

Edgar Filing: Clough Global Allocation Fund - Form N-CSR

Clough Global Allocation Fund  
Form N-CSR  
February 04, 2005

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  
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Clough Global Allocation Fund  
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(Exact name of registrant as specified in charter)

1625 Broadway, Suite 2200, Denver, Colorado 80202  
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(Address of principal executive offices)

(Zip code)

Erin E. Douglas, Secretary  
Clough Global Allocation Fund  
1625 Broadway, Suite 2200  
Denver, Colorado 80202  
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(Name and address of agent for service)

Registrant's telephone number, including area code: 303-623-2577  
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Date of fiscal year end: May 31  
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Date of reporting period: November 30  
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Item 1. REPORTS TO STOCKHOLDERS.

[CLOUGH GLOBAL ALLOCATION FUND LOGO]

[GRAPHIC]

SEMI-ANNUAL  
NOVEMBER 30, 2004  
(UNAUDITED)

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SHAREHOLDER LETTER

NOVEMBER 30, 2004

To the Shareholders of the Clough Global Allocation Fund:

This letter addresses the strategies we use to manage the Clough Global

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Allocation Fund and provides our initial outlook towards investing in 2005.

The Fund began investing on July 29, 2004 and has seen four months of activity. We are pleased with the Fund's performance to date. The Fund's offering price on July 28, 2004 was \$20 per share and it never closed below that level. The closing market price for the period ended November 30, 2004, was \$21.10 per share. In addition, the Fund paid a \$0.30 per share cash distribution on October 29, 2004, the first quarterly installment in what is planned to be a 6% annual managed distribution. The net asset value at period-end was \$20.44 per share, up from \$19.10 at inception. During the period, shares of the Fund consistently sold at a premium to net asset value.

There have been three overriding determinants of the Fund's investment strategies. First, the Fund is an asset allocation fund, and we aggressively manage its stock/bond mix. While most mutual funds are limited to investing in either stocks or bonds, Clough Capital has the ability to seek out opportunity in either asset class.

Second, on the equity side, the Fund has a definite theme focus. We seek to invest in what we believe are the five or six most attractive investment themes in the global markets. Three current examples of themes in which the Fund is invested are noted below:

- a) Our largest equity exposure is in North American natural gas exploration and production and the deep-water drilling equipment and service industries. On the surface this appears to be a popular market theme, but we think most investors have only a superficial appreciation for what is happening on the energy front. The big North American gas fields are depleting, reservoir levels are falling, and though the number of rigs operating in North America is 65% higher than 2 years ago, production of natural gas is actually down. According to the CEO of one deep water drilling company, for the first time in half a century, it will be necessary to develop completely new fields to access new gas supplies. Most new gas fields lie under 5,000 feet of water and for that reason we are invested in both producers and companies which provide equipment and services for offshore drilling. Currently, only 26 rigs exist in the world that are capable of drilling at depths of more than 5,000 feet of water. Yet, over the next 25 years the International Energy Agency estimates that \$2.5 trillion will be spent to develop these resources, so we believe the opportunity for the drilling industry is rather dramatic. That level of spending contrasts with a current market capitalization for all U.S. off-shore drilling companies which is a mere \$38 billion. We expect some stock price volatility in this sector as perspectives of energy availability change, but we will try to take advantage of that if or when it occurs.
- b) We are investing in a portfolio of small capitalization banks, looking forward to the consolidation which we believe will occur in the financial service industry. If the consolidation occurs as we expect, it is likely to benefit the stock prices of these institutions.

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- c) We hold a number of property/casualty insurance companies whose stocks sell at 7-8 times earnings which we believe offers good value. We believe it is highly likely that growing cash flows and limited opportunities for market share gains will force the industry to consolidate, materially strengthening its long-term profit outlook.

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Finally, the Fund also has a global mandate. As of November 30, 2004, more than 15% of the Fund's assets were invested outside the U.S. This strategy reflects our belief that higher returns will come from non-U.S. financial markets. Japan is the nucleus of our largest non-U.S. country focus. Japan has the second largest financial market in the world, and while most analysts argue over the sustainability of Japan's economic recovery, Japan is a huge corporate restructuring story. Japanese corporations are building cash balances and the proliferation of corporate merger activity and leveraged buyouts are beginning to change Japan's investment landscape. Business savings are soaring to the level of 25% of gross domestic product (GDP); Japanese businesses are de-leveraging, and as they do, equity holders may benefit. The potential opportunity is not unlike that which characterized the early 1980's in the U.S. when America's financial markets were inexpensive.

The Fund should also benefit from any rise in the value of the Japanese yen relative to the U.S. dollar. Emerging markets will also be an important sector investment in 2005. Many emerging economies have restructured their financial sectors, enjoy strong current account surpluses and have viable sources of domestic demand growth. The Fund holds investments in both non-Japan Asia and Brazil, and we are beginning to examine investment in Eastern Europe.

In 2005, we anticipate opportunities in selected market sectors and in several geographies. As of November 30, 2004, the Fund was evenly invested across stocks and fixed income securities, an asset allocation mix we have had for most of the Fund's life. Much of the Fund's fixed income focus for the moment is in shorter-dated U.S. fixed income securities. We suspect there is some latent strength in the economy and hope to lock in somewhat higher yields in coming months.

Looking ahead, we see two major investment flows in the world and hope to capitalize on them. The U.S. is a big balance sheet economy. By that we mean that \$50 trillion in financial assets, consisting of \$35 trillion in bonds and \$15 trillion in stocks, are supported by an economy which produces only \$12 trillion in terms of dollar GDP. This is the key reason the financial markets in the aggregate will likely produce single digit annual returns in the year ahead. To enhance those market returns, we will attempt to exploit the movement of capital abroad by investing in what we believe to be the most promising non-U.S. markets. We also think that a massive transfer of wealth will occur from financial services, consumer services and technology, to energy and materials and industries leveraged to global trade. Finally, we will look for yield opportunities in the British, Canadian and Australian fixed income markets.

Sincerely,

/s/ Charles I. Clough, Jr.

Charles I. Clough, Jr.

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## COMMON STOCK 59.14%

### COAL 2.40%

|                             |        |    |           |
|-----------------------------|--------|----|-----------|
| Arch Coal Inc.              | 16,900 | \$ | 645,580   |
| CONSOL Energy Inc.          | 30,400 |    | 1,298,080 |
| Fording Canadian Coal Trust | 10,000 |    | 746,000   |
| KFX Inc.*                   | 64,000 |    | 963,840   |
| Massey Energy Co.           | 32,300 |    | 1,134,376 |
|                             |        |    | -----     |
|                             |        |    | 4,787,876 |
|                             |        |    | -----     |

### CONSUMER/RETAIL 3.70%

|                             |         |  |           |
|-----------------------------|---------|--|-----------|
| Albertson's, Inc.           | 18,500  |  | 468,050   |
| B & G Foods Inc.*           | 67,000  |  | 996,960   |
| Blue Nile*                  | 30,600  |  | 788,868   |
| Government Properties Trust | 30,000  |  | 318,000   |
| Lion Corp.                  | 170,000 |  | 945,030   |
| Martek Biosciences Corp.*   | 23,300  |  | 905,671   |
| Saks Inc.*                  | 10,000  |  | 139,100   |
| Sapporo Holdings Ltd.       | 117,000 |  | 505,908   |
| Wacoal Corp.                | 84,000  |  | 946,893   |
| Wolverine World Wide, Inc.  | 15,000  |  | 449,250   |
| York-Benimaru Co., Ltd.     | 33,000  |  | 912,351   |
|                             |         |  | -----     |
|                             |         |  | 7,376,081 |
|                             |         |  | -----     |

