SOCKET COMMUNICATIONS INC
Form 10-Q
August 13, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] (X) QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2007

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period ____________ to ____________

Commission file number 1-13810

SOCKET COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**94-3155066**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

39700 Eureka Drive, Newark, CA 94560
(Address of principal executive offices including zip code)

(510) 933-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

Number of shares of Common Stock ($0.001 par value) outstanding as of July 31, 2007 was 31,945,324 shares.

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Item 1. Financial Statements

SOCKET COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007	** **	December 31, 2006*	** **

		(Unaudited)		
ASSETS				
Current assets:				
Cash and cash equivalents	$	5,898,698	$	6,104,277
Accounts receivable, net		3,115,134		2,699,218
Inventories		2,070,651		2,350,284
Prepaid expenses and other current assets	** **	271,541** **	** **	193,196** **
Total current assets	** **	11,356,024** **	** **	11,346,975** **
Property and equipment:				
Machinery and office equipment		2,212,516		1,790,053
Computer equipment	** **	1,112,774** **	** **	1,021,720** **
		3,325,290		2,811,773
Accumulated depreciation	** **	(2,155,166)	** **	(2,069,596)
Property and equipment, net	** **	1,170,124** **	** **	742,177** **
Intangible assets, net		540,876		608,491
Goodwill		9,797,946		9,797,946
Other assets	** **	275,711** **	** **	291,778** **
Total assets	$	23,140,681	$	22,787,367
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	$	2,948,312	$	2,440,404
Accrued payroll and related expenses		1,200,405		751,007
Bank line of credit		2,277,929		2,213,261
Deferred income on shipments to distributors		1,549,640		1,472,781
Current portion of capital leases and deferred rent		11,067		8,372
Term loan - short term portion	** **	153,112** **	** **	---** **
Total current liabilities	** **	8,140,465** **	** **	6,885,825** **
Term loan - long term portion		346,888		---
Long term portion of capital leases and deferred rent		149,350		---
Deferred income taxes	** **	166,352** **	** **	150,379** **
Total liabilities	** **	8,803,055** **	** **	7,036,204** **
Commitments and contingencies				
Stockholders' equity:				
Common stock, $0.001 par value: Authorized shares 100,000,000,				
Issued and outstanding shares 31,935,177 at June 30, 2007 and 31,851,285 at December 31, 2006		31,935		31,851
Additional paid-in capital		53,128,466		52,531,493
Accumulated deficit	** **	(38,822,775)	** **	(36,812,181)
Total stockholders equity	** **	14,337,626** **	** **	15,751,163** **
Total liabilities and stockholders equity	$	23,140,681	$	22,787,367

* Derived from audited consolidated financial statements.

See accompanying notes.

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SOCKET COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

		Three Months Ended June 30,				Six Months Ended June 30,		
		2007** **		2006** **		2007** **		2006** **
Revenues	$	6,299,817	$	6,855,028	$	11,848,157	$	13,613,719
Cost of revenues	** **	3,215,959** **	** **	3,453,923** **	** **	5,979,732** **	** **	6,839,067** **
Gross profit	** **	3,083,858	** **	3,401,105	** **	5,868,425	** **	6,774,652
Operating expenses:								
Research and development		1,162,188		1,378,791		2,589,234		2,515,348
Sales and marketing		1,970,297		1,840,713		3,729,317		3,603,137
General and administrative		681,368		641,633		1,538,341		1,483,743
Amortization of intangible assets	** **	33,807	** **	36,043	** **	67,615	** **	72,086
Total operating expenses		3,847,660		3,897,180		7,924,507		7,674,314
Operating loss		(763,802)		(496,075)		(2,056,082)		(899,662)
Interest income and other		29,642		49,915		67,523		86,593
Interest expense	** **	(2,648)	** **	(2,077)	** **	(6,062)	** **	(4,281)

Net loss before deferred taxes	(736,808)	(448,237)	(1,994,621)	(817,350)
Deferred tax expense	(7,985)	---	(15,973)	---
Net loss	(744,793)	(448,237)	(2,010,594)	(817,350)
Preferred stock dividends	---	---	---	(10,653)
Net loss applicable to common stockholders	$ (744,793)	$ (448,237)	$ (2,010,594)	$ (828,003)
Net loss per share applicable to common stockholders:				
Basic	$ (0.02)	$ (0.01)	$ (0.06)	$ (0.03)
Diluted	$ (0.02)	$ (0.01)	$ (0.06)	$ (0.03)
Weighted average shares outstanding:				
Basic	31,914,997	31,695,832	31,893,610	31,045,664
Diluted	31,914,997	31,695,832	31,893,610	31,045,664

See accompanying notes.

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SOCKET COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

		Six Months Ended June 30, 2007		2006	
Operating activities					
Net loss	$	(2,010,594)	$	(817,350)	
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:					
Stock-based compensation		534,728		636,444	
Depreciation and amortization		277,053		317,922	
Amortization of intangible assets		67,615		72,085	
Net foreign currency transaction gains		(20,737)		(36,325)	
Change in deferred rent		117,176		(16,512)	
Deferred tax expense		15,973		---	
** **					
Changes in operating assets and liabilities:					
Accounts receivable		(394,115)		(73,695)	
Inventories		279,633		(291,226)	
Prepaid expenses and other current assets		(78,345)		46,441	
Other assets		16,067		(6,942)	
Accounts payable and accrued expenses		499,645		567,366	
Accrued payroll and related expenses		449,398		87,623	
Deferred income on shipments to distributors	** **	76,859** **		12,665	** **
Net cash provided by (used in) operating activities	** **	(169,644)** **	** **	498,496	
Investing activities					
Purchases of equipment and tooling	** **	(665,925)		(600,232)	
Net cash used in investing activities	** **	(665,925)** **	** **	(600,232)	
** **					
Financing activities					
Payments on capital leases and equipment financing notes		(4,206)		(4,750)	
Gross proceeds from borrowings under bank line of credit agreement		4,563,159		4,973,534	
Gross repayments of borrowings under bank line of credit agreement		(4,498,491)		(5,056,097)	
Proceeds from bank loan		500,000		---	
Proceeds from stock options exercised		62,329		48,076	

Proceeds from warrants exercised		---		584,102
Dividends paid on Series F convertible preferred stock		---		(22,682)
Net cash provided by financing activities		622,791		522,183
Effect of exchange rate changes on cash and cash equivalents		7,199		400
Net increase (decrease) in cash and cash equivalents		(205,579)		420,847
Cash and cash equivalents at beginning of period		6,104,277		6,833,193
Cash and cash equivalents at end of period	$	5,898,698	$	7,254,040
Supplemental cash flow information				
Cash paid for interest	$	2,648	$	4,281

See accompanying notes.

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SOCKET COMMUNICATIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements of Socket Communications, Inc. (dba as Socket Mobile, Inc. beginning January 2007) and its wholly owned subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for fair presentation have been included. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

NOTE 2 - Summary of Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates, and such differences may be material to the financial statements.

The Company makes adjustments to the value of inventory based on estimates of potentially excess and obsolete inventory after considering forecasted demand and forecasted average selling prices. However, forecasts are subject to revisions, cancellations, and rescheduling. Actual demand will inevitably differ from anticipated demand, and such differences may have a material effect on the financial statements.

Recent Accounting Standards

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109" ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 as of January 1, 2007, as required. There were no adjustments to the financial statements as a result of the adoption of FIN 48. See Note 9 - Taxes, for additional information.

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NOTE 3 - Inventories

Inventories consist principally of raw materials and sub-assemblies, which are stated at the lower of cost (first-in, first-out) or market.

		June 30, 2007		December 31, 2006
Raw materials and sub-assemblies	$	1,761,100	$	2,044,643
Finished goods	** **	309,551** **	** **	305,641** **
	$	2,070,651	$	2,350,284

NOTE 4 - Bank Financing Arrangements

On May 8, 2007, the Company agreed with its bank to extend the term of the existing credit facility by an additional year. The facility now expires on March 3, 2009. The credit facility under the credit agreement allows the Company to borrow up to $4,000,000 based on the level of qualified domestic and international receivables, up to a maximum of $2,500,000 and $1,500,000, respectively, at the lender's index rate based on prime plus 0.5%. The rates in effect at June 30, 2007 were 8.75% on both the domestic and international lines. At June 30, 2007, outstanding amounts borrowed under the lines were $1,380,620 and $897,309, respectively, which were the approximate amounts available on the lines. These amounts outstanding at June 30, 2007 were repaid in July 2007. At December 31, 2006, outstanding amounts borrowed under the lines were $1,100,226 and $1,113,035, respectively, which were the approximate amounts available on the lines. These amounts outstanding at December 31, 2006 were repaid in January 2007. The Company used the credit facility only at the end of the first and second quarters of 2007, and at the end of each quarter in fiscal year 2006. Under the terms of the credit agreement, the Company must maintain a minimum tangible net worth of at least $4,000,000, plus 50% of net profits on a quarterly basis and 50% of net proceeds from equity and subordinated debt financing transactions beginning with the quarter ended September 30, 2007. The Company was in compliance with the tangible net worth requirement at June 30, 2007. The minimum tangible net worth will be measured on a quarterly basis so long as advances under the credit facility are repaid within five business days from date of the advance, as the Company has done in the first and second quarters of 2007, and in each of the quarters in fiscal 2006, and will be measured on a monthly basis if advances under the facility remain outstanding for more than five business days.

Under the terms of the agreement a term loan is available to the Company in a principal amount of $500,000, the advance of which was to be completed on or before June 30, 2007. The term loan bears a fixed interest rate equal to the prime rate plus 1.5% at the time of the advance, and is to be repaid by the Company in 36 equal monthly installments. The Company completed the term loan advance and at June 30, 2007, $500,000 was outstanding, of which $153,112 and $346,888 is classified as short term and long term debt, respectively. The rate in effect at the time of the term loan advance was 9.75%.

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NOTE 5 - Intangible Assets

Intangible assets at June 30, 2007 consist of a patent purchased in 2004 for $600,000 covering the design and functioning of plug-in bar code scanners, bar code imagers and RFID products, which is being amortized on a straight line basis over its estimated life of ten years; intangible assets of $570,750 remaining from a prior acquisition in 2000 consisting of developed software and technology with estimated lives at the time of acquisition of 8.5 years; and a licensing agreement with a book value of $37,733, which was reclassified as an intangible asset at December 31, 2004 and is being amortized over its remaining life of three years.

Amortization of all intangible assets for the three and six months ended June 30, 2007 was $33,807 and $67,615, respectively, compared to $36,043 and $72,086, respectively, for the same periods in 2006. Intangible assets as of June 30, 2007 consisted of the following:

		Gross Assets		Accumulated Amortization		Net
Patent	$	600,000	$	180,000	$	420,000
Project management tools		570,750		453,242		117,508
Licensing agreement		37,733		34,365		3,368
Total intangible assets	$	1,208,483	$	667,607	$	540,876

Intangible assets as of December 31, 2006 consisted of the following:

		Gross		Accumulated

		Assets		Amortization		Net
Patent	$	600,000	$	150,000	$	450,000
Project management tools		570,750		419,669		151,081
Licensing agreement		37,733		30,323		7,410
Total intangible assets	$	1,208,483	$	599,992	$	608,491

Based on definite lived intangible assets recorded at June 30, 2007, and assuming no subsequent impairment of the underlying assets, the annual amortization expense is expected to be as follows:

Year	Amount
2007 (six months remaining)	$ 66,942
2008	127,147
2009	76,787
2010	60,000
2011	60,000
2012 and beyond	150,000
	$ 540,876

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NOTE 6 - Segment Information

The Company operates in one segment-mobile systems solutions for businesses. Mobile systems solutions typically consist of a handheld computer, data collection and connectivity peripherals, and third-party vertical applications software. The Company markets its products in the United States and foreign countries through its sales personnel and distributors. Information regarding geographic areas for the three and six months ended June 30, 2007 and 2006 are as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
Revenues:		2007		2006		2007		2006
United States	$	4,134,620	$	4,973,927	$	7,398,880	$	9,714,050
Europe		1,708,146		1,460,363		3,471,891		2,844,686
Asia and rest of world		457,051		420,738		977,386		1,054,983
Total revenues	$	6,299,817	$	6,855,028	$	11,848,157	$	13,613,719

Export revenues are attributable to countries based on the location of the Company's customers. The Company does not hold long-lived assets in foreign locations.

Major customers who accounted for at least 10% of the Company's total revenues were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Tech Data Corp.	25%	32%	24%	29%
Ingram Micro, Inc.	13%	13%	13%	14%

Intermec, Inc.	*	11%	*	*

NOTE 7 - Stock-Based Compensation

On January 1, 2006, the Company adopted SFAS 123R for fiscal years ended December 31, 2006 and onward. SFAS 123R requires all share-based awards to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The valuation provisions of SFAS 123R apply to new grants and to grants that were outstanding as of the effective date. Under SFAS 123R, the Company uses a binomial lattice valuation model to estimate fair value of stock option grants made on or after January 1, 2006. The binomial lattice model incorporates estimates for expected volatility, risk-free interest rates, employee exercise patterns and post-vesting employment termination behavior, and these estimates per share affect the calculation of the fair value of the Company's stock option grants. The fair value of stock option grants outstanding as of the effective date is estimated using the Black-Scholes option pricing model used under SFAS 123. The Company adopted the modified prospective recognition method and implemented the provisions of SFAS 123R beginning with the first quarter of 2006.

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The weighted average per share fair value of the individual options issued and outstanding during the three and six months ended June 30, 2007 was estimated at $1.60 and $1.56, respectively, compared to $1.69 and $1.72, respectively, for the three and six months ended June 30, 2006. The fair values were determined using a binomial lattice valuation model for options granted on or after January 1, 2006, and a Black-Scholes valuation model for options granted prior to January 1, 2006. Weighted average assumptions for options issued and outstanding during the three and six months ended June 30, 2007 and 2006 are shown below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Risk-free interest rate (%)	3.85%	3.51%	3.75%	3.49%
Dividend yield	---	---	---	---
Volatility factor	1.0	1.2	1.0	1.2
Expected option life (years)	4.7	4.8	4.7	4.9

At June 30, 2007, options issued to employees for 9,941,887 shares were outstanding, of which 7,108,923 were exercisable. At June 30, 2006, options issued to employees for 9,020,755 shares were outstanding, of which 6,431,681 were exercisable.

Total stock-based compensation expense recognized in our consolidated statements of operations for the three and six months ended June 30, 2007 and 2006 is shown below:

	Three Months Ended June 30,				Six Months Ended June 30,			
Income Statement Classification		2007		2006		2007		2006
 Cost of revenues	$	20,427	$	23,295	$	43,107	$	47,691
 Research and development		65,512		87,729		128,478		182,696

 Sales and marketing	92,541	107,311	172,185	240,567
 General and administrative	74,580	92,296	190,958	165,490
 Total	$ 253,060	$ 310,631	$ 534,728	$ 636,444

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NOTE 8 - Net Loss Per Share Applicable to Common Stockholders

The Company calculates earnings per share in accordance with Financial Accounting Standards Board Statement No. 128, *Earnings per Share*.

The following table sets forth the computation of basic and diluted net loss per share:

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Mo[nths Ended] Ju[ne 30,] 2007
	$ (744,793)	$ (448,237)	$ (2,010,594)
	---	---	---&nbs
mon stockholders	$ (744,793)	$ (448,237)	$ (2,010,594)
non shares outstanding used in computing net loss per share:			
	31,914,997	31,695,832	31,893,610
	31,914,997	31,695,832	31,893,610
able to common stockholders:			
	$ (0.02)	$ (0.01)	$ (0.06)
	$ (0.02)	$ (0.01)	$ (0.06)

For the three and six months ended June 30, 2007 and 2006, the diluted net loss per share is equal to the basic net loss per share, because the Company experienced losses in these periods and thus no potential common shares underlying stock options or warrants have been included in the net loss per share calculation, as their effect is anti-dilutive. Therefore, options and warrants to purchase 10,875,255 and 10,137,677 shares of common stock at June 30, 2007 and 2006, respectively, have been omitted from the diluted net loss per share calculation.

NOTE 9 - Taxes

Deferred income tax reflects the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. Deferred tax expense of $7,985 and $15,973 for the three and six months ended June 30, 2007, and the corresponding deferred tax liability shown on the Company's balance sheet, is related to the deferred tax liability on the portion of the Company's goodwill amortized for tax purposes. Due to the indefinite characteristic of this deferred tax liability, it cannot be offset against deferred tax assets, and furthermore, this deferred tax liability may never reverse. The Company maintains a full valuation allowance for all other components of deferred tax assets. The Company has not generated taxable income in any periods in any jurisdiction, foreign or domestic.

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On January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements, and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. There were no adjustments to the financial statements as a result of the adoption of FIN 48. The Company has an unrecognized tax benefit of approximately $760,000 which did not change significantly during the three and six months ended June 30, 2007. The application of FIN 48 does not result in a change to retained earnings, as the unrecognized tax benefit would be fully offset by the application of a valuation allowance. In addition, future changes in the unrecognized tax benefit will have no impact on the effective tax rate due to the existence of the valuation allowance. The Company estimates that the unrecognized tax benefit will not change significantly within the next twelve months. It is the Company's policy to include interest and penalties related to tax positions as a component of income tax expense. Accrued interest on tax positions was not significant at June 30, 2007.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. The Company is not currently under audit in any of its jurisdictions where income tax returns are filed. The tax years 1992 to 2006 remain open to examination by the major domestic taxing jurisdictions to which the Company is subject, and for the years 2001 to 2006 for the international taxing jurisdictions to which the Company is subject.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include statements forecasting future financial results and operating activities, market acceptance of our products, expectations for general market growth of handheld computers and other mobile computing devices, growth in demand for our products, expansion of the markets that we serve, expansion of the distribution channels for our products, adoption of our embedded products by third-party manufacturers of electronic devices, and the timing of the introduction and availability of new products, as well as other forecasts discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Words such as "may," "will," "predicts," "anticipates," "expects," "intends," "plans," believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements are based on *current expectations, estimates, and projections about our industry, management's beliefs, and assumptions made by management. These forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict; therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Factors that could cause actual results and outcomes to differ materially include, but are not limited to: the risk of delays in the availability of our products due to technological, market or financial factors including the availability of necessary working capital; our ability to successfully introduce and market future products; our ability to effectively manage and contain our operating costs; the availability of third-party handheld computer hardware and software that our products are intended to work with; product delays associated with new model introductions and product changeovers by the makers of products that our products are intended to work with; continued growth in demand for handheld computers; market acceptance of emerging standards such as Bluetooth and Wireless LAN and of our related connection, data collection, and mobile handheld computer products; the ability of our strategic relationships to benefit our business as expected; our ability to enter into additional distribution relationships; or other factors described in this Form 10-Q including "Part II, Item 1A. Risk Factors" and recent Form 8-K and Form 10-K reports filed with the Securities and Exchange Commission. We assume no obligation to update such forward-looking statements or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.*

You should read the following discussion in conjunction with the interim condensed consolidated financial statements and notes included elsewhere in this report, the Company's annual financial statements in the Form 10-K, and other information contained in other reports and documents filed from time to time with the Securities and Exchange Commission.

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Revenues

Socket and our partners make business mobility solutions for small-to-mid sized deployments. We are a producer of mobile systems and peripherals serving the business mobility market. Mobile systems solutions typically consist of a handheld computer, data collection and connectivity peripherals, and third-party vertical applications software. We have historically offered a wide range of data collection and connectivity peripheral products and embedded products for use with mobile computing devices offered by third-parties. In January 2007, we began doing business as Socket Mobile, Inc. to emphasize our commitment to mobile computing. We began shipping our first mobile handheld computer in the second quarter of 2007, and have announced plans to offer a family of mobile handheld devices. Our initial mobile handheld computing product is called the SoMo 650. Our data collection and connectivity peripheral products are used with a variety of handheld computers, including our SoMo 650 mobile handheld computer, and with tablet computers, notebook computers and smartphones that use Windows Mobile, Windows XP, Windows Tablet, Palm, Symbian 60 and Symbian 80 operating systems. The guiding principles that we follow in developing products for the business mobility computing market are stable and expandable computing devices with industry standard expansion form factors, low battery power consumption, ease of use, interoperability and quality. Our focus is business customers in the mobile marketplace. Most of our products, except our embedded products, are sold through distributors and resellers that service corporate and enterprise customers. Our embedded products are sold directly to the manufacturers of devices in which our products are embedded. The geographic regions we serve include the Americas, Europe, the Middle East, Africa and Asia Pacific. Total revenues for the three and six months ended June 30, 2007 were $6.3 million and $11.8 million, respectively, and represented decreases of 8% and 13% from revenues of $6.9 million and $13.6 million for the corresponding periods one year ago.

Revenues in the comparable three and six month periods may be classified into the following broad product families:

- Mobile peripheral products;
- Mobile handheld computer products;
- OEM embedded products; and
- Serial card products

Our mobile peripheral products consist of *data collection products and connectivity products*, which together represented approximately 64% and 67% of our revenues for the three and six month periods ended June 30, 2007, respectively, compared to 68% and 67% of our revenues in the comparable periods one year ago.

Our *data collection products* enable the electronic collection of data from bar codes, RFID tags, or magnetic stripes and consist of:

- bar code scanning products that plug into or connect wirelessly to handheld computers, tablet computers, notebook computers and smartphones that use Windows Mobile, Windows XP, Windows Tablet, Palm, Symbian 60 or Symbian 80 operating systems, and turn these devices into portable bar code scanners that can be used in various retail and industrial workplaces;
- Radio Frequency Identification (RFID) plug-in products that read RFID tags;
- a combination plug-in bar code scanner and RFID reader; and
- a plug-in magnetic stripe reader.

We have developed extensive bar code scanning software called SocketScan that supports all of our data collection products, and have software developer kits that assist third-party developers in integrating our SocketScan software and our hardware products into their applications and solutions. Our bar code scanning products include CompactFlash and SDIO plug-in bar code scanners for linear and two-dimensional bar code scanning, along with a cordless handheld bar code scanner and a ring scanner worn on the index finger, both of which connect to computing systems using the Bluetooth standard for short-range wireless connectivity. Data collection products represented approximately 52% and 55% of our total revenues for the three and six month periods ended June 30, 2007 compared to 37% of our total revenues in each of the comparable periods one year ago. We are dependent upon VARS, integrators and developers of third party software applications to supply vertical application software that uses the mobile computers and peripheral products that we manufacture or support, and we have developed programs such as our recently announced Vertical Industry Partner program to encourage VARS, integrators and developers of such applications to do so. The growth in data collection revenues for the three and six months ended June 30, 2007 compared to the same periods a year ago reflects the growth in availability and deployment of software applications by businesses.

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Our *connectivity products* are connection devices that can either be plugged into standard expansion slots in handheld computers, tablet computers, notebook computers and smartphones that use Windows Mobile, Windows XP, Windows Tablet, or Palm operating systems, or connect to these devices over wireless and wired connections. These products allow users to connect their devices to the Internet via mobile or wired phone services, or to private networks, or to communicate with other electronic devices such as desktop, handheld, tablet and notebook computers, smartphones and printers. Historically our connectivity products have included:

- plug-in cards using the Bluetooth standard for short-range wireless connectivity, along with extensive communications software enabling the use of these products;

- plug-in cards for connecting to local wireless networks using wireless LAN 802.11b/g (or Wi-Fi) standards along with extensive communications software enabling the use of these products;
- modems for telephone connections that connect over a cable, and cordless modems that utilize Bluetooth wireless technology to connect a telephone to a Bluetooth-enabled computer or other device; and
- ethernet cards for local area network connections that connect over a cable.

Bluetooth and wireless LAN connection functions are increasingly being built into many third-party mobile devices. As a result, demand for these wireless plug-in products from customers using consumer grade handhelds has declined. However, demand is increasing from our OEM customers with industrial grade handhelds and products that have not been upgraded to include wireless functionality. In response to this change we have begun categorizing all revenues in 2007 related to our Bluetooth plug-in and Wireless LAN plug-in products within our OEM embedded products family. Revenues related to these wireless plug-in products now categorized within our OEM embedded products family were 9% of total revenues for both the three and six month periods ending June 30, 2007. Remaining connectivity products represented approximately 12% of total revenues for both the three and six month periods ended June 30, 2007, for a total of 21% in both periods compared to 31% and 30% of our total revenues for the comparable periods one year ago.

Beginning in 2007 we added the *mobile handheld computer products* category. Shipments of our first mobile handheld computer, the SoMo 650, to customers in our distribution channel began as planned in the second quarter of 2007. Revenues related to our mobile handheld computer were approximately 1% of our revenues in the second quarter of 2007.

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Our *OEM embedded products* consist of Bluetooth and Wireless LAN modules and plug-in cards used primarily by Original Equipment Manufacturers (OEMs) of handheld computers and other devices to build wireless connection functions into their products using the Bluetooth and wireless LAN standards for wireless connectivity. Beginning in 2007 all sales related to our Bluetooth plug-in and Wireless LAN plug-in products, the majority of which have historically been included in our connectivity products family, are now included in the revenues of the OEM embedded products family. This reflects that the majority of our Wireless LAN plug-in card and Bluetooth plug-in card revenues in 2007 are being driven by customers within our OEM embedded products segment. Revenues related to these wireless plug-in products were 9% of total revenues for both the three and six month periods ending June 30, 2007. Other OEM embedded products represented approximately 19% and 16% of total revenues for the three and six month periods ended June 30, 2007, for a total of 28% and 25% for the three and six month periods ended June 30, 2007, compared to 22% and 23% of total revenues in the comparable periods one year ago.

