

**Part 2A of Form ADV: *Firm Brochure***

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This brochure provides information about the qualifications and business practices of Clough Capital Partners L.P. If you have any questions about the contents of this brochure, please contact us at 617-204-3400, or [investorrelations@cloughcapital.com](mailto:investorrelations@cloughcapital.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Clough Capital Partners L.P. is registered with the SEC as an investment adviser. Being a “registered investment adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.

Additional information about Clough Capital Partners L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm’s CRD number is 131257.

## **Item 2 Material Changes**

Material changes made to this Form ADV Part 2A since the previous most recently updated version filed on March 30, 2020 include disclosure concerning conflicts of interest in Item 10, Other Financial Industry Activities and Affiliations.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	6
Item 6	Performance-Based Fees and Side-By-Side Management	8
Item 7	Types of Clients	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9	Disciplinary Information	36
Item 10	Other Financial Industry Activities and Affiliations	37
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	42
Item 12	Brokerage Practices	45
Item 13	Review of Accounts	50
Item 14	Client Referrals and Other Compensation	51
Item 15	Custody	53
Item 16	Investment Discretion	53
Item 17	Voting Client Securities	53
Item 18	Financial Information	54
Item 19	Requirements for State-Registered Advisers	54

## **Item 4 Advisory Business**

Clough Capital Partners L.P. ("Clough Capital", "we" or "us") is a SEC-registered investment adviser with its principal place of business located in Boston, Massachusetts. Clough Capital is a limited partnership that began conducting business in 2000.

Clough Capital's principal owner (i.e., those individuals and/or entities controlling 25% or more of the partnership) is Charles I. Clough Jr. Mr. Clough's interests in Clough Capital are held through his interests in two entities: Clough CGI, LLC and Charles I. Clough Jr. Trust of 2009.

### **PRIVATE FUND PORTFOLIO MANAGEMENT**

Clough Capital provides investment management services to collective investment funds that are not registered as investment companies (the "Private Funds"). The Private Funds that are managed by Clough Capital include:

- Clough Investment Partners I, L.P. ("Clough I")
- Clough Investment Partners II, L.P. ("Clough II")
- Clough Offshore Fund, Ltd. ("Clough Offshore")
- Clough Finn Investment Partners, L.P. ("Clough Finn")
- Clough Healthcare Fund, L.P. ("Clough Healthcare") and Clough Healthcare Offshore Fund, Ltd. ("Healthcare Offshore") (investing through Clough Healthcare Master Fund, L.P.)
- CCP SPV, L.P. ("CCP SPV")

The Private Funds are either organized as (i) limited partnerships, where an affiliate of Clough Capital (Clough Associates LLC for Clough I and Clough II, Clough Finn Associates, LLC for Clough Finn, Clough Healthcare Associates, LLC for Clough Healthcare, and CCP Associates, LLC for CCP SPV) acts as the general partner (each a "General Partner") and each investor in that Private Fund is a Limited Partner, or (ii) an exempted offshore corporation offering shares to qualified investors, where Clough Capital acts as investment manager.

### **MUTUAL FUND PORTFOLIO MANAGEMENT**

Clough Capital provides investment management services to the Clough Global Dividend and Income Fund, the Clough Global Equity Fund, and the Clough Global

Opportunities Fund (the "Closed End Mutual Funds"), the Clough China Fund, and the Clough Global Long/Short Fund (collectively, the "Mutual Funds"). All five Mutual Funds are registered under the Investment Company Act of 1940.

Clough Capital serves as the investment advisor to the Closed End Mutual Funds, the Clough Global Long/Short Fund and as the sub-advisor to the Clough China Fund. Clough Capital continuously manages the Mutual Fund assets based on the investment goals and objectives as outlined in each Mutual Fund's prospectus.

Interested investors should refer to each Mutual Fund's Prospectus and Statement of Additional Information ("SAI") for important information regarding objectives, investments, time-horizon, risks, fees, expenses, and additional disclosures. These documents are available on-line at **[www.cloughglobal.com](http://www.cloughglobal.com)** (Closed End Mutual Funds and Clough Global Long/Short Fund) and **[www.alpsfunds.com/CHNAX](http://www.alpsfunds.com/CHNAX)** (Clough China Fund).