### ENERGY 12.42%

|                                 |         |  |           |
|---------------------------------|---------|--|-----------|
| BJ Services Co.                 | 30,000  |  | 1,520,100 |
| Chesapeake Energy Corp.         | 157,000 |  | 2,826,000 |
| Diamond Offshore Drilling, Inc. | 45,000  |  | 1,685,700 |
| ENSCO International Inc.        | 39,000  |  | 1,221,090 |
| EOG Resources Inc.              | 20,000  |  | 1,501,400 |
| FMC Technologies, Inc.*         | 25,000  |  | 821,250   |
| GlobalSanteFe Corp.             | 33,000  |  | 1,036,200 |
| Grant Prideco Inc.*             | 25,000  |  | 538,750   |
| Halliburton Co.                 | 20,000  |  | 827,000   |
| Matrix Service Co.*             | 40,000  |  | 298,000   |
| Murphy Oil Corp.                | 7,000   |  | 597,170   |
| Nabors Industries Ltd.*         | 25,000  |  | 1,300,000 |
| National-Oilwell, Inc.*         | 40,000  |  | 1,448,000 |
| Noble Corp.*                    | 15,000  |  | 726,750   |
| Patterson-UTI Energy, Inc.      | 70,000  |  | 1,400,000 |
| Petrokazakh Inc. - Class A      | 10,000  |  | 420,000   |
| Petroleo Brasileiro S.A. - ADR  | 42,050  |  | 1,604,628 |
| Royal Dutch Petroleum Co. - ADR | 10,000  |  | 572,600   |
| Suncor Energy Inc.              | 10,000  |  | 347,700   |
| Talisman Energy Inc.            | 42,000  |  | 1,184,670 |

SHARES

VALUE

ENERGY (CONTINUED)

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|                                            |         |    |            |
|--------------------------------------------|---------|----|------------|
| Transocean Inc.*                           | 61,000  | \$ | 2,456,470  |
| Ultra Petroleum Corp.*                     | 8,000   |    | 421,280    |
|                                            |         |    | -----      |
|                                            |         |    | 24,754,758 |
|                                            |         |    | -----      |
| FINANCE 10.98%                             |         |    |            |
| ACOM Co., Ltd.                             | 10,400  |    | 783,247    |
| Aiful Corp.                                | 7,000   |    | 795,880    |
| Apollo Investment Corp.*                   | 95,400  |    | 1,407,150  |
| Astoria Financial Corp.                    | 21,000  |    | 871,500    |
| Bank Mutual Corp.                          | 8,500   |    | 104,805    |
| Bank of Yokohama, Ltd.                     | 160,000 |    | 1,010,641  |
| BankUnited Financial Corp. - Class A*      | 6,400   |    | 196,736    |
| Brookline Bancorp, Inc.                    | 98,000  |    | 1,587,600  |
| Cohen & Steers, Inc.                       | 143,000 |    | 2,558,270  |
| Daiwa Securities Group Inc.                | 178,000 |    | 1,217,745  |
| Fidelity Bankshares, Inc.                  | 29,000  |    | 1,189,870  |
| First Niagara Financial Group, Inc.        | 55,000  |    | 794,200    |
| Freddie Mac                                | 6,000   |    | 409,560    |
| Independent Bank Corp.                     | 24,500  |    | 846,720    |
| Mitsubishi Tokyo Financial                 | 47,000  |    | 445,560    |
| NewAlliance Bancshares, Inc.               | 73,000  |    | 1,097,190  |
| Nikko Cordial Corp.                        | 148,000 |    | 739,245    |
| Promise Co., Ltd.                          | 13,000  |    | 909,571    |
| Provident Financial Services, Inc.         | 40,000  |    | 777,200    |
| Sovereign Bancorp, Inc.                    | 105,000 |    | 2,294,250  |
| Washington Mutual Inc.                     | 18,000  |    | 732,780    |
| Webster Financial Corp.                    | 22,000  |    | 1,101,100  |
|                                            |         |    | -----      |
|                                            |         |    | 21,870,820 |
|                                            |         |    | -----      |
| HEALTHCARE 1.45%                           |         |    |            |
| Biosphere Medical Inc.*                    | 123,000 |    | 381,300    |
| Elan Corp PLC - SPONS ADR*                 | 5,000   |    | 132,000    |
| Omnicare Inc.                              | 36,400  |    | 1,179,724  |
| Sepracor Inc.*                             | 26,700  |    | 1,188,417  |
|                                            |         |    | -----      |
|                                            |         |    | 2,881,441  |
|                                            |         |    | -----      |
| INDUSTRIAL 5.34%                           |         |    |            |
| Chicago Bridge & Iron Co.                  | 20,000  |    | 774,000    |
| Fluor Corp.                                | 11,000  |    | 570,900    |
| General Electric Co.                       | 26,000  |    | 919,360    |
| GOL Linhas Aereas Inteligentes S.A. - ADR* | 50,000  |    | 1,193,000  |
| Jacobs Engineering Group Inc.*             | 20,000  |    | 919,400    |
| Kokuyo Co., Ltd.                           | 56,000  |    | 642,146    |
| Louisiana Pacific Corp.                    | 39,000  |    | 954,330    |

|                        | SHARES | VALUE |
|------------------------|--------|-------|
| -----                  |        |       |
| INDUSTRIAL (CONTINUED) |        |       |