Our *serial card products* enable the connection of a mobile computer to another electronic device either as a plug-in card connecting over cables or wirelessly over a Bluetooth network. Serial card products represented approximately 7% and 8% of our revenues for the three and six month periods ended June 30, 2007 compared to 10% of our revenues in each of the comparable periods one year ago.

Our revenues by product family for the three and six months ended June 30, 2007 and 2006 and the corresponding increase or decrease in revenues for the comparable periods are shown in the following table:

(revenues in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
Product family:	2007	2006	Increase (Decrease)	2007	2006	Increase (Decrease)
Mobile peripheral products:						
Data collection	$ 3,270	$ 2,557	28%	$ 6,505	$ 5,081	28%
Connectivity	734	2,102	(65%)	1,423	4,107	(65%)
Mobile handheld computer products	67	---	n/a	67	---	n/a
OEM embedded products	1,795	1,527	18%	2,932	3,016	(3%)
Serial card products	434	669	(35%)	921	1,410	(35%)
Total	$ 6,300	$ 6,855	(8%)	$ 11,848	$ 13,614	(13%)

Data collection revenues increased in the three and six month periods ended June 30, 2007 compared to same periods a year ago due to both a recovery from adverse market conditions that existed in 2006 and from our efforts in developing programs such as our recently announced Vertical Industry Partner program. We are dependent upon VARS, integrators and developers of third party software applications to supply vertical application software that uses the computers and peripheral products that we manufacture or support, and we have developed programs such as our recently announced Vertical Industry Partner program to encourage VARS, integrators and developers of such applications to do so. Growth in data collection revenues for the three and six months ended June 30, 2007 compared to the same periods a year ago reflects in part the growth in availability and deployment of software applications by businesses. The primary contributor to growth was our Cordless Hand Scanner product which had revenue increases of $0.5 million and $1.0 million in the three and six month periods ended June 30, 2007 compared to the same periods a year ago. Data collection revenues in the first six months of 2007 also benefited from factors which adversely affected the marketplace in 2006. In the first quarter of 2006 data collection revenues were slowed by the introduction of an operating system upgrade, Windows Mobile 5.0, released in September 2005 by the major handheld computer manufacturers, which slowed customer deployments in the first quarter 2006, and throughout 2006, as third-party applications were modified and tested with the operating system. During the first half of 2006 the availability of units by the major handheld computer manufacturers was limited until late in the second quarter as these manufacturers concluded transitioning their products to lead-free equivalents to comply with the Reduction of Hazardous Substances (RoHS) rules implemented in Europe and around the world which were in effect beginning with shipments made after June 30, 2006.

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Revenues classified as connectivity product revenues in the three and six month periods ended June 30, 2007 consist of Ethernet plug-in cards, modems, and accessory products including our mobile power pack. Beginning with the first quarter of 2007, sales of our Wireless LAN plug-in cards and Bluetooth plug-in cards, which have historically been included in our connectivity products category, are now included within the OEM embedded products family. This reclassification reflects that the majority of our Wireless LAN plug-in card and Bluetooth plug-in card revenues are being driven in 2007 by customers of our OEM embedded products family, whereas sales in 2006 were driven by non-OEM customers. The increased availability in 2007 of built-in wireless connectivity in handheld computers has reduced the need for non-OEM customers to add wireless connectivity through peripherals. Reclassification of revenues related to Wireless LAN plug-in cards and Bluetooth plug-in cards accounts for 35% and 37% of the overall decline in connectivity product revenues for the three and six month comparable periods. Remaining connectivity product revenues declined by 30% and 28% for a total decline in connectivity revenues in 2007 of 65% in both the three and six month comparable periods. The decline resulted from reduced sales volumes of our Modem plug-in products and Ethernet plug-in products due to reduced corporate deployment of these wired connection solutions, and declines in sales volumes of our accessory products including our Mobile Power Pack, and our Cordless GPS receiver with navigation kit which was discontinued.

OEM embedded product revenues related to our Bluetooth modules declined by $0.3 million and $1.0 million in the comparable three and six month periods. Decreases in Bluetooth module revenues were due to lower volume sales reflecting overall increased competition our module customers experienced in the industrial ruggedized market segment affecting sales in the first six months of 2007 compared to the same period a year ago. Beginning in the fourth quarter of 2006, our customers in the industrial ruggedized market segment experienced increased competition due to aggressive price discounting by a major competitor, a trend which affected the first quarter 2007, but improved in the second quarter of 2007. In the three and six months ended June 30, 2007 all sales related to our Wireless LAN plug-in cards and Bluetooth plug-in cards, the majority of which have historically been included in our connectivity products family, are now included in the revenues of the OEM embedded products family. This reflects that the majority of our Wireless LAN plug-in card and Bluetooth plug-in card revenues in 2007 are being driven by customers within our OEM embedded products segment. Revenue increases in the OEM embedded family of $0.5 million and $0.9 million in the comparable three and six month periods are due to the reclassification of Wireless LAN plug-in card and Bluetooth plug-in card revenues. Total revenues related to Wireless LAN plug-in products declined by 2% and 10% in the comparable three and six month periods, and revenues related to Bluetooth plug-in cards declined by 44% and 55% in the comparable three and six month periods, reflecting these wireless technologies being already built-in by handheld computer manufacturers.

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Our serial product revenues declined in the comparable three and six month periods due to reduced volumes of sales of our standard serial PC Card products. Our standard peripheral connection cards are primarily sold to connect peripheral devices or other electronic equipment to notebook computers. Sales of our CompactFlash Card product and cordless Bluetooth serial adapter product were flat in the comparable three and six month periods. Overall serial product revenues continue to decline, continuing a trend reflecting the gradual replacement of serial technology with USB and other newer connection technologies.

Gross Margins

Gross margins for the three and six month periods ended June 30, 2007 were 49% and 50%, compared to margins of 50% in each of the comparable periods in 2006. We generally price our products as a markup from our cost, and we offer discount pricing for higher volume purchases. Reductions in overall margins in the second quarter of 2007 are due primarily to discounts on volume purchases of our Bluetooth modules by customers in our OEM embedded business segment. In the second quarter of 2007 we began shipping our first mobile handheld product, the SoMo 650, to customers in our distribution channel. Initial margins on our mobile handheld computer product are below our average product margins. Shipments of our mobile handheld computer in the coming quarters are expected to reduce our overall gross margin percentage by up to a few percentage points depending on volumes shipped.

Research and Development Expense

Research and development expense for the three months ended June 30, 2007 was $1.2 million, a decrease of 16% compared to research and development expense of $1.4 million in the corresponding period one year ago. Research and development expense for the six months ended June 30, 2007 was $2.6 million, an increase of 3% compared to research and development expense of $2.5 million in the corresponding period one year ago. The decrease in the comparable three months is attributable to reduced consulting and professional fees related to fewer projects in the second quarter requiring the use of external technical expertise. In the comparable six month periods increases of $0.3 million is attributable to the costs incurred in the first quarter of 2007 related to the development of our initial mobile handheld computer, the development of which was begun in the fourth quarter of 2006, with the majority of the development expense concluded by the end of the first quarter of 2007. Partially offsetting these increases in the comparable six months were reduced consulting and professional fees expense. Research and development expense in the third quarter of 2007 is expected to remain at levels similar to those in the second quarter of 2007.

Sales and Marketing Expense

Sales and marketing expense for the three months ended June 30, 2007 was $2.0 million, an increase of 7% compared to sales and marketing expense of $1.8 million in the corresponding period one year ago. Sales and marketing expense for the six month period ended June 30, 2007 was $3.7 million, an increase of 3% compared to sales and marketing expense of $3.6 million in the corresponding period one year ago. Increases in personnel costs in the comparable three and six month periods were due to the additions of key personnel in the second quarter of 2007, including our Senior VP of Sales & Marketing, as we staffed the sales team to begin selling our new mobile handheld computer which began shipping late in the second quarter of 2007. Partially offsetting these increases were reductions in advertising and promotion expenses in the comparable three and six month periods. Sales and marketing expense is expected to increase in the third quarter 2007 from second quarter levels due to increased personnel and promotional activities.

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General and Administrative Expense

General and administrative expense for the three months ended June 30, 2007 was $682,000, an increase of 6% compared to general and administrative expense of $641,000 in the corresponding period one year ago. General and administrative expense for the six month period ended June 30, 2007 was $1,539,000, an increase of 4% compared to general and administrative expense of $1,483,000 in the corresponding period one year ago. Increases in occupancy costs, primarily telecommunications, utilities, and property tax, in the comparable three and six month periods, were partially offset by reduced business insurance costs and consulting and professional fees. General and administrative expense in the third quarter of 2007 is expected to remain at levels similar to those in the second quarter of 2007.

Amortization of Intangibles

In July 2004 we acquired a patent which covers the design and functioning of plug-in bar code scanners, bar code imagers and RFID products. The patent was purchased for $600,000 and has been capitalized as an intangible asset. The patent is being amortized on a straight line basis over a ten-year period. Intangible assets of $571,000 remaining from a prior acquisition in 2000 consist of developed software and technology with estimated lives at the time of acquisition of 8.5 years. At December 31, 2004, a licensing agreement with a book value of $38,000 was reclassified as an intangible asset and is being amortized over its remaining life of three years. Amortization charges for the three and six months ended June 30, 2007 for all acquired intangibles were $34,000 and $68,000, respectively, compared to $36,000 and $72,000, for the same periods one year ago. The lower amortization charges in 2007 are due to components of intangible property becoming fully amortized.

Interest Income and Expense

Interest income reflects interest earned on cash balances. Interest income of $30,000 and $68,000 for the three and six month periods ended June 30, 2007, respectively, compared to interest income of $50,000 and $87,000, respectively, for the comparable periods one year ago. Lower interest income in the comparable periods reflects lower average cash balances partially offset by higher rates of return.

Interest expense of $2,600 and $6,100 for the three and six months ended June 30, 2007 respectively, compared to interest expense of $2,100 and $4,300, respectively, for the comparable periods one year ago. Interest expense is related to interest on equipment lease financing obligations and interest on amounts drawn on our bank lines of credit and term loan. We used our bank lines of credit only at the end of the first and second quarters in 2007 and at the end of each quarter in 2006, and the term loan was advanced at the end of the second quarter of 2007 and will be repaid in 36 monthly installments beginning in July of 2007. Higher interest expense in the three and six months ended June 30, 2007 as compared to the same periods a year ago is due to higher interest rates on our lines of credit in 2007.

Preferred Stock Dividends

Preferred stock dividends in the first six months of 2006 reflect dividends of $10,700 accrued at the rate of 8% per annum on Series F Preferred Stock through the date of mandatory conversion in the first quarter 2006. Series F Preferred Stock was originally issued in March 2003. Series F dividends were payable quarterly in cash or in common stock, at the option of the Company. Dividends in the first quarter 2006 through the date of conversion were paid prior to the end of the first quarter. On March 21, 2006 the outstanding shares of Series F Preferred Stock automatically converted into common stock resulting in the issuance of 823,300 shares of common stock.

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Taxes

Deferred income tax reflects the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. Deferred tax expense of $7,985 and $15,973 for the three and six month periods ended June 30, 2007, and the corresponding deferred tax liability shown on the Company's balance sheet, is related entirely to the deferred tax liability on the portion of the Company's goodwill amortized for tax purposes. Due to the indefinite characteristic of this deferred tax liability, it cannot be offset against deferred tax assets, and furthermore, this deferred tax liability may never reverse. The Company maintains a full valuation allowance for all other components of deferred tax assets. The Company has not generated taxable income in any periods in any jurisdiction, foreign or domestic.

Liquidity and Capital Resources

We were unprofitable in each of the first two quarters of 2007. We were unprofitable in each of the quarters in fiscal 2006. We were profitable in two quarters in 2005, but unprofitable for fiscal year 2005. Fiscal year 2004 was the first profitable year in our history, but only to the extent of $288,000. Prior to 2004, we incurred significant operating losses in each financial period since our inception. Historically we have financed our operations through the sale of equity securities, equipment financing, and revolving bank lines of credit. Since our inception we have raised approximately $51 million in equity capital. Prior to the first quarter of 2004, we incurred significant quarterly and annual operating losses in every fiscal period. We may continue to be unprofitable in the future.

Cash used in operating activities was $0.2 million in the first half of 2007, compared to cash provided by operating activities of $0.5 million in the first half of 2006. Adjustments for non-cash items consisting of depreciation and amortization, amortization of intangibles, gains and losses on foreign currency transactions, changes in deferred rent, deferred tax expense, and stock-based compensation expense, totaled $1.0 million in the first half of 2007 and 2006. Changes in working capital balances in the first half of 2007 resulted in a source of cash of $0.8 million, and were primarily from increases in accounts payable and accrued expenses attributable to development costs of our mobile handheld computer and the purchase of the related initial quantities of units late in the second quarter, increased accrued payroll expenses related to additions of key sales personnel as we staffed the sales team to begin selling our new mobile handheld computer, and reductions in levels of inventories primarily due to increased shipments of our Bluetooth modules in the second quarter of 2007, partially offset by increases in accounts receivable due to higher overall shipments in the second quarter of 2007. Changes in working capital balances in the first half of 2006 resulted in a source of cash of $0.3 million, which was primarily from increases in payables and reductions in prepaid and other current assets, partially offset by increases in levels of inventories and receivables.

Cash used in investing activities was $0.7 million in the first half of 2007, compared to $0.6 million in the first half of 2006. Increased investing activities in the first half of 2007 reflects the costs of leasehold improvements related to our new corporate headquarters incurred primarily in the first quarter of 2007. Remaining investing activities in each of the periods reflects the costs of new computer hardware and software, and tooling costs.

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Cash provided from financing activities was $0.6 million in the first half of 2007, compared to $0.5 million during the first half of 2006. Financing activities in the first half of 2007 consisted of a net increase in the amounts drawn on our bank lines of credit, proceeds from a term loan advanced at the end of the second quarter 2007 which is to be repaid in equal monthly installments beginning in July 2007, proceeds from the exercise of stock options, and payments on capital leases. Financing activities in the first half of 2006 consisted of proceeds from the exercise of warrants and stock options, partially offset by a net decrease in the amounts drawn on our bank lines of credit, payments on capital leases, and final dividend payments on Series F Preferred Stock.

Our cash balances at June 30, 2007 were $5.9 million, including cash of $2.3 million drawn against our bank line of credit and a term loan advance of $0.5 million to be repaid monthly over three years. We concluded the development and related expense for our first mobile handheld computer primarily in the first quarter of 2007 and began shipping units to our customers in June 2007. In May of 2007, we extended our bank line of credit agreement which will now expire on March 3, 2009. We have warrants outstanding from our private placement financings and outstanding employee stock options that, if exercised, would further increase our cash and equity balances. We believe our existing cash, plus our ability to reduce costs, and our bank line and term loan will be sufficient to meet our funding requirements at least through June 30, 2008. If we can return to profitability and revenue growth, we anticipate requirements for cash will include funding of higher receivable and inventory balances, and increasing expenses, including more employees to support our growth and increases in salaries, benefits, and related support costs for employees. If we cannot return to profitability, we will not be able to support our operations from positive cash flows, and we would use our existing cash to support operating losses. Should the need arise, we cannot assure you that additional capital will be available on acceptable terms, if at all, and any such terms may be dilutive to existing stockholders. Although we do not anticipate the need to raise additional capital at this time to fund our operations, we may raise additional capital if market conditions are appropriate.

Our contractual cash obligations at June 30, 2007 are outlined in the table below:

		Payments Due by Period			
Contractual Obligations ** **	Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Capital leases	$ 43,240	$ 10,700	$ 24,500	$ 8,000	$ ---
Operating leases	1,874,900	351,900	738,800	784,200	---
Term loan, principle and interest	575,700	191,900	383,800	---	---
Unconditional purchase obligations with contract manufacturers	** ** 3,913,600	** ** 3,580,600	** ** 333,000	** ** ---	** ** ---
Total contractual cash obligations	$ 6,407,400	$ 4,135,100	$ 1,480,100	$ 792,200	$ ---

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Off-Balance Sheet Arrangements
We have no off-balance sheet arrangements as defined in Item 303 of Regulation S-K.

Recent Accounting Pronouncements
In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109" ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The

Company adopted FIN 48 as of January 1, 2007, as required. There were no adjustments to the financial statements as a result of the adoption of FIN 48. See Note 9 - Taxes, for additional information.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to invested cash. Our cash is invested in short-term money market investments backed by U.S. Treasury notes and other investments that mature within one year and whose principal is not subject to market rate fluctuations. Accordingly, interest rate declines would adversely affect our interest income but would not affect the carrying value of our cash investments. Based on a sensitivity analysis of our cash investments during the quarter ended June 30, 2007, a decline of 1% in interest rates would reduce our quarterly interest income by approximately $7,800.

Our bank credit line facilities of up to $4.0 million have variable interest rates based upon the lender's index rate plus 0.5% for both the domestic line (up to $2.5 million) and the international line (up to $1.5 million). Accordingly, interest rate increases would increase our interest expense on outstanding credit line balances. We utilized our credit line facility only at the end of the first and second quarters of 2007 and at the end of each quarter in fiscal 2006, and therefore did not subject ourselves to interest rate exposure. Based on a sensitivity analysis, an increase of 1% in the interest rate would increase our borrowing costs by $10,000 for each $1 million of borrowings, if outstanding for the entire year, against our bank credit facility or a maximum of $40,000 if we utilized our entire credit line.

Foreign Currency Risk

A substantial majority of our revenue, expense and purchasing activities are transacted in U.S. dollars. However, we require our European distributors to purchase our products in Euros, we pay the expenses of our European employees in Euros and British pounds, and we may enter into selected future purchase commitments with foreign suppliers that may be paid in the local currency of the supplier. We hedge a significant portion of our European receivable balances denominated in Euros to reduce the foreign currency risk associated with these assets, and we have not been subject to significant losses from material foreign currency fluctuations. Based on a sensitivity analysis of our net foreign currency denominated assets and subsidiary expenses at the beginning, during and at the end of the quarter ended June 30, 2007, an adverse change of 10% in exchange rates would result in a decrease in our net income for the second quarter of approximately $75,400, if left unprotected. For the second quarter of 2007 the total net adjustment for the effects of changes in foreign currency on cash balances, collections, payables, and derivatives was a net gain of $11,800. We will continue to monitor, assess, and mitigate through hedging activities, the risk associated with these exposures.

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Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting

There was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 4T. Controls and Procedures

(a) Management's quarterly report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further because of changes in conditions, the effectiveness of internal controls may vary over time.

We assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2007. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework.*

Based on our assessment using those criteria, we believe that, as of June 30, 2007, our internal control over financial reporting is effective.

(b) Changes in internal control over financial reporting

There was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1A. Risk Factors

There are no material changes to the risk factors described in Part I, "Item 1A. Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006. The risk factor below titled, *"Our Common Stock may become ineligible for listing on the Nasdaq Global Market or alternatively the Nasdaq Capital Market, which would materially adversely affect the liquidity and price of our Common Stock,"* was added in the first quarterly report as our Common Stock had a history of trading from time to time below the required minimum closing bid price of $1.00, and has been updated in this quarterly report to reflect that we received on May 22, 2007 from Nasdaq a staff deficiency notice for failure to maintain the minimum closing bid requirement. The risk factor below titled, *"We may become subject to claims of intellectual property rights infringement, which could result in substantial liability,"* has been updated with additional information regarding the lawsuit filed by the Washington Research Foundation against selected companies which have incorporated Bluetooth wireless technology into their products. We also incorporate the same technology into many of our products. We have not been named in the lawsuit. The presentation of numerical amounts and percentages in the following risk factors below titled: *"A significant portion of our revenue currently comes from two distributors, and any decrease in revenue from these distributors could harm our business;" "Our operating results could be harmed by economic, political, regulatory and other risks associated with export sales;" "The sale of a substantial number of shares of Common Stock could cause the market price of our Common Stock to decline;" and "Volatility in the trading price of our Common Stock could negatively impact the price of our Common Stock,"* have been updated to reflect the first half of 2007 information.

The risks described in our Annual Report on Form 10-K and updated in this Report on Form 10-Q, are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and operating results.

We have a history of operating losses and may not achieve ongoing profitability.

We were unprofitable in the first two quarters of 2007. We were unprofitable in each of the quarters in fiscal 2006. We were profitable in two quarters in 2005, but unprofitable for fiscal year 2005. Fiscal year 2004 was the first profitable year in our history, but only to the extent of $288,000. Prior to 2004, we incurred significant operating losses in each financial period since our inception. To achieve ongoing profitability, we must accomplish numerous objectives, including growth in our business and the development of successful new products. We cannot foresee with any certainty whether we will be able to achieve these objectives in the future. Accordingly, we may not generate sufficient net revenue to achieve ongoing profitability. If we cannot achieve ongoing profitability, we will not be able to support our operations from positive cash flows, and we would use our existing cash to support operating losses. If we are unable to secure the necessary capital to replace that cash, we may need to suspend some or all of our current operations.

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We may require additional capital in the future, but that capital may not be available on reasonable terms, if at all, or on terms that would not cause substantial dilution to your stock holdings.

Although we do not anticipate the need to raise additional capital during the next twelve months to fund our operations, we may incur operating losses in future quarters and may need to raise capital to fund these losses. Our forecasts are highly dependent on factors beyond our control, including market acceptance of our products and sales of handheld computers. If capital requirements vary materially from those currently planned, we may require additional capital sooner than expected. There can be no assurance that such capital will be available in sufficient amounts or on terms acceptable to us, if at all. In addition, the availability of our bank line is dependent upon our meeting certain covenants, including a tangible net worth covenant. Future operating losses could cause us to lose the availability of our bank line as a result of becoming non-compliant with these covenants.

Our Common Stock may become ineligible for listing on the Nasdaq Global Market or alternatively the Nasdaq Capital Market, which would materially adversely affect the liquidity and price of our Common Stock.

We are listed on the Nasdaq Global Market. Our continued listing is contingent on meeting specific quantitative standards, including a minimum closing bid price of $1.00. Our Common Stock has traded below $1.00 for significant periods during the last ten months. In particular, our stock failed to maintain a minimum closing bid price of at least $1.00 in the 30 consecutive business days prior to May 22, 2007. On May 22, 2007 we received a staff deficiency notice from Nasdaq, and our stock will have to achieve a minimum closing bid price of at least $1.00 for at least 10 consecutive business days within 180 calendar days, or by November 19, 2007, or else we may be delisted from the Nasdaq Global Market. As of August 13, 2007, our Common Stock has not achieved the minimum closing bid price on any single day since receipt of the deficiency notice on May 22, 2007. Should we be delisted from the Nasdaq Global Market, we may be eligible for listing on the Nasdaq Capital Market, subject to meeting specific quantitative standards, including maintaining a minimum closing bid price of $1.00, and would have to achieve that within the 180 calendar days of initial listing on the Nasdaq Capital Market.

If our Common Stock becomes ineligible for listing on either the Nasdaq Global Market or the Nasdaq Capital Market, and is thereafter traded only on the over-the-counter market, our stockholders' ability to purchase and sell our Common Stock could be less orderly and efficient and more costly. Furthermore, a delisting of our Common Stock could have a materially adverse impact on our business operations by damaging our general business reputation, impairing our ability to obtain additional capital, reducing the incentives that equity ownership is intended to provide to our employees, and causing a loss of confidence by investors, suppliers and employees. As a result of the negative impact on the liquidity of our Common Stock and on our business, a delisting would also likely decrease the market price of our Common Stock and increase the volatility of our stock price.

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If third-parties do not produce and sell innovative products with which our products are compatible, or if our line of mobile handheld computers is not successful, we may not achieve our sales projections.

Our success has been dependent upon the ability of third-parties in the mobile personal computer industry to complete development of products that include or are compatible with our technology and then to sell these products into the marketplace. Even if we are successful in marketing and selling our new line of mobile handheld computers, our ability to generate increased revenue depends significantly on the commercial success of Windows-mobile handheld devices, particularly the Pocket PC and other devices such as the line of handhelds with expansion options offered by Palm, and the adoption of handheld computers for business use. If manufacturers are unable or choose not to ship new products such as Pocket PC and other Windows-mobile devices or Palm devices, or experience difficulties with new product transitions that cause delays in the market as we experienced in 2005 and 2006, or if these products, including our new line of mobile handheld computers, fail to achieve or maintain market acceptance, the number of our potential new customers would be reduced and we would not be able to meet our sales expectations.

If we fail to develop and introduce new products rapidly and successfully, we will not be able to compete effectively, and our ability to generate sufficient revenues will be negatively affected.

The market for our products is prone to rapidly changing technology, evolving industry standards and short product life cycles. If we are unsuccessful at developing and introducing new products and services on a timely basis that include the latest technologies conforming to the newest standards and that are appealing to end users, we will not be able to compete effectively, and our ability to generate significant revenues will be seriously harmed.

