Clough Global Long/Short Fund – First Quarter 2018 Portfolio Commentary

For the first quarter of 2018, the Clough Global Long/Short Fund (the "Fund") had a total return of 1.77% for Class I compared to -0.76% for the S&P 500 and 0.71% for the HFRI Equity Hedge Index. See total returns chart for performance for all other share classes.

The Fund outperformed its long/short benchmark, the HFRI Equity Hedge Index, for the quarter by 110 basis points, and outperformed its long-only benchmark, the S&P 500 Index, by 253 basis points. The Fund carried an average long exposure of 87%, and an average short exposure of 21% for the quarter, which resulted in an average investment level for the Fund of approximately 66% on a net basis for the quarter. The Fund finished in the 11th percentile of its Morningstar Long/Short Equity category for 1Q 2018, outperforming the peer group average by 267 basis points.

With equity markets increasingly volatile during the quarter, the long book contributed 207 basis points to returns while the short book contributed an additional 16 basis points. The short book also played a role in reducing Fund volatility, as the S&P 500 experienced its first "correction" (defined as a drop of 10% or more from a peak) since October 2016. This had been the longest streak without a correction in the history of the S&P 500. Within the quarter, the S&P 500 had a maximum drawdown of 10.1%, while the Fund experienced a maximum drawdown of 6.3%.

By region, the portfolio had meaningful gains from Europe, the United States, and Japan. The countries which negatively impacted performance in the quarter were India, Korea and Taiwan. By sector, the greatest contributions to returns were from Health Care, Information Technology and Industrials. Energy, Telecom Services and Utilities were the sectors that most negatively impacted performance in the quarter.

The following is a summary of the key themes currently expressed in the Fund:

Consumer Dynamism in Asia

The Fund's average exposure to China and India combined was approximately 24% for the quarter.

India's restructuring

The best signal for investing in emerging markets is when a dysfunctional financial sector is being restructured. In India, that began in late 2016 when Prime Minister Modi's demonetization policy drained the economy of most of its currency, effectively driving people to open bank accounts. This was transformational as it forced people into an electronic payment system, and put them in a position to more readily access credit. It should be no surprise in this capitalist economy that digital payment posts are emerging to ease the adjustment process, and citizens increased their usage of debit cards, credit cards, and e-wallets.

The stock of gold in India has historically been roughly equivalent to the stock of deposits, demonstrating its usefulness as both a means of tax avoidance and as a store of value. The migration of those gold holdings to bank deposits is likely to lead to a sharp rise in the volume of financial assets, since deposits can be mobilized to grow the economy, while gold cannot. Private institutions are at the heart of this revolution. Private banks and mortgage lenders have avoided most of the lending pitfalls in India, holding higher quality assets and enjoying lower funding costs. We think some of these private financial companies in India can sell at much higher price-to-book ratios than they do today.

Shifting attention to bankruptcy-reform in India, the first quarter marked the rapid escalation of a fraud case involving Punjab National Bank, a state-owned bank which lent to the promoter of Gitanjali Gems. Indian bank stocks suffered when details were first reported, but we think the incident provides evidence that the country's new bankruptcy law, which establishes time limits for insolvencies to be resolved, is actually working. India's public banks had been notorious for allowing defaulted loans to persist, which enabled asset-stripping and dragged down bank solvency in the process. Structural reforms like those being undertaken in India can create near-term volatility, but we think they are quite bullish in the long-term.

As we've noted previously, implementation of a national Goods and Services Tax (GST) removed a major productivity barrier for businesses looking to operate across state borders, and economies of scale are being realized for the first time. Before its implementation, trucks had to line up at each state's border to calculate and pay taxes on cargo, forcing companies to focus on low-volume manufacturing and logistics facilities in each of India's 29 states. Now, these businesses can deliver goods across state borders without stopping to pay hefty taxes. As a result, a larger and far more efficient capital stock is being built. These efficiency gains are beginning from a very low base, and the upside is meaningful.