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|                                            |         |    |            |
|--------------------------------------------|---------|----|------------|
| Methanex Corp.                             | 35,000  | \$ | 614,600    |
| Nisshinbo Industries, Inc.                 | 137,000 |    | 938,587    |
| Noritz Corp.                               | 26,200  |    | 382,677    |
| Shaw Group Inc.*                           | 40,000  |    | 589,200    |
| Smurfit - Stone Container Corp.*           | 30,000  |    | 538,800    |
| Trinity Industries, Inc.                   | 25,000  |    | 883,750    |
| Willbros Group, Inc.*                      | 40,000  |    | 720,400    |
|                                            |         |    | -----      |
|                                            |         |    | 10,641,150 |
|                                            |         |    | -----      |
| INSURANCE 2.15%                            |         |    |            |
| Everest RE Group Ltd.                      | 5,000   |    | 421,350    |
| Infinity Property & Casualty               | 4,700   |    | 173,900    |
| Metlife Inc.                               | 28,000  |    | 1,092,000  |
| MGIC Investment Corp.                      | 5,000   |    | 340,000    |
| PMI Group Inc.                             | 10,000  |    | 411,800    |
| Radian Group Inc.                          | 7,000   |    | 358,750    |
| Selective Insurance Group, Inc.            | 13,800  |    | 618,102    |
| Specialty Underwriter's All*               | 50,000  |    | 480,500    |
| XL Capital, Ltd. - Class A                 | 5,200   |    | 391,872    |
|                                            |         |    | -----      |
|                                            |         |    | 4,288,274  |
|                                            |         |    | -----      |
| MEDIA 2.72%                                |         |    |            |
| Echostar Communications - Class A          | 45,300  |    | 1,485,387  |
| KT Corp. ADR                               | 18,600  |    | 402,690    |
| Iowa Telecommunications Services*          | 10,000  |    | 212,100    |
| Nippon Broadcasting System                 | 13,500  |    | 640,202    |
| Toho Co., Ltd.                             | 46,000  |    | 737,573    |
| Utstarcom Inc.*                            | 43,500  |    | 849,990    |
| Viacom Inc.                                | 30,885  |    | 1,098,579  |
|                                            |         |    | -----      |
|                                            |         |    | 5,426,521  |
|                                            |         |    | -----      |
| METALS 5.59%                               |         |    |            |
| Alcoa Inc.                                 | 23,000  |    | 781,540    |
| APEX Silver Mines Ltd.*                    | 22,900  |    | 445,405    |
| Cleveland-Cliffs Inc.                      | 10,000  |    | 969,000    |
| Falconbridge Ltd.*                         | 15,200  |    | 401,821    |
| Freeport McMoran Copper & Gold Inc.        | 20,300  |    | 794,339    |
| Inco Ltd.*                                 | 10,400  |    | 391,872    |
| Ivanhoe Mines Ltd.*                        | 289,700 |    | 2,065,561  |
| Newmont Mining Corp.                       | 5,000   |    | 236,750    |
| Olin Corp.                                 | 40,000  |    | 907,600    |
| Oregon Steel Mills Inc.*                   | 92,300  |    | 1,659,554  |
| Pan American Silver Corp.*                 | 36,300  |    | 655,578    |
| POSCO - ADR                                | 5,000   |    | 236,200    |
| Schnitzer Steel Industries, Inc. - Class A | 42,100  |    | 1,588,433  |
|                                            |         |    | -----      |
|                                            |         |    | 11,133,653 |
|                                            |         |    | -----      |

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|                                        | SHARES  | VALUE        |
|----------------------------------------|---------|--------------|
| -----                                  |         |              |
| TECHNOLOGY 2.57%                       |         |              |
| Microsoft Corp.                        | 60,000  | \$ 1,608,600 |
| Nextel Communications, Inc. - Class A* | 79,700  | 2,268,262    |
| Radvision, Ltd.*                       | 93,345  | 1,245,222    |
|                                        |         | -----        |
|                                        |         | 5,122,084    |
|                                        |         | -----        |
| TRANSPORTATION 3.55%                   |         |              |
| Airport Facilities Co., Ltd.           | 59,000  | 309,606      |
| East Japan Railway Co.                 | 50      | 275,011      |
| Frontline Ltd.                         | 20,000  | 1,201,000    |
| General Maritime Corp.*                | 5,000   | 227,250      |
| Golar LNG, Ltd.*                       | 52,000  | 771,212      |
| Nippon Yusen Kabushiki Kaisha          | 146,000 | 777,494      |
| OMI Corp.                              | 57,000  | 1,218,090    |
| Overseas Shipholding Group             | 18,000  | 1,182,420    |
| Ship Finance International Ltd.        | 2,667   | 66,800       |
| Teekay Shipping Corp.                  | 9,000   | 479,340      |
| Tsakos Energy Navigation, Ltd.         | 13,150  | 555,588      |
|                                        |         | -----        |
|                                        |         | 7,063,811    |
|                                        |         | -----        |
| UTILITIES 6.27%                        |         |              |
| DTE Energy Co.                         | 4,000   | 175,520      |
| Dynegy Inc.-Class A*                   | 205,000 | 1,158,250    |
| Entergy Corp.                          | 29,000  | 1,879,780    |
| Exelon Corp.                           | 14,000  | 583,940      |
| FPL Group, Inc.                        | 5,000   | 351,650      |
| Great Plains Energy Inc.               | 50,000  | 1,480,500    |
| Northeast Utilities                    | 90,000  | 1,640,700    |
| OGE Energy Corp.                       | 30,000  | 775,500      |
| Progress Energy Inc.                   | 45,000  | 1,975,950    |
| Southern Co.                           | 11,000  | 360,690      |
| Western Gas Resources Inc.             | 17,000  | 527,000      |
| Williams Cos., Inc.                    | 95,000  | 1,583,650    |
|                                        |         | -----        |
|                                        |         | 12,493,130   |
|                                        |         | -----        |
| TOTAL COMMON STOCKS                    |         |              |
| (Cost \$106,789,798)                   |         | 117,839,599  |
| -----                                  |         |              |

|                             | SHARES  | VALUE        |
|-----------------------------|---------|--------------|
| -----                       |         |              |
| EXCHANGE TRADED FUNDS 6.08% |         |              |
| iSHARES                     |         |              |
| MSCI Brazil                 | 149,000 | \$ 3,106,650 |
| MSCI Hong Kong              | 142,500 | 1,718,550    |
| MSCI Japan                  | 487,000 | 5,020,970    |

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|                             |         |            |
|-----------------------------|---------|------------|
| MSCI Malaysia               | 133,300 | 979,755    |
| MSCI Pacific                | 8,000   | 715,760    |
| MSCI Taiwan                 | 52,000  | 585,520    |
|                             |         | -----      |
| TOTAL EXCHANGE TRADED FUNDS |         |            |
| (Cost \$10,955,484)         |         | 12,127,205 |
|                             |         | -----      |

|                        |        |           |
|------------------------|--------|-----------|
| PREFERRED STOCK 0.65%  |        |           |
| Ashford Hospital Trust | 50,000 | 1,287,500 |
|                        |        | -----     |
| TOTAL PREFERRED STOCK  |        |           |
| (Cost \$1,250,000)     |        | 1,287,500 |
|                        |        | -----     |

|                                     |         |           |
|-------------------------------------|---------|-----------|
| MUTUAL FUNDS 0.63%                  |         |           |
| ASA Bermuda Ltd.                    | 23,000  | 1,030,860 |
| J.P. Morgan Prime Money Market Fund | 219,360 | 219,360   |
|                                     |         | -----     |
| TOTAL MUTUAL FUNDS                  |         |           |
| (Cost \$1,216,352)                  |         | 1,250,220 |
|                                     |         | -----     |

| DUE DATE                      | COUPON | PRINCIPAL<br>AMOUNT | VALUE      |
|-------------------------------|--------|---------------------|------------|
| -----                         |        |                     |            |
| CORPORATE BONDS & NOTES 8.30% |        |                     |            |
| AT&T Corp.                    |        |                     |            |
| 11/15/31                      | 9.75%  | \$ 10,000,000       | 11,637,500 |
| Lucent Technologies Inc.      |        |                     |            |
| 01/15/28                      | 6.50%  | 5,000,000           | 4,287,500  |
| McMoran Exploration Co.       |        |                     |            |
| 10/06/11                      | 5.25%  | 500,000             | 617,500    |
|                               |        |                     | -----      |
| TOTAL CORPORATE BONDS & NOTES |        |                     |            |
| (Cost \$16,492,833)           |        |                     | 16,542,500 |
| -----                         |        |                     |            |

| DUE DATE                          | COUPON | PRINCIPAL<br>AMOUNT | VALUE         |
|-----------------------------------|--------|---------------------|---------------|
| -----                             |        |                     |               |
| MUNICIPAL BONDS & NOTES 29.61%    |        |                     |               |
| CALIFORNIA 12.40%                 |        |                     |               |
| California St Economic Recovery   |        |                     |               |
| 07/01/23                          | 1.62%  | \$ 15,000,000       | \$ 15,000,000 |
| Los Angeles California Convention |        |                     |               |
| 08/15/21                          | 1.62%  | 3,000,000           | 3,000,000     |
| M-S-R Public Power Agency         |        |                     |               |
| 07/01/22                          | 1.40%  | 5,700,000           | 5,700,000     |
| Orange County CA Transn Authority |        |                     |               |
| 12/15/30                          | 1.40%  | 1,000,000           | 1,000,000     |
|                                   |        |                     | -----         |