The development of new products and services can be very difficult and requires high levels of innovation. The development process is also lengthy and costly. Short product life cycles expose our products to the risk of obsolescence and require frequent new product introductions. We will be unable to introduce new products and services into the market on a timely basis and compete successfully, if we fail to:

- identify emerging standards in the field of mobile computing products;
- enhance our products by adding additional features;
- invest significant resources in research and development, sales and marketing, and customer support;
- maintain superior or competitive performance in our products; and
- anticipate our end users' needs and technological trends accurately.

We cannot be sure that we will have sufficient resources to make adequate investments in research and development or that we will be able to identify trends or make the technological advances necessary to be competitive.

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A significant portion of our revenue currently comes from two distributors, and any decrease in revenue from these distributors could harm our business.

A significant portion of our revenue comes from two distributors, Tech Data Corp. and Ingram Micro, Inc., which together represented approximately 37 and 40 percent of our worldwide revenue in the first six months of 2007 and fiscal year 2006, respectively. We expect that a significant portion of our revenue will continue to depend on sales to Tech Data Corp. and Ingram Micro, Inc. We do not have long-term commitments from Tech Data Corp. or Ingram Micro, Inc. to carry our products. Either could choose to stop selling some or all of our products at any time, and each of these companies also carries our competitors' products. If we lose our relationship with Tech Data Corp. or Ingram Micro, Inc., we would experience disruption and delays in marketing our products. Revenues related to these two major distributors fell markedly in the third quarter of 2006 to 32 percent, due primarily to a reduction in the level of corporate handheld deployments and our related peripheral products by one of our key North American channel partners.

If the market for mobile computers experiences delays, or fails to grow, we will not achieve our sales projections.

Substantially all of our products are designed for use with mobile personal computers, including handhelds, notebook computers, tablets and smartphones. If the mobile personal computer industry does not grow, if its growth slows, or if product or operating system changeovers by mobile computer manufacturers and partners cause delays in the market, as we experienced in 2006 and 2005, or if the markets for our mobile handheld computers do not grow, we will not achieve our sales projections.

Our sales will be hurt if the new technologies used in our products do not become widely adopted, or are adopted slower than expected.

Many of our products use new technologies, such as 2D bar code scanning and RFID, which are not yet widely adopted in the market. If these technologies fail to become widespread, or are adopted slower than expected, our sales will suffer.

We could face increased competition in the future, which would adversely affect our financial performance.

The market for handheld computers in which we operate is very competitive. Our future financial performance is contingent on a number of unpredictable factors, including that:

- some of our competitors have greater financial, marketing, and technical resources than we do;
- we periodically face intense price competition, particularly when our competitors have excess inventories and discount their prices to clear their inventories; and
- certain original equipment manufacturers of personal computers, mobile phones and handheld computers offer built-in functions, such as Bluetooth wireless technology, Wi-Fi, or bar code scanning, that compete with our products.

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Increased competition could result in price reductions, fewer customer orders, reduced margins, and loss of market share. Our failure to compete successfully against current or future competitors could harm our business, operating results and financial condition.

If we do not correctly anticipate demand for our products, our operating results will suffer.

The demand for our products depends on many factors and is difficult to forecast. We expect that it will become more difficult to forecast demand as we introduce and support more products and as competition in the market for our products intensifies. If demand increases beyond forecasted levels, we would have to rapidly increase production at our third-party manufacturers. We depend on suppliers to provide additional volumes of components, and suppliers might not be able to increase production rapidly enough to meet unexpected demand. Even if we were able to procure enough components, our third-party manufacturers might not be able to produce enough of our devices to meet our customer demand. In addition, rapid increases in production levels to meet unanticipated demand could result in higher costs for manufacturing and supply of components and other expenses. These higher costs could lower our profit margins. Further, if production is increased rapidly, manufacturing yields could decline, which may also lower operating results.

If demand is lower than forecasted levels, we could have excess production resulting in higher inventories of finished products and components, which could lead to write-downs or write-offs of some or all of the excess inventories. Lower than forecasted demand could also result in excess manufacturing capacity at our third-party manufacturers and in our failure to meet minimum purchase commitments, each of which may lower our operating results.

We rely primarily on distributors, resellers, and original equipment manufacturers to sell our products, and our sales would suffer if any of these third-parties stops selling our products effectively.

Because we sell our products primarily through distributors, resellers, and original equipment manufacturers, we are subject to risks associated with channel distribution, such as risks related to their inventory levels and support for our products. Our distribution channels may build up inventories in anticipation of growth in their sales. If such growth in their sales does not occur as anticipated, the inventory build up could contribute to higher levels of product returns. The lack of sales by any one significant participant in our distribution channels could result in excess inventories and adversely affect our operating results.

Our agreements with distributors, resellers, and original equipment manufacturers are generally nonexclusive and may be terminated on short notice by them without cause. Our distributors, resellers, and original equipment manufacturers are not within our control, are not obligated to purchase products from us, and may offer competitive lines of products simultaneously. Sales growth is contingent in part on our ability to enter into additional distribution relationships and expand our sales channels. We cannot predict whether we will be successful in establishing new distribution relationships, expanding our sales channels or maintaining our existing relationships. A failure to enter into new distribution relationships or to expand our sales channels could adversely impact our ability to grow our sales.

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We allow our distribution channels to return a portion of their inventory to us for full credit against other purchases. In addition, in the event we reduce our prices, we credit our distributors for the difference between the purchase price of products remaining in their inventory and our reduced price for such products. Actual returns and price protection may adversely affect future operating results, particularly since we seek to continually introduce new and enhanced products and are likely to face increasing price competition.

We depend on alliances and other business relationships with a small number of third-parties, and a disruption in any one of these relationships would hinder our ability to develop and sell our products.

We depend on strategic alliances and business relationships with leading participants in various segments of the communications and mobile personal computer markets to help us develop and market our products. Our strategic partners may revoke their commitment to our products or services at any time in the future or may develop their own competitive products or services. Accordingly, our strategic relationships may not result in sustained business alliances, successful product or service offerings, or the generation of significant revenues. Failure of one or more of such alliances could result in delay or termination of product development projects, failure to win new customers, or loss of confidence by current or potential customers.

We have devoted significant research and development resources to design activities for Windows-mobile products, Palm devices, smartphones using Windows Mobile and Symbian System 60 and 80 operating systems, and more recently, to developing our own family of mobile handheld computers. Such design activities have diverted financial and personnel resources from other development projects. These design activities are not undertaken pursuant to any agreement under which Microsoft, Palm, or Symbian is obligated to continue the collaboration or to support the products produced from the collaboration. Consequently, these organizations may terminate their collaborations with us for a variety of reasons, including our failure to meet agreed-upon standards or for reasons beyond our control, such as changing market conditions, increased competition, discontinued product lines, and product obsolescence.

Our intellectual property and proprietary rights may be insufficient to protect our competitive position.

Our business depends on our ability to protect our intellectual property. We rely primarily on patent, copyright, trademark, trade secret laws, and other restrictions on disclosure to protect our proprietary technologies. We cannot be sure that these measures will provide meaningful protection for our proprietary technologies and processes. We cannot be sure that any patent issued to us will be sufficient to protect our technology. The failure of any patents to provide protection to our technology would make it easier for our competitors to offer similar products. In connection with our participation in the development of various industry standards, we may be required to license certain of our patents to other parties, including our competitors, that develop products based upon the adopted standards.

We also generally enter into confidentiality agreements with our employees, distributors, and strategic partners, and generally control access to our documentation and other proprietary information. Despite these precautions, it may be possible for a third-party to copy or otherwise obtain and use our products, services, or technology without authorization, develop similar technology independently, or design around our patents.

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Effective copyright, trademark, and trade secret protection may be unavailable or limited in certain foreign countries. Furthermore, certain of our customers have entered into agreements with us which provide that the customers have the right to use our proprietary technology in the event we default in our contractual obligations, including product supply obligations, and fail to cure the default within a specified period of time.

We may become subject to claims of intellectual property rights infringement, which could result in substantial liability.

In the course of operating our business, we may receive claims of intellectual property infringement or otherwise become aware of potentially relevant patents or other intellectual property rights held by other parties. Many of our competitors have large intellectual property portfolios, including patents that may cover technologies that are relevant to our business. In addition, many smaller companies, universities, and individuals have obtained or applied for patents in areas of technology that may relate to our business. The industry is moving towards aggressive assertion, licensing, and litigation of patents and other intellectual property rights. In January 2007, the Washington Research Foundation filed a patent lawsuit against Nokia, Samsung, and Panasonic, alleging these wireless device makers of using infringing Bluetooth microprocessors in their products. In March of 2007, Apple, Dell, Sony, Logitech, Motorola, SonyEricsson, Toshiba, and Plantronics were added by Washington Research Foundation to the list of defendants. The companies are accused of infringing four patents covering technology that lets users exchange data among mobile phones, personal computers and other devices without using cables. The Washington Research Foundation is asking for money damages and a court order barring the sale of products that use the patented technology. We have not been named in the lawsuit, and we do not plan to make any changes to our current business at this time. The outcome of this lawsuit may result in future changes to our business, including potential increased costs for those products of ours that make use of the related technology.

If we are unable to obtain and maintain licenses on favorable terms for intellectual property rights required for the manufacture, sale, and use of our products, particularly those products which must comply with industry standard protocols and specifications to be commercially viable, our results of operations or financial condition could be adversely impacted.

In addition to disputes relating to the validity or alleged infringement of other parties' rights, we may become involved in disputes relating to our assertion of our own intellectual property rights. Whether we are defending the assertion of intellectual property rights against us or asserting our intellectual property rights against others, intellectual property litigation can be complex, costly, protracted, and highly disruptive to business operations by diverting the attention and energies of management and key technical personnel. Plaintiffs in intellectual property cases often seek injunctive relief, and the measures of damages in intellectual property litigation are complex and often subjective or uncertain. Thus, any adverse determinations in this type of litigation could subject us to significant liabilities and costs.

New industry standards may require us to redesign our products, which could substantially increase our operating expenses.

Standards for the form and functionality of our products are established by standards committees. These independent committees establish standards, which evolve and change over time, for different categories of our products. We must continue to identify and ensure compliance with evolving industry standards so that our products are interoperable and we remain competitive. Unanticipated changes in industry standards could render our products incompatible with products developed by major hardware manufacturers and software developers. Should any major changes, even if anticipated, occur, we would be required to invest significant time and resources to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards for a significant period of time, we would miss opportunities to sell our products for use with new hardware components from mobile computer manufacturers and original equipment manufacturers, thus affecting our business.

Undetected flaws and defects in our products may disrupt product sales and result in expensive and time-consuming remedial action.

Our hardware and software products may contain undetected flaws, which may not be discovered until customers have used the products. From time to time, we may temporarily suspend or delay shipments or divert development resources from other projects to correct a particular product deficiency. Efforts to identify and correct errors and make design changes may be expensive and time consuming. Failure to discover product deficiencies in the future could delay product introductions or shipments, require us to recall previously shipped products to make design modifications, or cause unfavorable publicity, any of which could adversely affect our business and operating results.

Our quarterly operating results may fluctuate in future periods, which could cause our stock price to decline.

We expect to experience quarterly fluctuations in operating results in the future. We generally ship orders as received, and as a result we may have little backlog. Quarterly revenues and operating results therefore depend on the volume and timing of orders received during the quarter, which are difficult to forecast. Historically, we have often recognized a substantial portion of our revenue in the last month of the quarter. This subjects us to the risk that even modest delays in orders may adversely affect our quarterly operating results. Our operating results may also fluctuate due to factors such as:

- the demand for our products;
- the size and timing of customer orders;
- unanticipated delays or problems in our introduction of new products and product enhancements;

- the introduction of new products and product enhancements by our competitors;
- the timing of the introduction of new products that work with our connection products;
- changes in the revenues attributable to royalties and engineering development services;
- product mix;
- timing of software enhancements;
- changes in the level of operating expenses;
- competitive conditions in the industry including competitive pressures resulting in lower average selling prices; and
- timing of distributors' shipments to their customers.

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Because we base our staffing and other operating expenses on anticipated revenues, delays in the receipt of orders can cause significant variations in operating results from quarter to quarter. As a result of any of the foregoing factors, or a combination, our results of operations in any given quarter may be below the expectations of public market analysts or investors, in which case the market price of our common stock would be adversely affected.

The loss of one or more of our senior personnel could harm our existing business.

A number of our officers and senior managers have been employed for twelve to fifteen years by us, including our President, Chief Financial Officer, Chief Technical Officer, Vice President of Marketing, and Senior Vice President for Business Development/General Manager Development Services. Our future success will depend upon the continued service of key officers and senior managers. Competition for officers and senior managers is intense, and there can be no assurance that we will be able to retain our existing senior personnel. The loss of one or more of our officers or key senior managers could adversely affect our ability to compete.

Beginning January 1, 2006 we began to expense options granted under our employee stock plans as compensation, and as a result our net income and earnings per share were negatively affected, we may continue to have net losses as a result of the requirement to expense options, and may find it necessary to change our business practices to attract and retain employees.

Historically, we have used stock options as a key component of our employee compensation packages. We believe that stock options provide an incentive to our employees to maximize long-term stockholder value and, through the use of vesting, encourage valued employees to remain with us. The expensing of employee stock options adversely affected our net income and earnings per share in the first two quarters of 2007 and each of the quarters in fiscal 2006, will continue to adversely affect future quarters, and will make profitability harder to achieve or make our future profits or net losses worse. In addition, we may decide in response to the effects of expensing stock options on our operating results to reduce the number of stock options granted to employees or to grant options to fewer employees. This could adversely affect our ability to retain existing employees and attract qualified candidates, and also could increase the cash compensation we would have to pay to them.

If we are unable to attract and retain highly skilled sales and marketing and product development personnel, our ability to develop and market new products and product enhancements will be adversely affected.

We believe our ability to achieve increased revenues and to develop successful new products and product enhancements will depend in part upon our ability to attract and retain highly skilled sales and marketing and product development personnel. Our products involve a number of new and evolving technologies, and we frequently need to apply these technologies to the unique requirements of mobile products. Our personnel must be familiar with both the technologies we support and the unique requirements of the products to which our products connect. Competition for such personnel is intense, and we may not be able to attract and retain such key personnel. In addition, our ability to hire and retain such key personnel will depend upon our ability to raise capital or achieve increased revenue levels to fund the costs associated with such key personnel. Failure to attract and retain such key personnel will adversely affect our ability to develop and market new products and product enhancements.

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We may not be able to collect revenues from customers who experience financial difficulties.

Our accounts receivable are derived primarily from distributors and original equipment manufacturers. We perform ongoing credit evaluations of our customers' financial conditions but generally require no collateral from our customers. Reserves are maintained for potential credit losses, and such losses have historically been within such reserves. However, many of our customers may be thinly capitalized and mayTR> **Value**

Total Investments - 147.91%

(Cost $254,272,824)

$270,293,208

Liabilities in Excess of Other Assets - (47.91%)[h]

(87,556,689)

NET ASSETS - 100.00%

$182,736,519

SCHEDULE OF WRITTEN OPTIONS

Number of

Contracts

Value

PUT OPTIONS WRITTEN (0.03%)

S&P 500® Index, Expires April 2014, Exercise Price $1,760.00

(300) $(61,500)

TOTAL PUT OPTIONS WRITTEN

(Premiums received $299,388)

$(61,500)

SCHEDULE OF SECURITIES SOLD SHORT [(a)] Shares Value

COMMON STOCKS (16.97%)

Consumer Discretionary (1.30%)

CarMax, Inc.

(19,700) $(921,960)

Johnson Controls, Inc.

(19,600) (927,472)

Yamada Denki Co., Ltd.

(157,480) (524,857)

(2,374,289)

Financials (3.20%)

Capital Markets (0.69%)

Deutsche Bank AG

(20,665) (926,412)

Mediobanca SpA

(29,997) (343,002)

(1,269,414)

Commercial Banks (1.73%)

Banco Bilbao Vizcaya Argentaria S.A. - ADR

(7,771) (93,330)

Banco Santander S.A.

(49,724) (474,107)

Credit Agricole S.A.

(35,715) (563,129)

HSBC Holdings PLC

(70,800) (716,991)

Societe Generale S.A.

(18,477) (1,137,964)

UniCredit SpA

(18,961) (173,187)

(3,158,708)

Insurance (0.78%)

Everest Re Group, Ltd.

(4,532) (693,623)

PartnerRe, Ltd.

(7,100) (734,850)

(1,428,473)

TOTAL FINANCIALS

(5,856,595)

Health Care (5.95%)

Baxter International, Inc.

(17,600) (1,295,008)

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Clough Global Allocation Fund

Statement of Investments

March 31, 2014

SCHEDULE OF SECURITIES SOLD SHORT[(a)]	Shares	Value
Health Care (continued)		
Charles River Laboratories International, Inc.	(18,200)	$ (1,098,188)
Covance, Inc.	(8,550)	(888,345)
Hanger, Inc.	(8,334)	(280,689)
Healthcare Services Group, Inc.	(20,000)	(581,200)
Intuitive Surgical, Inc.	(1,143)	(500,623)
Laboratory Corp. of America Holdings	(7,500)	(736,575)
Merck & Co., Inc.	(23,900)	(1,356,803)
Owens & Minor, Inc.	(18,200)	(637,546)
Quest Diagnostics, Inc.	(12,900)	(747,168)
ResMed, Inc.	(32,200)	(1,439,018)
St. Jude Medical, Inc.	(11,800)	(771,602)
Waters Corp.	(4,900)	(531,209)
		(10,863,974)
Industrials (3.59%)		
Atlas Copco AB - A Shares	(55,752)	(1,608,223)
Bombardier, Inc. - Class B	(200,283)	(744,607)
Caterpillar, Inc.	(6,400)	(635,968)
Emerson Electric Co.	(20,500)	(1,369,400)
Mitsui & Co., Ltd.	(50,500)	(713,845)
Sandvik AB	(104,789)	(1,480,610)
		(6,552,653)
Materials (2.93%)		
Bemis Co., Inc.	(17,900)	(702,396)
BHP Billiton, Ltd.	(27,839)	(941,581)
Cliffs Natural Resources, Inc.	(34,834)	(712,704)
Freeport-McMoRan Copper & Gold, Inc.	(16,800)	(555,576)
Glencore Xstrata PLC	(300,107)	(1,544,988)
United States Steel Corp.	(32,800)	(905,608)
		(5,362,853)
TOTAL COMMON STOCKS (Proceeds $29,338,524)		(31,010,364)
EXCHANGE TRADED FUNDS (18.03%)		
Health Care Select Sector SPDR® Fund	(59,400)	(3,474,306)
iShares® China Large Cap ETF	(73,955)	(2,646,110)
iShares® MSCI Emerging Markets Fund	(61,843)	(2,534,945)
iShares® MSCI South Korea Capped Fund	(11,400)	(701,100)

iShares® Nasdaq Biotechnology ETF	(1,839)		(434,831)
iShares® Russell 2000® Fund	(140,200)		(16,310,868)
SPDR® S&P 500® ETF Trust	(36,000)		(6,733,440)
SCHEDULE OF SECURITIES SOLD SHORT[(a)]	**Shares**		**Value**
EXCHANGE TRADED FUNDS (continued)			
United States Natural Gas Fund LP	(4,662)	$	(113,846)
TOTAL EXCHANGE TRADED FUNDS			
(Proceeds $29,656,822)			(32,949,446)
TOTAL SECURITIES SOLD SHORT			
(Proceeds $58,995,346)		$	(63,959,810)

(a) *Non-income producing security.*

(b) *Pledged security; a portion or all of the security is pledged as collateral for written options, securities sold short or borrowings as of March 31, 2014. (See Note 1 and Note 6)*

(c) *Loaned security; a portion or all of the security is on loan as of March 31, 2014.*

(d) *Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. As of March 31, 2014, these securities had a total value of $8,615,259 or 4.71% of net assets.*

(e) *Floating or variable rate security - rate disclosed as of March 31, 2014.*

(f) *This security has no contractual maturity date, is not redeemable and contractually pays an indefinite stream of interest.*

(g) *Rate shown represents the bond equivalent yield to maturity at date of purchase.*

(h) *Includes cash which is being held as collateral for total return swap contracts.*

Statement of Investments

Clough Global Allocation Fund

March 31, 2014

TOTAL RETURN SWAP CONTRACTS

Counter Party	Reference Entry/Obligation	Notional Amount	Floating Rate Paid by the Fund	Floating Rate Index	Termination Date	Net Unrealized Appreciation
Morgan Stanley	Housing Development Finance Corp.	$ 726,632	30 bps + 1D FEDEF	1D FEDEF	01/15/2016	$ 58,662
		$ 726,632				$ 58,662

Counter Party	Reference Entry/Obligation	Notional Amount	Floating Rate Paid by the Fund	Floating Rate Index	Termination Date	Net Unrealized Depreciation
Morgan Stanley	Bharti Infratel, Ltd.	$ 1,535,035	30 bps + 1D FEDEF	1D FEDEF	12/30/2014	$ (240,059)
		$ 1,535,035				$ (240,059)

See Notes to the Financial Statements.

Clough Global Equity Fund

Statement of Investments

March 31, 2014

	Shares	Value
COMMON STOCKS 129.72%		
Consumer Discretionary 35.22%		
Asbury Automotive Group, Inc.(a)(b)	68,718	$3,800,793
AutoNation, Inc.(a)(b)	155,527	8,278,702
Beazer Homes USA, Inc.(a)(b)(c)	164,030	3,293,722
Byd Co., Ltd. - Class H(a)	107,890	666,967
Charter Communications, Inc. - Class A(a)(b)(c)	46,400	5,716,480
Cia de Locacao das Americas(d)	262,571	395,766
Comcast Corp. - Class A(b)	57,000	2,851,140
Denso Corp.	15,200	728,669
Don Quijote Co., Ltd.	11,300	583,530
DR Horton, Inc.(b)(c)	278,100	6,020,865
Group 1 Automotive, Inc.(b)(c)	55,374	3,635,857
Imax Corp.(a)(b)(c)	139,495	3,812,398
Kate Spade & Co.(a)(b)	40,127	1,488,311
Las Vegas Sands Corp.(b)	12,859	1,038,750
Lennar Corp. - Class A(b)(c)	163,900	6,493,718
Liberty Interactive Corp. - Class A(a)(b)	135,486	3,911,481
Liberty Media Corp. - Class A(a)(b)(c)	56,868	7,434,354
Liberty Ventures - Series A(a)(b)(c)	59,134	7,706,934
Lithia Motors, Inc. - Class A(b)(c)	67,227	4,467,906
Man Wah Holdings, Ltd.	1,120,272	1,892,034
Orient-Express Hotels, Ltd. - Class A(a)(b)(c)	101,637	1,464,589
Penske Automotive Group, Inc.(b)(c)	106,496	4,553,769
PulteGroup, Inc.(b)(c)	240,125	4,607,999
Samsonite International S.A.	802,303	2,482,469
Service Corp. International(b)	136,700	2,717,596
Signet Jewelers, Ltd.(b)(c)	24,200	2,561,812
Starbucks Corp.(b)	43,900	3,221,382
Toll Brothers, Inc.(a)	67,600	2,426,840
Wyndham Worldwide Corp.(b)(c)	129,600	9,490,608
		107,745,441
Consumer Staples 1.80%		
Brasil Pharma S.A.(a)(d)	279,686	472,101
Suntory Beverage & Food, Ltd.	17,500	602,747
Vinda International Holdings, Ltd.	1,620,107	2,356,063
Whole Foods Market, Inc.(b)	40,900	2,074,039

	Shares	Value
		5,504,950
Energy 19.84%		
Coal 0.25%		
Arch Coal, Inc.	159,898	$770,708
Natural Gas Leveraged Exploration & Production 3.90%		
Antero Resources Corp.(a)(b)	14,300	895,180
EOG Resources, Inc.(b)	15,300	3,001,401
Gulfport Energy Corp.(a)(b)	59,003	4,199,834
Rice Energy, Inc.(a)(b)	53,500	1,411,865
Southwestern Energy Co.(a)	52,300	2,406,323
		11,914,603
Non-North American Producers 1.17%		
InterOil Corp.(a)(b)(c)	55,384	3,586,668
Oil Leveraged Exploration & Production 3.80%		
Anadarko Petroleum Corp.(b)	16,338	1,384,809
Concho Resources, Inc.(a)(b)(c)	14,900	1,825,250
Hess Corp.(b)(c)	25,500	2,113,440
Occidental Petroleum Corp.(b)	27,400	2,610,946
Pacific Coast Oil Trust(b)(d)	95,800	1,282,762
Stone Energy Corp.(a)	26,251	1,101,754
Whiting Petroleum Corp.(a)	18,700	1,297,593
		11,616,554
Oil Services & Drillers 4.41%		
Halliburton Co.(b)	57,400	3,380,286
Helmerich & Payne, Inc.(b)(c)	18,800	2,022,128
Key Energy Services, Inc.(a)	42,849	395,925
Nabors Industries, Ltd.(b)(c)	67,000	1,651,550
Patterson-UTI Energy, Inc.(b)(c)	63,800	2,021,184
Schlumberger, Ltd.(b)	13,200	1,287,000
Superior Energy Services, Inc.(b)(c)	89,000	2,737,640
		13,495,713
Refiners 5.98%		

