31, 2010

|  | Shares    | Value      |
|--|-----------|------------|
| <b>Exploration &amp; Production (continued)</b>    |           |            |
| EOG Resources, Inc.                                | 9,200     | \$ 855,048 |
| Exxon Mobil Corp.                                  | 7,900     | 529,142    |
| Halliburton Co.                                    | 58,000    | 1,747,540  |
| InterOil Corp. <sup>(a)</sup>                      | 50,675    | 3,283,740  |
| Newfield Exploration Co. <sup>(a)</sup>            | 15,600    | 811,980    |
| Noble Energy, Inc.                                 | 27,259    | 1,989,907  |
| Occidental Petroleum Corp.                         | 36,800    | 3,111,072  |
| OGX Petroleo e Gas Participacoes S.A.              | 143,700   | 1,344,599  |
| PetroHawk Energy Corp. <sup>(a)</sup>              | 36,400    | 738,192    |
| Petroleo Brasileiro S.A. - Sponsored ADR           | 33,030    | 1,307,658  |
| Plains Exploration & Production Co. <sup>(a)</sup> | 37,866    | 1,135,601  |
| Southwestern Energy Co. <sup>(a)</sup>             | 13,992    | 569,754    |
| Swift Energy Co. <sup>(a)</sup>                    | 19,200    | 590,208    |
| Ultra Petroleum Corp. <sup>(a)</sup>               | 7,200     | 335,736    |
|  |           | 22,215,842 |
| <b>Oil Services and Drillers 7.69%</b>             |           |            |
| Baker Hughes, Inc.                                 | 21,700    | 1,016,428  |
| Cabot Corp.  | 9,100     | 276,640    |
| Calfrac Well Services, Ltd.                        | 19,200    | 400,768    |
| Cameron International Corp. <sup>(a)</sup>         | 41,100    | 1,761,546  |
| ENSCO International, Inc. - ADR                    | 22,000    | 985,160    |
| National Oilwell Varco, Inc.                       | 37,793    | 1,533,640  |
| Noble Corp. <sup>(a)</sup>                         | 25,000    | 1,045,500  |
| Oceaneering International, Inc. <sup>(a)</sup>     | 18,680    | 1,185,993  |
| Suncor Energy, Inc.                                | 52,882    | 1,720,780  |
| Superior Well Services, Inc. <sup>(a)</sup>        | 45,163    | 604,281    |
| Transocean, Inc. <sup>(a)</sup>                    | 19,099    | 1,649,772  |
| Trican Well Service, Ltd.                          | 24,600    | 318,263    |
| Weatherford International, Ltd. <sup>(a)</sup>     | 66,700    | 1,057,862  |
|  |           | 13,556,633 |
| <b>Tankers 0.02%</b>                               |           |            |
| Golar LNG, Ltd. <sup>(a)</sup>                     | 3,654     | 42,752     |
|  |           | 39,476,672 |
| <b>Finance 17.04%</b>                              |           |            |
| <b>Banks 13.59%</b>                                |           |            |
| AES Tiete S.A.                                     | 22,725    | 248,162    |
| Banco Bradesco S.A. - ADR                          | 35,310    | 650,763    |
| Banco Santander Brasil S.A. - ADR                  | 56,900    | 707,267    |
| Bangkok Bank PLC                                   | 40,800    | 165,925    |
| Bank Mandiri Tbk PT                                | 2,660,000 | 1,563,932  |
| Bank of America Corp.                              | 225,900   | 4,032,315  |
| Bank of China, Ltd.                                | 1,335,000 | 711,840    |
| BlackRock Kelso Capital Corp.                      | 105,700   | 1,052,772  |
| BOC Hong Kong Holdings, Ltd.                       | 702,000   | 1,674,475  |
| China Construction Bank Corp.                      | 350,000   | 286,699    |
| <b>www.cloughglobal.com</b>                        |           |            |

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|   | Shares    | Value        |
|---|-----------|--------------|
| <b>Banks (continued)</b>                                    |           |              |
| CIT Group, Inc. <sup>(a)</sup>                              | 29,000    | \$ 1,129,840 |
| Cyrela Brazil Realty S.A.                                   | 31,400    | 367,791      |
| The Dai-ichi Life Insurance Co., Ltd. <sup>(a) (h)</sup>    | 215       | 321,960      |
| Indochina Capital Vietnam Holdings, Ltd. <sup>(a) (b)</sup> | 24,452    | 81,303       |
| Inpar S.A. <sup>(a)</sup>                                   | 146,300   | 263,255      |
| Itau Unibanco Holding S.A. - ADR                            | 63,440    | 1,395,046    |
| Kasikornbank PLC  | 129,000   | 384,985      |
| Knight Capital Group, Inc. <sup>(a)</sup>                   | 108,786   | 1,658,986    |
| Mizuho Financial Group, Inc.                                | 346,800   | 686,255      |
| New York Community Bancorp, Inc.                            | 21,600    | 357,264      |
| PDG Realty S.A. Empreendimentos e Participacoes             | 117,800   | 985,669      |
| PennantPark Investment Corp.                                | 177,530   | 1,839,211    |
| Regions Financial Corp.                                     | 86,500    | 679,025      |
| Siam Commercial Bank PCL                                    | 115,000   | 327,200      |
| State Street Corp.  | 53,077    | 2,395,896    |
|   |           | 23,967,836   |
| <b>Non-Bank 3.45%</b>                                       |           |              |
| Apollo Investment Corp.                                     | 257,789   | 3,281,654    |
| Ares Capital Corp.  | 149,524   | 2,218,936    |
| Maiden Holdings, Ltd. <sup>(b)</sup>                        | 23,900    | 176,621      |
| Solar Capital, Ltd. <sup>(a)</sup>                          | 18,900    | 399,546      |
|   |           | 6,076,757    |
| TOTAL FINANCE   |           | 30,044,593   |
| <b>Gold/Metals 1.68%</b>                                    |           |              |
| Anglo American PLC - ADR <sup>(a)</sup>                     | 7,194     | 155,678      |
| Anglo Platinum, Ltd. <sup>(a)</sup>                         | 12,362    | 1,255,930    |
| China Molybdenum Co., Ltd.                                  | 239,000   | 200,084      |
| Kinross Gold Corp.  | 16,000    | 273,440      |
| Lonmin PLC <sup>(a)</sup>                                   | 34,800    | 1,076,245    |
|   |           | 2,961,377    |
| <b>Health Care 0.64%</b>                                    |           |              |
| BioMarin Pharmaceutical, Inc. <sup>(a)</sup>                | 17,127    | 400,258      |
| BioSphere Medical, Inc. <sup>(a)</sup>                      | 182,703   | 484,163      |
| BioSphere Medical, Inc. <sup>(a) (c)</sup>                  | 50,000    | 132,500      |
| Molecular Insight Pharmaceuticals, Inc. <sup>(a)</sup>      | 80,200    | 105,062      |
|   |           | 1,121,983    |
| <b>Industrial 12.30%</b>                                    |           |              |
| Aegean Marine Petroleum Network, Inc.                       | 57,500    | 1,631,850    |
| AMR Corp. <sup>(a)</sup>                                    | 142,000   | 1,293,620    |
| Avis Budget Group, Inc. <sup>(a)</sup>                      | 125,770   | 1,446,355    |
| Bakrie Sumatera Plantations Tbk PT                          | 1,527,000 | 83,067       |
| BE Aerospace, Inc. <sup>(a)</sup>                           | 94,295    | 2,871,283    |
| BorgWarner, Inc. <sup>(a)</sup>                             | 40,000    | 1,527,200    |
| Bumi Resources Tbk PT                                       | 1,027,000 | 253,942      |