Prior to making any investment in the fund, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in the Mutual Fund.

## **SEPARATE ACCOUNT PORTFOLIO MANAGEMENT**

Clough Capital provides continuous asset management of client portfolios based on the individual needs of the client. Through discussions in which goals and objectives based on the client's particular circumstances are established, Clough Capital develops the client's investment guidelines. Clough Capital creates and manages a portfolio based on those guidelines.

Clough Capital manages these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives and guidelines (e.g., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients can impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors, or such other investment restrictions as may be agreed between a client and Clough Capital, but in general management of an account is discretionary on the part of Clough Capital.

## **AMOUNT OF MANAGED ASSETS**

All Clough Capital's client accounts are managed on a discretionary basis. As of December 31, 2020, Clough Capital was managing approximately \$2,117,364,048 of client assets.

## **Item 5      Fees and Compensation**

### **PRIVATE FUNDS**

Each Private Fund typically pays Clough Capital a fixed quarterly management fee as of the beginning of each fiscal quarter that ranges from 0.25% to 0.375% (1.00% - 1.50% annualized) of the Private Fund's opening net asset value for that quarter. Such fixed management fees payable by the Private Funds are generally not negotiable, although in certain circumstances management fees may be waived or reduced by agreement for certain investors in a Private Fund. In addition, each Private Fund also typically pays a performance-based fee or profit allocation of 15% to 20% of the net realized and unrealized capital appreciation in the Private Fund. This performance-based compensation is subject to waiver by Clough Capital, in its sole discretion, and may be waived or reduced by agreement for certain investors in a Private Fund. Clough Capital has waived the performance-based compensation for certain affiliates of Clough Capital (the General Partners of the Private Funds), family members of the Principals of the General Partner of the Private Fund, and other entities created for a family member's benefit. The performance-based compensation is charged only on profits in excess of a Private Fund's previous "high water mark."

### **MUTUAL FUNDS**

Clough Capital charges an asset-based fee for Mutual Fund investment management services. The fee arrangement, termination, and refund policies are described in each Mutual Fund's prospectus and Statement of Additional Information ("SAI").

For these services, Clough Capital typically charges annual management fees that range from 0.70% to 1.10% of the average daily total assets or net assets of the Mutual Fund, depending on the type of assets being managed. Fees charged with respect to Mutual Funds are subject to annual review and approval by the Board of Trustees of each Mutual Fund. These fees and expenses are described in each Mutual Fund's prospectus, and each client should review the fees charged by the Mutual Funds and the fees charged by Clough Capital to fully understand the total amount of fees to be paid by the client.

### **SEPARATELY MANAGED ACCOUNTS**

For separately managed accounts, management fees are normally charged based on a percentage of assets under management. Clough Capital may be paid a management fee in advance at the beginning of each calendar quarter based on an agreed percentage of the market value of the holdings in the separately managed client account as of the beginning of the quarter, or the client may pay the management fee

based on an agreed percentage of the market value of the holdings in the separately managed client account quarterly in arrears based on the average of the net asset value as of the last day of each month during such calendar quarter. Management fees are generally billed to the client, not deducted from the client's account. Clough Capital is also entitled to be paid a performance-based fee as mutually agreed between a separately managed account client and Clough Capital (so long as the client is a "qualified client" under the applicable securities regulations). The performance-based fee is based on an agreed percentage of net realized and unrealized capital appreciation on an annual basis, and may be subject to a hurdle amount that must be reached before the performance-based fee will be paid. In addition, the performance-based fee will be subject to a "high-water" mark such that if the account suffers a net capital loss, no performance-based fee will be charged until the account has recovered that loss. If a client with a separately managed account invests a portion of its assets in one of the Private Funds, then no separate account management fee is paid on the portion of assets in the Private Fund, but rather, only the management and performance-based fees of the Private Fund are charged on those assets. Fees charged to separately managed accounts are subject to negotiation and are included in a written contract between the client and Clough Capital.

A minimum of \$50 million of assets under management is required for separately managed accounts, subject to Clough Capital's discretion to accept more or less. This account size may be negotiable under certain circumstances.