HollyFrontier Corp.[(b)]	30,718	1,461,562
Marathon Petroleum Corp.[(b)]	58,700	5,109,248
Phillips 66[(b)]	64,600	4,978,076
Tesoro Corp.	22,200	1,123,098
Valero Energy Corp.[(b)]	106,100	5,633,910
		18,305,894
Tankers 0.33%		
Golar LNG, Ltd.[(b)(c)]	24,139	1,006,355
TOTAL ENERGY		60,696,495

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Statement of Investments

Clough Global Equity Fund

March 31, 2014

	Shares	Value
Financials 25.27%		
Capital Markets 3.42%		
Daiwa Securities Group, Inc.	303,157	$2,637,553
Ladder Capital Corp. - Class A[(a)(d)]	102,100	1,927,648
Morgan Stanley[(b)(c)]	158,196	4,930,969
Nomura Holdings, Inc.	149,100	956,297
		10,452,467
Commercial Banks 4.21%		
Grupo Financiero Banorte SAB de CV - Class O	175,725	1,188,369
Kasikornbank PCL	170,100	933,348
Mitsubishi UFJ Financial Group, Inc.	171,800	943,764
Mizuho Financial Group, Inc.	558,300	1,103,456
Siam Commercial Bank PCL	137,600	668,064
Sumitomo Mitsui Financial Group, Inc.	25,200	1,076,460
Sumitomo Mitsui Trust Holdings, Inc.	461,000	2,081,345
SunTrust Banks, Inc.[(b)]	59,529	2,368,659
Wells Fargo & Co.[(b)]	50,800	2,526,792
		12,890,257
Consumer Finance 0.38%		
Springleaf Holdings, Inc.[(a)]	45,900	1,154,385
Diversified Financials 6.49%		
Atlas Mara Co.-Nvest, Ltd.[(a)(d)]	195,720	2,231,208
Bank of America Corp.[(b)]	340,705	5,860,126
Citigroup, Inc.[(b)(c)]	247,072	11,760,627
		19,851,961
Insurance 2.77%		
Genworth Financial, Inc. - Class A[(a)(b)(c)]	256,390	4,545,795
Hartford Financial Services Group, Inc.[(b)]	85,628	3,020,099
National General Holdings Corp.[(b)(d)]	65,000	910,000
		8,475,894

	Shares	Value
Real Estate Investment Trusts 5.14%		
Ares Commercial Real Estate Corp.	51,400	689,274
Colony Financial, Inc.	79,700	1,749,415
Lexington Realty Trust	109,000	1,189,190
MFA Financial, Inc.	501,868	3,889,477
PennyMac Mortgage Investment Trust	130,373	3,115,915
Select Income REIT[d]	29,700	899,019
	Shares	**Value**
Financials (continued)		
Two Harbors Investment Corp.	409,100	$4,193,275
		15,725,565
Real Estate Management & Development 1.42%		
Altisource Residential Corp.[b]	109,200	3,446,352
BHG S.A. - Brazil Hospitality Group[a]	138,714	914,571
		4,360,923
Thrifts & Mortgage Finance 1.44%		
MGIC Investment Corp.[a][b]	111,900	953,388
Oritani Financial Corp.[b][c]	114,300	1,807,083
Stonegate Mortgage Corp.[a]	111,111	1,651,110
		4,411,581
TOTAL FINANCIALS		77,323,033
Health Care 20.01%		
Aetna, Inc.[b][c]	42,913	3,217,188
Akorn, Inc.[a][b][c]	133,600	2,939,200
Alkermes PLC[a][b]	17,200	758,348
Allergan, Inc.[b][c]	22,700	2,817,070
Astellas Pharma, Inc.	189,500	2,247,232
Biogen Idec, Inc.[a][b]	5,092	1,557,490
Bristol-Myers Squibb Co.[b]	100,216	5,206,221
Catamaran Corp.[a][b][c]	62,400	2,793,024
Celgene Corp.[a]	5,142	717,823
Centene Corp.[a][b][c]	38,399	2,390,338
Community Health Systems, Inc.[a][b]	32,811	1,285,207
Forest Laboratories, Inc.[a][b]	13,812	1,274,433
Gilead Sciences, Inc.[a][b]	37,683	2,670,217
HCA Holdings, Inc.[a][b]	59,515	3,124,537
Healthways, Inc.[a]	191,441	3,281,299
Intrexon Corp.[a][b]	61,097	1,606,240
Ironwood Pharmaceuticals,	127,500	1,570,800

Inc.[(a)(b)(c)]		
Jazz Pharmaceuticals PLC[(a)(b)(c)]	4,259	590,638
LifePoint Hospitals, Inc.[(a)(b)]	34,174	1,864,192
McKesson Corp.[(b)]	5,410	955,244
Medivation, Inc.[(a)(b)]	13,000	836,810
Perrigo Co. PLC[(b)(c)]	15,046	2,327,014
Pfizer, Inc.[(b)]	17,900	574,948
Salix Pharmaceuticals, Ltd.[(a)(b)(c)]	12,700	1,315,847
Sanofi - ADR[(b)]	28,498	1,489,875
Sinopharm Group Co., Ltd. - Class H	570,800	1,563,785
Team Health Holdings, Inc.[(a)(b)]	27,762	1,242,350

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Clough Global Equity Fund

Statement of Investments

March 31, 2014

	Shares	Value
Health Care (continued)		
Teva Pharmaceutical Industries, Ltd. - ADR	46,600	$2,462,344
Towa Pharmaceutical Co., Ltd.	8,902	384,231
UnitedHealth Group, Inc.[(b)(c)]	15,600	1,279,044
Veracyte, Inc.[(a)(b)]	40,906	700,720
WellPoint, Inc.[(b)(c)]	42,100	4,191,055
		61,234,764
Industrials 13.86%		
Airports of Thailand PCL	176,900	1,057,910
Allison Transmission Holdings, Inc.[(b)(c)(d)]	230,363	6,897,068
Brenntag AG	9,202	1,706,985
Delta Air Lines, Inc.[(b)(c)]	167,500	5,803,875
Empresas ICA SAB de CV[(a)]	400,359	668,517
Empresas ICA SAB de CV - ADR[(a)(b)(c)]	26,448	174,292
FleetCor Technologies, Inc.[(a)(b)]	11,500	1,323,650
FLIR Systems, Inc.[(b)]	160,800	5,788,800
IHI Corp.	270,044	1,135,485
Mitsubishi Heavy Industries, Ltd.	302,000	1,746,781
Scorpio Bulkers, Inc.[(a)(b)(c)]	91,100	921,021
Sumitomo Corp.	71,215	905,928
United Continental Holdings, Inc.[(a)(b)(c)]	150,856	6,732,703
Verisk Analytics, Inc. - Class A[(a)]	9,780	586,409
ViaSat, Inc.[(a)(b)(c)]	87,542	6,043,900
Wesco Aircraft Holdings, Inc.[(a)(b)]	41,500	913,415
		42,406,739
Information Technology 9.81%		
eBay, Inc.[(a)(b)]	88,431	4,884,928
EVERTEC, Inc.[(b)]	63,498	1,568,401
Google, Inc. - Class A[(a)(b)]	5,321	5,930,308
Hoya Corp.	32,600	1,014,812
NXP Semiconductor NV[(a)(b)]	66,308	3,899,573
Samsung Electronics Co., Ltd.	915	1,154,441
Seagate Technology[(b)(c)]	24,700	1,387,152
Western Digital Corp.[(b)]	12,800	1,175,296
Western Union Co.[(b)(c)]	549,700	8,993,092

		30,008,003
Materials 3.09%		
Berry Plastics Group, Inc.[(a)(b)]	120,334	2,785,732
	Shares	**Value**
Materials (continued)		
Graphic Packaging Holding Co.[(a)(b)(c)]	249,287	$2,532,756
Taminco Corp.[(a)(b)(c)]	78,100	1,640,881
WR Grace & Co.[(a)(b)]	25,200	2,499,084
		9,458,453
Telecommunication Services 0.71%		
Nippon Telegraph & Telephone Corp.	40,100	2,183,035
Utilities 0.11%		
Huadian Fuxin Energy Corp., Ltd.	611,453	333,455
TOTAL COMMON STOCKS		
(Cost $361,384,091)		396,894,368
EXCHANGE TRADED FUNDS 1.44%		
iShares® MSCI Mexico Capped ETF[(b)]	18,100	1,157,495
SPDR® Gold Shares[(a)(b)]	26,320	3,253,415
		4,410,910
TOTAL EXCHANGE TRADED FUNDS		
(Cost $4,580,653)		4,410,910
WARRANTS 0.10%		
Atlas Mara Co.-Nvest, Ltd., Strike price $11.50, Expires 12/17/2017[(a)(d)]	195,720	293,580
TOTAL WARRANTS		
(Cost $1,957)		293,580

Description and Maturity Date	**Principal Amount**	**Value**
CORPORATE BONDS 6.33%		
Bank of America Corp.		
Series U, Perpetual Maturity, 5.200%[(b)(e)(f)]	$2,050,000	1,937,250
Bank of New York Mellon Corp.		

Series D, Perpetual Maturity, 4.500%(b)(e)(f)	2,620,000	2,390,750
Citigroup, Inc.		
Perpetual Maturity, 5.950% (b)(e)(f)	725,000	709,594
Series D, Perpetual Maturity, 5.350%(b)(e)(f)	1,450,000	1,350,923

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March 31, 2014

Clough Global Equity Fund

Description and Maturity Date	Principal Amount	Value
CORPORATE BONDS (continued)		
Crown Americas LLC / Crown Americas Capital Corp. IV Series WI, 01/15/2023, 4.500%(b)	$1,320,000	$1,267,200
Eaton Vance Corp. 06/15/2023, 3.625%(b)	1,275,000	1,272,718
General Electric Capital Corp. Series C, Perpetual Maturity, 5.250%(b)(e)(f)	990,000	965,448
General Motors Co. 10/02/2023, 4.875%(b)(d)	1,635,000	1,684,050
JPMorgan Chase & Co. Series Q, Perpetual Maturity, 5.150%(b)(e)(f)	2,415,000	2,276,137
M&T Bank Corp. Perpetual Maturity, 6.875%(b)(d)(f)	1,440,000	1,447,599
PNC Financial Services Group, Inc., Series R, Perpetual Maturity, 4.850%(b)(e)(f)	2,450,000	2,303,000
Zions Bancorporation Perpetual Maturity, 5.800%(b)(e)(f)	1,885,000	1,762,475
TOTAL CORPORATE BONDS		
(Cost $18,856,674)		19,367,144
GOVERNMENT & AGENCY OBLIGATIONS 4.29%		
U.S. Treasury Bonds		
11/15/2018, 3.750%(b)	2,800,000	3,071,141
05/15/2021, 3.125%(b)	1,100,000	1,158,996
02/15/2022, 2.000%(b)	5,050,000	4,883,703
11/15/2028, 5.250%(b)	3,200,000	4,001,501
TOTAL GOVERNMENT & AGENCY OBLIGATIONS		
(Cost $13,210,681)		13,115,341

	Number of Contracts	Value
PURCHASED OPTIONS 0.15%		

Put Options Purchased 0.15%		
S&P 500® Index, Expires April 2014, Exercise Price $1,840.00	500	462,500
TOTAL PURCHASED OPTIONS		
(Cost $1,301,020)		462,500

	Shares/Principal Amount	**Value**
SHORT-TERM INVESTMENTS 5.84%		
Money Market Fund 5.51%		
Morgan Stanley Institutional Liquidity Funds - Prime Portfolio (0.055% 7-day yield)	16,867,010	$16,867,010
U.S. Treasury Bills 0.33%		
U.S. Treasury Bills Discount Notes 04/24/2014, 0.049%[b][g]	$1,000,000	999,968
TOTAL SHORT-TERM INVESTMENTS		
(Cost $17,866,978)		17,866,978
Total Investments - 147.87%		
(Cost $ 417,202,054)		452,410,821
Liabilities in Excess of Other Assets - (47.87%)[h]		(146,452,694)
NET ASSETS - 100.00%		$305,958,127

SCHEDULE OF WRITTEN OPTIONS	**Number of Contracts**	**Value**
PUT OPTIONS WRITTEN (0.03%)		
S&P 500® Index, Expires April 2014, Exercise Price $1,760.00	(500)	$(102,500)
TOTAL PUT OPTIONS WRITTEN		
(Premiums received $498,980)		$(102,500)

SCHEDULE OF SECURITIES SOLD SHORT [a]	**Shares**	**Value**
COMMON STOCKS (16.89%)		
Consumer Discretionary (1.29%)		
CarMax, Inc.	(32,800)	$(1,535,040)
Johnson Controls, Inc.	(32,600)	(1,542,632)
Yamada Denki Co., Ltd.	(263,690)	(878,839)
		(3,956,511)
Financials (3.17%)		

Capital Markets (0.69%)		
Deutsche Bank AG	(34,610)	(1,551,566)
Mediobanca SpA	(50,077)	(572,608)
		(2,124,174)
Commercial Banks (1.70%)		
Banco Bilbao Vizcaya Argentaria S.A. - ADR	(12,906)	(155,001)
Banco Santander S.A.	(83,080)	(792,148)
Credit Agricole S.A.	(58,023)	(914,865)
HSBC Holdings PLC	(118,400)	(1,199,036)

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Clough Global Equity Fund

Statement of Investments

March 31, 2014

SCHEDULE OF SECURITIES SOLD SHORT[a]	Shares	Value
Financials (continued)		
Societe Generale S.A.	(30,171)	$(1,858,177)
UniCredit SpA	(31,490)	(287,625)
		(5,206,852)
Insurance (0.78%)		
Everest Re Group, Ltd.	(7,553)	(1,155,987)
PartnerRe, Ltd.	(11,800)	(1,221,300)
		(2,377,287)
TOTAL FINANCIALS		(9,708,313)
Health Care (5.95%)		
Baxter International, Inc.	(29,400)	(2,163,252)
Charles River Laboratories International, Inc.	(30,400)	(1,834,336)
Covance, Inc.	(14,250)	(1,480,575)
Hanger, Inc.	(13,964)	(470,308)
Healthcare Services Group, Inc.	(33,400)	(970,604)
Intuitive Surgical, Inc.	(1,961)	(858,898)
Laboratory Corp. of America Holdings	(12,600)	(1,237,446)
Merck & Co., Inc.	(39,800)	(2,259,446)
Owens & Minor, Inc.	(30,800)	(1,078,924)
Quest Diagnostics, Inc.	(21,600)	(1,251,072)
ResMed, Inc.	(54,100)	(2,417,729)
St. Jude Medical, Inc.	(19,600)	(1,281,644)
Waters Corp.	(8,300)	(899,803)
		(18,204,037)
Industrials (3.55%)		
Atlas Copco AB - A Shares	(92,311)	(2,662,804)
Bombardier, Inc. - Class B	(334,462)	(1,243,454)
Caterpillar, Inc.	(10,700)	(1,063,259)
Emerson Electric Co.	(34,100)	(2,277,880)
Mitsui & Co., Ltd.	(84,500)	(1,194,453)
Sandvik AB	(170,736)	(2,412,405)
		(10,854,255)
Materials (2.93%)		
Bemis Co., Inc.	(30,000)	(1,177,200)

BHP Billiton, Ltd.	(46,121)	(1,559,922)
Cliffs Natural Resources, Inc.	(57,957)	(1,185,800)
Freeport-McMoRan Copper & Gold, Inc.	(28,200)	(932,574)
Glencore Xstrata PLC	(502,430)	(2,586,573)
United States Steel Corp.	(54,700)	(1,510,267)
		(8,952,336)
TOTAL COMMON STOCKS (Proceeds $48,918,277)		(51,675,452)

SCHEDULE OF SECURITIES SOLD SHORT[(a)]	**Shares**	**Value**
EXCHANGE TRADED FUNDS (18.16%)		
Health Care Select Sector SPDR® Fund	(99,700)	$(5,831,453)
iShares® China Large Cap ETF	(123,514)	(4,419,331)
iShares® MSCI Emerging Markets Fund	(102,851)	(4,215,862)
iShares® MSCI South Korea Capped Fund	(19,200)	(1,180,800)
iShares® Nasdaq Biotechnology ETF	(3,210)	(759,005)
iShares® Russell 2000® Fund	(241,600)	(28,107,744)
SPDR® S&P 500® ETF Trust	(58,050)	(10,857,672)
United States Natural Gas Fund LP	(7,791)	(190,256)
TOTAL EXCHANGE TRADED FUNDS (Proceeds $49,954,426)		(55,562,123)
TOTAL SECURITIES SOLD SHORT (Proceeds $98,872,703)		$(107,237,575)

(a) Non-income producing security.
(b) Pledged security; a portion or all of the security is pledged as collateral for written options, securities sold short or borrowings as of March 31, 2014. (See Note 1 and Note 6)
(c) Loaned security; a portion or all of the security is on loan as of March 31, 2014.
(d) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. As of March 31, 2014, these securities had a total value of $18,440,801 or 6.02% of net assets.
(e) Floating or variable rate security - rate disclosed as of March 31, 2014.
(f) This security has no contractual maturity date, is not redeemable and contractually pays an indefinite stream of interest.
(g) Rate shown represents the bond equivalent yield to maturity at date of purchase.
(h) Includes cash which is being held as collateral for total return swap contracts.

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Clough Global Equity Fund

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TOTAL RETURN SWAP CONTRACTS

Counter Party	Reference Entry/Obligation	Notional Amount	Floating Rate Paid by the Fund	Floating Rate Index	Termination Date	Net Unrealized Appreciation
Morgan Stanley	Housing Development Finance Corp.	$ 1,218,403	30 bps + 1D FEDEF	1D FEDEF	01/15/2016	$ 98,363
		$ 1,218,403				$ 98,363

Counter Party	Reference Entry/Obligation	Notional Amount	Floating Rate Paid by the Fund	Floating Rate Index	Termination Date	Net Unrealized Depreciation
Morgan Stanley	Bharti Infratel, Ltd.	$ 2,468,093	30 bps + 1D FEDEF	1D FEDEF	12/30/2014	$ (385,977)
		$ 2,468,093				$ (385,977)

See Notes to the Financial Statements.

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Clough Global Opportunities Fund

Statement of Investments

March 31, 2014

	Shares	Value
COMMON STOCKS 121.70%		
Consumer Discretionary 33.23%		
Asbury Automotive Group, Inc.[(a)(b)(c)]	174,943	$9,676,097
AutoNation, Inc.[(a)(b)(c)]	396,866	21,125,177
Beazer Homes USA, Inc.[(a)(b)(c)]	413,215	8,297,357
Byd Co., Ltd. - Class H[(a)]	273,438	1,690,370
Charter Communications, Inc. - Class A[(a)(b)(c)]	115,500	14,229,600
Cia de Locacao das Americas[(d)]	678,156	1,022,165
Comcast Corp. - Class A[(b)]	141,800	7,092,836
Denso Corp.	37,800	1,812,085
Don Quijote Co., Ltd.	29,000	1,497,554
DR Horton, Inc.[(b)(c)]	694,900	15,044,585
Group 1 Automotive, Inc.[(b)(c)]	140,971	9,256,156
Imax Corp.[(a)(b)]	152,300	4,162,359
Kate Spade & Co.[(a)(b)]	87,458	3,243,817
Las Vegas Sands Corp.[(b)]	32,503	2,625,592
Lennar Corp. - Class A[(b)(c)]	410,000	16,244,200
Liberty Interactive Corp. - Class A[(a)(b)]	182,302	5,263,059
Liberty Media Corp. - Class A[(a)(b)(c)]	126,256	16,505,447
Liberty Ventures - Series A[(a)(b)(c)]	145,245	18,929,781
Lithia Motors, Inc. - Class A[(b)(c)]	171,136	11,373,699
Man Wah Holdings, Ltd.	2,844,358	4,803,853
Orient-Express Hotels, Ltd. - Class A[(a)(b)]	192,914	2,779,891
Penske Automotive Group, Inc.[(b)(c)]	271,277	11,599,805
PulteGroup, Inc.[(b)]	599,555	11,505,460
Samsonite International S.A.	862,193	2,667,780
Service Corp. International[(b)]	340,200	6,763,176
Signet Jewelers, Ltd.[(b)]	61,700	6,531,562
Starbucks Corp.[(b)]	109,100	8,005,758
Toll Brothers, Inc.[(a)]	170,300	6,113,770
Wyndham Worldwide Corp.[(b)(c)]	305,200	22,349,796
		252,212,787
Consumer Staples 1.53%		
Brasil Pharma S.A.[(a)(d)]	734,966	1,240,599
Suntory Beverage & Food, Ltd.	44,500	1,532,699
Vinda International Holdings, Ltd.	2,484,319	3,612,856
Whole Foods Market, Inc.[(b)]	103,200	5,233,272

	Shares	Value
		11,619,426
Energy 19.15%		
Coal 0.26%		
Arch Coal, Inc.	403,804	$1,946,335
Natural Gas Leveraged Exploration & Production 3.76%		
Antero Resources Corp.[(a)(b)]	35,500	2,222,300
EOG Resources, Inc.[(b)]	36,600	7,179,822
Gulfport Energy Corp.[(a)(b)]	133,846	9,527,158
Rice Energy, Inc.[(a)(b)]	133,300	3,517,787
Southwestern Energy Co.[(a)]	132,300	6,087,123
		28,534,190
Non-North American Producers 1.21%		
InterOil Corp.[(a)(b)(c)]	141,694	9,176,104
Oil Leveraged Exploration & Production 3.17%		
Anadarko Petroleum Corp.[(b)]	37,294	3,161,039
Concho Resources, Inc.[(a)(b)(c)]	37,100	4,544,750
Hess Corp.[(b)]	63,100	5,229,728
Occidental Petroleum Corp.[(b)]	53,900	5,136,131
Stone Energy Corp.[(a)]	66,317	2,783,325
Whiting Petroleum Corp.[(a)]	46,700	3,240,513
		24,095,486
Oil Services & Drillers 4.32%		
Halliburton Co.[(b)]	127,300	7,496,697
Helmerich & Payne, Inc.[(b)(c)]	47,100	5,066,076
Key Energy Services, Inc.[(a)]	108,333	1,000,997
Nabors Industries, Ltd.[(b)(c)]	167,100	4,119,015
Patterson-UTI Energy, Inc.[(b)(c)]	159,800	5,062,464
Schlumberger, Ltd.[(b)]	32,900	3,207,750
Superior Energy Services, Inc.[(b)]	223,100	6,862,556
		32,815,555
Refiners 6.09%		
HollyFrontier Corp.[(b)]	79,957	3,804,354
Marathon Petroleum Corp.[(b)(c)]	148,200	12,899,328
Phillips 66[(b)]	162,900	12,553,074
Tesoro Corp.	55,100	2,787,509
Valero Energy Corp.[(b)]	267,600	14,209,560
		46,253,825

Tankers 0.34%		
Golar LNG, Ltd.[b][c]	60,952	2,541,089
TOTAL ENERGY		145,362,584

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Statement of Investments

Clough Global Opportunities Fund

March 31, 2014

	Shares	Value
Financials 21.46%		
Capital Markets 2.84%		
Daiwa Securities Group, Inc.	772,000	$ 6,716,621
Morgan Stanley[(b)(c)]	401,813	12,524,511
Nomura Holdings, Inc.	358,300	2,298,063
		21,539,195
Commercial Banks 3.63%		
Grupo Financiero Banorte SAB de CV - Class O	447,444	3,025,915
Mitsubishi UFJ Financial Group, Inc.	375,400	2,062,218
Mizuho Financial Group, Inc.	1,244,800	2,460,294
Sumitomo Mitsui Financial Group, Inc.	56,200	2,400,676
Sumitomo Mitsui Trust Holdings, Inc.	1,174,000	5,300,431
SunTrust Banks, Inc.[(b)]	148,109	5,893,257
Wells Fargo & Co.[(b)]	128,600	6,396,564
		27,539,355
Diversified Financials 6.38%		
Atlas Mara Co.-Nvest, Ltd.[(a)(d)]	487,322	5,555,471
Bank of America Corp.[(b)]	833,410	14,334,652
Citigroup, Inc.[(b)]	598,859	28,505,688
		48,395,811
Insurance 2.32%		
Genworth Financial, Inc. - Class A[(a)(b)(c)]	556,755	9,871,266
Hartford Financial Services Group, Inc.[(b)]	218,380	7,702,263
		17,573,529
Real Estate Investment Trusts 4.95%		
Colony Financial, Inc.	198,500	4,357,075
Lexington Realty Trust	272,400	2,971,884
MFA Financial, Inc. PennyMac Mortgage	1,250,697	9,692,902
Investment Trust	324,819	7,763,174
Select Income REIT[(d)] Two Harbors Investment	77,000	2,330,790
Corp.	1,023,800	10,493,950
		37,609,775
Real Estate Management & Development 1.03%		
Altisource Residential Corp.[(b)]	174,700	5,513,532
BHG S.A. - Brazil Hospitality Group[(a)]	354,877	2,339,780

