

Clough Global Allocation Fund
Form N-CSR
June 03, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21583

Clough Global Allocation Fund

(exact name of registrant as specified in charter)

1290 Broadway, Suite 1100, Denver, Colorado 80203

(Address of principal executive offices) (Zip code)

Erin E. Douglas, Secretary

Clough Global Allocation Fund

1290 Broadway, Suite 1100

Denver, Colorado 80203

(Name and address of agent for service)

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

Date of fiscal year end: March 31

Date of reporting period: March 31, 2011

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Item 1. **Reports to Stockholders.**

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Clough Global Funds

Shareholder Letter

March 31, 2011

To our Shareholders:

Performance:

During the twelve-months ended March 31, 2011, the Clough Global Allocation Fund's total return, assuming reinvestment of all distributions, was 17.30% based on the net asset value and 10.20% based on the market price of the stock. That compares with 15.65% return for the S&P 500 for the same period. Since the Fund's inception on July 28, 2004, the total growth in net asset value assuming reinvestment of all distributions has been 8.42%, this compares to a average annual total return of 5.03% for the S&P 500 through March 31, 2011. Total distributions since inception has been \$8.41 per share, and based on the current dividend rate of \$0.30 per share, offer a yield of 7.39% on market price as of March 31, 2011, of \$16.24.

During the twelve-months ended March 31, 2011, the Clough Global Equity Fund's total return, assuming reinvestment of all distributions, was 17.05% based on the net asset value and 16.07% based on the market price of the stock. That compares with 15.65% return for the S&P 500 for the same period. Since the Fund's inception on April 27, 2005, the total growth in net asset value assuming reinvestment of all distributions has been 7.67%, this compares to a average annual total return of 4.49% for the S&P 500 through March 31, 2011. Total distributions since inception has been \$7.47 per share, and based on the current dividend rate of \$0.29 per share, offer a yield of 7.55% on market price as of March 31, 2011, of \$15.37.

During the twelve-months ended March 31, 2011, the Clough Global Opportunities Fund's total return, assuming reinvestment of all distributions, was 16.21% based on the net asset value and 15.27% based on the market price of the stock. That compares with 15.65% return for the S&P 500 for the same period. Since the Fund's inception on April 25, 2006, the total growth in net asset value assuming reinvestment of all distributions has been 4.28%, this compares to a average annual total return of 2.53% for the S&P 500 through March 31, 2011. Total distributions since inception has been \$5.85 per share, and based on the current dividend rate of \$0.27 per share, offer a yield of 7.80% on market price as of March 31, 2011, of \$13.85.

Fiscal Year Fund Review:

The last twelve months have been characterized by volatile financial markets despite an upward trend in global equities. Early in 2010, the sovereign debt crisis in Europe reminded investors of the still lengthy restructuring ahead for the European Union. Concerns over the solvency of the peripheral EU governments and ultimately the health of the Continent's banking system pressured markets and led to the first of a series of on-going government bailouts. Later in the Fall, in response to slowing growth, the U.S. Federal Reserve embarked upon a second campaign of quantitative easing (QE2) which helped restore a bid to asset prices, in particular for equities and commodities. Periodic taxpayer-led bailouts and unconventional monetary policies are to be expected in an environment of ongoing

balance sheet deleveraging by overly-indebted banking systems and households in Europe and the United States.

The Fed's QE2 policy also helped push the value of the US dollar lower, as the US dollar index declined more than 15% from its 2010 high. The weak dollar was a catalyst for a broad sentiment shift as global investors pared their emerging markets equity holdings in favor of those in developed markets. In essence that shift has been away from tighter monetary policy of Asia and Brazil, who are dealing with cyclical inflation pressures, towards the United States and Europe where the markets were being assisted by easy money, government bailouts and low interest rates. This was a headwind for the Funds' emerging markets exposure.

The strongest performing areas for the Funds came from our energy, aerospace manufacturing holdings, as well as from consumer cyclical stocks. Despite a relatively weak year for emerging markets, our strategies focused on Asian household consumption growth also worked well.

We thought that free cash flow would be the equity story for 2010 but the performance of that strategy was mixed. Some stocks we thought were particularly undervalued actually declined. These include Microsoft (MSFT), a company which, although it offers an 11% free cash flow yield and double digit growth as technology upgrade cycles emerge, was nevertheless down 11.39% in 2010. Google (GOOG), still one of the fastest growing large companies in the world, appreciated a mere 3.46%. We continue to believe these holdings have great promise for 2011.

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Other free cash flow stories, however, performed quite well. Transdigm Group Corp. Inc. (TDG), a leading global designer and producer of aircraft components and The Goodyear Tire and Rubber Company (GT), a leading manufacturer and distributor of tires benefited from rebounds in end-market demand, which was amplified by significant pricing power at both companies.