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|                                     |       |            |            |
|-------------------------------------|-------|------------|------------|
|                                     |       |            | 24,700,000 |
|                                     |       |            | -----      |
| ILLINOIS 11.19%                     |       |            |            |
| Illinois Health Facs Authority      |       |            |            |
| 01/01/28                            | 1.66% | 15,000,000 | 15,000,000 |
| Illinois Housing Development        |       |            |            |
| 07/01/27                            | 1.66% | 7,300,000  | 7,300,000  |
|                                     |       |            | -----      |
|                                     |       |            | 22,300,000 |
|                                     |       |            | -----      |
| NEW YORK 6.02%                      |       |            |            |
| Metropolitan Transit Authority      |       |            |            |
|                                     | 1.42% | 12,000,000 | 12,000,000 |
|                                     |       |            | -----      |
|                                     |       |            | 12,000,000 |
|                                     |       |            | -----      |
| TOTAL MUNICIPAL BONDS & NOTES       |       |            |            |
| (Cost \$59,000,000)                 |       |            | 59,000,000 |
|                                     |       |            | -----      |
| SOVEREIGN BONDS 10.38%              |       |            |            |
| Treasury Sovereign - United Kingdom |       |            |            |
| 12/07/09                            | 5.75% | 10,250,000 | 20,674,326 |
|                                     |       |            | -----      |
| TOTAL SOVEREIGN BONDS               |       |            |            |
| (Cost \$19,598,987)                 |       |            | 20,674,326 |
|                                     |       |            | -----      |

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| DUE DATE                                    | COUPON  | PRINCIPAL<br>AMOUNT | VALUE         |
|---------------------------------------------|---------|---------------------|---------------|
| -----                                       | -----   | -----               | -----         |
| U.S. GOVERNMENT & AGENCY OBLIGATIONS 25.67% |         |                     |               |
| US TREASURY NOTES 20.66%                    |         |                     |               |
| 11/15/05                                    | 5.75%   | \$ 40,000,000       | \$ 41,160,960 |
| U.S. TREASURY BILL 5.01%                    |         |                     |               |
| 12/23/04                                    | 1.98%   | 10,000,000          | 9,987,900     |
|                                             |         |                     | -----         |
| TOTAL U.S. GOVERNMENT & AGENCY OBLIGATIONS  |         |                     |               |
| (Cost \$51,153,088)                         |         |                     | 51,148,860    |
|                                             |         |                     | -----         |
| Total Investments                           | 140.46% |                     | 279,870,210   |
| (Cost \$266,456,542)                        |         |                     |               |
| Liabilities in Excess of Other Assets       | -40.46% |                     | (80,623,854)  |
|                                             |         |                     | -----         |
| NET ASSETS                                  | 100.00% | \$                  | 199,246,356   |
| =====                                       | =====   | =====               | =====         |

\*NON-INCOME PRODUCING SECURITY

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ADR - AMERICAN DEPOSITARY RECEIPT

ALL SHARES OF SECURITIES ARE PLEDGED AS COLLATERAL FOR THE BORROWINGS UNDER THE SECURITY AGREEMENT FOR THE FUND'S LINE OF CREDIT.

|                             | SHARES  | VALUE        |
|-----------------------------|---------|--------------|
| SECURITIES SOLD SHORT 3.00% |         |              |
| CDW Corp.                   | 5,000   | \$ 328,600   |
| Electronic Arts Inc.*       | 5,000   | 244,500      |
| Ford Motor Co.              | 130,000 | 1,843,400    |
| General Motors Corp.        | 45,400  | 1,751,986    |
| Harley Davidson Inc.        | 5,000   | 289,100      |
| New York Community Bancorp  | 20,000  | 395,600      |
| Polaris Industries Inc.     | 5,000   | 329,500      |
| Retail HOLDRs Trust         | 7,500   | 724,875      |
| Tektronix Inc.              | 2,500   | 78,425       |
|                             |         | -----        |
|                             |         | 5,985,986    |
| TOTAL SECURITIES SOLD SHORT |         |              |
| (Cost \$5,964,290)          |         | \$ 5,985,986 |
|                             |         | =====        |

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## STATEMENT OF ASSETS & LIABILITIES

NOVEMBER 30, 2004

|                                               |    |             |
|-----------------------------------------------|----|-------------|
| ASSETS:                                       |    |             |
| Investments, at value (Cost - see below)      | \$ | 279,870,210 |
| Deposit with broker for securities sold short |    | 9,253,986   |
| Dividends receivable                          |    | 443,520     |
| Interest receivable                           |    | 881,740     |
| Receivable for investments sold               |    | 384,015     |
|                                               |    | -----       |
| Total assets                                  |    | 290,833,471 |
|                                               |    | -----       |
| LIABILITIES:                                  |    |             |
| Securities sold short (Proceeds \$5,964,290)  |    | 5,985,986   |
| Payable for investments purchased             |    | 12,396,808  |
| Loan payable                                  |    | 72,856,298  |
| Interest on loan payable                      |    | 36,297      |
| Dividends payable                             |    | 23,424      |
| Accrued investment advisory fee               |    | 122,610     |
| Accrued administration fee                    |    | 49,920      |
| Accrued trustees fee                          |    | 9,524       |
| Accrued offering costs                        |    | 106,248     |
|                                               |    | -----       |
| Total Liabilities                             |    | 91,587,115  |
|                                               |    | -----       |
| NET ASSETS                                    | \$ | 199,246,356 |

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|                     |    |             |
|---------------------|----|-------------|
| Cost of investments | \$ | 266,456,542 |
|---------------------|----|-------------|

## COMPOSITION OF NET ASSETS:

|                                                                                                                                                              |    |             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-------------|
| Paid in capital                                                                                                                                              | \$ | 185,784,834 |
| Overdistributed net investment income                                                                                                                        |    | (2,359,667) |
| Accumulated net realized gain on investments and<br>foreign currency transactions                                                                            |    | 2,400,557   |
| Net unrealized appreciation in value of investments,<br>securities sold short and translation of assets and<br>liabilities denominated in foreign currencies |    | 13,420,632  |
| NET ASSETS                                                                                                                                                   | \$ | 199,246,356 |

|                                                                                    |  |           |
|------------------------------------------------------------------------------------|--|-----------|
| Shares of common stock outstanding of no par value,<br>unlimited shares authorized |  | 9,745,658 |
|------------------------------------------------------------------------------------|--|-----------|

|                           |    |       |
|---------------------------|----|-------|
| Net asset value per share | \$ | 20.44 |
|---------------------------|----|-------|