	Shares	Value
		7,853,312
Financials (continued)		
Thrifts & Mortgage Finance 0.31%		
MGIC Investment Corp.[(a)(b)]	278,451	$ 2,372,402
TOTAL FINANCIALS		162,883,379
Health Care 19.84%		
Aetna, Inc.[(b)(c)]	108,762	8,153,887
Akorn, Inc.[(a)(b)(c)]	274,300	6,034,600
Alkermes PLC[(a)(b)]	44,000	1,939,960
Allergan, Inc.[(b)(c)]	57,800	7,172,980
Astellas Pharma, Inc.	482,000	5,715,913
Biogen Idec, Inc.[(a)(b)]	12,931	3,955,205
Bristol-Myers Squibb Co.[(b)]	250,100	12,992,695
Catamaran Corp.[(a)(b)(c)]	159,300	7,130,268
Celgene Corp.[(a)]	12,801	1,787,020
Centene Corp.[(a)(b)(c)]	96,585	6,012,416
Community Health Systems, Inc.[(a)(b)]	83,840	3,284,013
Forest Laboratories, Inc.[(a)(b)]	35,329	3,259,807
Gilead Sciences, Inc.[(a)(b)]	94,155	6,671,823
HCA Holdings, Inc.[(a)(b)]	148,447	7,793,467
Healthways, Inc.[(a)]	483,963	8,295,126
Intrexon Corp.[(a)(b)]	152,359	4,005,518
Ironwood Pharmaceuticals, Inc.[(a)(b)(c)]	318,300	3,921,456
Jazz Pharmaceuticals PLC[(a)(b)(c)]	9,183	1,273,498
LifePoint Hospitals, Inc.[(a)(b)]	82,508	4,500,811
McKesson Corp.[(b)]	13,480	2,380,164
Medivation, Inc.[(a)(b)]	32,300	2,079,151
Perrigo Co. PLC[(b)(c)]	37,486	5,797,585
Pfizer, Inc.[(b)]	19,300	619,916
Salix Pharmaceuticals, Ltd.[(a)(b)(c)]	32,500	3,367,325
Sanofi - ADR[(b)]	72,550	3,792,914
Sinopharm Group Co., Ltd. - Class H	1,420,000	3,890,286
Team Health Holdings, Inc.[(a)(b)]	70,693	3,163,512
Teva Pharmaceutical Industries, Ltd. - ADR	117,400	6,203,416
Towa Pharmaceutical Co., Ltd.	22,663	978,188
UnitedHealth Group, Inc.[(b)(c)]	39,700	3,255,003
Veracyte, Inc.[(a)(b)]	32,000	548,160
WellPoint, Inc.[(b)(c)]	106,700	10,621,985
		150,598,068
Industrials 12.65%		
Allison Transmission Holdings, Inc.[(b)(c)(d)]	560,562	16,783,226
Brenntag AG	23,500	4,359,286

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Clough Global Opportunities Fund

Statement of Investments

March 31, 2014

	Shares	Value
Industrials (continued)		
Delta Air Lines, Inc.[(b)(c)]	426,200	$ 14,767,830
Empresas ICA SAB de CV[(a)]	1,019,764	1,702,796
Empresas ICA SAB de CV - ADR[(a)(b)(c)]	67,240	443,112
FLIR Systems, Inc.[(b)]	409,400	14,738,400
Mitsubishi Heavy Industries, Ltd.	768,000	4,442,145
Scorpio Bulkers, Inc.[(a)(b)]	226,600	2,290,926
Sumitomo Corp.	157,725	2,006,423
United Continental Holdings, Inc.[(a)(b)(c)]	376,203	16,789,940
Verisk Analytics, Inc. - Class A[(a)]	24,613	1,475,796
ViaSat, Inc.[(a)(b)(c)]	201,535	13,913,976
Wesco Aircraft Holdings, Inc.[(a)(b)]	105,100	2,313,251
		96,027,107
Information Technology 9.94%		
eBay, Inc.[(a)(b)]	220,307	12,169,759
EVERTEC, Inc.[(b)]	157,945	3,901,241
Google, Inc. - Class A[(a)(b)(c)]	13,423	14,960,068
Hoya Corp.	82,400	2,565,046
NXP Semiconductor NV[(a)(b)]	169,386	9,961,591
Samsung Electronics Co., Ltd.	2,334	2,944,771
Seagate Technology[(b)(c)]	62,800	3,526,848
Western Digital Corp.[(b)]	32,800	3,011,696
Western Union Co.[(b)(c)]	1,369,600	22,406,656
		75,447,676
Materials 3.18%		
Berry Plastics Group, Inc.[(a)(b)]	306,950	7,105,892
Graphic Packaging Holding Co.[(a)(b)]	648,732	6,591,117
Taminco Corp.[(a)(b)(c)]	194,100	4,078,041
WR Grace & Co.[(a)(b)]	64,200	6,366,714
		24,141,764
Telecommunication Services 0.72%		
Nippon Telegraph & Telephone Corp.	100,700	5,482,084

TOTAL COMMON STOCKS		
(Cost $847,484,661)		923,774,875

	Shares	Value
EXCHANGE TRADED FUNDS 1.49%		
iShares® MSCI Mexico Capped ETF[b]	44,900	$ 2,871,355
SPDR® Gold Shares[a][b]	68,410	8,456,160
		11,327,515
TOTAL EXCHANGE TRADED FUNDS		
(Cost $11,765,778)		11,327,515
WARRANTS 0.10%		
Atlas Mara Co.-Nvest, Ltd., Strike price $11.50, Expires 12/17/2017[a][d]	487,322	730,983
TOTAL WARRANTS		
(Cost $4,873)		730,983

Description and Maturity Date	**Principal Amount**	**Value**
CORPORATE BONDS 7.19%		
Bank of America Corp. Series U, Perpetual Maturity, 5.200%[b][e][f]	$ 6,785,000	6,411,825
Bank of New York Mellon Corp. Series D, Perpetual Maturity, 4.500%[b][e][f]	6,740,000	6,150,250
Citigroup, Inc.		
Perpetual Maturity, 5.950% [b][e][f]	1,845,000	1,805,794
Series D, Perpetual Maturity, 5.350%[b][e][f]	3,645,000	3,395,941
Crown Americas LLC / Crown Americas Capital Corp. IV Series WI, 01/15/2023, 4.500%[b]	3,350,000	3,216,000
Eaton Vance Corp. 06/15/2023, 3.625% [b]	3,250,000	3,244,182
General Electric Capital Corp. Series C, Perpetual Maturity, 5.250%[b][e][f]	2,410,000	2,350,232
General Motors Co. 10/02/2023, 4.875% [b][d]	4,300,000	4,429,000
JPMorgan Chase & Co. Series Q, Perpetual Maturity, 5.150%[b][e][f]	6,100,000	5,749,250
M&T Bank Corp. Perpetual Maturity, 6.875% [b][d][f]	3,610,000	3,629,050

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Statement of Investments

Clough Global Opportunities Fund

March 31, 2014

Description and Maturity Date	Principal Amount	Value
CORPORATE BONDS (continued)		
PNC Financial Services Group, Inc., Series R, Perpetual Maturity, 4.850%[(b)(e)(f)]	$ 6,060,000	$ 5,696,400
Provident Bank of Maryland 05/01/2018, 9.500% [(b)]	4,000,000	4,016,728
Zions Bancorporation Perpetual Maturity, 5.800% [(b)(e)(f)]	4,760,000	4,450,600
TOTAL CORPORATE BONDS (Cost $53,292,921)		54,545,252
ASSET/MORTGAGE BACKED SECURITIES 0.42%		
Fannie Mae REMICS Series 2013-100, Class MS, 06/25/2043, 3.846%[(b)(e)]	3,442,235	3,209,850
TOTAL ASSET/MORTGAGE BACKED SECURITIES (Cost $3,255,064)		3,209,850
GOVERNMENT & AGENCY OBLIGATIONS 5.00%		
U.S. Treasury Bonds		
11/15/2018, 3.750% [(b)]	6,400,000	7,019,750
05/15/2021, 3.125% [(b)]	8,700,000	9,166,607
02/15/2022, 2.000% [(b)]	13,100,000	12,668,617
11/15/2028, 5.250% [(b)]	7,300,000	9,128,424
TOTAL GOVERNMENT & AGENCY OBLIGATIONS (Cost $38,229,134)		37,983,398

	Number of Contracts	Value
PURCHASED OPTIONS 0.15%		
Put Options Purchased 0.15%		
S&P 500® Index, Expires April 2014, Exercise Price $1,840.00	1,200	1,110,000
TOTAL PURCHASED OPTIONS (Cost $3,122,448)		1,110,000

	Shares	Value
SHORT-TERM INVESTMENTS 12.22%		

Money Market Fund 11.70%		
Morgan Stanley Institutional Liquidity Funds - Prime Portfolio (0.055% 7-day yield)	88,791,265	88,791,265

	Principal Amount	**Value**
SHORT-TERM INVESTMENTS (continued)		
U.S. Treasury Bills 0.52%		
U.S. Treasury Bills Discount Notes 04/24/2014, 0.049%(b)(g)	$4,000,000	$3,999,871
TOTAL SHORT-TERM INVESTMENTS		
(Cost $92,791,136)		92,791,136
Total Investments - 148.27%		
(Cost $1,049,946,015)		1,125,473,009
Liabilities in Excess of Other Assets - (48.27%)(h)		(366,388,884)
NET ASSETS - 100.00%		$759,084,125

SCHEDULE OF WRITTEN OPTIONS	**Number of Contracts**	**Value**
PUT OPTIONS WRITTEN (0.03%)		
S&P 500® Index, Expires April 2014, Exercise Price $1,760.00	(1,200)	$(246,000)
TOTAL PUT OPTIONS WRITTEN		
(Premiums received $1,197,552)		$(246,000)

SCHEDULE OF SECURITIES SOLD SHORT (a)	**Shares**	**Value**
COMMON STOCKS (17.11%)		
Consumer Discretionary (1.30%)		
CarMax, Inc.	(82,100)	$(3,842,280)
Johnson Controls, Inc.	(81,700)	(3,866,044)
Yamada Denki Co., Ltd.	(655,520)	(2,184,749)
		(9,893,073)
Financials (3.23%)		
Capital Markets (0.70%)		
Deutsche Bank AG	(86,204)	(3,864,525)
Mediobanca SpA	(124,855)	(1,427,661)
		(5,292,186)
Commercial Banks (1.75%)		
Banco Bilbao Vizcaya Argentaria S.A. - ADR	(32,850)	(394,528)
Banco Santander S.A.	(207,266)	(1,976,233)
Credit Agricole S.A.	(151,456)	(2,388,050)

HSBC Holdings PLC	(296,400)	(3,001,640)
Societe Generale S.A.	(78,414)	(4,829,374)
UniCredit SpA	(80,266)	(733,139)
		(13,322,964)

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Clough Global Opportunities Fund

Statement of Investments

March 31, 2014

SCHEDULE OF SECURITIES SOLD SHORT[(a)]	Shares		Value
Financials (continued)			
Insurance (0.78%)			
Everest Re Group, Ltd.	(18,793)	$	(2,876,269)
PartnerRe, Ltd.	(29,400)		(3,042,900)
			(5,919,169)
TOTAL FINANCIALS			(24,534,319)
Health Care (6.00%)			
Baxter International, Inc.	(73,600)		(5,415,488)
Charles River Laboratories International, Inc.	(75,600)		(4,561,704)
Covance, Inc.	(35,550)		(3,693,645)
Hanger, Inc.	(34,752)		(1,170,448)
Healthcare Services Group, Inc.	(83,200)		(2,417,792)
Intuitive Surgical, Inc.	(4,867)		(2,131,697)
Laboratory Corp. of America Holdings	(31,500)		(3,093,615)
Merck & Co., Inc.	(100,500)		(5,705,385)
Owens & Minor, Inc.	(77,200)		(2,704,316)
Quest Diagnostics, Inc.	(53,900)		(3,121,888)
ResMed, Inc.	(134,400)		(6,006,336)
St. Jude Medical, Inc.	(49,800)		(3,256,422)
Waters Corp.	(20,700)		(2,244,087)
			(45,522,823)
Industrials (3.62%)			
Atlas Copco AB - A Shares	(235,433)		(6,791,302)
Bombardier, Inc. - Class B	(835,168)		(3,104,966)
Caterpillar, Inc.	(26,700)		(2,653,179)
Emerson Electric Co.	(85,200)		(5,691,360)
Mitsui & Co., Ltd.	(210,200)		(2,971,291)
Sandvik AB	(443,255)		(6,262,947)
			(27,475,045)
Materials (2.96%)			
Bemis Co., Inc.	(74,700)		(2,931,228)
BHP Billiton, Ltd.	(117,293)		(3,967,129)
Cliffs Natural Resources, Inc.	(146,936)		(3,006,311)
Freeport-McMoRan Copper & Gold, Inc.	(70,100)		(2,318,207)
Glencore Xstrata PLC	(1,250,404)		(6,437,236)
United States Steel Corp.	(137,000)		(3,782,570)

			(22,442,681)
TOTAL COMMON STOCKS			
(Proceeds $122,818,389)			(129,867,941)
EXCHANGE TRADED FUNDS (18.16%)			
Health Care Select Sector SPDR® Fund	(247,700)		(14,487,973)
iShares® China Large Cap ETF	(308,269)		(11,029,865)
iShares® MSCI Emerging Markets Fund	(259,506)		(10,637,151)

SCHEDULE OF SECURITIES SOLD SHORT[(a)]	**Shares**		**Value**
EXCHANGE TRADED FUNDS (continued)			
iShares® MSCI South Korea Capped Fund	(47,700)	$	(2,933,550)
iShares® Nasdaq Biotechnology ETF	(7,701)		(1,820,902)
iShares® Russell 2000® Fund	(582,800)		(67,802,952)
SPDR® S&P 500® ETF Trust	(153,350)		(28,682,584)
United States Natural Gas Fund LP	(19,451)		(474,993)
TOTAL EXCHANGE TRADED FUNDS (Proceeds $124,085,285)			(137,869,970)
TOTAL SECURITIES SOLD SHORT (Proceeds $246,903,674)		$	(267,737,911)

(a) Non-income producing security.

(b) Pledged security; a portion or all of the security is pledged as collateral for written options, securities sold short or borrowings as of March 31, 2014. (See Note 1 and Note 6) (c) Loaned security; a portion or all of the security is on loan as of March 31, 2014.

(d) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. As of March 31, 2014, these securities had a total value of $35,721,284 or 4.71% of net assets.

(e) Floating or variable rate security - rate disclosed as of March 31, 2014.

(f) This security has no contractual maturity date, is not redeemable and contractually pays an indefinite stream of interest.

(g) Rate shown represents the bond equivalent yield to maturity at date of purchase.

(h) Includes cash which is being held as collateral for total return swap contracts.

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Statement of Investments

Clough Global Opportunities Fund

March 31, 2014

TOTAL RETURN SWAP CONTRACTS

Counter Party	Reference Entry/ Obligation	Notional Amount	Floating Rate Paid by the Fund	Floating Rate Index	Termination Date	Net Unrealized Appreciation
Morgan Stanley	Housing Development Finance Corp.	$ 3,033,286	30 bps + 1D FEDEF	1D FEDEF	01/15/2016	$ 244,881
		$ 3,033,286				$ 244,881

Counter Party	Reference Entry/ Obligation	Notional Amount	Floating Rate Paid by the Fund	Floating Rate Index	Termination Date	Net Unrealized Depreciation
Morgan Stanley	Bharti Infratel, Ltd.	$ 6,471,229	30 bps + 1D FEDEF	1D FEDEF	12/30/2014	$ (1,012,014)
		$ 6,471,229				$ (1,012,014)

See Notes to the Financial Statements.

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Clough Global Funds

Statement of Investments

March 31, 2014

Abbreviations:

1D FEDEF - Federal Funds Effective Rate (Daily)

AB - Aktiebolag is the Swedish equivalent of the term corporation

ADR - American Depositary Receipt

AG - Aktiengesellschaft is a German term that refers to a corporation that is limited by shares, i.e., owned by shareholders

Bps - Basis Points

ETF - Exchange Traded Fund

LLC - Limited Liability Corporation

LP - Limited Partnership

Ltd. - Limited

MSCI - Morgan Stanley Capital International

NV - Naamloze Vennootschap (Dutch: Limited Liability Company)

PLC - Public Limited Liability

REIT - Real Estate Investment Trust

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

SpA - Societa` Per Azioni is an Italian shared company

SAB de CV - Sociedad Anonima de Capital Variable (Spanish Variable Capital Company)

S&P - Standard & Poor s

SPDR - Standard & Poor s Depositary Receipt

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

See Notes to the Financial Statements.

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Statements of Assets and Liabilities

Clough Global Funds

March 31, 2014

	Clough Global Allocation Fund	Clough Global Equity Fund	Clough Global Opportunities Fund
ASSETS:			
Investments, at value (Cost - see below)[a]	$ 270,293,208	$ 452,410,821	$ 1,125,473,009
Cash	2,244,152	3,818,086	10,085,407
Deposit with broker for written options and securities sold short	74,758,704	126,072,865	310,459,054
Deposit with broker for total return swap contracts	2,262,020	3,687,093	9,505,985
Unrealized appreciation on total return swap contracts	58,662	98,363	244,881
Dividends receivable	285,097	516,155	1,195,055
Interest receivable	371,782	478,997	1,448,084
Receivable for investments sold	12,363,499	17,193,279	47,197,368
Total Assets	362,637,124	604,275,659	1,505,608,843
LIABILITIES:			
Foreign currency due to custodian (Cost $164,619, $267,888 and $681,493)	162,757	264,940	673,983
Loan payable	93,300,000	156,000,000	388,900,000
Interest due on loan payable	10,187	17,033	42,462
Securities sold short (Proceeds $58,995,346, $98,872,703 and $246,903,674)	63,959,810	107,237,575	267,737,911
Written options, at value (Premiums received $299,388, $498,980 and $1,197,552)	61,500	102,500	246,000
Payable for investments purchased	21,732,184	33,470,103	85,688,369
Unrealized depreciation on total return swap contracts	240,059	385,977	1,012,014
Dividends payable - short sales	97,718	161,443	410,491
Interest payable - margin account	36,104	60,641	151,078
Accrued investment advisory fee	211,468	453,394	1,257,341
Accrued administration fee	86,098	161,206	402,349
Accrued trustees fee	2,500	2,500	2,500
Other payables and accrued expenses	220	220	220
Total Liabilities	179,900,605	298,317,532	746,524,718
Net Assets	$ 182,736,519	$ 305,958,127	$ 759,084,125
Cost of Investments	$ 254,272,824	$ 417,202,054	$ 1,049,946,015
COMPOSITION OF NET ASSETS:			
Paid-in capital	$ 166,087,962	$ 266,419,905	$ 714,484,492
Overdistributed net investment income	(25,714)	(58,333)	(4,669,930)
Accumulated net realized gain/(loss) on investment securities, written options, securities sold short, total return swap contracts and foreign currency transactions	5,561,725	12,643,942	(5,607,938)
Net unrealized appreciation in value of investment securities, written options, securities sold short, total return swap contracts and translation of assets and liabilities denominated in foreign currency	11,112,546	26,952,613	54,877,501
Net Assets	$ 182,736,519	$ 305,958,127	$ 759,084,125
Shares of common stock outstanding of no par value, unlimited shares authorized	10,434,606	17,840,705	51,736,859
Net assets value per share	$ 17.51	$ 17.15	$ 14.67
[a] Securities Loaned, at value	$ 17,656,495	$ 29,895,511	$ 78,397,982

See Notes to the Financial Statements.

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Clough Global Funds

Statements of Operations

For the Year Ended March 31, 2014

	Clough Global Allocation Fund	Clough Global Equity Fund	Clough Global Opportunities Fund
INVESTMENT INCOME:			
Dividends (net of foreign withholding taxes of $43,260, $75,463 and $182,695)	$ 2,404,817	$ 4,306,515	$ 9,635,289
Interest on investment securities	800,213	818,628	3,249,449
Hypothecated securities income (See Note 6)	222,440	373,396	1,012,655
Total Income	3,427,470	5,498,539	13,897,393
EXPENSES:			
Investment advisory fee	2,439,482	5,208,740	14,660,276
Administration fee	993,217	1,851,996	4,691,289
Interest on loan	922,380	1,518,062	3,956,800
Interest expense - margin account	400,975	672,991	1,684,402
Trustees fee	133,372	133,372	133,371
Dividend expense - short sales	1,236,143	2,070,138	5,201,889
Other expenses	2,650	2,631	2,875
Total Expenses	6,128,219	11,457,930	30,330,902
Net Investment Loss	(2,700,749)	(5,959,391)	(16,433,509)
NET REALIZED GAIN/(LOSS) ON:			
Investment securities	33,757,575	59,677,261	154,280,979
Securities sold short	(11,724,746)	(19,377,471)	(49,230,469)
Written options	1,157,134	2,132,270	2,518,366
Total return swap contracts	(397,065)	(778,872)	(1,681,206)
Foreign currency transactions	(1,364,844)	(2,282,452)	(5,764,401)
NET CHANGE IN UNREALIZED APPRECIATION/(DEPRECIATION) ON:			
Investment securities	1,545,066	7,138,315	1,301,682
Securities sold short	(3,663,378)	(6,297,210)	(15,331,017)
Written options	237,888	396,480	951,552
Total return swap contracts	387,137	912,341	1,634,232
Translation of assets and liabilities denominated in foreign currencies	1,667	2,278	6,869
Net gain on investment securities, securities sold short, written options, total return swap contracts and foreign currency transactions	19,936,434	41,522,940	88,686,587
Net Increase in Net Assets Attributable to Common Shares from Operations	$ 17,235,685	$ 35,563,549	$ 72,253,078

See Notes to the Financial Statements.

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Statements of Changes in Net Assets

Clough Global Funds

	Clough Global Allocation Fund		Clough Global Equity Fund		Clough Global Opportunities Fund	
	For the Year Ended March 31, 2014	For the Year Ended March 31, 2013	For the Year Ended March 31, 2014	For the Year Ended March 31, 2013	For the Year Ended March 31, 2014	For the Year Ended March 31, 2013
COMMON SHAREHOLDERS OPERATIONS:						
Net investment loss	$ (2,700,749)	$ (69,712)	$ (5,959,391)	$ (983,944)	$ (16,433,509)	$ (4,407,866)
Net realized gain/(loss) from:						
Investment securities	33,757,575	24,958,582	59,677,261	40,944,160	154,280,979	85,789,337
Securities sold short	(11,724,746)	3,273,485	(19,377,471)	5,058,198	(49,230,469)	14,018,291
Written options	1,157,134	1,756,731	2,132,270	2,891,304	2,518,366	7,011,300
Total return swap contracts	(397,065)	(112,013)	(778,872)	(174,134)	(1,681,206)	(473,796)
Foreign currency transactions	(1,364,844)	(736,407)	(2,282,452)	(1,185,512)	(5,764,401)	(3,066,474)
Net change in urealized appreciation/(depreciation) on:						
Investment securities	1,545,066	(2,632,864)	7,138,315	(1,538,547)	1,301,682	9,736,891
Securities sold short	(3,663,378)	(2,291,702)	(6,297,210)	(3,687,914)	(15,331,017)	(9,730,672)
Written options	237,888	135,484	396,480	223,842	951,552	650,071
Total return swap contracts	387,137	(568,534)	912,341	(1,199,955)	1,634,232	(2,401,365)
Foreign currency transactions	1,667	(2,585)	2,278	(4,143)	6,869	(11,019)
Net Increase in Net Assets From Operations	17,235,685	23,710,465	35,563,549	40,343,355	72,253,078	97,114,698
DISTRIBUTIONS TO COMMON SHAREHOLDERS:						
Net investment income	(2,508,129)	(9,391,145)	(6,725,986)	(15,521,413)	(5,714,309)	(55,875,807)
Net realized gains	(13,300,299)	(3,130,382)	(19,589,053)	(5,173,804)	(64,906,503)	
Net Decrease in Net Assets from Distributions	(15,808,428)	(12,521,527)	(26,315,039)	(20,695,217)	(70,620,812)	(55,875,807)
Net Increase in Net Assets Attributable to Common Shares	1,427,257	11,188,938	9,248,510	19,648,138	1,632,266	41,238,891
NET ASSETS ATTRIBUABLE TO COMMON SHARES:						
Beginning of period	181,309,262	170,120,324	296,709,617	277,061,479	757,451,859	716,212,968
End of period*	$ 182,736,519	$ 181,309,262	$ 305,958,127	$ 296,709,617	$ 759,084,125	$ 757,451,859
*Includes Overdistributed Net Investment Income of:	$ (25,714)	$ (1,019,963)	$ (58,333)	$ (2,013,693)	$ (4,669,930)	$ (5,320,120)

See Notes to the Financial Statements.