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## STATEMENT OF INVESTMENTS (CONTINUED)

March 31, 2010

|  | Shares    | Value        |
|--|-----------|--------------|
| <b>Industrial (continued)</b>                              |           |              |
| Chicago Bridge & Iron Co. <sup>(a)</sup>                   | 95,479    | \$ 2,220,842 |
| China South City Holdings, Ltd. <sup>(a) (b)</sup>         | 1,178,000 | 207,858      |
| Crown Holdings, Inc. <sup>(a)</sup>                        | 59,700    | 1,609,512    |
| FANUC, Ltd.  | 7,500     | 795,807      |
| Flowserve Corp.  | 2,600     | 286,702      |
| Foster Wheeler, Ltd. <sup>(a)</sup>                        | 46,500    | 1,262,010    |
| Fosun International, Ltd.                                  | 8,000     | 6,399        |
| General Cable Corp. <sup>(a)</sup>                         | 75,700    | 2,043,900    |
| JSR Corp.  | 14,200    | 296,637      |
| Kingboard Chemical Holdings, Ltd.                          | 41,980    | 191,131      |
| Landstar System, Inc.                                      | 7,100     | 298,058      |
| McDermott International, Inc. <sup>(a)</sup>               | 16,851    | 453,629      |
| Metabolix, Inc. <sup>(a)</sup>                             | 29,400    | 358,092      |
| Mitsubishi Electric Corp.                                  | 45,000    | 413,467      |
| Mitsui & Co., Ltd.   | 17,400    | 292,388      |
| SMC Corp.  | 3,900     | 529,372      |
| Terex Corp. <sup>(a)</sup>                                 | 16,799    | 381,505      |
| TransDigm Group, Inc.                                      | 17,635    | 935,360      |
|  |           | 21,689,986   |
| <b>Insurance 9.34%</b>                                     |           |              |
| Aflac, Inc.  | 28,400    | 1,541,836    |
| Arch Capital Group, Ltd. <sup>(a)</sup>                    | 4,900     | 373,625      |
| China Pacific Insurance Group Co., Ltd. <sup>(a) (b)</sup> | 97,000    | 429,765      |
| Everest Re Group, Ltd.                                     | 8,900     | 720,277      |
| Genworth Financial, Inc. <sup>(a)</sup>                    | 101,315   | 1,858,117    |
| The Hartford Financial Services Group, Inc.                | 49,100    | 1,395,422    |
| Korea Life Insurance Co., Ltd.                             | 53,776    | 416,349      |
| Lincoln National Corp.                                     | 84,688    | 2,599,921    |
| Loews Corp.  | 67,400    | 2,512,672    |
| MBIA, Inc. <sup>(a)</sup>                                  | 8,473     | 53,126       |
| Montpelier Re Holdings, Ltd.                               | 15,357    | 258,151      |
| Primerica, Inc.  | 1,954     | 29,310       |
| RenaissanceRe Holdings, Ltd.                               | 13,500    | 766,260      |
| Torchmark Corp.  | 21,555    | 1,153,408    |
| XL Capital, Ltd.   | 124,500   | 2,353,050    |
|  |           | 16,461,289   |
| <b>Metals &amp; Mining 0.47%</b>                           |           |              |
| Gerdau S.A. - ADR  | 51,129    | 833,403      |
| <b>Real Estate 0.56%</b>                                   |           |              |
| Cheung Kong Holdings, Ltd.                                 | 63,000    | 811,412      |
| Mingfa Group International Co., Ltd. <sup>(a) (b)</sup>    | 579,100   | 173,038      |
|  |           | 984,450      |
| <b>Real Estate Investment Trusts (REITs) 9.08%</b>         |           |              |
| Annaly Capital Management, Inc.                            | 293,200   | 5,037,176    |

Anworth Mortgage Asset Corp.  
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160,614 1,082,538



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## STATEMENT OF INVESTMENTS (CONTINUED)

March 31, 2010

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|   | Shares  | Value      |
|---|---------|------------|
| <b>Real Estate Investment Trusts (REITs) (continued)</b>    |         |            |
| Apollo Commercial Real Estate Finance, Inc.                 | 50,100  | \$ 902,301 |
| Capstead Mortgage Corp.                                     | 78,903  | 943,680    |
| Chimera Investment Corp.                                    | 165,632 | 644,309    |
| Hatteras Financial Corp.                                    | 98,400  | 2,535,768  |
| Hatteras Financial Corp. <sup>(b)</sup>                     | 50,300  | 1,296,231  |
| Host Hotels & Resorts, Inc.                                 | 106,535 | 1,560,738  |
| Invesco Mortgage Capital, Inc.                              | 35,400  | 814,200    |
| MFA Financial, Inc.   | 161,339 | 1,187,455  |
| Regal Real Estate Investment Trust                          | 37,439  | 9,210      |
|   |         | 16,013,606 |
| <b>Technology &amp; Communications 18.58%</b>               |         |            |
| Arrow Electronics, Inc. <sup>(a)</sup>                      | 47,800  | 1,440,214  |
| Avnet, Inc. <sup>(a)</sup>                                  | 27,200  | 816,000    |
| CA, Inc.  | 25,100  | 589,097    |
| Centron Telecom International Holdings, Ltd. <sup>(a)</sup> | 238,000 | 83,071     |
| China Telecom Corp., Ltd.                                   | 688,000 | 339,381    |
| Chunghwa Telecom Co., Ltd. - ADR                            | 60,829  | 1,181,908  |
| Cisco Systems, Inc. <sup>(a)</sup>                          | 177,000 | 4,607,310  |
| CommScope, Inc. <sup>(a)</sup>                              | 18,400  | 515,568    |
| Dell, Inc. <sup>(a)</sup>                                   | 34,600  | 519,346    |
| Elpida Memory, Inc. <sup>(a)</sup>                          | 13,000  | 255,995    |
| Equinix, Inc. <sup>(a)</sup>                                | 2,800   | 272,552    |
| Google, Inc. - Class A <sup>(a)</sup>                       | 3,500   | 1,984,535  |
| Hitachi, Ltd. <sup>(a)</sup>                                | 71,000  | 265,044    |
| Honeywell International, Inc.                               | 64,500  | 2,919,915  |
| Intel Corp.   | 104,500 | 2,326,170  |
| Magal Security Systems, Ltd. <sup>(a)</sup>                 | 72,925  | 282,949    |
| Microsoft Corp.   | 163,242 | 4,778,093  |
| Net Servicos de Comunicacao S.A. - ADR <sup>(a)</sup>       | 91,234  | 1,181,480  |
| NII Holdings, Inc. <sup>(a)</sup>                           | 17,100  | 712,386    |
| Qualcomm, Inc.  | 36,600  | 1,536,834  |
| Samsung Electronics Co., Ltd.                               | 976     | 705,615    |
| Seagate Technology <sup>(a)</sup>                           | 76,533  | 1,397,493  |
| Time Warner, Inc.   | 26,200  | 819,274    |
| Verizon Communications, Inc.                                | 88,300  | 2,739,066  |
| Western Digital Corp. <sup>(a)</sup>                        | 10,400  | 405,496    |
| Zhuzhou CSR Times Electric Co., Ltd.                        | 39,000  | 73,939     |
|   |         | 32,748,731 |
| <b>Transportation 4.08%</b>                                 |         |            |
| Bombardier, Inc.  | 178,600 | 1,095,533  |
| Gol Linhas Aereas Inteligentes S.A. - ADR                   | 126,307 | 1,564,944  |
| Localiza Rent A Car S.A.                                    | 57,400  | 603,582    |
| Rheinmetall AG  | 4,100   | 292,113    |
| Santos Brasil Participacoes S.A.                            | 60,000  | 590,435    |
| TAM S.A. - ADR  | 29,804  | 505,476    |
| UAL Corp. <sup>(a)</sup>                                    | 107,200 | 2,095,760  |
| US Airways Group, Inc. <sup>(a)</sup>                       | 61,502  | 452,040    |