China's emergence

China will remain in the news as various nations navigate their relationship with this emerging giant and its dissimilar political system. Amidst the noise over tariffs, debt, and corporate governance, the more positive long-term trends should be recalled.

For one, financial regulations are moving in a market-friendly direction. The merger of separate banking and insurance regulatory bodies represents one step towards better governance, and helps clarify financial responsibilities. The crackdown on shadow-banking in China is deflationary, but we think it is ultimately bullish as asset quality improves. Bank asset growth is slowing and lending to financial institutions has virtually come to a halt. Many loans which were disguised as wealth management products are now transparent on bank balance sheets. This appears bullish to us, particularly as it relates to the outlook for bank profits. Consumer lending, which is far more profitable than lending to other financial institutions, rose from 24% of total commitments in 2014 to 45% of commitments in early 2018.

Chinese households are moving up the income scale and reaching income levels where demand for financial services begins to emerge. One estimate, by the Financial Times, is that China's mutual fund industry could grow five-fold by 2025. Today, a mere 5% of China's household assets are held in mutual funds.

Secondly, we believe China will ultimately compromise on trade issues for two simple reasons. First, it is in their best interest to do so, and second, because the U.S. has most of the leverage in these negotiations. China is already opening its economy in areas such as education, healthcare and financial services to non-Chinese investors. Beijing is also likely to agree to American demands on issues like market accessibility and the transfer of technology so that it can continue down its path of economic relevance on a global stage.

The Chinese economy is becoming more balanced. The campaign to replace excessive investment with consumption is gaining steam and this should improve China's profit profile. China's gross domestic product ("GDP") is up eightfold since 2001, when it was admitted into the World Trade Organization ("WTO"). Much of that growth was capital investment driven, but today, China's growth engines are more broad-based. Consumption represents 38% of China's GDP, and provided 59% of annual growth largely due to a boom in services. Private savings rates remain high and increasingly private investment (which rose 9% in the first quarter) is picking up the slack from reduced government investment. The value of China's modernized capital stock, particularly in technology, is unquestionably rising. The Chinese equity indices are ratifying this evolution by breaking out of ten-year trading ranges.

China still must restructure a good portion of its capital stock and that will be costly, though they are not building this capacity in the haphazard manner which they once did. By some estimates, China may have to write-down amounts equal to as much of 20% of GDP. We think China's economy has the flexibility to do so, boasting of a large current account surplus, high domestic savings, and a closed capital account and financial system. The U.S. made a similar adjustment from a manufacturing to a services economy in the 1980s with none of those advantages.

Biotechnology and Pharmaceuticals

The Fund's exposure to the health care sector was the leading contributor to first quarter performance on a sector basis, on an average net exposure of 13% for the period.

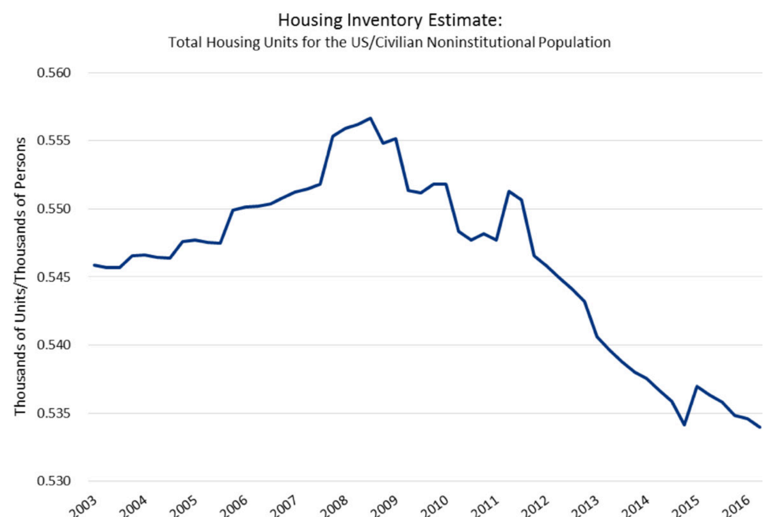
We previously discussed our views on tax reform, and specifically how the repatriation of hundreds of billions of dollars in offshore cash back to U.S. based companies could form the foundation for a prolonged acquisition cycle. We surmised that smaller companies could be snapped up for their late stage pipelines. In general, the markets agreed, lifting the shares of the mid-cap ($1 billion - $10 billion) drug and biotechnology sectors. Actual mergers and acquisitions ("M&A") announcements in the quarter totaled over $50 billion in deal value.