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Clough Global Funds

Statements of Cash Flows

For the Year Ended March 31, 2014

	Clough Global Allocation Fund	Clough Global Equity Fund	Clough Global Opportunities Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net increase in net assets from operations	$ 17,235,685	$ 35,563,549	$ 72,253,078
Adjustments to reconcile net increase/(decrease) in net assets from operations to net cash provided by operating activities:			
Purchase of investment securities	(433,037,075)	(686,514,711)	(1,792,763,035)
Proceeds from disposition of investment securities	479,320,220	759,969,777	2,011,048,103
Proceeds from securities sold short transactions	229,586,058	383,510,232	974,663,385
Cover securities sold short transactions	(248,043,344)	(415,504,252)	(1,054,593,097)
Premiums received from written options transactions	2,697,925	4,491,177	9,640,740
Premiums paid on closing written options transactions	(1,241,403)	(1,859,927)	(5,924,822)
Purchased options transactions	(6,057,666)	(10,096,110)	(21,691,930)
Proceeds from purchased options transactions	1,676,696	2,794,493	9,256,788
Net purchases of short-term investment securities	(2,778,652)	(2,637,130)	(15,607,391)
Net realized gain from investment securities	(33,757,575)	(59,677,261)	(154,280,979)
Net realized loss on securities sold short	11,724,746	19,377,471	49,230,469
Net realized gain on written options	(1,157,134)	(2,132,270)	(2,518,366)
Net realized loss on total return swap contracts	397,065	778,872	1,681,206
Net realized loss on foreign currency transactions	1,202,318	2,000,002	5,074,913
Net change in unrealized appreciation on investment securities	(1,545,066)	(7,138,315)	(1,301,682)
Net change in unrealized depreciation on securities sold short	3,663,378	6,297,210	15,331,017
Net change in unrealized appreciation on written options	(237,888)	(396,480)	(951,552)
Net change in unrealized appreciation on total return swap contracts	(387,137)	(912,341)	(1,634,232)
Net change in unrealized appreciation on translation of assets and liabilities denominated in foreign currencies	(1,667)	(2,278)	(6,869)
Net payments on total return swap contracts	(397,065)	(778,872)	(1,681,206)
Discount and premiums amortized	224,315	199,371	1,031,400
Increase in deposits with broker for written options and securities sold short	(5,686,565)	(10,978,765)	(21,734,902)
Decrease in deposits with broker for total return swap contracts	1,588,719	5,535,847	7,614,521
Increase in dividends receivable	(83,052)	(148,245)	(342,904)
Increase/(Decrease) in interest receivable	(6,036)	(40,602)	288,139
Decrease in due to custodian for foreign currency	(439,957)	(743,902)	(1,778,416)
Decrease in interest due on loan payable	(2,694)	(4,053)	(13,324)
Increase in dividends payable - short sales	68,441	113,869	286,565
Increase in interest payable - margin account	5,348	18,144	20,766
Increase in accrued investment advisory fee	9,688	25,541	52,139
Increase in accrued administration fee	3,945	9,080	16,685
Decrease in accrued trustees fee	(2,471)	(2,471)	(2,471)
Increase in other payables	180	180	155
Net cash provided by operating activities	14,542,280	21,116,830	80,662,891
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from bank borrowing	3,500,000	9,000,000	
Cash distributions paid	(15,808,428)	(26,315,039)	(70,620,812)
Net cash used in financing activities	(12,308,428)	(17,315,039)	(70,620,812)
Effect of exchange rates on cash	1,667	2,278	6,869
Net Change in Cash and Foreign Rates on Cash and Foreign Currency	2,235,519	3,804,069	10,048,948
Cash and foreign currency, beginning of period	$ 8,633	$ 14,017	$ 36,459
Cash and foreign currency, end of period	$ 2,244,152	$ 3,818,086	$ 10,085,407

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Cash paid during the period for interest from bank borrowing:	$	925,074	$	1,522,115	$	3,970,124

See Notes to the Financial Statements.

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Financial Highlights

Clough Global Allocation Fund

For a share outstanding throughout the years indicated

	For the Year Ended March 31, 2014	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012	For the Year Ended March 31, 2011	For the Year Ended March 31, 2010
PER COMMON SHARE OPERATING PERFORMANCE:					
Net asset value - beginning of period	$17.38	$16.30	$18.35	$16.90	$13.24
Income from investment operations:					
Net investment income/(loss)*	(0.26)	(0.01)	0.26	0.38	0.32
Net realized and unrealized gain/(loss) on investments	1.90	2.29	(1.11)	2.27	4.44
Total Income from Investment Operations	1.64	2.28	(0.85)	2.65	4.76
DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:					
Net investment income	(0.24)	(0.90)	(1.20)	(1.20)	(0.46)
Net realized gains	(1.27)	(0.30)			
Tax return of capital					(0.64)
Total Distributions to Common Shareholders	(1.51)	(1.20)	(1.20)	(1.20)	(1.10)
Net asset value - end of period	$17.51	$17.38	$16.30	$18.35	$16.90
Market price - end of period	$15.18	$15.07	$13.94	$16.24	$15.92
Total Investment Return - Net Asset Value:(1)	11.14%	16.19%	(3.48)%	17.30%	38.14%
Total Investment Return - Market Price:(1)	11.12%	17.81%	(6.73)%	10.20%	61.32%
RATIOS AND SUPPLEMENTAL DATA:					
Net assets attributable to common shares, end of period (000s)	$182,737	$181,309	$170,120	$191,502	$176,317
Ratios to average net assets attributable to common shareholders:					
Total expenses	3.34%	3.24%	3.05%	2.87%	3.22%
Total expenses excluding interest expense and dividends on short sales expense	1.94%	1.93%	1.80%	1.74%	1.88%
Net investment income/(loss)	(1.47)%	(0.04)%	1.61%	2.28%	1.96%
Portfolio turnover rate	179%	250%	192%	172%	115%
Borrowings at End of Period					
Aggregate Amount Outstanding (000s)	$93,300	$89,800	$89,800	$89,800	$89,800
Asset Coverage Per $1,000 (000s)	$2,959	$3,019	$2,894	$3,133	$2,963

* *Based on average shares outstanding.*

(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. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at price obtained under the Fund s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions on the purchase or sale of the Fund s common shares. Past performance is not a guarantee of future results.*

See Notes to the Financial Statements.

Clough Global Equity Fund

Financial Highlights

For a share outstanding throughout the years indicated

	For the Year Ended March 31, 2014	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012	For the Year Ended March 31, 2011	For the Year Ended March 31, 2010
PER COMMON SHARE OPERATING PERFORMANCE:					
Net asset value - beginning of period	$16.63	$15.53	$17.62	$16.29	$12.28
Income from investment operations:					
Net investment income/(loss)*	(0.33)	(0.06)	0.21	0.30	0.22
Net realized and unrealized gain/(loss) on investments	2.33	2.32	(1.14)	2.19	4.82
Total Income from Investment Operations	2.00	2.26	(0.93)	2.49	5.04
DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:					
Net investment income	(0.38)	(0.87)	(1.14)	(1.16)	(0.39)
Net realized gains	(1.10)	(0.29)			
Tax return of capital			(0.02)		(0.64)
Total Distributions to Common Shareholders	(1.48)	(1.16)	(1.16)	(1.16)	(1.03)
Net asset value - end of period	$17.15	$16.63	$15.53	$17.62	$16.29
Market price - end of period	$15.42	$14.70	$13.09	$15.37	$14.33
Total Investment Return - Net Asset Value:(1)	13.57%	16.90%	(4.08)%	17.05%	43.62%
Total Investment Return - Market Price:(1)	15.52%	22.60%	(7.32)%	16.07%	58.80%
RATIOS AND SUPPLEMENTAL DATA:					
Net assets attributable to common shares, end of period (000s)	$305,958	$296,710	$277,061	$314,355	$290,577
Ratios to average net assets attributable to common shareholders:					
Total expenses	3.76%	3.67%	3.43%	3.23%	3.57%
Total expenses excluding interest expense and dividends on short sales expense	2.36%	2.35%	2.18%	2.10%	2.25%
Net investment income/(loss)	(1.95)%	(0.37)%	1.34%	1.87%	1.43%
Portfolio turnover rate	166%	250%	183%	173%	116%
Borrowings at End of Period					
Aggregate Amount Outstanding (000s)	$156,000	$147,000	$147,000	$147,000	$147,000
Asset Coverage Per $1,000 (000s)	$2,961	$3,018	$2,885	$3,138	$2,977

* *Based on average shares outstanding.*

(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. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at price obtained under the Fund s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions on the purchase or sale of the Fund s common shares. Past performance is not a guarantee of future results.*

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Financial Highlights

Clough Global Opportunities Fund

For a share outstanding throughout the years indicated

	For the Year Ended March 31, 2014	For the Year Ended March 31, 2013	For the Year Ended March 31, 2012	For the Year Ended March 31, 2011	For the Year Ended March 31, 2010
PER COMMON SHARE OPERATING PERFORMANCE:					
Net asset value - beginning of period	$14.64	$13.84	$15.72	$14.68	$11.55
Income from investment operations:					
Net investment income/(loss)*	(0.32)	(0.09)	0.14	0.25	0.17
Net realized and unrealized gain/(loss) on investments	1.72	1.97	(0.94)	1.87	3.94
Total Income from Investment Operations	1.40	1.88	(0.80)	2.12	4.11
DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:					
Net investment income	(0.11)	(1.08)	(1.05)	(1.08)	(0.29)
Net realized gains	(1.26)				
Tax return of capital			(0.03)		(0.69)
Total Distributions to Common Shareholders	(1.37)	(1.08)	(1.08)	(1.08)	(0.98)
Net asset value - end of period	$14.67	$14.64	$13.84	$15.72	$14.68
Market price - end of period	$12.75	$12.87	$11.78	$13.85	$13.04
Total Investment Return - Net Asset Value:(1)	11.26%	15.87%	(3.88)%	16.21%	37.93%
Total Investment Return - Market Price:(1)	9.99%	19.67%	(7.14)%	15.27%	53.82%
RATIOS AND SUPPLEMENTAL DATA:					
Net assets attributable to common shares, end of period (000s)	$759,084	$757,452	$716,213	$813,178	$759,601
Ratios to average net assets attributable to common shareholders:					
Total expenses	3.97%	3.86%	3.61%	3.40%	3.72%
Total expenses excluding interest expense and dividends on short sales expense	2.55%	2.52%	2.35%	2.25%	2.39%
Net investment income/(loss)	(2.15)%	(0.64)%	1.04%	1.74%	1.19%
Portfolio turnover rate	178%	241%	193%	171%	115%
Borrowings at End of Period					
Aggregate Amount Outstanding (000s)	$388,900	$388,900	$388,900	$388,900	$388,900
Asset Coverage Per $1,000 (000s)	$2,952	$2,948	$2,842	$3,091	$2,953

* *Based on average shares outstanding.*

(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. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at price obtained under the Fund s dividend reinvestment plan. Total investment returns do not reflect brokerage commissions on the purchase or sale of the Fund s common shares. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.*

See Notes to the Financial Statements.

Clough Global Funds

Notes to Financial Statements

March 31, 2014

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING AND OPERATING POLICIES

Clough Global Allocation Fund, Clough Global Equity Fund, and Clough Global Opportunities Fund, are closed-end management investment companies registered under the Investment Company Act of 1940 (the 1940 Act). The Funds were organized under the laws of the state of Delaware by an Amended Agreement and Declaration of Trust dated April 27, 2004 and January 25, 2005, respectively for Clough Global Allocation Fund and Clough Global Equity Fund, and an Agreement and Declaration of Trust dated January 12, 2006, for Clough Global Opportunities Fund. The Funds were previously registered as non-diversified investment companies. As a result of ongoing operations, each of the Funds became a diversified company. The Funds may not resume operating in a non-diversified manner without first obtaining shareholder approval. Each Fund s investment objective is to provide a high level of total return. Each Declaration of Trust provides that the Board of Trustees may authorize separate classes of shares of beneficial interest.

The following is a summary of significant accounting policies followed by the Funds. These policies are in conformity with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements during the reporting period. Management believes the estimates and security valuations are appropriate; however, actual results may differ from those estimates, and the security valuations reflected in the financial statements may differ from the value the Funds ultimately realize upon sale of the securities. The financial statements have been prepared as of the close of the New York Stock Exchange (NYSE or the Exchange) on March 31, 2014.

The net asset value per share of each Fund is determined no less frequently than daily, on each day that 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 a Fund is not open for business. As a result, each Fund s net asset value may change at times when it is not possible to purchase or sell shares of a Fund.

Investment Valuation: Securities held by each 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. Most securities listed on a foreign exchange are valued at the last sale price at the close of the exchange on which the security is primarily traded. In certain countries market maker prices are used since they are the most representative of the daily trading activity. Market maker prices are usually the mean between the bid and ask prices. Certain markets are not closed at the time that the Funds price their portfolio securities. In these situations, snapshot prices are provided by the individual pricing services or other alternate sources at the close of the NYSE as appropriate. Securities not traded on a particular day are valued at the mean between the last reported bid and the asked quotes, or the last sale price when appropriate; otherwise fair value will be determined by the board-appointed fair valuation committee. Debt securities for which the over-the-counter market is the primary market are normally valued on the basis of prices furnished by one or more pricing services or dealers at the mean between the latest available bid and asked prices. As authorized by the Board of 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 or a matrix method which considers yield or price of comparable bonds provided by a pricing service. Short-term obligations maturing within 60 days are valued at amortized cost, which approximates value, unless the Board of 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. Total return swaps are priced based on valuations provided by a board approved independent third party pricing agent. If a total return swap price cannot be obtained from an independent third party pricing agent the Fund shall seek to obtain a bid price from at least one independent and/or executing broker.

If the price of a security is unavailable in accordance with the aforementioned pricing procedures, or the price of a security is unreliable, e.g., due to the occurrence of a significant event, the security may be valued at its fair value determined by management pursuant to procedures adopted by the Board of Trustees. For this purpose, fair value is the price that a Fund reasonably expects to receive on a current sale of the security. Due to the number of variables affecting the price of a security, however; it is possible that the fair value of a security may not accurately reflect the price that a Fund could actually receive on a sale of the security.

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

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

Level 1	Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that a Fund has the ability to access at the measurement date;
Level 2	Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and
Level 3	Significant unobservable prices or inputs (including the Fund s own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

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Notes to Financial Statements

Clough Global Funds

March 31, 2014

The following is a summary of the inputs used as of March 31, 2014, in valuing each Fund s investments carried at value.

Clough Global Allocation Fund

Investments in Securities at Value*	Level 1	Level 2	Level 3	Total
Common Stocks	$ 219,930,274	$	$	$ 219,930,274
Exchange Traded Funds	2,677,073			2,677,073
Warrants	175,437			175,437
Corporate Bonds		13,450,720		13,450,720
Asset/Mortgage Backed Securities		1,171,614		1,171,614
Government & Agency Obligations		10,144,473		10,144,473
Purchased Options	277,500			277,500
Short-Term Investments				
Money Market Fund	21,466,149			21,466,149
U.S. Treasury Bills		999,968		999,968
TOTAL	$ 244,526,433	$ 25,766,775	$	$ 270,293,208

Other Financial Instruments	Level 1	Level 2	Level 3	Total
Assets				
Total Return Swap Contracts**	$	$ 58,662	$	$ 58,662
Liabilities				
Written Options	(61,500)			(61,500)
Securities Sold Short				
Common Stocks	(31,010,364)			(31,010,364)
Exchange Traded Funds	(32,949,446)			(32,949,446)
Total Return Swap Contracts**		(240,059)		(240,059)
TOTAL	$ (64,021,310)	$ (181,397)	$	$ (64,202,707)

Clough Global Equity Fund

Investments in Securities at Value*	Level 1	Level 2	Level 3	Total
Common Stocks	$ 396,894,368	$	$	$ 396,894,368
Exchange Traded Funds	4,410,910			4,410,910
Warrants	293,580			293,580
Corporate Bonds		19,367,144		19,367,144
Government & Agency Obligations		13,115,341		13,115,341
Purchased Options	462,500			462,500
Short-Term Investments				

Money Market Fund	16,867,010			16,867,010
U.S. Treasury Bills		999,968		999,968
TOTAL	$ 418,928,368	$ 33,482,453	$	$ 452,410,821

Other Financial Instruments

Assets				
Total Return Swap Contracts**	$	$ 98,363	$	$ 98,363
Liabilities				
Written Options	(102,500)			(102,500)
Securities Sold Short				
Common Stocks	(51,675,452)			(51,675,452)
Exchange Traded Funds	(55,562,123)			(55,562,123)
Total Return Swap Contracts**		(385,977)		(385,977)
TOTAL	$ (107,340,075)	$ (287,614)	$	$ (107,627,689)

Clough Global Funds

Notes to Financial Statements

March 31, 2014

Clough Global Opportunities Fund

Investments in Securities at Value*	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks	$ 923,774,875	$	$	$ 923,774,875
Exchange Traded Funds	11,327,515			11,327,515
Warrants	730,983			730,983
Corporate Bonds		54,545,252		54,545,252
Asset/Mortgage Backed Securities		3,209,850		3,209,850
Government & Agency Obligations		37,983,398		37,983,398
Purchased Options	1,110,000			1,110,000
Short-Term Investments				
Money Market Fund	88,791,265			88,791,265
U.S. Treasury Bills		3,999,871		3,999,871
TOTAL	$ 1,025,734,638	$ 99,738,371	$	$ 1,125,473,009

Other Financial Instruments				
Assets				
Total Return Swap Contracts**	$	$ 244,881	$	$ 244,881
Liabilities				
Written Options	(246,000)			(246,000)
Securities Sold Short				
Common Stocks	(129,867,941)			(129,867,941)
Exchange Traded Funds	(137,869,970)			(137,869,970)
Total Return Swap Contracts**		(1,012,014)		(1,012,014)
TOTAL	$ (267,983,911)	$ (767,133)	$	$ (268,751,044)

* *For detailed industry descriptions, see the accompanying Statement of Investments.*

** *Swap contracts are reported at their unrealized appreciation/(depreciation) at measurement date, which represents the change in the contract s value from trade date.*

The Funds recognize transfers between the levels as of the end of the period in which the transfer occurred. During the year ended March 31, 2014, Clough Global Allocation Fund, Clough Global Equity Fund, and Clough Opportunities Fund transferred Government & Agency Obligations with a market value of $2,500,938, $4,001,501, and $9,128,424 respectively, from Level 1 to Level 2 due to the unavailability of a quoted price in an active market.

In the event a board approved independent pricing service is unable to provide an evaluated price for a security or Clough Capital Partners L.P. (the Adviser or Clough) believes the price provided is not reliable, securities of each Fund may be valued at fair value as described above. In these instances the Adviser may seek to find an alternative independent source, such as a broker/dealer to provide a price quote, or by using evaluated pricing models similar to the techniques and models used by the independent pricing service. These fair value measurement techniques may utilize unobservable inputs (Level 3).

On a monthly basis, the Fair Value Committee of each Fund meets and discusses securities that have been fair valued during the preceding month in accordance with the Fund s Fair Value Procedures and reports quarterly to the Board of Trustees on the results of those meetings.

For the year ended March 31, 2014, the Funds did not have significant unobservable inputs (Level 3) used in determining fair value. Therefore, a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value is not applicable.

Foreign Securities: Each Fund may invest a portion of its assets in foreign securities. In the event that a 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 each 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 reported with all other foreign currency realized and unrealized gains and losses in the Funds Statements of Operations.

Notes to Financial Statements

Clough Global Funds

March 31, 2014

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

The net U.S. dollar value of foreign currency underlying all contractual commitments held by a Fund and the resulting unrealized appreciation or depreciation are determined using prevailing forward foreign currency exchange rates. Unrealized appreciation and depreciation on foreign currency spot contracts are reported in the Funds Statements of Assets and Liabilities as a receivable or a payable and in the Funds Statements of Operations with the change in unrealized appreciation or depreciation on translation of assets and liabilities denominated in foreign currencies. These spot contracts are used by the broker to settle investments denominated in foreign currencies.

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

Short Sales: Each Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When a 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 a Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of the short sale.

Each Fund s obligation to replace the borrowed security will be secured by collateral deposited with the broker-dealer, usually cash, U.S. government securities or other liquid securities. Each Fund will also be required to designate on its books and records similar collateral with its custodian to the extent, if any, necessary so that the aggregate collateral value is at all times at least equal to the current market value of the security sold short. The cash amount is reported on the Statements of Assets and Liabilities as Deposit with broker for securities sold short. The market value of securities held as collateral for securities sold short as of March 31, 2014, was $37,999,935, $54,504,854 and $151,270,448 for Clough Global Allocation Fund, Clough Global Equity Fund and Clough Global Opportunities Fund, respectively. Each Fund is obligated to pay interest to the broker for any debit balance of the margin account relating to short sales. The interest incurred by the Funds for the year ended March 31, 2014, is reported on the Statements of Operations as Interest expense margin account. Interest amounts payable by the Funds as of March 31, 2014, are reported on the Statements of Assets and Liabilities as Interest payable margin account.

Each Fund may also sell a security short if it owns at least an equal amount of the security sold short or another security convertible or exchangeable for an equal amount of the security sold short without payment of further compensation (a short sale against-the-box). In a short sale against-the-box, the short seller is exposed to the risk of being forced to deliver stock that it holds to close the position if the borrowed stock is called in by the lender, which would cause gain or loss to be recognized on the delivered stock. Each Fund expects normally to close its short sales against-the-box by delivering newly acquired stock.

Derivatives Instruments and Hedging Activities: The following discloses the Funds use of derivative instruments and hedging activities.

The Funds investment objectives not only permit the Funds to purchase investment securities, they also allow the Funds to enter into various types of derivative contracts, including, but not limited to, purchased and written options, swaps, futures and warrants. In doing so, the Funds will employ strategies in differing combinations to permit them to increase, decrease, or change the level or types of exposure to market factors. Central to those strategies are features inherent to derivatives that make them more attractive for this purpose than equity securities; they require little or no initial cash investment, they can focus exposure on only certain selected risk factors, and they may not require the ultimate receipt or delivery of the underlying security (or securities) to the contract. This may allow the Funds to pursue their objectives more quickly and efficiently than if they were to make direct purchases or sales of securities capable of affecting a similar response to market factors.

Market Risk Factors: In pursuit of their investment objectives, certain Funds may seek to use derivatives to increase or decrease their exposure to the following market risk factors:

Equity Risk: Equity risk relates to the change in value of equity securities as they relate to increases or decreases in the general market.

Risk of Investing in Derivatives: The Funds use of derivatives can result in losses due to unanticipated changes in the market risk factors and the overall market. In instances where the Funds are using derivatives to decrease or hedge exposures to market risk factors for securities held by the Funds, there are also risks that those derivatives may not perform as expected, resulting in losses for the combined or hedged positions.

Derivatives may have little or no initial cash investment relative to their market value exposure and therefore can produce significant gains or losses in excess of their cost. This use of embedded leverage allows the Funds to increase their market value exposure relative to their net assets and can substantially increase the volatility of the Funds performance.

Clough Global Funds

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March 31, 2014

Additional associated risks from investing in derivatives also exist and potentially could have significant effects on the valuation of the derivative and the Funds. Typically, the associated risks are not the risks that the Funds are attempting to increase or decrease exposure to, per their investment objectives, but are the additional risks from investing in derivatives.

Examples of these associated risks are liquidity risk, which is the risk that the Funds will not be able to sell the derivative in the open market in a timely manner, and counterparty credit risk, which is the risk that the counterparty will not fulfill its obligation to the Funds. Associated risks can be different for each type of derivative and are discussed by each derivative type in the notes that follow.

Each Fund may acquire put and call options and options on stock indices and enter into stock index futures contracts, certain credit derivatives transactions and short sales in connection with its equity investments. In connection with a Fund s investments in debt securities, it may enter into related derivatives transactions such as interest rate futures, swaps and options thereon and certain credit derivatives transactions. Derivatives transactions of the types described above subject a Fund to increased risk of principal loss due to imperfect correlation or unexpected price or interest rate movements. Each Fund also will be subject to credit risk with respect to the counterparties to the derivatives contracts purchased by a Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivatives contract due to financial difficulties, each Fund may experience significant delays in obtaining any recovery under the derivatives contract in a bankruptcy or other reorganization proceeding. Each Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Option Writing/Purchasing: Each Fund may purchase or write (sell) put and call options. One of the risks associated with purchasing an option among others, is that a Fund pays a premium whether or not the option is exercised. Additionally, a Fund bears the risk of loss of premium and change in market value should the counterparty not perform under the contract. The cost of securities acquired through the exercise of call options is increased by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid. Each Fund is obligated to pay interest to the broker for any debit balance of the margin account relating to options. The interest incurred on the Funds for the year ended March 31, 2014 is reported on the Statements of Operations as Interest expense margin account. Interest amounts payable by the Funds as of March 31, 2014 are reported on the Statements of Assets and Liabilities as Interest payable margin account.

When a Fund writes an option, an amount equal to the premium received by a Fund is recorded as a liability and is subsequently adjusted to the current value of the option written. Premiums received from writing options that expire unexercised are treated by a Fund on the expiration date as realized gains. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is recorded as a realized gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether a Fund has realized a gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by a Fund. Each Fund, as writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option.