The energy sector also performed well as high energy prices supported increased earnings for both exploration and production companies and oil equipment and service providers. National Oilwell Varco (NOV), one of the largest providers of machinery and related equipment for oil-drilling rigs benefited from higher spending budgets from its customers, as well as market share gains due to its leading technology position. Another holding, Golar LNG Inc (GLNG), owns and operates a fleet of liquid natural gas (LNG) tankers. The increased demand for LNG from Europe and Asia has benefited Golar as has China's ongoing need to increase and diversify its sources of energy. High barriers to entry in Golar's business have supported its higher valuation.

Our position in Bank of America has been a drag on Fund performance. Despite strong lending margins, helped by what is likely to be an extended period of very low deposit rates, a marked decrease in credit losses and a significant increase in the bank's capital adequacy ratios, Bank of America stock has lagged. The shares now trade at a discount to tangible book value suggesting that firm is worth no more than its liquidation value. We believe the national consumer and corporate franchise, which includes the

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Shareholder Letter

Clough Global Funds

March 31, 2011

Merrill Lynch and Countrywide Financial platforms, are severely undervalued and believe that management will successfully execute its turnaround strategy.

The Funds' position in Genworth Financial shares also hurt returns. Genworth is a mortgage insurance provider and was hobbled during the 2008 credit crisis and housing bust, though fundamentals are much better today. We believe housing is undergoing a gradual recovery in the US, albeit the slope of that recovery is far from steep. While Genworth's balance sheet has improved meaningfully, we have not seen a recovery in new policy issuance that we expected and that growth is necessary for the thesis to play out. We have exited this position for now.

The Funds continued to maintain a focus on generating income with a portion of the portfolio allocated to fixed income markets. This allocation helps us generate our managed distribution target and also provides diversification for the Funds to help reduce volatility. Low yields on US Treasury bonds have made the task of generating attractive returns in fixed income markets more difficult, so we have expanded our yield-focused strategies beyond just US Treasuries and mortgage-backed securities. Corporate bonds were the biggest allocation to our yield-focused strategies and we believe they continue to produce equity-like returns. Our corporate bond allocation averaged approximately 10% of total assets over the period.

Our yield-generating strategies also included specialty finance company equities such as Business Development Companies (BDCs) and Mortgage Real Estate Investment Trusts (M-REITs). BDCs are REIT-like structures that invest in the debt structures of companies not large enough to finance themselves in the public markets. The Funds' exposure to BDCs was on average 3% during the fiscal year and the BDC holdings returned roughly 30% in 2010. Finally, M-REITs are publically traded portfolios of agency and non-agency mortgage backed securities. We believe the mortgage REITs are the best way to monetize the historically steep yield curve. The Funds had approximately 6% on average allocated to this sector and our holdings of M-REITs returned nearly 20% for the year.

Outlook for the Next Twelve Months:

We have seen a strong global economic recovery since the depths of the 2008 credit crisis. This recovery was driven by extraordinary fiscal stimulus, bank and government bailouts and unorthodox monetary policies. Nonetheless, the underlying trend towards fiscal consolidation and balance sheet restructuring, particularly in the developed world economies continues. As these policies normalize, and in some instances reverse, we would expect global growth to slow over the next couple of years. Such an environment is not necessarily bearish for equity markets and we see plenty of opportunity for investors over the next several years. We have made modest changes to our long-term thematic exposures as we enter 2011.

The Funds remain focused on quality, large cap multi-nationals with dominant strategic positions, and high free cash levels which can be used to benefit shareholders. As far as sectors are concerned, we continue to prefer North American auto, auto parts and aerospace

manufacturers, and firms leveraged to the high growth being seen in the wireless device sector. Further, our yield focused strategies continue to emphasize BDCs, M-REITs and corporate bonds. We have been reducing our holdings in the commodity sector, including some of our long-held investments in the energy sector which have performed well. The flip side of slower growth is likely a reduction in inflationary pressures in the emerging markets which will improve sentiment. We think emerging markets are likely to return as market leaders later in the year, particularly if growth in the developed economies falters. We are rebuilding our holdings of Chinese consumer-oriented equities.

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

Sincerely,

Charles I. Clough, Jr.

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Past performance is no guarantee of future results.

The information in this Portfolio Managers Shareholder Commentary represents the opinions of the individual Portfolio Managers and is not intended to be a forecast of future events, a guarantee of future results, or investment advice.

The S&P 500 Index is the Standard & Poor's composite index of 500 stocks, a widely recognized, unmanaged index of common stock prices. It is not possible to invest directly in an Index.