SEE NOTES TO FINANCIAL STATEMENTS

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## STATEMENT OF OPERATIONS

FOR THE PERIOD JULY 28, 2004 (INCEPTION) TO NOVEMBER 30, 2004

### INVESTMENT INCOME:

|              |    |           |
|--------------|----|-----------|
| Dividends    | \$ | 627,894   |
| Interest     |    | 668,580   |
| Total Income |    | 1,296,474 |

### EXPENSES:

|                                      |  |         |
|--------------------------------------|--|---------|
| Investment advisory fee              |  | 468,555 |
| Administration fee                   |  | 190,769 |
| Trustees fee                         |  | 34,524  |
| Dividend expense on short sales      |  | 23,424  |
| Interest on outstanding loan payable |  | 36,298  |
| Net Expenses                         |  | 753,570 |

|                       |  |         |
|-----------------------|--|---------|
| NET INVESTMENT INCOME |  | 542,904 |
|-----------------------|--|---------|

### Net realized gain (loss) on:

|                                                        |  |            |
|--------------------------------------------------------|--|------------|
| Investment securities                                  |  | 3,019,138  |
| Foreign currency transactions                          |  | (6,422)    |
| Securities sold short                                  |  | (612,159)  |
| Change in net unrealized appreciation/depreciation on: |  |            |
| Investment securities                                  |  | 11,562,205 |
| Foreign currency transactions                          |  | 1,880,123  |

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|                                                                                     |               |
|-------------------------------------------------------------------------------------|---------------|
| Securities sold short                                                               | (21,696)      |
| Net gain on investments, foreign currency transactions<br>and securities sold short | 15,821,189    |
| NET INCREASE IN NET ASSETS FROM OPERATIONS                                          | \$ 16,364,093 |

SEE NOTES TO FINANCIAL STATEMENTS.

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## STATEMENT OF CHANGES IN NET ASSETS

FOR THE PERIOD JULY 28, 2004 (INCEPTION) TO NOVEMBER 30, 2004

|                                                                                           |                |
|-------------------------------------------------------------------------------------------|----------------|
| COMMON SHAREHOLDER OPERATIONS:                                                            |                |
| Net investment income                                                                     | \$ 542,904     |
| Net realized gain (loss) from:                                                            |                |
| Investment securities                                                                     | 3,019,138      |
| Foreign currency transactions                                                             | (6,422)        |
| Securities sold short                                                                     | (612,159)      |
| Change in net unrealized appreciation/depreciation from:                                  |                |
| Investment securities                                                                     | 11,562,205     |
| Foreign currency transactions                                                             | 1,880,123      |
| Securities sold short                                                                     | (21,696)       |
| Net increase in net assets from operations                                                | 16,364,093     |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS:                                                     |                |
| From net investment income                                                                | (2,902,571)    |
| Net decrease in net assets from distributions                                             | (2,902,571)    |
| CAPITAL SHARE TRANSACTIONS:                                                               |                |
| Proceeds from sales of shares, net of offering costs                                      | 166,775,000    |
| Proceeds from the underwriters' over-allotment<br>option exercised, net of offering costs | 17,535,200     |
| Net asset value of common stock issued to stockholders<br>from reinvestment of dividends  | 1,374,634      |
| Net increase in net assets from capital share transactions                                | 185,684,834    |
| NET INCREASE IN NET ASSETS                                                                | 199,146,356    |
| NET ASSETS:                                                                               |                |
| Beginning of period                                                                       | 100,000        |
| End of period *                                                                           | \$ 199,246,356 |
| * INCLUDES OVERDISTRIBUTED NET INVESTMENT INCOME OF:                                      |                |
|                                                                                           | \$ (2,359,667) |

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SEE NOTES TO FINANCIAL STATEMENTS.

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## FINANCIAL HIGHLIGHTS

FOR THE PERIOD JULY 28, 2004 (INCEPTION) TO NOVEMBER 30, 2004

### PER COMMON SHARE OPERATING PERFORMANCE

|                                                 |    |       |
|-------------------------------------------------|----|-------|
| Net asset value - beginning of period           | \$ | 19.10 |
| -----                                           |    |       |
| Income from investment operations:              |    |       |
| Net investment income                           |    | 0.06  |
| Net realized and unrealized gain on investments |    | 1.62  |
| -----                                           |    |       |
| Total from investment operations                |    | 1.68  |
| -----                                           |    |       |

### DISTRIBUTIONS TO COMMON SHAREHOLDERS:

|                            |        |
|----------------------------|--------|
| From net investment income | (0.30) |
| -----                      |        |
| Total distributions        | (0.30) |
| -----                      |        |

### CAPITAL SHARE TRANSACTIONS:

|                                                        |        |
|--------------------------------------------------------|--------|
| Common share offering costs charged to paid in capital | (0.04) |
| -----                                                  |        |
| Total capital share transactions                       | (0.04) |
| -----                                                  |        |

|                                 |    |       |
|---------------------------------|----|-------|
| Net asset value - end of period | \$ | 20.44 |
| =====                           |    |       |
| Market price - end of period    | \$ | 21.10 |
| =====                           |    |       |

|                                                                              |            |
|------------------------------------------------------------------------------|------------|
| TOTAL INVESTMENT RETURN - NET ASSET VALUE (1)                                | 8.66%      |
| TOTAL INVESTMENT RETURN - MARKET PRICE (1)                                   | 7.12%      |
| RATIOS AND SUPPLEMENTAL DATA                                                 |            |
| Net assets, end of period (000)                                              | \$ 199,246 |
| Ratio of expenses to average net assets                                      | 1.20%(2)   |
| Ratio of expenses to average net assets (excluding dividends on short sales) | 1.16%(2)   |
| Ratio of net investment income to average net assets                         | 0.86%(2)   |
| Portfolio turnover rate                                                      | 40%        |

(1) TOTAL INVESTMENT RETURN IS CALCULATED ASSUMING A PURCHASE OF A COMMON SHARE AT THE OPENING ON THE FIRST DAY AND A SALE AT THE CLOSING ON THE LAST DAY OF EACH PERIOD REPORTED. TOTAL INVESTMENT RETURN ON NET ASSET VALUE REFLECTS THE SALES LOAD OF \$.90 PER SHARE. DIVIDENDS AND DISTRIBUTIONS, IF ANY, ARE ASSUMED FOR PURPOSES OF THIS CALCULATION TO BE REINVESTED AT PRICES OBTAINED UNDER THE TRUST'S DIVIDEND REINVESTMENT PLAN. TOTAL INVESTMENT RETURNS DO NOT REFLECT BROKERAGE COMMISSIONS. TOTAL INVESTMENT RETURNS FOR LESS THAN A FULL YEAR ARE NOT ANNUALIZED. PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

(2) ANNUALIZED.

SEE NOTES TO FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2004

1. SIGNIFICANT ACCOUNTING AND OPERATING POLICIES

Clough Global Allocation Fund is a closed-end management investment company (the "Fund") that was organized under the laws of the state of Delaware by an 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.

The following summarizes the significant accounting policies of the Fund.

**SECURITY VALUATION:** The net asset value per Share of the Fund is determined no less frequently than daily, on each day that the American 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. Over-the-counter securities traded on NASDAQ are valued based upon the closing price. 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 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 separately identified from 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.