Written option activity for the year ended March 31, 2014, was as follows:

Clough Global Allocation Fund

	Written Call Options		Written Put Options	
	Contracts	**Premiums**	**Contracts**	**Premiums**
Outstanding, March 31, 2013		$		$
Positions opened	2,499	271,090	(1,800)	2,426,835
Closed	(1,999)	(236,513)	1,500	(2,127,447)
Exercised	(500)	(34,577)		

Outstanding, March 31, 2014		$	(300)	$ 299,388
Market Value, March 31, 2014		$		$ (61,500)

Clough Global Equity Fund

	Written Call Options		Written Put Options	
	Contracts	**Premiums**	**Contracts**	**Premiums**
Outstanding, March 31, 2013		$		$
Positions opened	4,173	446,452	(3,000)	4,044,725
Closed	(3,223)	(378,262)	2,500	(3,545,745)
Exercised	(950)	(68,190)		
Outstanding, March 31, 2014		$	(500)	$ 498,980
Market Value, March 31, 2014		$		$ (102,500)

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Clough Global Opportunities Fund

	Written Call Options		Written Put Options	
	Contracts	**Premiums**	**Contracts**	**Premiums**
Outstanding, March 31, 2013		$		$
Positions opened	12,566	1,351,699	(6,200)	8,289,041
Closed	(10,421)	(1,201,120)	5,000	(7,091,489)
Exercised	(2,145)	(150,579)		
Outstanding, March 31, 2014		$	(1,200)	$ 1,197,552
Market Value, March 31, 2014		$		$ (246,000)

Swaps: During the year each Fund engaged in total return swaps. A swap is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset. Each Fund may utilize swap agreements as a means to gain exposure to certain assets and/or to hedge or protect the Fund from adverse movements in securities prices or interest rates. Each Fund is subject to equity risk and interest rate risk in the normal course of pursuing its investment objective through investments in swap contracts. Swap agreements entail the risk that a party will default on its payment obligation to a Fund. If the other party to a swap defaults, a Fund would risk the loss of the net amount of the payments that it contractually is entitled to receive. If each Fund utilizes a swap at the wrong time or judges market conditions incorrectly, the swap may result in a loss to the Fund and reduce the Fund s total return.

Total return swaps involve an exchange by two parties in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains over the payment period. A Fund s maximum risk of loss from counterparty risk or credit risk is the discounted value of the payments to be received from/paid to the counterparty over the contract s remaining life, to the extent that the amount is positive. The risk is mitigated by having a netting arrangement between a Fund and the counterparty and by the posting of collateral to a Fund to cover the Fund s exposure to the counterparty.

International Swaps and Derivatives Association, Inc. Master Agreements (ISDA Master Agreements) govern OTC financial derivative transactions entered into by a Fund and those counterparties. The ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to early terminate could be material to the financial statements.

During the year ended March 31, 2014, the Funds invested in swap agreements consistent with the Funds investment strategies to gain exposure to certain markets or indices.

Warrants: Each Fund may purchase or otherwise receive warrants or rights. Warrants and rights generally give the holder the right to receive, upon exercise, a security of the issuer at a set price. Funds typically use warrants and rights in a manner similar to their use of purchased options on securities, as described in options above. Risks associated with the use of warrants and rights are generally similar to risks associated with the use of purchased options. However, warrants and rights often do not have standardized terms, and may have longer maturities and may be less liquid than exchange-traded options. In addition, the terms of warrants or rights may limit each Fund s ability to exercise the warrants or rights at such times and in such quantities as each Fund would otherwise wish. Each Fund held no rights at the end of the year.

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The effect of derivatives instruments on each Fund s Statements of Assets and Liabilities as of March 31, 2014:

	Asset Derivatives	
Risk Exposure	**Statements of Assets and Liabilities Location**	**Fair Value**
Clough Global Allocation Fund		
Equity Contracts (Total Return Swap Contracts)	Unrealized appreciation on total return swap contracts	$ 58,662
Equity Contracts (Purchased Options)	Investments, at value	277,500
Equity Contracts (Warrants)	Investments, at value	175,437
Total		$ 511,599
Clough Global Equity Fund		
Equity Contracts (Total Return Swap Contracts)	Unrealized appreciation on total return swap contracts	$ 98,363
Equity Contracts (Purchased Options)	Investments, at value	462,500
Equity Contracts (Warrants)	Investments, at value	293,580
Total		$ 854,443
Clough Global Opportunities Fund		
Equity Contracts (Total Return Swap Contracts)	Unrealized appreciation on total return swap contracts	$ 244,881
Equity Contracts (Purchased Options)	Investments, at value	1,110,000
Equity Contracts (Warrants)	Investments, at value	730,983
Total		$ 2,085,864

	Liability Derivatives	
Risk Exposure	**Statements of Assets and Liabilities Location**	**Fair Value**
Clough Global Allocation Fund		
Equity Contracts (Written Options)	Written Options, at value	$ (61,500)
Equity Contracts (Total Return Swap Contracts)	Unrealized depreciation on total return swap contracts	(240,059)
Total		$ (301,559)
Clough Global Equity Fund		
Equity Contracts (Written Options)	Written Options, at value	$ (102,500)
Equity Contracts (Total Return Swap Contracts)	Unrealized depreciation on total return swap contracts	(385,977)
Total		$ (488,477)
Clough Global Opportunities Fund		
Equity Contracts (Written Options)	Written Options, at value	$ (246,000)

Equity Contracts (Total Return Swap Contracts)	Unrealized depreciation on total return swap contracts	(1,012,014)
Total		$ (1,258,014)

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The effect of derivatives instruments on each Fund s Statements of Operations for the year ended March 31, 2014:

Risk Exposure	Statements of Operations Location	Realized Gain/(Loss) on Derivatives Recognized in Income	Change in Unrealized Appreciation/ (Depreciation) on Derivatives Recognized in Income
Clough Global Allocation Fund			
Equity Contracts (Written Options)	Net realized gain/(loss) on written options/Net change in unrealized appreciation/(depreciation) on written options	$ 1,157,134	$ 237,888
Equity Contracts (Total Return Swap Contracts)	Net realized gain/(loss) on total return swap contracts/Net change in unrealized appreciation/(depreciation) on total return swap contracts	(397,065)	387,137
Equity Contracts (Purchased Options)	Net realized gain/(loss) on investment securities/Net change in unrealized appreciation/(depreciation) on investment securities	(3,600,359)	(503,112)
Equity Contracts (Warrants)	Net realized gain/(loss) on investment securities/ Net change in unrealized appreciation/(depreciation) on investment securities		174,267
Total		$ (2,852,249)	$ 296,180
Clough Global Equity Fund			
Equity Contracts (Written Options)	Net realized gain/(loss) on written options/Net change in unrealized appreciation/(depreciation) on written options	$ 2,132,270	$ 396,480
Equity Contracts (Total Return Swap Contracts)	Net realized gain/(loss) on total return swap contracts/Net change in unrealized appreciation/(depreciation) on total return swap contracts	(778,872)	912,341
Equity Contracts (Purchased Options)	Net realized gain/(loss) on investment securities/Net change in unrealized appreciation/(depreciation) on investment securities	(6,000,598)	(838,520)
Equity Contracts (Warrants)	Net realized gain/(loss) on investment securities/ Net change in unrealized appreciation/(depreciation) on investment securities		291,623
Total		$ (4,667,040)	$ 761,924
Clough Global Opportunities Fund			

Equity Contracts (Written Options)	Net realized gain/(loss) on written options/Net change in unrealized appreciation/(depreciation) on written options	$ 2,518,366	$ 951,552
Equity Contracts (Total Return Swap Contracts)	Net realized gain/(loss) on total return swap contracts/Net change in unrealized appreciation/(depreciation) on total return swap contracts	(1,681,206)	1,634,232
Equity Contracts (Purchased Options)	Net realized gain/(loss) on investment securities/Net change in unrealized appreciation/(depreciation) on investment securities	(9,999,098)	(2,078,544)
Equity Contracts (Warrants)	Net realized gain/(loss) on investment securities/ Net change in unrealized appreciation/(depreciation) on investment securities		726,110
Total		$ (9,212,613)	$ 1,233,350

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The average purchased and written option contracts volume during the year ended March 31, 2014, is noted below for each of the Funds.

Fund	Average Purchased Option Contract Volume	Average Written Option Contract Volume
Clough Global Allocation Fund	150	577
Clough Global Equity Fund	250	968
Clough Global Opportunities Fund	1,117	2,797

The average total return swap contracts notional volume during the year ended March 31, 2014 is noted below for each of the Funds.

Fund	Average Swap Contract Notional Volume
Clough Global Allocation Fund	$ 2,540,651
Clough Global Equity Fund	$ 4,495,262
Clough Global Opportunities Fund	$ 10,720,185

The warrants held by the Funds at March 31, 2014, is representative of the activity during the year ended March 31, 2014.

Certain derivative contracts are executed under either standardized netting agreements or, for exchange-traded derivatives, the relevant contracts for a particular exchange which contain enforceable netting provisions. A derivative netting arrangement creates an enforceable right of set-off that becomes effective, and affects the realization of settlement on individual assets, liabilities and collateral amounts, only following a specified event of default or early termination. Default events may include the failure to make payments or deliver securities timely, material adverse changes in financial condition or insolvency, the breach of minimum regulatory capital requirements, or loss of license, charter or other legal authorization necessary to perform under the contract.

Offsetting of Derivatives Assets

March 31, 2014

				Gross Amounts Not Offset in the Statements of Assets and Liabilities		
Description	**Gross Amounts of Recognized Assets**	**Gross Amounts Offset in the Statements of Assets and Liabilities**	**Net Amounts Presented in the Statements of Assets and Liabilities**	**Financial Instruments[(a)]**	**Cash Collateral Pledged[(a)]**	**Net Amount**
Clough Global Allocation Fund						
Total Return Swap Contracts	$58,662	$	$58,662	$	$	$

Total	$58,662	$	$58,662	$	$	$
Clough Global Equity Fund						
Total Return Swap Contracts	$98,363	$	$98,363	$	$	$
Total	$98,363	$	$98,363	$	$	$
Clough Global Opportunities Fund						
Total Return Swap Contracts	$244,881	$	$244,881	$	$	$
Total	$244,881	$	$244,881	$	$	$

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Clough Global Funds

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Offsetting of Derivatives Liabilities

March 31, 2014

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statements of Assets and Liabilities	Net Amounts Presented in the Statements of Assets and Liabilities	Gross Amounts Not Offset in the Statements of Assets and Liabilities: Financial Instruments[(a)]	Gross Amounts Not Offset in the Statements of Assets and Liabilities: Cash Collateral Pledged[(a)]	Net Amount
Clough Global Allocation Fund						
Total Return Swap Contracts	$ (240,059)	$	$ (240,059)	$ 58,662	$ 181,397	$
Total	$ (240,059)	$	$ (240,059)	$ 58,662	$ 181,397	$
Clough Global Equity Fund						
Total Return Swap Contracts	$ (385,977)	$	$ (385,977)	$ 98,363	$ 287,614	$
Total	$ (385,977)	$	$ (385,977)	$ 98,363	$ 287,614	$
Clough Global Opportunities Fund						
Total Return Swap Contracts	$ (1,012,014)	$	$ (1,012,014)	$ 244,881	$ 767,133	$
Total	$ (1,012,014)	$	$ (1,012,014)	$ 244,881	$ 767,133	$

[(a)] *These amounts are limited to the derivative asset/liability balance and, accordingly, do not include excess collateral received/pledged.*

Income Taxes: Each 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. As of and during the year ended March 31, 2014, the Funds did not have a liability for any unrecognized tax benefits. The Funds file U.S. federal, state, and local tax returns as required. The Funds tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

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

Securities Transactions and Investment Income: Investment security transactions are accounted for on a trade date basis. Dividend income and Dividend expense-short sales are recorded on the ex-dividend date. Certain dividend income from foreign securities will be recorded, in the exercise of reasonable diligence, as soon as a Fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date and may be subject to withholding taxes in these jurisdictions. Interest income, which includes amortization of premium and accretion of discount, is recorded on the accrual basis. 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.

Counterparty Risk: Each of the Funds run the risk that the issuer or guarantor of a fixed income security, the counterparty to an over-the-counter derivatives contract, a borrower of each Fund s securities or the obligor of an obligation underlying an asset-backed security will be unable or unwilling to make timely principal, interest, or settlement payments or otherwise honor its obligations. In addition, to the extent that each of the Funds use over-the-counter derivatives, and/or has significant exposure to a single counterparty, this risk will be particularly pronounced for each of the Funds.

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Clough Global Funds

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March 31, 2014

Other Risk Factors: Investing in the Funds may involve certain risks including, but not limited to, the following:

Unforeseen developments in market conditions may result in the decline of prices of, and the income generated by, the securities held by the Funds. These events may have adverse effects on the Funds such as a decline in the value and liquidity of many securities held by the Funds, and a decrease in net asset value. Such unforeseen developments may limit or preclude the Funds ability to achieve their investment objective.

Investing in stocks may involve larger price fluctuation and greater potential for loss than other types of investments. This may cause the securities held by the Funds to be subject to larger short-term declines in value.

The Funds may have elements of risk due to concentrated investments in foreign issuers located in a specific country. Such concentrations may subject the Funds to additional risks resulting from future political or economic conditions and/or possible impositions of adverse foreign governmental laws or currency exchange restrictions. Investments in securities of non-U.S. issuers have unique risks not present in securities of U.S. issuers, such as greater price volatility and less liquidity. At March 31, 2014, Clough Global Allocation Fund, Clough Global Equity Fund and Clough Global Opportunities Fund each had a significant concentration of their investment securities (Investments, at value recorded on the Statements of Assets and Liabilities) in companies based in the United States 104.96%, 101.89% and 104.88% of net assets, respectively.

Fixed income securities are subject to credit risk, which is the possibility that a security could have its credit rating downgraded or that the issuer of the security could fail to make timely payments or default on payments of interest or principal. Additionally, fixed income securities are subject to interest rate risk, meaning the decline in the price of debt securities that accompanies a rise in interest rates. Bonds with longer maturities are subject to greater price fluctuations than bonds with shorter maturities.

The Funds invest in bonds which are rated below investment grade. These high yield bonds may be more susceptible than higher grade bonds to real or perceived adverse economic or industry conditions. The secondary market, on which high yield bonds are traded, may also be less liquid than the market for higher grade bonds.

New Accounting Pronouncement: In June 2013, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2013-08, Financial Services-Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The FASB standard identifies characteristics a company must assess to determine whether is considered an investment company for financial reporting purposes. This ASU is effective for fiscal years beginning after December 15, 2013. The Funds believe the adoption of this ASU will not have a material impact on the financial statements.

2. TAXES

Classification of Distributions: 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 Funds.

The tax character of the distributions paid by the Funds during the years ended March 31, 2014 and March 31, 2013 were as follows:

	Clough Global Allocation Fund		**Clough Global Equity Fund**		**Clough Global Opportunities Fund**	
Distributions Paid From:	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Ordinary Income	$ 2,508,129	$ 9,391,145	$ 6,725,986	$ 15,521,413	$ 5,714,309	$ 55,875,807
Long-Term Capital Gains	13,300,299	3,130,382	19,589,053	5,173,804	64,906,503	

Total	$ 15,808,428	$ 12,521,527	$ 26,315,039	$ 20,695,217	$ 70,620,812	$ 55,875,807

Components of Earnings: Tax components of distributable earnings are determined in accordance with income tax regulations which may differ from composition of net assets reported under accounting principles generally accepted in the United States. Accordingly, for the year ended March 31, 2014, certain differences were reclassified. These differences relate primarily to the differing tax treatment of commodities, passive foreign investment companies (PFICs), foreign currencies and other investments.

The reclassifications were as follows:

	Undistributed Ordinary Income	Accumulated Capital Gain/(Loss)	Paid-in Capital
Clough Global Allocation Fund	$ 6,203,127	$ (6,203,127)	$
Clough Global Equity Fund	14,640,737	(14,640,737)	
Clough Global Opportunities Fund	22,798,008	(3,713,030)	(19,084,978)

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Included in the amounts reclassified for Clough Global Opportunities Fund was $13,370,669 of net operating loss.

Capital Losses: As of March 31, 2014, the Funds had no capital loss carryforwards which may reduce the Funds taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Code and thus may reduce the amount of the distributions to shareholders which would otherwise be necessary to relieve the Funds of any liability for federal tax.

During the year ended March 31, 2014, $30,946,429 of capital loss carryforwards were utilized by Clough Global Opportunities Fund.

Under the Regulated Investment Company Modernization Act of 2010 (the Act), net capital losses recognized in tax years beginning after December 22, 2010, may be carried forward indefinitely, and the character of the losses is retained as short-term and/or long-term. Under the law in effect prior to the Act, net capital losses were carried forward for eight years and treated as short-term. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

The Funds elect to defer to the year ending March 31, 2015, late year ordinary losses in the amounts of:

Fund	Amount
Clough Global Opportunities Fund	$ 4,570,173

Tax Basis of Distributable Earnings: Tax components of distributable earnings are determined in accordance with income tax regulations which may differ from composition of net assets reported under GAAP.

As of March 31, 2014, the components of distributable earnings on a tax basis were as follows:

	Clough Global Allocation Fund	Clough Global Equity Fund	Clough Global Opportunities Fund
Accumulated net realized gain on investments	$ 6,885,029	$ 14,527,040	$
Net unrealized appreciation on investments	9,316,780	24,281,316	47,341,248
Other accumulated gains/(losses)	446,748	729,866	(2,741,615)
Total	$ 16,648,557	$ 39,538,222	$ 44,599,633

Tax Basis of Investments: Net unrealized appreciation/(depreciation) of investments based on federal tax cost as of March 31, 2014, were as follows:

	Clough Global Allocation Fund	Clough Global Equity Fund	Clough Global Opportunities Fund
Gross appreciation (excess of value over tax cost)	$ 21,046,225	$ 44,867,253	$ 95,948,974
Gross depreciation (excess of tax cost over value)	(6,821,607)	(12,329,783)	(27,958,233)
Net depreciation (excess of value over tax cost) of foreign currency and derivatives	(4,907,838)	(8,256,154)	(20,649,493)
Net unrealized appreciation	$ 9,316,780	$ 24,281,316	$ 47,341,248

Cost of investments for income tax purposes	$ 256,068,590	$ 419,873,351	$ 1,057,482,268

3. CAPITAL TRANSACTIONS

Common Shares: There are an unlimited number of no par value common shares of beneficial interest authorized for each Fund.

Transactions in common shares were as follows:

	Clough Global Allocation Fund		**Clough Global Equity Fund**		**Clough Global Opportunities Fund**	
	For the Year Ended March 31, 2014	**For the Year Ended March 31, 2013**	**For the Year Ended March 31, 2014**	**For the Year Ended March 31, 2013**	**For the Year Ended March 31, 2014**	**For the Year Ended March 31, 2013**
Common Shares Outstanding - beginning of period	10,434,606	10,434,606	17,840,705	17,840,705	51,736,859	51,736,859
Common Shares Issued as reinvestment of dividends						
Common Shares Outstanding - end of period	10,434,606	10,434,606	17,840,705	17,840,705	51,736,859	51,736,859

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March 31, 2014

4. PORTFOLIO SECURITIES

Purchases and sales of investment securities, other than short-term securities, for the year ended March 31, 2014, are listed in the table below.

Fund	Cost of Investments Purchased	Proceeds From Investments Sold	Purchases of Long-Term U.S. Government Obligations	Proceeds from Sales of Long-Term U.S. Government Obligations
Clough Global Allocation Fund	$ 403,790,148	$ 412,137,560	$ 39,336,039	$ 68,928,532
Clough Global Equity Fund	653,711,582	680,357,927	51,024,962	82,736,905
Clough Global Opportunities Fund	1,677,757,842	1,733,688,237	169,710,920	298,879,879

5. INVESTMENT ADVISORY AND ADMINISTRATION AGREEMENTS

Clough serves as each Fund s investment adviser pursuant to an Investment Advisory Agreement (each an Advisory Agreement and collectively, the Advisory Agreements) with each Fund. As compensation for its services to the Fund, Clough receives an annual investment advisory fee of 0.70%, 0.90% and 1.00% based on Clough Global Allocation Fund s, Clough Global Equity Fund s and Clough Global Opportunities Fund s, respectively, average daily total assets, computed daily and payable monthly. ALPS Fund Services, Inc. (ALPS) serves as each Fund s administrator pursuant to an Administration, Bookkeeping and Pricing Services Agreement with each Fund. As compensation for its services to each Fund, ALPS receives an annual administration fee of 0.285%, 0.32%, and 0.32% based on Clough Global Allocation Fund s, Clough Global Equity Fund s and Clough Global Opportunities Fund s, respectively, average daily total assets, computed daily and payable monthly. ALPS will pay all expenses incurred by each Fund, with the exception of advisory fees, trustees fees, portfolio transaction expenses, litigation expenses, taxes, expenses of conducting repurchase offers for the purpose of repurchasing fund shares, interest on margin accounts, interest on loans, dividends on short sales, and extraordinary expenses.

Both Clough and ALPS are considered to be affiliates of the Funds as defined in the 1940 Act.

6. COMMITTED FACILITY AGREEMENT AND LENDING AGREEMENT

Each Fund entered into a financing package that includes a Committed Facility Agreement (the Agreement) dated January 16, 2009, as amended, between each Fund and BNP Paribas Prime Brokerage, Inc. (BNP) that allows each Fund to borrow funds from BNP. Each Fund is currently borrowing the maximum commitment covered by the agreement. Borrowings under the Agreement are secured by assets of each Fund that are held by a Fund s custodian in a separate account (the pledged collateral) valued at $158,829,323, $281,304,707 and $667,632,524 for Clough Global Allocation Fund, Clough Global Equity Fund and Clough Global Opportunities Fund, respectively. Each Fund may, with 30 days notice, reduce the Maximum Commitment Financing (Initial Limit amount plus the increased borrowing amount in excess of the Initial Limit) to a lesser amount if drawing on the full amount would result in a violation of the applicable asset coverage requirement of Section 18 of the 1940 Act. Interest is charged at the three month LIBOR (London Inter-bank Offered Rate) plus 0.75% on the amount borrowed and 0.65% on the undrawn balance. Each Fund also pays a one-time arrangement fee of 0.25% on (i) the Initial Limit and (ii) any increased borrowing amount in the excess of the Initial Limit, paid in monthly installments for the six months immediately following the date on which borrowings were drawn by the Fund.

The Agreement was amended on December 31, 2013, to increase the Maximum Commitment Financing to $93,300,000 for the Clough Global Allocation Fund and $156,000,000 for the Clough Global Equity Fund.

For the year ended March 31, 2014 the average borrowings outstanding for Clough Global Allocation Fund, Clough Global Equity Fund and Clough Global Opportunities Fund under the agreement were $90,672,603, $149,243,836 and $388,900,000, respectively, and the average interest rate for the borrowings was 1.00%. As of March 31, 2014, the outstanding borrowings for Clough Global Allocation Fund, Clough Global Equity Fund and Clough Global Opportunities Fund were $93,300,000, $156,000,000 and $388,900,000, respectively. The interest rate applicable to the borrowings of Clough Global Allocation Fund, Clough Global Equity Fund and Clough Global Opportunities Fund on March 31, 2014, was 0.98%.

The Lending Agreement is a separate side-agreement between each Fund and BNP pursuant to which BNP may borrow a portion of the pledged collateral (the Lent Securities) in an amount not to exceed the outstanding borrowings owed by a Fund to BNP under the Agreement. The Lending Agreement is intended to permit each Fund to significantly reduce the cost of its borrowings under the Agreement. BNP has the ability to reregister the Lent Securities in its own name or in another name other than the Fund to pledge, re-pledge, sell, lend or otherwise transfer or use the collateral with all attendant rights of ownership. (It is each Fund s understanding that BNP will perform due diligence to determine the creditworthiness of any party that borrows Lent Securities from BNP.) Each Fund may designate any security within the pledged collateral as ineligible to be a Lent Security, provided there are eligible securities within the pledged collateral in an amount equal to the outstanding borrowing owed by a Fund. During the period in which the Lent Securities are outstanding, BNP must remit payment to each Fund equal to the amount of all dividends, interest or other distributions earned or made by the Lent Securities.

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Notes to Financial Statements

Clough Global Funds

March 31, 2014

Under the terms of the Lending Agreement, the Lent Securities are marked to market daily, and if the value of the Lent Securities exceeds the value of the then-outstanding borrowings owed by a Fund to BNP under the Agreement (the Current Borrowings), BNP must, on that day, either (1) return Lent Securities to each Fund s custodian in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings; or (2) post cash collateral with each Fund s custodian equal to the difference between the value of the Lent Securities and the value of the Current Borrowings. If BNP fails to perform either of these actions as required, each Fund will recall securities, as discussed below, in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings. Each Fund can recall any of the Lent Securities and BNP shall, to the extent commercially possible, return such security or equivalent security to each Fund s custodian no later than three business days after such request. If a Fund recalls a Lent Security pursuant to the Lending Agreement, and BNP fails to return the Lent Securities or equivalent securities in a timely fashion, BNP shall remain liable for the ultimate delivery to each Fund s custodian of such Lent Securities, or equivalent securities, and for any buy-in costs that the executing broker for the sales transaction may impose with respect to the failure to deliver. Under the terms of the Lending Agreement, each Fund shall have the right to apply and set-off an amount equal to one hundred percent (100%) of the then current fair market value of such Lent Securities against the Current Borrowings. As of March 31, 2014, the market value of the Lent Securities for Clough Global Allocation Fund, Clough Global Equity Fund and Clough Global Opportunities Fund were $17,656,495, $29,895,511 and $78,397,982, respectively.

The Board of Trustees has approved each Agreement and the Lending Agreement. No violations of the Agreement or the Lending Agreement have occurred during the year ended March 31, 2014.