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STATEMENT OF INVESTMENTS (CONTINUED)  
March 31, 2010

|   | Shares  | Value        |
|---|---------|--------------|
| <b>Utilities 1.66%</b>                          |         |              |
| Calpine Corp. <sup>(a)</sup>                    | 180,296 | \$ 2,143,719 |
| DPL, Inc.                                       | 28,900  | 785,791      |
|   |         | 2,929,510    |
| <b>TOTAL COMMON STOCKS</b>                      |         |              |
| (Cost \$166,527,877)                            |         | 198,893,340  |
| <b>EXCHANGE TRADED FUNDS 3.90%</b>              |         |              |
| iShares iBoxx \$ High Yield Corporate Bond Fund | 32,701  | 2,889,787    |
| SPDR Gold Shares <sup>(a)</sup>                 | 36,600  | 3,987,570    |
| <b>TOTAL EXCHANGE TRADED FUNDS</b>              |         |              |
| (Cost \$5,377,132)                              |         | 6,877,357    |

**Description and**

| Maturity Date                 | Coupon Rate | Principal Amount | Value   |
|-------------------------------|-------------|------------------|---------|
| <b>CORPORATE BONDS 24.86%</b> |             |                  |         |
| ACE INA Holdings, Inc.        |             |                  |         |
| 02/15/2017                    | 5.700%      | \$ 200,000       | 216,241 |
| Adaro Indonesia PT            |             |                  |         |
| 10/22/2019 <sup>(d)</sup>     | 7.625%      | 450,000          | 469,710 |
| Alliant Techsystems, Inc.     |             |                  |         |
| 04/01/2016                    | 6.750%      | 650,000          | 656,500 |
| Anadarko Petroleum Corp.      |             |                  |         |
| 09/15/2016                    | 5.950%      | 625,000          | 681,469 |
| Analog Devices, Inc.          |             |                  |         |
| 07/01/2014                    | 5.000%      | 350,000          | 369,990 |
| Aon Corp.                     |             |                  |         |
| 12/14/2012                    | 7.375%      | 365,000          | 408,652 |
| Apache Corp.                  |             |                  |         |
| 09/15/2013                    | 6.000%      | 600,000          | 672,772 |
| Arrow Electronics, Inc.       |             |                  |         |
| 04/01/2020                    | 6.000%      | 250,000          | 252,709 |
| ArvinMeritor, Inc.            |             |                  |         |
| 03/15/2018                    | 10.625%     | 425,000          | 442,000 |
| AT&T, Inc.                    |             |                  |         |
| 02/15/2019                    | 5.800%      | 525,000          | 562,174 |
| Ball Corp.                    |             |                  |         |
| 03/15/2018                    | 6.625%      | 650,000          | 667,875 |
| Bank of America Corp.         |             |                  |         |
| 12/01/2017                    | 5.750%      | 900,000          | 923,981 |
| BE Aerospace, Inc.            |             |                  |         |
| 07/01/2018                    | 8.500%      | 525,000          | 561,750 |
| The Boeing Co.                |             |                  |         |

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|                             |        |         |         |
|-----------------------------|--------|---------|---------|
| 03/15/2014                  | 5.000% | 250,000 | 270,879 |
| BorgWarner, Inc.            |        |         |         |
| 10/01/2019                  | 8.000% | 400,000 | 432,133 |
| Bottling Group LLC          |        |         |         |
| 01/15/2019                  | 5.125% | 600,000 | 629,783 |
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**Table of Contents**STATEMENT OF INVESTMENTS (CONTINUED)  
March 31, 2010

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**Description and**

| <b>Maturity Date</b>  | <b>Coupon Rate</b> | <b>Principal Amount</b> | <b>Value</b> |
|---|--------------------|-------------------------|--------------|
| <b>CORPORATE BONDS (continued)</b>  |                    |                         |              |
| Burlington Northern Santa Fe Corp.<br>05/01/2017  | 5.650%             | \$ 725,000              | \$ 777,805   |
| CITIC Resources Holdings, Ltd.<br>05/15/2014 <sup>(d)</sup>                             | 6.750%             | 450,000                 | 461,250      |
| Computer Sciences Corp.<br>03/15/2018 <sup>(b)</sup>                                    | 6.500%             | 400,000                 | 443,528      |
| The Connecticut Light & Power Co.<br>Series 09-A, 02/01/2019                            | 5.500%             | 450,000                 | 475,449      |
| Constellation Brands, Inc.<br>09/01/2016  | 7.250%             | 675,000                 | 696,938      |
| Corning, Inc.<br>06/15/2015   | 6.050%             | 400,000                 | 402,182      |
| Crown Americas LLC/<br><br>Crown Americas Capital Corp. II<br>05/15/2017 <sup>(b)</sup> | 7.625%             | 700,000                 | 733,250      |
| Devon Financing Corp., ULC<br>09/30/2011  | 6.875%             | 630,000                 | 680,020      |
| Eaton Vance Corp.<br>10/02/2017   | 6.500%             | 750,000                 | 808,656      |
| Enbridge Energy Partners LP<br>03/01/2019   | 9.875%             | 375,000                 | 488,062      |
| Evergrande Real Estate Group, Ltd.<br>01/27/2015 <sup>(b)</sup>                         | 13.000%            | 375,000                 | 386,250      |
| Florida Power Corp.<br>06/15/2018   | 5.650%             | 400,000                 | 433,821      |
| Ford Motor Credit Co., LLC<br>10/01/2014  | 8.700%             | 850,000                 | 922,521      |
| Forest Oil Corp.<br>06/15/2019  | 7.250%             | 600,000                 | 606,000      |
| General Cable Corp.<br>04/01/2017   | 7.125%             | 700,000                 | 697,375      |
| General Dynamics Corp.<br>02/01/2014  | 5.250%             | 590,000                 | 648,805      |
| General Mills, Inc.<br>02/15/2012   | 6.000%             | 600,000                 | 653,113      |
| Gol Finance<br>04/03/2017   | 7.500%             | 60,000                  | 59,700       |
| The Goldman Sachs Group, Inc.<br>01/15/2016   | 5.350%             | 650,000                 | 685,305      |
| Goodrich Corp.<br>03/01/2019 <sup>(b)</sup>   | 6.125%             | 425,000                 | 462,656      |
| The Goodyear Tire & Rubber Co.<br>05/15/2016  | 10.500%            | 650,000                 | 705,250      |
| Hanesbrands, Inc.<br>12/15/2016   | 8.000%             | 450,000                 | 468,000      |
| Hasbro, Inc.<br>05/15/2014  | 6.125%             | 350,000                 | 384,367      |
| 03/15/2040  | 6.350%             | 75,000                  | 74,349       |