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March 31, 2011

Asset Allocation*

Common Stock US	56.86%
Common Stock Foreign	19.16%
ETFs	-0.24%
Total Equities	75.78%
Corporate Debt	8.95%
Government L/T	10.30%
Asset/Mortgage-backed	0.09%
Preferred Stock	0.31%
Total Fixed Income	19.65%
Short-Term Investments	1.63%
Options	0.00%
Other (Foreign Cash)	2.94%
Rights & Warrants	0.00%
Total Other	4.57%
TOTAL INVESTMENTS	100.00%

Global Securities Holdings^

United States	74.66%
Brazil	8.94%
China	4.10%
Great Britain	2.30%
Canada	2.05%
Bermuda	1.78%
Singapore	1.16%
Hong Kong	0.93%
South Korea	0.82%
Malaysia	0.78%
The Netherlands	0.75%
Switzerland	0.55%

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Taiwan	0.53%
Russia	0.21%
Indonesia	0.20%
Philippines	0.19%
France	0.09%
Japan	0.09%
Cayman Islands	-0.13%
TOTAL INVESTMENT	100.00%

* *Includes securities sold short.*

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

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March 31, 2011 (Unaudited)

Asset Allocation*

Common Stock US	62.08%
Common Stock Foreign	19.21%
ETFs	-0.47%

Total Equities **80.82%**

Corporate Debt	8.49%
Government L/T	5.97%
Asset/Mortgage-backed	0.26%
Preferred Stock	0.31%

Total Fixed Income **15.03%**

Short-Term Investments	1.17%
Options	0.00%
Other (Foreign Cash)	2.98%
Rights & Warrants	0.00%

Total Other **4.15%**

TOTAL INVESTMENTS **100.00%**

Global Securities Holdings^

United States	74.84%
Brazil	8.75%
China	4.08%
Great Britain	2.30%
Canada	2.02%
Bermuda	1.85%
Singapore	1.15%
Hong Kong	0.93%
South Korea	0.81%
Malaysia	0.78%
The Netherlands	0.75%
Switzerland	0.58%
Taiwan	0.53%
Russia	0.21%
Philippines	0.19%
Indonesia	0.18%
France	0.09%
Japan	0.09%

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Cayman Islands	-0.13%
TOTAL INVESTMENTS	100.00%

* *Includes securities sold short.*

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

Table of Contents**Clough Global Opportunities Fund****Portfolio Allocation**

March 31, 2011 (Unaudited)

Asset Allocation*

Common Stock US	56.45%
Common Stock Foreign	19.13%
ETFs	-0.80%
Total Equities	74.78%
Corporate Debt	8.96%
Government L/T	11.49%
Asset/Mortgage-backed	0.06%
Preferred Stock	0.31%
Total Fixed Income	20.82%
Short-Term Investments	1.23%
Options	0.18%
Other (Foreign Cash)	2.99%
Rights & Warrants	0.00%
Total Other	4.40%
TOTAL INVESTMENTS	100.00%
Global Securities Holdings^	
United States	74.70%
Brazil	8.91%
China	4.10%
Great Britain	2.31%
Canada	2.05%
Bermuda	1.80%
Singapore	1.16%
Hong Kong	0.93%
South Korea	0.82%
Malaysia	0.78%
The Netherlands	0.75%
Taiwan	0.53%
Switzerland	0.52%
Russia	0.21%
Indonesia	0.19%
Philippines	0.19%
Japan	0.09%

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France	0.09%
Cayman Islands	-0.13%
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TOTAL INVESTMENTS	100.00%

* *Includes securities sold short.*

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

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Report of Independent Registered

Public Accounting Firm

To the Shareholders and Board of Trustees of

Clough Global Allocation Fund,

Clough Global Equity Fund, and

Clough Global Opportunities Fund:

We have audited the accompanying statements of assets and liabilities of Clough Global Allocation Fund, Clough Global Equity Fund, and Clough Global Opportunities Fund (each a Fund, collectively the Funds), including the statements of investments, as of March 31, 2011, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Funds are not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of March 31, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Clough Global Allocation Fund, Clough Global Equity Fund, and Clough Global Opportunities Fund as of March 31, 2011, the results of their operations and their cash flows for the year then ended, the changes in their net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Denver, Colorado

May 18, 2011

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Clough Global Allocation Fund

Statement of Investments

March 31, 2011

	Shares	Value
COMMON STOCKS 105.54%		
Basic Materials 0.91%		
Anglo American PLC - Unsponsored ADR ^(a)	6,794	\$175,421
Gerdau S.A. - Sponsored A DR ^{(a)(b)}	24,229	302,862
Walter Energy, Inc.		