Each Fund receives income from BNP based on the value of the Lent Securities. This income is recorded as Hypothecated securities income on the Statements of Operations. The interest incurred on borrowed amounts is recorded as Interest on loan in the Statements of Operations, a part of Total Expenses.

7. OTHER

The Independent Trustees of each Fund receive from each Fund a quarterly retainer of $3,500 and an additional $1,500 for each board meeting attended. The Chairman of the Board of Trustees of each Fund receives a quarterly retainer from each Fund of $4,200 and an additional $1,800 for each board meeting attended. The Chairman of the Audit Committee of each Fund receives a quarterly retainer from each Fund of $3,850 and an additional $1,650 for each board meeting attended.

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Clough Global Funds Dividend Reinvestment Plan

March 31, 2014 (Unaudited)

Unless the registered owner of Common Shares elects to receive cash by contacting DST Sytems, Inc. (the Plan Administrator), all dividends declared on Common Shares will be automatically reinvested by the Plan Administrator for shareholders in each 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 the Plan Administrator as dividend disbursing agent. You may elect not to participate in the Plan and to receive all dividends in cash by contacting the Plan Administrator, 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 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 a 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 a 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 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 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 a 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.

Each 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, each 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, DST Systems, Inc., 333 West 11th Street, 5th Floor, Kansas City, Missouri 64105.

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Additional Information

Clough Global Funds

March 31, 2014 (Unaudited)

FUND PROXY VOTING POLICIES & PROCEDURES

Each Fund s policies and procedures used in determining how to vote proxies relating to portfolio securities are available on the Funds website at http://www.cloughglobal.com. Information regarding how each Fund voted proxies relating to portfolio securities held by each Fund for the period ended June 30, are available without charge, upon request, by contacting the Funds at 1-877-256-8445 and on the Commission s website at http://www.sec.gov.

PORTFOLIO HOLDINGS

The Funds file their 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 Funds Form N Q are available without a charge, upon request, by contacting the Funds 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.

NOTICE

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that each Fund may purchase at market prices from time to time shares of its common stock in the open market.

SECTION 19(A) NOTICES

The following table sets forth the estimated amount of the sources of distribution for purposes of Section 19 of the Investment Company Act of 1940, as amended, and the related rules adopted there under. Each Fund estimates the following percentages, of the total distribution amount per share, attributable to (i) current and prior fiscal year net investment income, (ii) net realized short-term capital gain, (iii) net realized long-term capital gain and (iv) return of capital or other capital source as a percentage of the total distribution amount. These percentages are disclosed for the fiscal year-to-date cumulative distribution amount per share for the Fund.

The amounts and sources of distributions reported in these 19(a) notices are only estimates and not for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund s investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. The Fund will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes.

	Total Cumulative Distributions for the year ended March 31, 2014				% Breakdown of the Total Cumulative Distributions for the year ended March 31, 2014			
	Net Investment Income	Net Realized Capital	Return of Capital	Total Per Common	Net Investment Income	Net Realized Capital	Return of Capital	Total Per Common

		Gains		Share		Gains		Share
Clough Global Allocation Fund	$ 0.0000	$ 1.2066	$ 0.3084	$ 1.5150	0.00%	79.64%	20.36%	100.00%
Clough Global Equity Fund	$ 0.0000	$ 1.3383	$ 0.1367	$ 1.4750	0.00%	90.73%	9.27%	100.00%
Clough Global Opportunities Fund	$ 0.0000	$ 0.5550	$ 0.8100	$ 1.3650	0.00%	40.66%	59.34%	100.00%

Each Fund s dividend policy is to distribute all or a portion of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more stable level of dividend distributions, each Fund may at times pay out less than the entire amount of net investment income earned in any particular month and may at times in any particular month pay out such accumulated but undistributed income in addition to net investment income earned in that month. As a result, the dividends paid by each Fund for any particular month may be more or less than the amount of net investment income earned by the Fund during such month. Each Fund s current accumulated but undistributed net investment income, if any, is disclosed in the Statements of Assets and Liabilities, which comprises part of the financial information included in this report.

TAX DESIGNATIONS

Pursuant to Section 852(b)(3) of the Internal Revenue Code, Clough Global Allocation Fund, Clough Global Equity Fund, and Clough Global Opportunities Fund designate $13,300,299, $19,589,053 and $64,906,503 respectively as a long-term capital gain distribution.

The Funds hereby designate the following as a percentage of taxable ordinary income distributions, or up to the maximum amount allowable, for the calendar year ended December 31, 2013:

	Clough Global Allocation Fund	Clough Global Equity Fund	Clough Global Opportunities Fund
Corporate Dividends Received Deduction	10.11%	10.67%	9.05%
Qualified Dividend Income	13.27%	14.94%	12.86%

Please consult a tax advisor if you have questions about federal or state income tax laws, or how to prepare your tax returns.

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Clough Global Funds

Trustees & Officers

March 31, 2014 (Unaudited)

Name, Address[1] and Year of Birth	Position(s) Held with the Funds	Term of office and length of service with GLV[2], GLQ[3] & GLO[4]	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee[5]	Other Directorships Held by Trustee During the Past Five Years
Non-Interested Trustees/Nominees					
Robert L. Butler 1941	Chairman of the Board and Trustee	Trustee since: GLV: 2004 GLQ: 2005 GLO: 2006 Term expires: GLV: 2015 GLQ: 2016 GLO: 2014	Since 2001, Mr. Butler has been an independent consultant for businesses. Mr. Butler has over 45 years experience in the investment business, including 17 years as a senior executive with a global investment management/natural resources company and 20 years with a securities industry regulation organization, neither of which Mr. Butler has been employed by since 2001.	3	None
Adam D. Crescenzi 1942	Trustee	Trustee since: GLV: 2004 GLQ: 2005 GLO: 2006 Term expires: GLV: 2014 GLQ: 2015 GLO: 2016	Mr. Crescenzi is a Trustee of Dean College. He has been a founder and investor of several start-up technology and service firms. He currently is the Founding Partner of Simply Tuscan Imports LLC since 2007. He also serves as a Director of two non-profit organizations. He retired from CSC Index as Executive Vice-President of Management Consulting Services.	3	None
John F. Mee 1943	Trustee	Trustee since: GLV: 2004 GLQ: 2005 GLO: 2006 Term expires: GLV: 2016 GLQ: 2014 GLO: 2015	Mr. Mee is an attorney practicing commercial law, family law, product liability and criminal law. Mr. Mee is currently a member of the Bar of the Commonwealth of Massachusetts. He serves on the Board of Directors of The College of the Holy Cross Alumni Association and Concord Carlisle Scholarship Fund, a Charitable Trust. Mr. Mee was from 1990 to 2009 an Advisor at the Harvard Law School Trial Advocacy Workshop.	3	None
Richard C. Rantzow 1938	Trustee	Trustee since: GLV: 2004 GLQ: 2005 GLO: 2006	Mr. Rantzow has over 40 years experience in the financial industry. His professional experience includes serving as an audit partner with Ernst & Young which specifically involved auditing financial institutions. Mr. Rantzow has also served in several executive positions in both financial and non-financial industries. Mr. Rantzow s educational background is in accounting and he is a Certified Public Accountant who has continued to serve on several audit committees of various financial	3	Mr. Rantzow is a Trustee and Chairman of the Audit Committee of the Liberty All-Star Equity Fund and Director and Chairman of the Audit Committee of the Liberty

Term expires:	organizations.	All-Star Growth Fund, Inc.
GLV: 2015		
GLQ: 2016		
GLO: 2014		

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Trustees & Officers

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March 31, 2014 (Unaudited)

Name, Address[1] and Year of Birth	Position(s) Held with the Funds	Term of office and length of service with GLV[2], GLQ[3] & GLO[4]	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee[5]	Other Directorships Held by Trustee During the Past Five Years
Non-Interested Trustees/Nominees					
Jerry G. Rutledge 1944	Trustee	Trustee since: GLV: 2004 GLQ: 2005 GLO: 2006 Term expires: GLV: 2014 GLQ: 2015 GLO: 2016	Mr. Rutledge is the President and owner of Rutledge s Inc., a retail clothing business. Mr. Rutledge was from 1994 to 2007 a Regent of the University of Colorado. In addition, Mr. Rutledge is currently serving as a Director of the University of Colorado Hospital. Mr. Rutledge also served as a Director of the American National Bank from 1985 to 2009.	4	Mr. Rutledge is currently a Trustee of the Financial Investor Trust and the Principal Real Estate Income Fund.
Hon. Vincent W. Versaci 1971	Trustee	Trustee since: GLV: 2013 GLQ: 2013 GLO: 2013 Term expires: GLV: 2014 GLQ: 2015 GLO: 2016	Judge Versaci has served as a Judge in the New York State Courts since January 2003. Currently, Judge Versaci is assigned as an Acting Supreme Court Justice and presides over the Surrogate s Court for Schenectady County, New York. Previously, Judge Versaci has served as an Adjunct Professor at Schenectady County Community College and a practicing attorney with an emphasis on civil and criminal litigation primarily in New York State Courts.	3	None
Interested Trustees[6] / Nominees					
Edmund J. Burke[7]	Trustee and	Trustee since:	Mr. Burke joined ALPS in 1991 and is currently the Chief Executive Officer and	4	Mr. Burke is also Trustee,

1961	President	GLV: 2006 GLQ: 2006 GLO: 2006 Term expires: GLV: 2016 GLQ: 2014 GLO: 2015 President since: GLV: 2004 GLQ: 2005 GLO: 2006	President of ALPS Holdings, Inc., and a Director of ALPS Advisors, Inc., ALPS Distributors, Inc., ALPS Fund Services, Inc., and ALPS Portfolio Solutions Distributor, Inc. Mr. Burke is also Director of Boston Financial Data Services. Mr. Burke is deemed an affiliate of each Fund as defined under the 1940 Act.		Chairman and President of Financial Investors Trust. Mr. Burke is a Trustee and Vice President of the Liberty All-Star Equity Fund and is a Director and Vice President of the Liberty All-Star Growth Fund, Inc.
James E. Canty[8] 1962 Clough Capital Partners, LP One Post Office Square 40th Floor Boston, MA 02109	Trustee	Trustee since: GLV: 2004 GLQ: 2005 GLO: 2006 Term expires: GLV: 2015 GLQ: 2016 GLO: 2014	Mr. Canty is a founding partner and Portfolio Manager for Clough. Mr. Canty is deemed an affiliate of each Fund as defined under the 1940 Act. Mr. Canty is currently a member of the Board of Directors of Clough Offshore Fund, Ltd. and Clough Offshore Fund (QP), Ltd. Mr. Canty is also currently a Trustee of St. Bonaventure University. Mr. Canty is a Certified Public Accountant.	3	None

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Clough Global Funds

Trustees & Officers

March 31, 2014 (Unaudited)

Name, Address[1] and Year of Birth	Position(s) Held with the Funds	Term of office and length of service with GLV[2], GLQ[3] & GLO[4]	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee[5]	Other Directorships Held by Trustee During the Past Five Years
Officers					
Jeremy O. May 1970	Treasurer	Officer since[9]: GLV: 2004 GLQ: 2005 GLO: 2006	Mr. May joined ALPS in 1995 and is currently President of ALPS and ALPS Distributors, Inc., and Executive Vice President and Director of ALPS Advisors, Inc. and ALPS Holdings, Inc. Mr. May is also Director of ALPS Portfolio Solutions Distributor, Inc. Mr. May is deemed an affiliate of each Fund as defined under the 1940 Act. Mr. May is also President, Chairman and Trustee of the ALPS Series Trust. Mr. May is also President, Chairman and Trustee of the Reaves Utility Income Fund. Mr. May is currently on the Board of Directors of the University of Colorado Foundation.	None	None
Erin D. Nelson, Esq. 1977	Secretary	Officer since[9]: GLV: 2004 GLQ: 2005 GLO: 2006	Ms. Nelson joined ALPS in 2003 and is currently Senior Vice-President and Chief Legal Officer of ALPS Advisors, Inc. and Senior Vice-President of ALPS Fund Services, Inc., ALPS Distributors, Inc., and ALPS Portfolio Solutions Distributor, Inc. Ms. Nelson is also Secretary of ALPS ETF Trust, Liberty All-Star Growth Fund, Inc., Liberty All-Star Equity Fund and Principal Real Estate Income Fund. Ms. Nelson is deemed an affiliate of each Fund as defined under the 1940 Act.	None	None
Theodore J. Uhl 1974	Chief Compliance Officer	Officer since[9]: GLV: 2010 GLQ: 2010 GLO: 2010	Mr. Uhl joined ALPS in October 2006, and is currently Vice President and Deputy Compliance Officer of ALPS. Prior to his current role, Mr. Uhl served as Senior Risk Manager for ALPS from October 2006 until June 2010. Before joining ALPS, Mr. Uhl served as Sr. Analyst with Enenbach and Associates (RIA), and a Sr. Financial Analyst at Sprint. Because of his position with ALPS, Mr. Uhl is deemed an affiliate of the Trust as defined under the 1940 Act. Mr. Uhl is currently Chief Compliance Officer of Centre Funds, Financial Investors Trust, Reaves Utility Income Fund and Transparent Value Trust.	None	None

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Trustees & Officers

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March 31, 2014 (Unaudited)

Name, Address[1] and Year of Birth	Position(s) Held with the Funds	Term of office and length of service with GLV[2], GLQ[3] & GLO[4]	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee[5]	Other Directorships Held by Trustee During the Past Five Years
Officers					
Jill Kerschen 1975	Assistant Treasurer	Officer since[9]: GLV: 2013 GLQ: 2013 GLO: 2013	Ms. Kerschen joined ALPS in July 2013 and is currently a Fund Controller at ALPS. Ms. Kerschen is deemed an affiliate of the Trust as defined under the 1940 Act. Ms. Kerschen also serves as Treasurer of Reaves Utility Income Fund and Assistant Treasurer of the Westcore Funds, ALPS Series Trust and the Macquarie Global Infrastructure Total Return Fund. Prior to joining ALPS, Ms. Kerschen was Senior Manager, Financial & Tax Reporting at Great-West Financial from 2007 to 2013.	None	None

1 *Address: 1290 Broadway, Suite 1100, Denver, Colorado 80203, unless otherwise noted.*
2 *GLV commenced operations on July 28, 2004.*
3 *GLQ commenced operations on April 27, 2005.*
4 *GLO commenced operations on April 25, 2006.*
5 *The Fund Complex for all Trustees, except Mr. Rutledge and Mr. Burke, consists of the Clough Global Allocation Fund, Clough Global Equity Fund and Clough Global Opportunities Fund. The Fund Complex for Mr. Rutledge and Mr. Burke consists of Clough Global Allocation Fund, Clough Global Equity Fund, Clough Global Opportunities Fund and the Clough China Fund, a series of the Financial Investors Trust.*
6 *Interested Trustees refers to those Trustees who constitute interested persons of a Fund as defined in the 1940 Act.*
7 *Mr. Burke is considered to be an Interested Trustee because of his affiliation with ALPS, which acts as each Fund s administrator.*
8 *Mr. Canty is considered to be an Interested Trustee because of his affiliation with Clough Capital Partners L.P., which acts as each Fund s investment adviser.*
9 *Officers are elected annually and each officer will hold such office until a successor has been elected by the Board.*

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Clough Global Funds

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For more information about the Fund, including a prospectus,

please visit www.cloughglobal.com or call 1 877 256 8445.

1290 Broadway, Suite 1100, Denver, CO 80203

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Item 2. **Code of Ethics.**

(a) The Registrant, as of the end of the period covered by the report, has adopted a Code of Ethics that applies to the Registrant s Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer or Controller or any persons performing similar functions on behalf of the Registrant.

(b) Not Applicable.

(c) During the period covered, by this report, no amendments were made to the provisions of the Code of Ethics adopted in 2 (a) above.

(d) During the period covered by this report, no implicit or explicit waivers to the provision of the Code of Ethics adopted in 2 (a) above were granted.

(e) Not Applicable.

(f) The Registrant s Code of Ethics is attached as an Exhibit 12.A.1 hereto.

Item 3. **Audit Committee Financial Expert.**
The Registrant s Board of Trustees has determined that the registrant has as least one audit committee financial expert serving on its Audit Committee. The Board of Trustees has designated Richard C. Rantzow as the Registrant s audit committee financial expert. Mr. Rantzow is independent as defined in paragraph (a)(2) of Item 3 to Form N-CSR.

Mr. Rantzow was the Chief Financial Officer and a Director of Ron Miller Associates, Inc. Prior to that, Mr. Rantzow was managing partner of the Memphis office of Ernst & Young until 1990.

Item 4. **Principal Accounting Fees and Services.**

(a) Audit Fees: The aggregate fees billed for each of the last two fiscal years for professional services rendered by Cohen Fund Audit Services, Ltd (Cohen) for fiscal year ended March 31, 2014 and for fiscal year ended March 31, 2013 for the audit of the Registrant s annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for fiscal years 2014 and 2013 were $20,500 and $20,000, respectively.

(b) Audit-Related Fees: The aggregate fees billed in each of the last two fiscal years for assurance and related services by Cohen that are reasonably related to the performance of the audit of the Registrant s financial statements and are not reported under paragraph (a) of this Item were $0 in 2014 and $0 in

2013.

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(c) Tax Fees: The aggregate fees billed in each of the last two fiscal years for professional services rendered by Cohen for tax compliance, tax advice, and tax planning for fiscal year ended March 31, 2014 and for fiscal year ended March 31, 2013 were $3,000 in 2014 and $3,000 in 2013. These fees are comprised of fees relating income tax return preparation fees, excise tax return preparation fees and review of dividend distribution calculation fees.

(d) All Other Fees: The aggregate fees billed in each of the last two fiscal years for products and services provided by Cohen, other than the services reported in paragraphs (a) through (c) of this Item were $0 in 2014 and $0 in 2013. These services include agreed upon procedures related to the ratings for the Auction Market Preferred Shares.

(e)(1) Audit Committee Pre-Approval Policies and Procedures: All services to be performed by the Registrant s principal auditors must be pre-approved by the Registrant s Audit Committee.

(e)(2) No services described in paragraphs (b) through (d) were approved pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not applicable.

(g) The aggregate non-audit fees billed by the Registrant s accountant for services rendered to the registrant, and rendered to the registrant s investment adviser, and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant for each of the last two fiscal years of the registrant were $0 for 2014 and $0 for 2013.

(h) Not applicable.

Item 5. **Audit Committee of Listed Registrant.**
The registrant has a separately designated standing Audit Committee established in accordance with Section 3 (a)(58)(A) of the Exchange Act and is comprised of the following members:

Robert L. Butler

Adam D. Crescenzi

John F. Mee

Richard C. Rantzow, Committee Chairman

Jerry G. Rutledge

Hon. Vincent W. Versaci

Item 6. **Schedule of Investments.**

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

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(b) Not applicable.

Item 7. **Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

Attached, as Exhibit Item 7, is a copy of the policies and procedures of Clough Capital Partners L.P. (Clough), the investment adviser of the registrant.

Item 8. **Portfolio Managers of Closed-End Management Investment Companies.**

(a)(1) As of: March 31, 2014

Portfolio Managers Name	**Title**	**Length of Service**	**Business Experience: 5 Years**
Charles I. Clough, Jr.	Partner and Portfolio Manager	Since Inception	Founding Partner Clough Capital Partners L.P. Portfolio Manager for pooled investment accounts, separately managed accounts, and investment companies for over ten years.
Eric A. Brock	Partner and Portfolio Manager	Since Inception	Founding Partner Clough Capital Partners L.P. Portfolio Manager for pooled investment accounts, separately managed accounts, and investment companies for over ten years.
James E. Canty	Partner and Portfolio Manager	Since Inception	Founding Partner of Clough Capital L.P. Portfolio Manager, Chief Financial Officer and General Counsel for pooled investment accounts, separately managed accounts, and investment companies for over ten years. Mr. Canty is currently a member of the Board of Directors of Clough Offshore Fund, Ltd and Clough Offshore Fund (QP), Ltd. and Board of Trustees of Clough Global Equity Fund and Clough Global Opportunities Fund. Because of his affiliation with Clough, Mr. Canty is an interested Trustee of the Registrant.

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(a)(2) As of March 31, 2014, the Portfolio Managers listed above are also responsible for the day-to-day management of the following:

Portfolio Managers Name	Registered Investment Companies	Other Pooled Investment Vehicles [(1)]	Other Accounts[(2)]	Material Conflicts If Any
Charles I Clough, Jr.	4 Accounts $2,521.6 million Total Assets	5 Accounts $1,505.8 million Total Assets	4 Accounts $508.6 million Total Assets	See below [(3)]
Eric A. Brock	4 Accounts $2,521.6 million Total Assets	5 Accounts $1,505.8 million Total Assets	4 Accounts $508.6 million Total Assets	See below [(3)]
James E. Canty	4 Accounts $2,521.6 million Total Assets	5 Accounts $1,505.8 million Total Assets	4 Accounts $508.6 million Total Assets	See below [(3)]

(1) The advisory fees are based in part on the performance for each account.

(2) The advisory fee is based in part on the performance for four accounts totaling $508.6 million in assets.

(3) Material Conflicts:

Material conflicts of interest may arise as a result of the fact that the Portfolio Managers also have day-to-day management responsibilities with respect to both the Registrant and the various accounts listed above (collectively with the Registrant, the Accounts). These potential conflicts include:

Limited Resources. The Portfolio Managers cannot devote their full time and attention to the management of each of the Accounts. Accordingly, the Portfolio Managers may be limited in their ability to identify investment opportunities for each of the Accounts that are as attractive as might be the case if the Portfolio Managers were to devote substantially more attention to the management of a single Account. The effects of this potential conflict may be more pronounced where the Accounts have different investment strategies.

Limited Investment Opportunities. If the Portfolio Managers identify a limited investment opportunity that may be appropriate for more than one Account, the investment opportunity may be allocated among several Accounts. This could limit any single Account s ability to take full advantage of an investment opportunity that might

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not be limited if the Portfolio Managers did not provide investment advice to other Accounts.

Different Investment Strategies. The Accounts managed by the Portfolio Managers have differing investment strategies. If the Portfolio Managers determine that an investment opportunity may be appropriate for only some of the Accounts or decide that certain of the Accounts should take different positions with respect to a particular security, the Portfolio Managers may effect transactions for one or more Accounts which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other Accounts.

Variation in Compensation. A conflict of interest may arise where Clough or Clough Associates, LLC, as applicable, is compensated differently by the Accounts that are managed by the Portfolio Managers. If certain Accounts pay higher management fees or performance-based incentive fees, the Portfolio Managers might be motivated to prefer certain Accounts over others. The Portfolio Managers might also be motivated to favor Accounts in which they have a greater ownership interest or Accounts that are more likely to enhance the Portfolio Managers performance record or to otherwise benefit the Portfolio Managers.

Selection of Brokers. The Portfolio Managers select the brokers that execute securities transactions for the Accounts that they supervise. In addition to executing trades, some brokers provide the Portfolio Managers with research and other services which may require the payment of higher brokerage fees than might otherwise be available. The Portfolio Managers decision as to the selection of brokers could yield disproportionate costs and benefits among the Accounts that they manage, since the research and other services provided by brokers may be more beneficial to some Accounts than to others.

(a)(3) Portfolio Manager Compensation as of March 31, 2014.

The Portfolio Managers Charles Clough, James Canty and Eric Brock each receive a fixed base salary from Clough. The base salary for each Portfolio Manager is typically determined based on market factors and the skill and experience of each Portfolio Manager. Additionally, Clough distributes substantially all of its annual net profits to those Portfolio Managers, with Mr. Clough receiving a majority share and the remainder being divided between Mr. Brock and Mr. Canty.

(a)(4) Dollar Range of Securities Owned as of March 31, 2014.

Portfolio Managers	Dollar Range of the Registrant s Securities Owned by the Portfolio Managers
Charles I. Clough, Jr.	Over $1,000,000
Eric A. Brock	$10,001 - $50,000
James E. Canty	$100,001 - $500,000

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Item 9. **Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers.**

None

Item 10. **Submission of Matters to Vote of Security Holders.**

No material changes to the procedures by which the shareholders may recommend nominees to the Registrant s Board of Trustees have been implemented after the registrant s last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

Item 11. **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 12. **Exhibits.**

(a)(1) The Code of Ethics that applies to the Registrant s Principal Executive Officer and Principal Financial Officer is attached hereto as Exhibit 12.A.1.

(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 Ex-99.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 Ex-99.906Cert.

(c) The Proxy Voting Policies and Procedures are attached hereto as Ex99. Item 7.

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(d) Pursuant to the Securities and Exchange Commission s Order granting relief from Section 19(b) of the Investment Company Act of 1940 dated September 21, 2009, the form of 19(a) Notices to Beneficial Owners are attached hereto as Exhibit 12(d).

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SIGNATURES

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 EQUITY FUND

By: /s/ Edmund J. Burke
Edmund J. Burke
President & Trustee

Date: June 9, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

CLOUGH GLOBAL EQUITY FUND

By: /s/ Edmund J. Burke
Edmund J. Burke
President/Principal Executive Officer

Date: June 9, 2014

By: /s/ Jeremy O. May
Jeremy O. May
Treasurer/Principal Financial Officer

Date: June 9, 2014