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**SHORT SALES:** The Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of the short sale.

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**INCOME TAXES:** The Fund's policy is to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

**DISTRIBUTIONS TO SHAREHOLDERS:** The Fund intends to make a level dividend distribution each quarter to Common Shareholders after payment of interest on any outstanding borrowings or dividends on any outstanding preferred shares. The level dividend rate may be modified by the Board of Trustees from time to time. Any net capital gains earned by the Fund are distributed at least annually to the extent necessary to avoid federal income and excise taxes. Distributions to shareholders are recorded by the Fund on the ex-dividend date. The Fund has applied to the Securities and Exchange Commission for an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting the Fund to make periodic distributions of long-term capital gains, provided that the distribution policy of the Fund with respect to its Common Shares calls for periodic (e.g., quarterly/monthly) distributions in an amount equal to a fixed percentage of the Fund's average net asset value over a specified period of time or market price per common share at or about the time of distribution or pay-out of a level dollar amount.

**SECURITIES TRANSACTIONS AND INVESTMENT INCOME:** Investment security transactions are accounted for as of trade date. Dividend income is recorded on the ex-dividend date. Interest income, which includes amortization of premium and accretion of discount, is accrued as earned. Realized gains and losses from securities transactions and unrealized appreciation and depreciation of securities are determined using the highest cost basis for both financial reporting and income tax purposes.

**USE OF ESTIMATES:** The Fund's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from these estimates.

### 2. TAXES

Net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of distributions made during the year from net investment income or net realized gains may differ from its ultimate characterization for federal income tax purposes. Also, due to the timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or realized gain was recorded by the Fund.

**NET UNREALIZED APPRECIATION/DEPRECIATION OF INVESTMENTS BASED ON FEDERAL TAX COSTS WERE AS FOLLOWS:**

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|                                                    |                |
|----------------------------------------------------|----------------|
| Gross appreciation (excess of value over tax cost) | \$ 14,277,910  |
| Gross depreciation (excess of tax cost over value) | (1,065,150)    |
| -----                                              |                |
| Net unrealized appreciation                        | \$ 13,212,760  |
| =====                                              |                |
| Cost of investments for income tax purposes        | \$ 266,635,754 |
| =====                                              |                |

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### 3. CAPITAL TRANSACTIONS

There are an unlimited number of no par value common shares of beneficial interest authorized. Of the 9,745,658 common shares outstanding on November 30, 2004, ALPS Mutual Funds Services, Inc. owned 5,236 shares. The Fund issued 8,750,000 common shares in its initial public offering on July 28, 2004. These common shares were issued at \$20.00 per share before the underwriting discount of \$0.90 per share. An additional 650,000 common shares and 270,000 common shares were issued on August 27, 2004 and September 15, 2004, respectively. These common shares were also issued at \$20.00 per share before the underwriting discount of \$0.90 per share. Offering costs of \$386,800 (representing \$.04 per common share) were offset against proceeds of the offering and have been charged to paid-in capital of the common shares. ALPS agreed to pay those offering costs of the Fund (other than sales load, but inclusive of the reimbursement of the underwriter expenses of \$.0067 per common share) that exceed \$.04 per common share.

Transactions in common shares for the period ended November 30, 2004, were as follows:

|                                                                         |           |
|-------------------------------------------------------------------------|-----------|
| Common shares outstanding - beginning of period                         | 5,236     |
| Common shares issued in connection with initial public offering         | 8,750,000 |
| Common shares issued from underwriters' over-allotment option exercised | 920,000   |
| Common shares issued as reinvestment of dividends                       | 70,422    |
| -----                                                                   |           |
| Common shares outstanding - end of period                               | 9,745,658 |
| -----                                                                   |           |

### 4. PORTFOLIO SECURITIES

Purchases and sales of investment securities, other than short-term securities, for the period ended November 30, 2004 aggregated \$310,800,127 and \$59,943,481, respectively. Purchase and sales of U.S. government and agency securities, other than short-term securities, for the period ended November 30, 2004 aggregated \$48,296,634 and \$6,995,245, respectively.

### 5. INVESTMENT ADVISORY AND ADMINISTRATION AGREEMENTS

Clough Capital Partners L.P. ("Clough") serves as the Fund's investment adviser pursuant to an Investment Advisory Agreement with the Fund. As compensation for its services to the Fund, Clough receives an annual investment advisory fee of 0.70% based on the Fund's average daily total assets, computed daily and payable

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monthly.

ALPS Mutual Funds Services, Inc. ("ALPS") serves as the Fund's administrator pursuant to an Administration, Bookkeeping and Pricing Services Agreement with the Fund. As compensation for its services to the Fund, ALPS receives an annual administration fee of 0.285% based on the Fund's average daily total assets, computed daily and payable monthly. ALPS will pay all expenses incurred by the Fund, with the exception of advisory fees, trustees' fees, portfolio transaction expenses, litigation expenses, taxes, cost of preferred shares, expenses of conducting repurchase offers for the purpose of repurchasing fund shares, and extraordinary expenses.

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### 6. LINE OF CREDIT

On October 27, 2004, a Security Agreement between the Fund and The Bank of New York ("BONY") was executed which allows the Fund to borrow against a secured line of credit from BONY an aggregate amount of up to \$87,500,000. The borrowings under the BONY line of credit are secured by pledging the Fund's portfolio securities as collateral. During the period ended October 31, 2004, the average borrowing was \$3,156,779 with an average rate on borrowings of 3.24%.

### 7. OTHER

The Independent Trustees of the Fund receive a quarterly retainer of \$3,500 and an additional \$1,500 for each meeting attended.

### 8. SUBSEQUENT EVENT

On December 1, 2004, the Fund issued 3,800 shares of auction market preferred shares, each with a net asset and liquidation value of \$25,000 per share plus accrued dividends. Offering costs associated with the issuance of preferred shares, estimated at \$300,000, and the underwriters' sales load totaling \$950,000 was borne by the common shareholders as a direct reduction to paid-in-capital.

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### DIVIDEND REINVESTMENT PLAN

NOVEMBER 30, 2004

Unless the registered owner of Common Shares elects to receive cash by contacting The Bank of New York (the "Plan Administrator" or "BONY"), all dividends declared on Common Shares will be automatically reinvested by the Plan Administrator for shareholders in the Fund's Dividend Reinvestment Plan (the "Plan"), in additional Common Shares. Shareholders who elect not to participate in the Plan will receive all dividends and other distributions in cash paid by check mailed directly to the shareholder of record (or, if the Common Shares are held in street or other nominee name, then to such nominee) by BONY as dividend disbursing agent. You may elect not to participate in the Plan and to receive all dividends in cash by contacting BONY, as dividend disbursing agent, at the address set forth below. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Administrator prior to the dividend record date; otherwise such termination or resumption will be effective with respect to any

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subsequently declared dividend or other distribution. Some brokers may automatically elect to receive cash on your behalf and may re-invest that cash in additional Common Shares for you. If you wish for all dividends declared on your Common Shares to be automatically reinvested pursuant to the Plan, please contact your broker.