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## STATEMENT OF INVESTMENTS (CONTINUED)

March 31, 2010

**Description and**

| <b>Maturity Date</b>                         | <b>Coupon Rate</b> | <b>Principal Amount</b> | <b>Value</b> |
|--|--------------------|-------------------------|--------------|
| <b>CORPORATE BONDS (continued)</b>           |                    |                         |              |
| Hewlett-Packard Co.                          |                    |                         |              |
| 03/01/2014                                   | 6.125%             | \$ 350,000              | \$ 394,501   |
| 03/01/2018                                   | 5.500%             | 300,000                 | 326,534      |
| Iron Mountain, Inc.                          |                    |                         |              |
| 01/01/2016                                   | 6.625%             | 625,000                 | 623,438      |
| Johnson Controls, Inc.                       |                    |                         |              |
| 01/15/2016                                   | 5.500%             | 800,000                 | 857,259      |
| JPMorgan Chase & Co.                         |                    |                         |              |
| 04/23/2019                                   | 6.300%             | 675,000                 | 746,200      |
| Lear Corp.                                   |                    |                         |              |
| 03/15/2018                                   | 7.875%             | 525,000                 | 533,531      |
| McDonald's Corp.                             |                    |                         |              |
| 02/01/2019                                   | 5.000%             | 600,000                 | 630,746      |
| Montpelier Re Holdings, Ltd.                 |                    |                         |              |
| 08/15/2013                                   | 6.125%             | 250,000                 | 258,147      |
| Morgan Stanley                               |                    |                         |              |
| 10/15/2015                                   | 5.375%             | 600,000                 | 623,769      |
| Nabors Industries, Inc.                      |                    |                         |              |
| 01/15/2019                                   | 9.250%             | 550,000                 | 685,215      |
| National Oilwell Varco, Inc.                 |                    |                         |              |
| Series B, 08/15/2015                         | 6.125%             | 545,000                 | 549,840      |
| Newfield Exploration Co.                     |                    |                         |              |
| 09/01/2014                                   | 6.625%             | 400,000                 | 413,000      |
| 05/15/2018                                   | 7.125%             | 250,000                 | 255,000      |
| Oracle Corp.                                 |                    |                         |              |
| 04/15/2018                                   | 5.750%             | 255,000                 | 280,140      |
| PacifiCorp                                   |                    |                         |              |
| 01/15/2019                                   | 5.500%             | 600,000                 | 642,699      |
| Petrohawk Energy Corp.                       |                    |                         |              |
| 06/01/2015                                   | 7.875%             | 675,000                 | 691,031      |
| Pioneer Natural Resources Co.                |                    |                         |              |
| 03/15/2017                                   | 6.650%             | 650,000                 | 653,107      |
| Precision Castparts Corp.                    |                    |                         |              |
| 12/15/2013                                   | 5.600%             | 400,000                 | 424,562      |
| The President and Fellows of Harvard College |                    |                         |              |
| 10/01/2037                                   | 6.300%             | 500,000                 | 523,190      |
| Prime Dig Pte, Ltd.                          |                    |                         |              |
| 11/03/2014 <sup>(d)</sup>                    | 11.750%            | 300,000                 | 326,250      |
| Progress Energy                              |                    |                         |              |
| 01/15/2019                                   | 5.300%             | 600,000                 | 632,304      |
| Provident Cos, Inc.                          |                    |                         |              |
| 07/15/2018                                   | 7.000%             | 425,000                 | 434,074      |
| Public Service Co. of Colorado               |                    |                         |              |
| 06/01/2019                                   | 5.125%             | 600,000                 | 625,192      |
| Public Service Electric & Gas Co.            |                    |                         |              |
| 11/01/2013                                   | 6.330%             | 600,000                 | 681,137      |
| Range Resources Corp.                        |                    |                         |              |
| 05/15/2019                                   | 8.000%             | 600,000                 | 643,500      |
| Rearden G Holdings EINS GmbH                 |                    |                         |              |
| 03/30/2020 <sup>(b)</sup>                    | 7.875%             | 440,000                 | 447,700      |

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March 31, 2010

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**Description and**

| <b>Maturity Date</b>   | <b>Coupon Rate</b> | <b>Principal Amount</b> | <b>Value</b> |
|--|--------------------|-------------------------|--------------|
| <b>CORPORATE BONDS (continued)</b>                                     |                    |                         |              |
| Roche Holdings, Inc.<br>03/01/2019 <sup>(b)</sup>                      | 6.000%             | \$ 600,000              | \$ 664,232   |
| Shimao Property Holdings, Ltd.<br>12/01/2016 <sup>(d)</sup>            | 8.000%             | 450,000                 | 429,909      |
| Silgan Holdings, Inc.<br>08/15/2016                                    | 7.250%             | 600,000                 | 625,500      |
| South Carolina Electric & Gas Co.<br>11/01/2018                        | 5.250%             | 400,000                 | 419,442      |
| Spirit Aerosystems, Inc.<br>10/01/2017 <sup>(b)</sup>                  | 7.500%             | 550,000                 | 566,500      |
| Star Energy Geothermal Wayang Windu, Ltd.<br>02/12/2015 <sup>(b)</sup> | 11.500%            | 450,000                 | 478,125      |
| Starwood Hotels & Resorts Worldwide, Inc.<br>05/15/2018                | 6.750%             | 675,000                 | 680,063      |
| TAM Capital 2, Inc.<br>01/29/2020 <sup>(d)</sup>                       | 9.500%             | 520,000                 | 517,400      |
| Torchmark Corp.<br>06/15/2016  | 6.375%             | 275,000                 | 279,611      |
| The Travelers Cos., Inc.<br>05/15/2018                                 | 5.800%             | 275,000                 | 295,066      |
| TRW Automotive, Inc.<br>03/15/2014 <sup>(b)</sup>                      | 7.000%             | 575,000                 | 569,250      |
| Tyco International Finance S.A.<br>01/15/2019                          | 8.500%             | 450,000                 | 558,977      |
| United Technologies Corp.<br>02/01/2019                                | 6.125%             | 500,000                 | 563,359      |
| Vedanta Resources PLC<br>07/18/2018 <sup>(d)</sup>                     | 9.500%             | 375,000                 | 412,500      |
| Verizon Wireless Capital LLC<br>02/01/2014 <sup>(b)</sup>              | 5.550%             | 400,000                 | 437,485      |
| Wal-Mart Stores, Inc.<br>02/15/2018                                    | 5.800%             | 250,000                 | 279,425      |
| Weatherford International, Ltd.<br>03/01/2019                          | 9.625%             | 615,000                 | 779,433      |

**TOTAL CORPORATE BONDS**

(Cost \$40,601,810)

43,831,613

**ASSET/MORTGAGE BACKED SECURITIES 0.57%**

|  |         |         |         |
|--|---------|---------|---------|
| Freddie Mac REMICS<br>Series 2006-3155, Class SA,<br>11/15/2035 <sup>(e)</sup>                         | 37.440% | 617,276 | 704,379 |
| Government National Mortgage Association (GNMA)<br>Series 2007-37, Class SA, 03/20/2037 <sup>(e)</sup> | 21.271% | 230,669 | 240,941 |
| Series 2007-37, Class SB, 03/20/2037 <sup>(e)</sup>  | 21.271% | 63,951  | 64,900  |