We continue to position a meaningful portion of the Fund's capital in companies which we believe fit our criteria, potentially making them attractive targets for strategic buyers.

U.S. Household Formation

Our views regarding household formation trends in the U.S. have directed our research capabilities toward U.S. homebuilder stocks, as well as companies that we believe are likely to benefit from an increase in spending on home renovations, home improvement, household services, and even home furnishings & décor. During the first quarter, exposure to this theme was over 11% on a net basis.

Millennials are entering the household formation stage of their lives at an older age than previous generations, but this largest cohort of the U.S. population (those born between 1982 and 2004) is finally on the move. Despite home prices climbing at a faster rate than wages, the rate of homeownership is picking up. The U.S. Census Bureau recently estimated that the homeownership rate increased to 64.2% in 2017, showing six consecutive quarters of gains in the count of homeowners, with notable growth among those under the age of 35.



Source: Bloomberg as of 12/31/2017

Amidst this demographic tailwind for housing starts, the country's inventory of housing units is as low as it has been since before the financial crisis. Meanwhile, rental vacancy rates are back to multi-decade lows. Despite these supply/demand imbalances, overall affordability levels look like they can remain palatable for many actively evaluating their "rent vs. own" decision. In conjunction, these dynamics create a healthy fundamental backdrop for homebuilder profitability.

The home-buying tailwind and the commensurate lift in home equity values, should carry over to home renovation, home improvement, and home furnishing companies as consumers increase their share of wallet towards all things home-related.

Information Technology

Technology is expected to continue to absorb the bulk of global capital spending and the engines of growth are artificial intelligence, social media and mobile technologies. We are using the current weakness in technology equities to build exposure to companies which provide information technology ("IT") and business processing outsourcing services.

The demand curve for many technology providers is being shaped by the proliferation of mobile devices, cloud services, artificial intelligence, the "Internet of Things", electric vehicles, and improving graphic processor capabilities.

Financials with Scale

In an area of increasing exposure for the Fund, we believe the potential investment upside in the U.S. money center banks goes beyond an analysis of yield curve dynamics and loan growth. We believe a major upgrade of franchise values for the larger U.S. Financials may be underway, which could translate into meaningfully higher price-to-book ratios. It had been the case that smaller banks would tend to sell at higher multiples because they grew faster, were more profitable and were subject to less regulation than their larger brethren. This dynamic may be reversing as the benefits of incumbency and scale increasingly outweigh the benefits of a small-base effect and nimbleness.

As banking goes digital, the largest money centers may outgrow their smaller competitors. They have spent billions on digital infrastructure and payment ecosystems. The largest banks each have the scale and diversification to afford mobile banking and are expanding into new areas with capabilities that appeal to millennials. Their scale also enables them to price loans aggressively, spend on cyber and IT capabilities, and grow deposits more easily than smaller institutions.

Big banks have actually outgrown small banks since 2014, reflecting a better overall customer experience and lower expenses. Further, as they work off excess capital by returning it to shareholders, a virtual cycle emerges. Lower levels of excess capital translate to higher returns on equity and higher price-to-book ratios.

The Short Book

For the quarter, short positions carried an average weighting of -21% in the Fund, which helped to lower overall volatility and contributed 16 basis points to returns.

The degree to which the current bull market has moved asset prices higher amidst ever-diminishing levels of volatility is almost unprecedented. This backdrop poses challenges for active managers broadly, and long/short strategies in particular, so we've had to depend on our long book for the bulk of our returns in recent years. Yet, if investors had been lulled into a sense of complacency on the heels of this steady move higher in asset prices during the era of quantitative easing, this quarter's volatility may have been enough to reawaken cautionary senses.