The Plan Administrator will open an account for each Common Shareholder under the Plan in the same name in which such Common Shareholder's Common Shares are registered. Whenever the Fund declares a dividend or other distribution (together, a "Dividend") payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Administrator for the participants' accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized Common Shares from the Fund ("Newly Issued Common Shares") or (ii) by purchase of outstanding Common Shares on the open market ("Open-Market Purchases") on the American Stock Exchange or elsewhere. If, on the payment date for any Dividend, the closing market price plus estimated brokerage commissions per Common Share is equal to or greater than the net asset value per Common Share, the Plan Administrator will invest the Dividend amount in Newly Issued Common Shares on behalf of the participants. The number of Newly Issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the Dividend by the net asset value per Common Share on the payment date; provided that, if the net asset value is less than or equal to 95% of the closing market value on the payment date, the dollar amount of the Dividend will be divided by 95% of the closing market price per Common Share on the payment date. If, on the payment date for any Dividend, the net asset value per Common Share is greater than the closing market value plus estimated brokerage commissions, the Plan Administrator will invest the Dividend amount in Common Shares acquired on behalf of the participants in Open-Market Purchases. In the event of a market discount on the payment date for any Dividend, the Plan Administrator will have until the last business day before the next date on which the Common Shares trade on an "ex-dividend" basis or 30 days after the payment date for such Dividend, whichever is sooner (the "Last Purchase Date"), to invest the Dividend amount in Common Shares acquired in Open-Market Purchases. If, before the Plan Administrator has completed its Open-Market Purchases, the market price per Common Share exceeds the net asset value per

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Common Share, the average per Common Share purchase price paid by the Plan Administrator may exceed the net asset value of the Common Shares, resulting in the acquisition of fewer Common Shares than if the Dividend had been paid in Newly Issued Common Shares on the Dividend payment date. Because of the foregoing difficulty with respect to Open-Market Purchases, the Plan provides that if the Plan Administrator is unable to invest the full Dividend amount in Open-Market Purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Administrator may cease making Open-Market Purchases and may invest the uninvested portion of the Dividend amount in Newly Issued Common Shares at the net asset value per Common Share at the close of business on the Last Purchase Date provided that, if the net asset value is less than or equal to 95% of the then current market price per Common Share; the dollar amount of the Dividend will be divided by 95% of the market price on the payment date.

The Plan Administrator maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common Shares in the account of each Plan participant will be held by the Plan Administrator on behalf of the Plan participant, and each shareholder proxy will include those shares

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purchased or received pursuant to the Plan. The Plan Administrator will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants. In the case of Common Shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Administrator will administer the Plan on the basis of the number of Common Shares certified from time to time by the record shareholder's name and held for the account of beneficial owners who participate in the Plan.

There will be no brokerage charges with respect to Common Shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred in connection with Open-Market Purchases. The automatic reinvestment of Dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Dividends. Participants that request a sale of Common Shares through the Plan Administrator are subject to brokerage commissions.

The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence or questions concerning the Plan should be directed to the Plan Administrator, The Bank of New York, 101 Barclay Street, New York, New York 10286, 20th Floor, Transfer Agent Services, (800) 433-8191.

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### FUND PROXY VOTING & POLICIES PROCEDURES

NOVEMBER 30, 2004

Fund policies and procedures used in determining how to vote proxies relating to portfolio securities are available without a charge, upon request, by contacting the Fund at 1-877-256-8445 and on the Commission's website at <http://www.sec.gov>.

### PORTFOLIO HOLDINGS

NOVEMBER 30, 2004

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q within 60 days after the end of the period. Copies of the Fund's Forms N-Q are available without a charge, upon request, by contacting the Fund at 1-877-256-8445 and on the Commission's website at <http://www.sec.gov>. You may also review and copy Form N-Q at the Commission's Public Reference Room in Washington, D.C. For more information about the operation of the Public Reference Room, please call the Commission at 1-800-SEC-0330.

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### TRUSTEES & OFFICERS

NOVEMBER 30, 2004

Except for their service on the Company's Board of Directors, the independent directors named above have not held any positions during the past two years with

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the Fund; any investment company; any investment adviser; any underwriter of the Fund; or any affiliate of the Fund or its investment advisers or underwriters. Each independent trustee serves on the Fund's Audit Committee.

### INTERESTED TRUSTEES AND OFFICERS

| NAME, AGE AND ADDRESS                                                            | POSITION(S) HELD<br>WITH FUNDS/LENGTH<br>OF TIME SERVED | PRINCIPAL OCCUPATION(S)<br>DURING PAST 5 YEARS* AND<br>OTHER DIRECTORSHIPS HELD<br>BY TRUSTEE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | NUMBER<br>PORTFO<br>COMPLE<br>SEEN B |
|----------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| W. ROBERT ALEXANDER<br>Age - 77<br>1625 Broadway, Ste. 2200<br>Denver, CO 80202  | Trustee and<br>Chairman/Since<br>Inception              | Mr. Alexander is the Chief Executive Officer & Chairman of ALPS. Mr. Alexander was Vice Chairman of First Interstate Bank of Denver, responsible for Trust, Private Banking, Retail Banking, Cash Management Services and Marketing. Mr. Alexander is currently a member of the Board of Trustees of the Hunter and Hughes Trusts as well as Chairman of Reaves Utility Income Fund, Financial Investors Trust and Financial Investors Variable Insurance Trust. Because of his affiliation with ALPS, Mr. Alexander is considered an "interested" Trustee of the Fund.                                                                                     | 1                                    |
| JAMES E. CANTY<br>Age - 42<br>260 Franklin Street<br>Boston, Massachusetts 02110 | Trustee and<br>Portfolio Manager/<br>Since Inception    | Mr. Canty is a founding partner, Chief Financial Officer and General Counsel for Clough. Prior to founding Clough in 2000, Mr. Canty worked as a corporate and securities lawyer and Director of Investor Relations for Converse, Inc. from 1995 to 2000. He was a corporate and securities lawyer for the Boston offices of Goldstein & Manello, P.C. from 1993 to 1995 and Bingham, Dana and Gould from 1990 to 1993. Mr. Canty served as an Adjunct Professor at Northeastern University from 1996 to 2000. Mr. Canty is currently a member of the Board of Directors of Clough Offshore Fund, Ltd. Because of his affiliation with Clough, Mr. Canty is | 1                                    |

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considered an "interested"  
Trustee of the Fund.