A separately managed client account agreement generally may be canceled at any time, by either party, for any reason upon receipt of written notice. The Investment Management Agreement between the client and Clough Capital will give the specific notice period required, which is generally 30 days. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any separately managed account that pays management fees in advance, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, Clough Capital will pro rate the reimbursement according to the number of days remaining in the billing period.

## **OTHER FEES AND EXPENSES**

In addition to our advisory fees, our clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer that effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Our clients will generally also bear all other costs and expenses related to their investments and operations, including, without limitation, brokerage commissions and other transaction costs, clearing and settlement charges, interest and commitment fees on debit balances or borrowings, borrowing charges on securities sold short, stock borrowing fees, proxy solicitation expenses, costs of liability insurance obtained on

behalf of a client, initial and variation margin, custodial fees, costs of any litigation or investigation involving client activities, indemnification expenses, consulting expenses, the fees and expenses of professionals providing services to the client, including legal and other professional fees relating to potential and actual investments, audit, accounting, tax and administration, regulatory costs, any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes, regulatory filing and license fees, costs of reporting and providing information to investors in such clients (if any), and any extraordinary expenses. A portion of certain client's operating expenses may be shared with other clients managed by Clough Capital on an equitable basis as determined by Clough Capital, and if permitted pursuant to a client's applicable governing documents. Not all of Clough Capital's clients will pay all of the types of expenses and costs listed above, and clients may also pay different expenses not listed above. In each case, reference should be made to each client's applicable governing documents for further information.

More information regarding fees and expenses applicable to the Mutual Funds is also available on each Mutual Fund's website. See Item 4 for the websites for the Closed End Mutual Funds, the Clough Global Long/Short Fund, and the Clough China Fund.

## **Item 6      Performance-Based Fees and Side-By-Side Management**

For client accounts that are subject to a performance-based fee or allocation, which are currently the Private Funds and separately managed accounts, there is an inherent conflict of interest built into the fee structure since the performance-based compensation may create an incentive for Clough Capital to recommend investments which may be riskier or more speculative than those which would be recommended under a different compensation structure.

Because Clough Capital manages accounts that pay performance-based compensation and those that do not, there is an incentive to favor the accounts with performance-based compensation. There is also an inherent conflict of interest between client accounts that pay performance-based compensation and client accounts that do not, since Clough Capital has the ability to earn higher fees from the performance-based compensation-paying accounts. This could give us an incentive to place higher performing securities in the accounts that pay performance-based compensation. Clough Capital seeks to mitigate this by requiring the allocation of securities to be done in advance of trade execution so that trades are not allocated after their performance is known. In addition, for initial public offerings (IPOs) and other limited issues, including certain limited availability secondary offerings, which historically have seen large initial gains, Clough Capital generally requires all eligible accounts to have the opportunity to participate in the offering on a pro rata basis in proportion to the managed assets in such eligible accounts.



To the extent possible, investment themes identified as attractive, and the specific security selections within those themes, are considered for all eligible accounts in the same investment strategy and these trades will generally be done pro rata among such eligible accounts. At present, the only accounts for which this pro rata standard applies are the global thematic long/short Private Funds. For the allocation policy for IPOs and limited issue secondary offerings, see IPO and Limited Issue Allocations in Item 12. Among the Clough Capital closed-end funds, generally trades are done pro rata to total asset size, although from time to time certain funds may be given a different allocation due to cash availability issues, strategy differences, or to compensate for other structural factors (for example, the Clough Global Equity Fund must be at least 80% invested in global equities, so it may receive a larger allocation of an equity security in order to maintain this weighting, and the Clough Global Dividend and Income Fund may invest in income producing securities not held in the other closed-end funds). At times, securities considered as investments for client accounts in the same investment strategy may also be appropriate for client accounts in a different investment strategy managed by Clough Capital, but the portfolio weightings and specific holdings periods for a particular security may not necessarily be the same across accounts in the various investment strategies because of various considerations outlined above, or for other reasons. The portfolio managers, exercising investment discretion and judgment, will be responsible for the determination as to the amount of a particular security to be allocated across a group of accounts in different investment strategies. This allocation must be done in advance of execution. When the same security is traded on the same day for accounts having different investment strategies, whenever possible the order should be combined and the weighted average execution price per broker for that day will be used for all accounts that participate. Trades of the same security for accounts in different investment strategies, however, might not be combined if there is a different trading execution strategy being employed. For example, one portfolio manager may want to trade in the market without regard to a specific price, whereas a second portfolio manager may want to trade at a certain limit price or at VWAP (volume weighted average price) over the course of the day. In those instances, a different average price may result. If two or more brokers or trading facilities are used to trade the same security on the same day, the allocation percentage amongst the various accounts participating will be approximately the same, unless a valid exception applies and is documented.