**TOTAL ASSET/MORTGAGE BACKED SECURITIES**

(Cost \$881,763)

1,010,220

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STATEMENT OF INVESTMENTS (CONTINUED)  
March 31, 2010**Description and**

| <b>Maturity Date</b>                                     | <b>Coupon Rate</b> | <b>Principal Amount</b> | <b>Value</b> |
|--|--------------------|-------------------------|--------------|
| <b>GOVERNMENT &amp; AGENCY OBLIGATIONS 4.32%</b>         |                    |                         |              |
| Small Business Administration Participation Certificates |                    |                         |              |
| Series 2008-20L, Class 1, 12/01/2028                     | 6.220%             | \$ 554,851              | \$ 607,310   |
| U.S. Treasury Bonds                                      |                    |                         |              |
| 08/15/2018   | 4.000%             | 6,800,000               | 7,006,128    |

**TOTAL GOVERNMENT & AGENCY OBLIGATIONS**

(Cost \$7,874,023) 7,613,438

|                                     | <b>Expiration Date</b> | <b>Exercise Price</b> | <b>Number of Contracts</b> | <b>Value</b> |
|-------------------------------------|------------------------|-----------------------|----------------------------|--------------|
| <b>PURCHASED OPTIONS 0.26%</b>      |                        |                       |                            |              |
| <b>Purchased Call Options 0.14%</b> |                        |                       |                            |              |
| Halliburton Co.                     | January, 2011          | \$ 30.00              | 350                        | 131,250      |
| Transocean, Ltd.                    | May, 2010              | 90.00                 | 580                        | 119,480      |

**TOTAL PURCHASED CALL OPTIONS**

(Cost \$896,310) 250,730

|                                    |             |          |     |         |
|------------------------------------|-------------|----------|-----|---------|
| <b>Purchased Put Options 0.12%</b> |             |          |     |         |
| S&P 500 Index                      | April, 2010 | 1,080.00 | 420 | 55,650  |
| S&P 500 Index                      | April, 2010 | 1,100.00 | 310 | 52,700  |
| S&P 500 Index                      | April, 2010 | 1,125.00 | 340 | 102,000 |

**TOTAL PURCHASED PUT OPTIONS**

(Cost \$4,822,762) 210,350

**TOTAL PURCHASED OPTIONS**

(Cost \$5,719,072) 461,080

|  | <b>Shares/<br/>Principal Amount</b> | <b>Value</b> |
|--|-------------------------------------|--------------|
| <b>SHORT-TERM INVESTMENTS 11.95%</b>     |                                     |              |
| <b>Money Market Fund</b>                 |                                     |              |
| Dreyfus Treasury Prime Money Market Fund |                                     |              |
| (0.000% 7-day yield) <sup>(1)</sup>      | 6,100,808                           | \$ 6,100,808 |

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**U.S. Treasury Bills**

U.S. Treasury Bill Discount Notes

|                                   |            |           |
|-----------------------------------|------------|-----------|
| 9/23/2010, 0.169% <sup>(g)</sup>  | 5,000,000  | 4,994,775 |
| 12/16/2010, 0.246% <sup>(g)</sup> | 10,000,000 | 9,981,290 |

**TOTAL SHORT-TERM INVESTMENTS**

(Cost \$21,078,921) 21,076,873

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March 31, 2010

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|  | Shares/<br>Principal Amount | Value                 |
|--|-----------------------------|-----------------------|
| Total Investments - 158.67%*                     |                             |                       |
| (Cost \$248,060,598)                             |                             | \$ 279,763,921        |
| Liabilities in Excess of Other Assets - (58.67%) |                             | (103,447,179)         |
| <b>NET ASSETS - 100.00%</b>                      |                             | <b>\$ 176,316,742</b> |

| SCHEDULE OF OPTIONS WRITTEN | Expiration<br>Date | Exercise<br>Price | Number of<br>Contracts | Value      |
|-----------------------------|--------------------|-------------------|------------------------|------------|
| <b>Call Options Written</b> |                    |                   |                        |            |
| Halliburton Co.             | January, 2011      | \$ 45.00          | 350                    | \$(10,675) |
| Transocean, Ltd.            | May, 2010          | 100.00            | 580                    | (18,560)   |

**TOTAL CALL OPTIONS WRITTEN**(Premiums received \$452,200) (29,235)**Put Options Written**

|               |             |          |     |          |
|---------------|-------------|----------|-----|----------|
| S&P 500 Index | April, 2010 | 1,000.00 | 730 | (31,025) |
| S&P 500 Index | April, 2010 | 1,050.00 | 340 | (28,050) |

**TOTAL PUT OPTIONS WRITTEN**(Premiums received \$2,110,258) (59,075)**TOTAL OPTIONS WRITTEN**(Premiums received \$2,562,458) \$ (88,310)**SCHEDULE OF SECURITIES SOLD SHORT**

|   | Shares   | Value        |
|---|----------|--------------|
| <b>Common Stocks</b>                              |          |              |
| Antofagasta PLC                                   | (14,700) | \$ (231,995) |
| AvalonBay Communities, Inc.                       | (2,226)  | (192,215)    |
| Berkshire Hathaway, Inc.                          | (24,900) | (2,023,623)  |
| Boston Properties, Inc.                           | (8,500)  | (641,240)    |
| Caterpillar, Inc.                                 | (15,200) | (955,320)    |
| Cie Generale d Optique Essilor International S.A. | (5,600)  | (357,535)    |
| Encana Corp.                                      | (5,600)  | (173,768)    |
| Federal Realty Investment Trust                   | (5,600)  | (407,736)    |
| First Solar, Inc.                                 | (4,700)  | (576,455)    |
| Genuine Parts Co.                                 | (21,194) | (895,447)    |

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|                            |          |           |
|----------------------------|----------|-----------|
| Harley-Davidson, Inc.      | (21,900) | (614,733) |
| ICICI Bank, Ltd. - ADR     | (14,922) | (637,169) |
| IDEXX Laboratories, Inc.   | (3,600)  | (207,180) |
| Kohl's Corp.               | (5,300)  | (290,334) |
| Macy's, Inc.               | (13,700) | (298,249) |
| Marathon Oil Corp.         | (28,500) | (901,740) |
| Nabors Industries, Ltd.    | (34,300) | (673,309) |
| Patterson-UTI Energy, Inc. | (52,800) | (737,616) |
| PetSmart, Inc.             | (5,300)  | (169,388) |
| Pitney Bowes, Inc.         | (15,277) | (373,523) |
| POSCO - ADR                | (3,500)  | (409,535) |
| Quest Diagnostics, Inc.    | (15,000) | (874,350) |

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STATEMENT OF INVESTMENTS (CONTINUED)  
March 31, 2010

| SCHEDULE OF SECURITIES SOLD SHORT (continued)    | Shares   | Value           |
|--|----------|-----------------|
| Unit Corp.                                       | (21,247) | \$ (898,323)    |
| Valero Energy Corp.                              | (45,000) | (886,500)       |
| VCA Antech, Inc.                                 | (4,900)  | (137,347)       |
| Vornado Realty Trust                             | (630)    | (47,691)        |
| WW Grainger, Inc.                                | (6,600)  | (713,592)       |
|  |          | (15,325,913)    |
| <b>Exchange Traded Funds</b>                     |          |                 |
| Energy Select Sector SPDR Fund                   | (45,172) | (2,598,294)     |
| iShares MSCI Mexico Investable Market Index Fund | (11,974) | (639,052)       |
| iShares Russell 2000 Index Fund                  | (75,000) | (5,085,750)     |
| United States Natural Gas Fund LP                | (42,274) | (292,113)       |
| United States Oil Fund LP                        | (20,700) | (834,210)       |
| Vanguard REIT ETF                                | (63,095) | (3,080,298)     |
|  |          | (12,529,717)    |
| <b>TOTAL SECURITIES SOLD SHORT</b>               |          |                 |
| (Proceeds \$23,152,074)                          |          | \$ (27,855,630) |