In what seems like a base-case scenario, volatility reverting back to even normal levels should help our strategy of constructing a portfolio with about 85-95% exposure on the long side, and 15-25% exposure on the short side. While that seems like a base case, some have noted that a more incendiary regime change could be under way, whereby higher levels of volatility and the commensurate drops in equity prices are no long cushioned by the relative outperformance of treasury bonds, as the Federal Reserve orchestrates its transition to less accommodative borrowing rates.

In that scenario, the relative importance of alternative strategies in the hierarchy of ways to navigate the capital markets could be in an uptrend. Financial conditions are tightening and dispersions among equities are on the rise, so carrying a short book becomes an increasingly important way for us to reach our return objectives. The Fund's short exposure has been directed towards a subset of consumer companies, financials, health care companies, miners, and technology companies that we think are structurally disadvantaged. A potential decline in their prices is intended to generate alpha for our investors, while lowering the Fund's beta.

In Conclusion

During the first quarter of 2018, the Fund meaningfully outperformed its long-only benchmark and its hedged benchmark. The long book averaged 87% exposure and the short book averaged -21% exposure. This is fairly typical of exposures the portfolio has exhibited across cycles.

The gross exposure of the Fund (longs + shorts) tends to be over 100%, which we view as our elevated opportunity to seek to generate unsystematic risk (or alpha) for investors. The long book alongside a short book also results in a lower “net” exposure for the Fund (typically around 65% of assets across cycles). This reduced net exposure can serve to lower systematic risk (or beta) and may provide investors with a degree of insulation from broad-based equity market corrections. To this point, the Fund experienced a max drawdown of 6.3% in the quarter, compared with the max drawdown of 10.1% for the S&P 500 in this period.

We believe the portfolio construction approach of our liquid alternative fund can serve investors well across market cycles, but we also think the current backdrop for active strategies, a global perspective, and long/short capabilities is becoming particularly compelling. We appreciate your interest in our approach to investing as we endeavor to outperform the S&P 500 and HFRI Equity Hedge indices over full market cycles, with less volatility.

Charles I. Clough, Jr.

Vincent M. Lorusso, Jr.

Total Returns (As of 3/31/2018[1,2])

	Q1 2018	YTD	1 YEAR	SINCE INCEPTION
Clough Global Long/Short Fund - Investor (NAV)	1.70%	1.70%	14.95%	3.71%
Clough Global Long/Short Fund - C (NAV)	1.54%	1.54%	14.23%	3.16%
Clough Global Long/Short Fund - C (CDSC)	0.54%	0.54%	13.23%	3.16%
Clough Global Long/Short Fund - I	1.77%	1.77%	15.28%	4.04%
S&P 500 Index[3]	*-0.76%*	*-0.76%*	*13.99%*	*10.24%*
HFRI Equity Hedge (Total) Index[3]	*0.71%*	*0.71%*	*9.82%*	*5.54%*

As of the latest prospectus, the gross expense ratio for the Fund's Class INV, Class C, and Class I shares is 4.00%, 4.52%, and 3.41%, net expense ratio is 2.51%, 3.16% and 2.16% and net expense ratio excluding acquired fund fees and expenses and dividend and interest expenses on short sales is 1.95%, 2.60% and 1.60%, respectively. Clough Capital Partners L.P. (the "Adviser") has agreed contractually to limit the operating expenses of each class of the Fund (excluding Rule 12b-1 Distribution and Service Fees, Shareholder Services Fees, acquired fund fees and expenses, interest, taxes, brokerage costs and commissions, dividend and interest expense on short sales, and litigation, indemnification and extraordinary expenses as determined under generally accepted accounting principles) to an annual rate of 1.60% through February 28, 2020.

