

Clough Global Allocation Fund
Form N-CSRS
November 30, 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: September 30, 2010

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Item 1. **Reports to Stockholders.**

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Clough Global Funds

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Clough Global Funds

Shareholder Letter

September 30, 2010 (Unaudited)

To Investors in the Clough Global Funds:

Clough Global Allocation Fund

During the 12 months ended September 30, 2010, the Clough Global Allocation Fund's (the Fund) total return, assuming reinvestment of all distributions, was 3.21% based on net asset value and 9.67% based on the market price of the stock. That compares with a 10.16% 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 43.08% (27.80% based on market price), this compares to a cumulative total return of 17.60% for the S&P 500 through September 30, 2010.

The Fund's compound annual return since inception based on net asset value is 5.98% (4.05% based on market price) compared to 2.66% of the S&P 500 through September 30, 2010.

Total distributions since inception have been \$10.81, and based on the current dividend rate of \$0.30 per share, offer a yield of 7.81% on market price as of September 30, 2010, of \$14.89.

Clough Global Equity Fund

During the 12 months ended September 30, 2010, the Clough Global Equity Fund's (the Fund) total return, assuming reinvestment of all distributions, was 2.99% based on net asset value and 10.70% based on the market price of the stock. That compares with a 10.16% return for the S&P 500 for the same period.

Since the Fund's inception on April 27, 2005, the total growth in net asset value assuming reinvestment of all distributions has been 26.35% (14.91% based on market price), this compares to a cumulative total return of 11.04% for the S&P 500 through September 30, 2010.

The Fund's compound annual return since inception based on net asset value is 4.40% (2.59% based on market price) compared to 1.95% of the S&P 500 through September 30, 2010.

Total distributions since inception have been \$8.81, and based on the current dividend rate of \$0.29 per share, offer a yield of 7.75% on market price as of September 30, 2010, of \$14.18.

Clough Global Opportunities Fund

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During the 12 months ended September 30, 2010, the Clough Global Opportunities Fund's (the Fund) total return, assuming reinvestment of all distributions, was 2.00% based on net asset value and 8.47% based on the market price of the stock. That compares with a 10.16% return for the S&P 500 for the same period.

Since the Fund's inception on April 25, 2006, the total growth in net asset value assuming reinvestment of all distributions has been 1.91% (-8.83% based on market price), this compares to a cumulative total return of -3.85% for the S&P 500 through September 30, 2010.

The Fund's compound annual return since inception based on net asset value is 0.43% (-2.06% based on market price) compared to -0.88% of the S&P 500 through September 30, 2010.

Total distributions since inception have been \$5.58, and based on the current dividend rate of \$0.27 per share, offer a yield of 8.14% on market price as of September, 2010, of \$12.68.

We have argued in previous letters there is a good case that equity prices should be performing well on the strength of a powerful recovery in earnings and cash flows and the achievement of pre-crisis profit margins even in the face of weak demand. The economy is burdened by the fact that both consumers and businesses are reducing spending and are paying down debt, but everyone already knows that; a weak economy is no longer a surprise that could suddenly rise out of nowhere and bushwhack the stock market. Aggregate profits may stagnate in a no credit growth world but we have concentrated our investments in companies that have reduced the size of their capital stock to its most productive components and have been able to sustain profitability and build cash.

The biggest surprise to us is the failure of the market to recognize the value of growing cash flow streams, particularly in the technology sector. We think this is about to change. Excess cash is building across a number of industries, but cash hoarding strategies are being proven counterproductive and pressure is building on managements to begin to distribute it. Barron's and others have suggested that if cash rich technology companies for example, establish rising dividend streams, their equity values would increase substantially. Hoarding cash at zero percent interest rates is a poor capital allocation strategy. It not only leaves stranded capital on the balance sheet, but provides incentives to endless new competitors. In response, the market has awarded many of these companies ridiculously low price-to-earnings ratios.

In the case of Microsoft Corp (MSFT-NYSE) for example, estimates are the company is on track to deliver a free cash flow yield¹ of 10% in 2010 and 12% in 2011. In a zero money rate world, that is an extremely valuable cash stream, yet the company's price to earnings ratio has declined to 10xs in the face of a not inconsiderable high single digit revenue growth and low teens earnings growth.

We think a market populated with income starved investors will force a change in these cash hoarding strategies, that in a zero interest rate world, our patience will win out, managements will finally wake up and realize they are suffocating the values they are paid by the shareholders to build, and our work in defining strong cash flow companies will pay off. The cash is already beginning to

The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted.