Abbreviations:

ADR - American Depositary Receipt

PT - equivalent to Public Limited Company in Indonesia

AG - Aktiengesellschaft is a German acronym on company names meaning Public Company

REMICS - Real Estate Mortgage Investment Conduits

ETF - Exchange Traded Fund

S.A. - Generally designates corporations in various countries, mostly those employing the civil law

LLC - Limited Liability Company

S&P - Standard & Poor's

LP - Limited Partnership

SPDR - Standard & Poor's Depositary Receipt

MSCI - Morgan Stanley Capital International

Tbk - Terbuka (stock symbol in Indonesian)

PLC - Public Limited Company

ULC - Unlimited Liability Company

\* All securities are being held as collateral for borrowings (See note 6), written options and/or short sales as of March 31, 2010.

(a) Non-Income Producing Security.

(b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. As of March 31, 2010, these securities had a total value of \$8,376,067 or 4.75% of net assets.

(c) Private Placement; these securities may only be resold in transactions exempt from registration under the Securities Act of 1933. As of March 31, 2010, these securities had a total value of \$132,500 or 0.08% of net assets.

(d) Securities were purchased pursuant to Regulation S under the Securities Act of 1933, which exempts securities offered and sold outside of the United States from registration. Such securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. These securities have been deemed liquid under

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*guidelines approved by the Fund's Board of Trustees. As of March 31, 2010, the aggregate market value of those securities was \$2,617,019, representing 1.48% of net assets.*

*(e) Floating or variable rate security - rate disclosed as of March 31, 2010.*

*(f) Less than 0.0005%*

*(g) Discount at purchase.*

*(h) Fair valued security; valued in accordance with procedures approved by the Fund's Board of Trustees. As of March 31, 2010, these securities had a total value of \$321,960 or 0.18% of net assets.*

*For Fund compliance purposes, the Fund's industry classifications refer to any one of the industry sub-classifications used by one or more widely recognized market indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets. These industry classifications are unaudited.*

*See Notes to Financial Statements*

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March 31, 2010

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**Assets:**

|   |                    |
|---|--------------------|
| Investments, at value (Cost - see below)                          | \$ 279,763,921     |
| Cash  | 902,523            |
| Deposit with broker for securities sold short and written options | 13,836,366         |
| Dividends receivable  | 808,252            |
| Interest receivable   | 797,166            |
| Receivable for investments sold                                   | 9,026,989          |
| <b>Total Assets</b>   | <b>305,135,217</b> |

**Liabilities:**

|   |                    |
|---|--------------------|
| Foreign cash due to custodian (Cost \$291,097)            | 291,050            |
| Loan payable  | 89,800,000         |
| Interest due on loan payable                              | 6,940              |
| Securities sold short (Proceeds \$23,152,074)             | 27,855,630         |
| Options written, at value (Premiums received \$2,562,458) | 88,310             |
| Payable for investment purchased                          | 10,478,123         |
| Dividends payable - short sales                           | 20,455             |
| Interest payable - margin account                         | 23,376             |
| Accrued investment advisory fee                           | 177,065            |
| Accrued administration fee                                | 72,091             |
| Accrued trustees fee                                      | 5,435              |
| <b>Total Liabilities</b>                                  | <b>128,818,475</b> |

Net Assets \$ 176,316,742

Cost of Investments \$ 248,060,598

**Composition Of Net Assets:**

|  |                       |
|--|-----------------------|
| Paid-in capital  | \$ 189,295,706        |
| Overdistributed net investment income  | (352,131)             |
| Accumulated net realized loss on investments, options, securities sold short and foreign currency transactions                                       | (42,119,636)          |
| Net unrealized appreciation in value of investments, securities sold short and translation of assets and liabilities denominated in foreign currency | 29,492,803            |
| <b>Net Assets</b>  | <b>\$ 176,316,742</b> |
| Shares of common stock outstanding of no par value, unlimited shares authorized  | 10,434,606            |
| <b>Net assets value per share</b>  | <b>\$ 16.90</b>       |

*See Notes to Financial Statements***2010 - Annual Report**

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STATEMENT OF OPERATIONS  
For the Year Ended March 31, 2010

|   |                      |
|---|----------------------|
| <b>Investment Income:</b>   |                      |
| Dividends (net of foreign withholding taxes \$87,990)   | \$ 5,168,993         |
| Interest on investment securities (Net of foreign withholding taxes of \$1,015)   | 3,507,112            |
| Hypothecated securities income (See Note 6)   | 46,671               |
| <b>Total Income</b>   | <b>8,722,776</b>     |
| <b>Expenses:</b>  |                      |
| Investment advisory fee   | 2,034,079            |
| Administration fee  | 828,161              |
| Interest on loan  | 1,299,923            |
| Trustees fee  | 140,368              |
| Dividend expense - short sales  | 681,094              |
| Interest expense - margin account   | 267,476              |
| Other expenses  | 165,640              |
| <b>Total Expenses</b>   | <b>5,416,741</b>     |
| <b>Net Investment Income</b>  | <b>3,306,035</b>     |
| <b>Net Realized Gain/(Loss) On:</b>   |                      |
| Investment securities   | (9,280,504)          |
| Securities sold short   | (10,892,481)         |
| Written options   | 9,954,687            |
| Foreign currency transactions   | (92,011)             |
| Net change in unrealized appreciation/(depreciation) on investments, options, securities sold short and translation of assets and liabilities denominated in foreign currencies | 56,613,978           |
| <b>Net gain on investments, options, securities sold short and foreign currency transactions</b>  | <b>46,303,669</b>    |
| <b>Net Increase in Net Assets Attributable to Common Shares from Operations</b>   | <b>\$ 49,609,704</b> |

*See Notes to Financial Statements*

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**Table of Contents**STATEMENTS OF CHANGES IN NET ASSETS  
March 31, 2010