1 *The performance data quoted for periods prior to September 30, 2015 is that of an unregistered investment fund (the "Predecessor Fund") that was managed by the Adviser and was reorganized into the Fund as of the date the Fund commenced investment operations. The Predecessor Fund was not a registered mutual fund and therefore was not subject to the same investment and tax restrictions as the Fund. Performance information reflects all fees and expenses incurred by the Predecessor Fund, and has not been adjusted to reflect Fund expenses. If it had been so adjusted, the Predecessor Fund's performance might have been higher or lower for a given period depending on the amount of such expenses incurred for any given period. Performance information for Class A and Class C have been adjusted to reflect 12b-1 fees and shareholder services fees, as applicable. The Predecessor Fund commenced operations on January 2, 2015.*

2 *Total return for periods greater than one year are annualized*

3 *Sources: Hedge Fund Research, Inc., Bloomberg. The "HFRI" returns shown herein are those of the HFRI Equity Hedge (Total) Index, which is an index designed by Hedge Fund Research, Inc. to represent the performance of investment managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed by such managers to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. The S&P 500 tracks the performance of the equity securities of a representative sample of 500 U.S. based large-cap companies. The S&P 500 is an unmanaged, market-value weighted index with each stock's weight in the index proportionate to its market value. S&P 500 reflects the reinvestment of dividends. Both indices referenced herein reflect the reinvestment of dividends. It is not possible to invest directly in an index.*

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. Performance reflects the deduction of management fees and other applicable expenses. For the most current month-end performance data please call 1-855-425-6844.

Maximum Offering Price (MOP) for Class A shares includes the Fund's maximum sales charge of 5.50%. On December 1, 2017 Class A shares were renamed Investor Class shares and such shares are offered without an initial sales charge or a contingent deferred sales charge. Contingent Deferred Sales Charge (CDSC) performance for Class C shares includes a 1% CDSC on C shares redeemed within 12 months of purchase. Performance shown at Net Asset Value (NAV) does not include these sales charges and would have been lower had it been taken into account.

Investment returns and value of the Fund shares will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost.

An investor cannot invest in an index.

Past performance is not a guarantee of future returns.

This letter has been prepared by Clough Capital Partners L.P. ("Clough Capital"). This letter is not an offer to sell, nor a solicitation of an offer to buy any security in the Funds, or any other investment product. Offers to sell or solicitations to invest in either of the Funds are made only by means of a prospectus and in accordance with applicable securities laws. Prospective investors should review the prospectus for a Fund before any investment is made (including, without limitation, the information therein with respect to investment strategy, conflicts of interest and risk factors). If there is any inconsistency between any information in this letter and in a Fund's prospectus, the latter will govern.

The information in this letter represents the opinions of the Portfolio Managers and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. This letter has been prepared from original sources and data believed to be reliable. However no representations are made as to the accuracy or completeness thereof. The information set forth in this letter, including, without limitation, information relating to the investment themes and portfolio allocations of the Fund, is subject to change at any time without notice to the recipients of this letter. An investment in the Fund involves a high degree of risk and is suitable only for sophisticated investors. No guarantee or representation is made that the Funds' investment program, including, without limitation, their investment objectives, will be successful.

Risks

An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, annual report or semi-annual report which contains this and other information visit www.cloughglobal.com or call 1-855-425-6844. Read them carefully before investing.

Investing involves risks, including loss of principal. The Fund's use of derivatives (which may include forward foreign currency contracts, futures, participation notes, and swaps) may reduce the Fund's returns and/or increase the volatility of the Fund's net asset value. Foreign investing involves special risks such as currency fluctuations and political uncertainty.

S&P 500: The Standard & Poor's composite index of 500 stocks, a widely recognized, unmanaged index of common stock prices. Index performance does not reflect fund performance. An investor cannot invest directly in an index.

HFRI Equity Hedge (Total) Index (HFRI): An index designed by Hedge Fund Research, Inc. to represent the performance of investment managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed by such managers to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. The HFRI family of indices reserves the right to revise historical performance data for a period of up to four months following the as of date. The performance shown was calculated using current, available data at the time of publication, but is subject to change outside of the control of the Fund and its affiliates. An investor cannot invest directly in an index.

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the Clough Global Long/Short Fund.

Clough Capital Partners L.P. is the Investment Adviser.