¹ *An overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price share.*

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Shareholder Letter

Clough Global Funds

September 30, 2010 (Unaudited)

move. Even Microsoft's dividend exceeds the ten year Treasury yield, merger and acquisition activity and private equity deals are already reemerging and stock buybacks are likely to pick up.

There has been more talk of quantitative easing by the Federal Reserve. Such policies might not have much effect on money supply growth, simply because U.S. households in the aggregate are unable to borrow and it takes borrowing to increase money supplies. Nevertheless, market anticipation has helped the S&P 500 (second most widely followed index of large-cap U.S. stocks) rise above 1150 and emerging markets indexes such as the MSCI AC Asia ex-Japan² break out above its June 2008 high, making up all of the 2008-2009 losses.

We think such a policy is most likely to fuel higher stock prices in emerging markets, where price to earnings ratios³ are similar to that on the S&P 500 but where credit can grow to support high profits. Capital inflows, strong domestic demand, low domestic credit to gross domestic product (GDP) ratios, and Japan's intent to flood their capital markets with liquidity to halt the Yen's rise will all likely lead to a liquidity boom in Asia. Many Asian markets have been moving up in recent weeks, something we view as a positive divergence. Hong Kong bank share prices have also been outperforming, another positive indicator.

We continue to find good domestic demand stories throughout Asia. It is easy to underestimate the positive effects of China's infrastructure investments and its transition to a services based economy. These policies not only improve productivity but create a well trained work force and personal incomes are building. No longer is China overspending on low return steel and aluminum plants, but it is investing in the ability to move its population efficiently and cheaply. During a recent trip to Chongqing, I noted perhaps well in excess of 100 cranes in the ground, but many were simply to replacing old Communist built housing, not necessarily adding to the housing stock.

Not only do we have one of the largest percentages of assets in the Fund's history committed to Asian markets generally, but a few months ago we added Brian Chen to our analytical staff to focus more on non-China markets such as Malaysia and Indonesia. Brian has twenty years of experience analyzing Asian markets and companies and further illustrates our commitment to having the strongest research effort possible. China's equity market offers economic dominance of the continent and proliferation of investment opportunities and China's consumption trends will be the major source of Asia investments for the Funds, but other Asian markets have the advantage that the government is not trying to suppress real estate demand.

Economic indicators out of Brazil also support a fully invested position there. Mortgage loans outstanding rose 51% in August according to Bradescio Equity Research, unemployment fell below 7% and real wages rose 8.1% year over year. Credit growth is rising at double digit rates as a housing expansion gets underway and we believe that the nation's growth will be underestimated by many investors.

Our holdings of auto related stocks have also trended sideways for several months while the companies have been reporting record profit margins even at depressed sales levels. August auto sales were 11.5 million, still well below replacement levels of perhaps 13.5 million, indicating that profit growth in this cycle still has a long way to go⁴. As the market becomes more confident of the sustainability of current sales levels, we think the stocks will move higher.

Other sectors are also attractive. For example, life insurance stocks are cheap. There is little or no recognition of franchise value and the stocks have discounted a sharp surge in credit risk when none appears likely. Corporate cash flows are strong, corporate debt is being reduced and credit spreads continue to decline. Several sell at 30-40 percent discounts to book value and investors are pricing them as if corporate bonds were as distressed as they were eighteen months ago.

We have added to our mortgage insurance holdings over the last month or so. A number of states' attorney generals have taken action against a number of banks over concerns regarding the integrity of mortgage loan foreclosure procedures. Many mortgage lenders have temporarily suspended foreclosure activities in response. Our sense is these events only intensify pressures to restructure mortgages where underwriting standards are at issue. This would further reduce the number of actual foreclosures that would trigger insurance payments. Evidence that cures of

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delinquent mortgages continue to outpace new delinquencies also points to improving fundamentals.

The Funds have been invested in oil production and exploration, both in the companies and the suppliers of their technology since we first began to invest. We have watched these stocks trade sideways for some time but it seems to us the futures curve pointing to higher oil prices as one goes out in time that the most efficient way to hold oil reserve is by holding the producer stocks.

Finally the Fund reduced its exposure to investment grade corporate bonds during the quarter. Spreads had declined in many instances to the point that further upside was limited. We invested the proceeds in high dividend Business Development Companies and mortgage real estate investment trusts (REITs). We have also identified selective high dividend stocks in Asia.

We appreciate your confidence in us and endeavor to do the best job we can of investing our clients' assets. We sincerely appreciate your interest in our funds. If you have any questions about your investment, please call 1-877-256-8445.