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|   | <b>For the<br/>Year Ended<br/>March 31,<br/>2010</b> | <b>For the<br/>Year Ended<br/>March 31,<br/>2009</b> |
|---|--|--|
| <b>Common Shareholders Operations:</b>  |  |  |
| Net investment income   | \$ 3,306,035   | \$ 3,110,417   |
| Net realized gain/(loss) from:  |  |  |
| Investment securities   | (9,280,504)  | (67,100,746)   |
| Securities sold short   | (10,892,481)   | 29,251,211   |
| Written options   | 9,954,687  | 7,944,236  |
| Foreign currency transactions   | (92,011)   | (167,609)  |
| Net change in unrealized appreciation/(depreciation) on investments, options, securities sold short and translation of assets and liabilities denominated in foreign currencies | 56,613,978   | (43,388,529)   |
| Distributions to Preferred Shareholders from:   |  |  |
| Net investment income   |  | (544,694)  |
| <b>Net Increase/(Decrease) in Net Assets Attributable to Common Shares from Operations</b>  | <b>49,609,704</b>                                    | <b>(70,895,714)</b>                                  |
| <b>Distributions To Common Shareholders:</b>  |  |  |
| Net investment income   | (4,763,937)  | (8,507,063)  |
| Net realized gains on investments   |  | (3,193,929)  |
| Tax return of capital   | (6,714,129)  | (4,576,993)  |
| <b>Net Decrease in Net Assets from Distributions</b>  | <b>(11,478,066)</b>                                  | <b>(16,277,985)</b>                                  |
| <b>Net Increase/(Decrease) in Net Assets Attributable to Common Shares</b>  | <b>38,131,638</b>                                    | <b>(87,173,699)</b>                                  |
| <b>Net Assets Attributable To Common Shares:</b>  |  |  |
| Beginning of period   | 138,185,104  | 225,358,803  |
| End of period*  | \$ 176,316,742                                       | \$ 138,185,104                                       |
| <i>*Includes overdistributed net investment Income of:<br/>See Notes to Financial Statements</i>  | \$ (352,131)   | \$   |

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STATEMENT OF CASH FLOWS  
For the Year Ended March 31, 2010

|   |                     |
|---|---------------------|
| <b>Cash Flows From Operating Activities:</b>  |                     |
| Net increase in net assets from operations  | \$ 49,609,704       |
| Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities: |                     |
| Purchase of investment securities   | (283,021,794)       |
| Proceeds from disposition of investment securities  | 272,131,570         |
| Cover securities sold short transactions  | 144,549,618         |
| Proceeds from securities sold short transactions  | (150,478,576)       |
| Written options transactions  | 9,946,975           |
| Proceeds from written options transactions  | (197,828)           |
| Purchased options transactions  | (24,792,364)        |
| Proceeds from purchased options transactions  | 2,195,183           |
| Purchased options exercised   | 207,378             |
| Net purchases of short-term investment securities   | (20,087,330)        |
| Net realized loss from investment securities  | 9,280,504           |
| Net realized loss on securities sold short  | 10,892,481          |
| Net realized gain on written options  | (9,954,687)         |
| Net change in unrealized appreciation on investment securities  | (56,613,978)        |
| Premium amortization  | 190,685             |
| Discount accretion  | (132,821)           |
| Decrease in deposits with brokers for securities sold short and written options                                   | 19,990,843          |
| Increase in dividends receivable  | (395,706)           |
| Increase in interest receivable   | (237,690)           |
| Increase in receivable for investments sold   | (1,119,945)         |
| Increase in interest due on loan payable  | 3,917               |
| Increase in payable for investments purchased   | 9,952,928           |
| Decrease in dividends payable -short sales  | (47,787)            |
| Increase in interest payable -margin account  | 15,222              |
| Increase in accrued investment advisory fee   | 46,213              |
| Increase in accrued administration fee  | 18,816              |
| Increase in accrued trustees fees   | 411                 |
| <b>Net cash provided by operating activities</b>  | <b>(18,048,058)</b> |
| <b>Cash Flows From Financing Activities:</b>  |                     |
| Proceeds from bank borrowing  | 29,600,000          |
| Cash distributions paid   | (11,478,066)        |
| <b>Net cash used in financing activities</b>  | <b>18,121,934</b>   |
| <b>Net increase in cash</b>   | <b>73,876</b>       |
| <b>Cash, beginning balance</b>  | <b>\$ 537,597</b>   |
| <b>Cash and foreign currency, ending balance</b>  | <b>\$ 611,473</b>   |
| <b>Supplemental Disclosure of Cash Flow Information:</b>  |                     |
| Cash paid during the period for interest from bank borrowing:<br><i>See Notes to Financial Statements</i>         | \$ 1,296,006        |

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FINANCIAL HIGHLIGHTS  
March 31, 2010

|   | <b>For the<br/>Year Ended<br/>March 31, 2010</b> |
|---|--|
| <b>Per Common Share Operating Performance</b>   |  |
| Net asset value beginning of period   | \$ 13.24   |
| Income from investment operations:  |  |
| Net investment income   | 0.32*  |
| Net realized and unrealized gain/(loss) on investments  | 4.44   |
| Distributions to Preferred Shareholders from:   |  |
| Net investment income   |  |
| Total from Investment Operations  | 4.76   |
| <b>Distributions to Common Shareholders from:</b>   |  |
| Net investment income   | (0.46)   |
| Net realized gain   |  |
| Tax return of capital   | (0.64)   |
| Total Distributions to Common Shareholders  | (1.10)   |
| <b>Capital Share Transactions:</b>  |  |
| Common share offering costs charged to paid in capital  |  |
| Preferred share offering costs and sales load charged to paid in capital                      |  |
| Total Capital Share Transactions  |  |
| Net asset value end of period   | \$ 16.90   |
| Market price end of period  | \$ 15.92   |
| <b>Total Investment Return Net Asset Value<sup>^</sup>:</b>                                   | <b>38.14%</b>                                    |
| <b>Total Investment Return Market Price<sup>^</sup>:</b>                                      | <b>61.32%</b>                                    |
| <b>Ratios and Supplemental Data</b>   |  |
| Net assets attributable to common shares, end of period (000)                                 | \$ 176,317                                       |
| Ratios to average net assets attributable to common shareholders:                             |  |
| Total expenses <sup>(2)</sup>   | 3.22%  |
| Total expenses excluding interest expense and dividends on short sales expense <sup>(2)</sup> | 1.88%  |
| Net investment income <sup>(2)</sup>  | 1.96%  |
| Preferred share dividends   | N/A  |
| Portfolio turnover rate   | 115%   |
| <b>Auction Market Preferred Shares ( AMPS )</b>   |  |
| Liquidation value, end of period, including dividends on preferred shares (000)               | N/A  |
| Total shares outstanding (000)  | N/A  |
| Asset coverage per share <sup>(5)</sup>   | N/A  |
| Liquidation preference per share  | N/A  |
| Average market value per share <sup>(6)</sup>   | N/A  |

<sup>^</sup> As approved by the Board of Trustees of the Fund, the fiscal year-end changed from May 31 to March 31, effective March 15, 2006.

\* Based on average shares outstanding.

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<sup>(1)</sup> *Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Total investment return on net asset value excludes a sales load of \$0.90 per share for the period, effectively reducing the net asset value at issuance from \$20.00 to \$19.10. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions on the purchase or sale of the Fund's common shares. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.*