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## INTERESTED TRUSTEES AND OFFICERS

| NAME, AGE AND ADDRESS                                                       | POSITION(S) HELD<br>WITH FUNDS/LENGTH<br>OF TIME SERVED | PRINCIPAL OCCUPATION(S)<br>DURING PAST 5 YEARS* AND<br>OTHER DIRECTORSHIPS HELD<br>BY TRUSTEE                                                                                                                                                                                                                                                                                                                                     | NUMBER<br>PORTFO<br>COMPLE<br>SEEN B |
|-----------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| EDMUND J. BURKE<br>Age - 43<br>1625 Broadway, Ste. 2200<br>Denver, CO 80202 | President/Since<br>Inception                            | Mr. Burke is President and a<br>Director of ALPS. Mr. Burke<br>joined ALPS in 1991 as Vice<br>President and National Sales<br>Manager. Because of his<br>position with ALPS, Mr. Burke<br>is deemed an affiliate of the<br>Trust as defined under the<br>1940 Act. Mr. Burke is<br>currently the President of<br>Reaves Utility Income Fund,<br>Financial Investors Trust and<br>Financial Investors<br>Variable Insurance Trust. | N/A                                  |
| JEREMY O. MAY<br>Age - 34<br>1625 Broadway, Ste. 2200<br>Denver, CO 80202   | Treasurer/Since<br>Inception                            | Mr. May is Managing Director of<br>ALPS. Mr. May joined ALPS in<br>1995 as a Controller. Because of<br>his position with ALPS, Mr. May<br>is deemed an affiliate of the<br>Trust as defined under the 1940<br>Act. Mr. May is currently the<br>Treasurer of Reaves Utility<br>Income Fund, Financial Investors<br>Trust, Financial Investors Variable<br>Insurance Trust and First Funds.                                         | N/A                                  |
| ERIN DOUGLAS<br>Age - 27<br>1625 Broadway, Ste. 2200<br>Denver, CO 80202    | Secretary/Since<br>Inception                            | Ms. Douglas is Associate<br>Counsel of ALPS. Ms. Douglas<br>joined ALPS as Associate<br>Counsel in January 2003. Ms.<br>Douglas is deemed an<br>affiliate of the Trust as<br>defined under the 1940<br>Act. Ms. Douglas is currently<br>the Secretary of Financial<br>Investors Trust and<br>Westcore Funds.                                                                                                                      | N/A                                  |

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## INDEPENDENT TRUSTEES

| NAME, AGE AND ADDRESS                                                               | POSITION(S) HELD<br>WITH FUNDS/LENGTH<br>OF TIME SERVED | PRINCIPAL OCCUPATION(S)<br>DURING PAST 5 YEARS* AND<br>OTHER DIRECTORSHIPS HELD<br>BY TRUSTEE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | NUMBER<br>PORTFO<br>COMPLE<br>SEEN B |
|-------------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| ROBERT BUTLER<br>Age - 63<br>12 Harvard Drive<br>Hingham, Massachusetts 02043       | Trustee/Since<br>Inception                              | Mr. Butler is currently an independent consultant for businesses. Mr. Butler was President of the Pioneer Funds Distributor, Inc. from 1989 to 1998. He was Senior Vice-President from 1985 to 1988 and Executive Vice-President and Director from 1988 to 1999 of the Pioneer Group, Inc. While at the Pioneer Group, Inc. until his retirement in 1999, Mr. Butler was a Director or Supervisory Board member of a number of subsidiary and affiliated companies, including: Pioneer First Polish Investment Fund, JSC, Pioneer Czech Investment Company and Pioneer Global Equity Fund PLC. From 1975 to 1984 Mr. Butler was a Vice-President of the National Association of Securities Dealers. | 1                                    |
| MR. ADAM CRESCENZI<br>Age - 62<br>100 Walden Street<br>Concord, Massachusetts 01742 | Trustee/Since<br>Inception                              | Mr. Crescenzi is a founding partner of Telos Partners, a business advisory firm founded in 1998. Prior to that, he served as Executive Vice President of CSC Index. Mr. Crescenzi is currently a member of the Board of Directors of the Boch Center for the Performing Arts, a Trustee of Dean College, and Chairman of the Board of Directors of Creative Realities and ICEX, Inc.                                                                                                                                                                                                                                                                                                                | 1                                    |

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| NAME, AGE AND ADDRESS | POSITION(S) HELD<br>WITH FUNDS/LENGTH<br>OF TIME SERVED | PRINCIPAL OCCUPATION(S)<br>DURING PAST 5 YEARS* AND<br>OTHER DIRECTORSHIPS HELD<br>BY TRUSTEE | NUMBER<br>PORTFO<br>COMPLE<br>SEEN B |
|-----------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------|
| JOHN F. MEE, ESQ.     | Trustee/Since                                           | Mr. Mee is an attorney practicing                                                             | 1                                    |

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|                                                                                              |                            |                                                                                                                                                                                                                                                                                                                               |   |
|----------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| Age - 62<br>One Gateway Center,<br>Suite 350<br>Newton, Massachusetts 01742                  | Inception                  | commercial law, family law,<br>products liability and criminal law.<br>He was an instructor in the Harvard<br>Law School Trial Advocacy Workshop<br>from 1990 to 2002. Mr. Mee is a<br>member of the Bar of the<br>Commonwealth of Massachusetts. He<br>serves on the Board of Directors<br>of Holy Cross Alumni Association. |   |
| RICHARD C. RANTZOW<br>Age - 66<br>1625 Broadway, Suite 2200<br>Denver, Colorado 80202        | Trustee/Since<br>Inception | Mr. Rantzow was the Chief<br>Financial Officer and a Director<br>of Ron Miller Associates, Inc.<br>(manufacturer). Prior to that, Mr.<br>Rantzow was Managing<br>Partner (until 1990) of the<br>Memphis office of Ernst &<br>Young. Mr. Rantzow is also<br>Chairman of First Funds<br>Trust.                                  | 1 |
| JERRY G. RUTLEDGE<br>Age - 60<br>1 South Tejon Street<br>Colorado Springs,<br>Colorado 80903 | Trustee/Since<br>Inception | Mr. Rutledge is the President and<br>owner of Rutledge's Inc., a retail<br>clothing business. Mr. Rutledge is<br>currently Director of the<br>American National Bank and a<br>Regent of the University of<br>Colorado.                                                                                                        | 1 |

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[CLOUGH GLOBAL ALLOCATION FUND LOGO]  
 1625 Broadway, Suite 2200  
 Denver, CO 80202  
 1-877-256-8445

[GRAPHIC]

[ALPS MUTUAL FUNDS SERVICES, INC. LOGO]

This Fund is neither insured nor guaranteed by the U.S. Government, the FDIC,  
 the Federal Reserve Board or any other governmental agency or insurer.

For more information about the Fund, including a prospectus, please visit  
[www.cloughglobal.com](http://www.cloughglobal.com) or call 1-877-256-8445.

Item 2. CODE OF ETHICS.

Not applicable to semi-annual report.

Item 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to semi-annual report.

Item 4. PRINCIPAL ACCOUNTING FEES AND SERVICES.

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Not applicable to semi-annual report.

Item 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

Item 6. SCHEDULE OF INVESTMENTS.

Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this form.

Item 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable.

Item 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable.

Item 9. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.

The Board of Trustees has not yet adopted procedures by which shareholders may recommend nominees to the Board of Trustees.

Item 10. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There was no change in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940, as amended) during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 11. EXHIBITS.

(a)(1) Not applicable to semi-annual report.

(a)(2) The certifications required by Rule 30a-2(a) of the Investment Company Act of 1940, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto as Ex99.Cert.

(a)(3) Not applicable.

(b) A certification for the Registrant's Principal Executive Officer and Principal Financial Officer, as required by Rule 30a-2(b) of the Investment Company Act of 1940, as amended, and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto as Ex99.906Cert.

SIGNATURES

## Edgar Filing: Clough Global Allocation Fund - Form N-CSR

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLOUGH GLOBAL ALLOCATION FUND

By:           /s/ Edmund J. Burke  
                  -----  
                  Edmund J. Burke  
                  President

Date:         February 4, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLOUGH GLOBAL ALLOCATION FUND

By:           /s/ Jeremy O. May  
                  -----  
                  Jeremy O. May  
                  Treasurer

Date:         February 4, 2005