Sincerely,

Charles I. Clough, Jr.

² *Index designed to measure the equity market performance of Asia, excluding Japan.*

U.S. Department of Commerce

³ *A valuation ratio of a company's current share price compared to its per-share earnings.*

⁴ *The value of an asset according to its balance sheet account balance.*

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Clough Global Allocation Fund

Portfolio Allocation

September 30, 2010 (Unaudited)

Asset Type (as a % of Value)*

Common Stock US	42.77%
Common Stock Foreign	28.11%
Exchange Traded Funds	-1.11%
Total Equities	69.77%
Corporate Debt	11.43%
Government & Agency Obligations	11.41%
Foreign Government Bonds	1.05%
Asset/Mortgage Backed Securities	0.29%
Total Fixed Income	24.18%
Short-Term Investments	5.64%
Other (Foreign Cash)	0.34%
Options	0.07%
Total Other	6.05%
Rights and Warrants	0.00%**
Total Rights and Warrants	0.00%**
TOTAL INVESTMENTS	100.00%
Global Breakdown (as a % of Value)^	
United States	68.63%
Brazil	9.04%
Hong Kong	6.58%
Japan	3.75%
China	2.55%
Cayman Islands	2.00%
Bermuda	1.66%
Great Britain	1.36%
Switzerland	1.33%
Canada	1.24%
South Korea	0.56%
Taiwan	0.53%
Netherlands	0.44%
Marshall Islands	0.38%
Indonesia	0.25%
Luxembourg	0.25%
Israel	0.09%
Singapore	0.03%
European Union	0.00%**
South Africa	0.00%**

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Germany	-0.06%
France	-0.16%
India	-0.45%

* *Includes securities sold short.*

^ *Includes securities sold short and foreign cash balances.*

** *Less than 0.005%*

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Portfolio Allocation

Clough Global Equity Fund

September 30, 2010 (Unaudited)

Asset Type (as a % of Value)*

Common Stock US	47.88%
Common Stock Foreign	28.77%
Exchange Traded Funds	-1.38%
Total Equities	75.27%
Corporate Debt	9.75%
Government & Agency Obligations	8.51%
Foreign Government Bonds	0.95%
Asset/Mortgage Backed Securities	0.39%
Total Fixed Income	19.60%
Short-Term Investments	4.66%
Other (Foreign Cash)	0.40%
Options	0.07%
Total Other	5.13%
Rights and Warrants	0.00%**
Total Rights and Warrants	0.00%**
TOTAL INVESTMENTS	100.00%
Global Breakdown (as a % of Value)^	
United States	68.18%
Brazil	8.90%
Hong Kong	6.54%
Japan	4.23%
China	2.54%
Cayman Islands	1.98%
Bermuda	1.70%
Canada	1.35%
Great Britain	1.33%
Switzerland	1.29%
South Korea	0.55%
Taiwan	0.52%
Netherlands	0.43%
Marshall Islands	0.39%
Luxembourg	0.24%
Israel	0.23%
Indonesia	0.23%
Singapore	0.03%
European Union	0.00%**
South Africa	0.00%**

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Germany	-0.05%
France	-0.16%
India	-0.45%

* *Includes securities sold short.*

^ *Includes securities sold short and foreign cash balances.*

** *Less than 0.005%*

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Clough Global Opportunities Fund

Portfolio Allocation
September 30, 2010 (Unaudited)**Asset Type (as a % of Value)***

Common Stock US	40.96%
Common Stock Foreign	27.17%
Exchange Traded Funds	-1.49%
Total Equities	66.64%
Corporate Debt	11.24%
Government & Agency Obligations	15.72%
Foreign Government Bonds	1.00%
Asset/Mortgage Backed Securities	0.10%
Total Fixed Income	28.06%
Short-Term Investments	4.61%
Other (Foreign Cash)	0.33%
Options	0.36%
Total Other	5.30%
Rights and Warrants	0.00%**
Total Rights and Warrants	0.00%**
TOTAL INVESTMENTS	100.00%

Global Breakdown (as a % of Value)^

United States	69.69%
Brazil	8.82%
Hong Kong	6.41%
Japan	3.65%
China	2.49%
Cayman Islands	1.92%
Bermuda	1.65%
Great Britain	1.24%
Switzerland	1.21%
Canada	1.20%
South Korea	0.53%
Taiwan	0.51%
Netherlands	0.44%
Marshall Islands	0.36%
Luxembourg	