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March 31, 2010

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| For the<br>Year Ended<br>March 31, 2009 | For the<br>Year Ended<br>March 31, 2008 | For the<br>Year Ended<br>March 31, 2007 | For the Period<br>June 1, 2005 to<br>March 31, 2006 <sup>^</sup> | For the Period<br>July 28,<br>2004<br>(inception)<br>to<br>May 31,<br>2005 |
|---|---|---|--|--|
| \$ 21.60                                | \$ 22.61                                | \$ 24.42                                | \$ 20.78   | \$ 19.10   |
| 0.30*                                   | 0.46*                                   | 1.79                                    | 0.92   | 0.93   |
| (7.05)                                  | 1.47                                    | (0.98)                                  | 4.75   | 1.99   |
| (0.05)                                  | (0.49)                                  | (0.47)                                  | (0.31)   | (0.14)   |
| (6.80)                                  | 1.44                                    | 0.34                                    | 5.36   | 2.78   |
| (0.81)                                  | (1.72)                                  | (1.44)                                  | (1.05)   | (0.93)   |
| (0.31)                                  | (0.73)                                  | (0.71)                                  | (0.67)   |  |
| (0.44)                                  |   |   |  |  |
| (1.56)                                  | (2.45)                                  | (2.15)                                  | (1.72)   | (0.93)   |
|   |   |   |  | (0.04)   |
|   |   |   |  | (0.13)   |
|   |   |   |  | (0.17)   |
| \$ 13.24                                | \$ 21.60                                | \$ 22.61                                | \$ 24.42   | \$ 20.78   |
| \$ 10.68                                | \$ 18.90                                | \$ 20.82                                | \$ 23.99   | \$ 22.59   |
| (32.20%)                                | 7.10%                                   | 1.59%                                   | 25.99%   | 13.89%   |
| (37.50%)                                | 1.77%                                   | (4.77%)                                 | 13.85%   | 18.24%   |
| \$ 138,185                              | \$ 225,359                              | \$ 235,962                              | \$ 248,354   | \$ 205,260   |
| 3.35%                                   | 2.10%                                   | 2.02%                                   | 2.07% <sup>(3)</sup>   | 1.89% <sup>(3)</sup>   |
| 2.76%                                   | 1.73%                                   | 1.75%                                   | 1.64% <sup>(3)</sup>   | 1.37% <sup>(3)</sup>   |
| 1.73%                                   | 2.02%                                   | 2.63%                                   | 2.73% <sup>(3)</sup>   | 1.23% <sup>(3)</sup>   |
| 0.30%                                   | 2.14%                                   | 2.10%                                   | 1.62% <sup>(3)</sup>   | 0.82% <sup>(3)</sup>   |
| 233%                                    | 136%                                    | 187%                                    | 182%   | 236%   |
| (4)                                     | \$ 95,052                               | \$ 95,042                               | \$ 95,051  | \$ 95,050  |
| (4)                                     | 3.8                                     | 3.8                                     | 3.8  | 3.8  |
| (4)                                     | \$ 84,319                               | \$ 87,106                               | \$ 90,370  | \$ 79,029  |
| (4)                                     | \$ 25,000                               | \$ 25,000                               | \$ 25,000  | \$ 25,000  |
| (4)                                     | \$ 25,000                               | \$ 25,000                               | \$ 25,000  | \$ 25,000  |

<sup>(2)</sup> Ratios do not reflect dividend payments to preferred shareholders.



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<sup>(3)</sup> *Annualized.*

<sup>(4)</sup> *All series of AMPS issued by the Fund were fully redeemed, at par value, on May 22, 2008.*

<sup>(5)</sup> *Calculated by subtracting the Fund's total liabilities (excluding Preferred Shares) from the Fund's total assets and dividing by the number of preferred shares outstanding.*

<sup>(6)</sup> *Based on monthly prices.*

*See Notes to Financial Statements*

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NOTES TO FINANCIAL STATEMENTS  
March 31, 2010

**1. SIGNIFICANT ACCOUNTING AND OPERATING POLICIES**

Clough Global Allocation Fund (the Fund) is a closed-end management investment company that was organized under the laws of the state of Delaware by an Amended Agreement and Declaration of Trust dated April 27, 2004. The Fund is a non-diversified series with an investment objective to provide a high level of total return. The Declaration of Trust provides that the Trustees may authorize separate classes of shares of beneficial interest.

**Security Valuation:** The net asset value per share of the Fund is determined no less frequently than daily, on each day that the New York Stock Exchange (the Exchange) is open for trading, as of the close of regular trading on the Exchange (normally 4:00 p.m. New York time). Trading may take place in foreign issues held by the Fund at times when the Fund is not open for business. As a result, the Fund's net asset value may change at times when it is not possible to purchase or sell shares of the Fund. Securities held by the Fund for which exchange quotations are readily available are valued at the last sale price, or if no sale price or if traded on the over-the-counter market, at the mean of the bid and asked prices on such day. Debt securities for which the over-the-counter market is the primary market are normally valued on the basis of prices furnished by one or more pricing services at the mean between the latest available bid and asked prices. As authorized by the Trustees, debt securities (other than short-term obligations) may be valued on the basis of valuations furnished by a pricing service which determines valuations based upon market transactions for normal, institutional-size trading units of securities. Short-term obligations maturing within 60 days are valued at amortized cost, which approximates value, unless the Trustees determine that under particular circumstances such method does not result in fair value. Over-the-counter options are valued at the mean between bid and asked prices provided by dealers. Financial futures contracts listed on commodity exchanges and exchange-traded options are valued at closing settlement prices. Securities for which there is no such quotation or valuation and all other assets are valued at fair value in good faith by or at the direction of the Trustees.

**Foreign Securities:** The Fund may invest a portion of its assets in foreign securities. In the event that the Fund executes a foreign security transaction, the Fund will generally enter into a forward foreign currency contract to settle the foreign security transaction. Foreign securities may carry more risk than U.S. securities, such as political, market and currency risks.

The accounting records of the Fund are maintained in U.S. dollars. Prices of securities denominated in foreign currencies are translated into U.S. dollars at the closing rates of exchange at period end. Amounts related to the purchase and sale of foreign securities and investment income are translated at the rates of exchange prevailing on the respective dates of such transactions.

The effect of changes in foreign currency exchange rates on investments is included with the fluctuations arising from changes in market values of securities held and reported with all other foreign currency gains and losses in the Fund's Statement of Operations.

A foreign currency contract is a commitment to purchase or sell a foreign currency at a future date, at a negotiated rate. The Fund may enter into foreign currency contracts to settle specific purchases or sales of securities denominated in a foreign currency and for protection from adverse exchange rate fluctuation. Risks to the Fund include the potential inability of the counterparty to meet the terms of the contract.

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March 31, 2010

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The net U.S. dollar value of foreign currency underlying all contractual commitments held by the Fund and the resulting unrealized appreciation or depreciation are determined using prevailing forward foreign currency exchange rates. Unrealized appreciation and depreciation on foreign currency contracts are reported in the Fund's Statement of Assets and Liabilities as a receivable or a payable and in the Fund's Statement of Operations with the change in unrealized appreciation or depreciation. There were no outstanding foreign currency contracts for the Fund as of March 31, 2010.

The Fund may realize a gain or loss upon the closing or settlement of the foreign transaction. Such realized gains and losses are reported with all other foreign currency gains and losses in the Statement of Operations.

**Fair Valuation:** If the price of a security is unavailable in accordance with the Fund's pricing procedures, or the price of a security is unreliable, e.g., due to the occurrence of a significant event, the security may be valued at its fair value determined pursuant to procedures adopted by the Board of Trustees. For this purpose, fair value is the price that the Fund reasonably expects to receive on a current sale of the security. Due to the number of variables affecting the price of a security, however; it is possible that the fair value of a security may not accurately reflect the price that the Fund could actually receive on a sale of the security. As of March 31, 2010, securities which have been fair valued represented 0.18% of the Fund's net assets.

A three-tier hierarchy has been established to classify fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available.

Various inputs are used in determining the value of the Fund's investments as of the reporting period end. These inputs are categorized in the following hierarchy under applicable financial accounting standards:

- Level 1 - quoted prices in active markets for identical investments
- Level 2 - Significant observable inputs (including quoted prices for similar investments, interest rates, prepayments speeds, credit risk, etc.)