## **Item 7      Types of Clients**

Clough Capital provides advisory services to: closed end mutual funds; open end mutual funds; private funds; and separately managed accounts, which may include private foundations, corporations, state pension plans, and high net-worth individuals.

**Account Opening Requirements:** Clough Capital Private Funds have minimum investment amount requirements, generally \$1-2 million, with lesser amounts accepted subject to the sole discretion of Clough Capital, and investors must meet certain

regulatory standards, as described in each Private Fund's Private Placement Memorandum. Mutual Funds managed by Clough Capital generally have minimum investment requirements as well, and these are described in each Mutual Fund's prospectus. A minimum of \$50 million of assets under management is generally required for separately managed accounts, subject to Clough Capital's discretion to accept more or less.

## **Item 8      Methods of Analysis, Investment Strategies and Risk of Loss**

### **METHODS OF ANALYSIS**

Clough Capital may use any or all of the following methods of analysis in formulating the investment advice that we use in managing client assets. Clough Capital believes that above average investment returns can be achieved when key, proprietary insights into industry or economic trends are discovered, and their significance understood before they become obvious to other investors. Within this context, the investment process will focus on investing in a limited number of major global investment themes identified from time to time by Clough Capital ("Global Thematic"). Investment themes will be generated for both long and short investment opportunities, with an emphasis on the long side. Attractive investment themes will often be influenced by global trends, which make investments in certain industries across more than one geographic market likely. Clough Capital expects that it will generally employ these methods across most of its various clients, including Separately Managed Accounts that follow this investment strategy, whether in whole or in part, taking into account in each case the particular investment objectives of our clients. However, some of our clients' assets, particularly, for Clough Healthcare and Healthcare Offshore (the "Clough Healthcare Funds"), and Clough Finn, are managed in accordance with alternative methods of analysis that are further described below. Additional information regarding the particular methods of analysis, investment strategies and investment risks associated with investing in each of our client accounts is contained in such clients' respective offering and/or governing documents.

### **GENERAL – GLOBAL THEMATIC INVESTING**

Clough Capital, through a fundamental research-driven investment process, will seek to earn superior long-term rates of return for its Global Thematic clients, generally relative to broad equity market indices, such as the S&P 500 Index and the Morgan Stanley World Index. Clough Capital invests its clients' assets primarily in equity and equity-related securities in both US and non-US markets. Clough Capital may also invest its clients' assets in fixed income securities and other financial instruments, including but not limited to equity and index options, futures, currencies, and commodities. Investments in non-US markets are made primarily through securities that trade on non-US exchanges and through securities that do trade on US exchanges such as

exchange traded funds (“ETFs”), Global Depository Receipts (“GDRs”), and American Depository Receipts (“ADRs”). Along with capital appreciation, capital preservation is an important objective of Clough Capital. Clough Capital may use hedging strategies to seek to provide a degree of protection against market declines, such as shorting individual stocks and using index options and futures. In addition, short positions and put options may also be used to implement independent investment strategies. Clough Capital generally expects to keep accounts in a net long position and will also utilize leverage when deemed appropriate.

Clough Capital believes that above average investment returns can be achieved when key, proprietary insights into industry or economic trends are discovered, and their significance understood before they become obvious to other investors. Within this context, the Global Thematic investment process will focus on investing in a limited number of major global investment themes identified from time to time by Clough Capital. Industry consolidation, technological change, an emerging shortage of a product or raw material which derives from a period of under-investment, changes in government regulation, or major economic or investment cycles are examples of themes Clough Capital may emphasize in its investment focus. Investment themes will be generated for both long and short investment opportunities, with an emphasis on the long side. Attractive investment themes will often be influenced by global trends, which make investments in certain industries across more than one geographic market likely.

Once attractive themes are identified, analyzed and selected, Clough Capital will utilize a “bottom-up” research approach to identify companies it believes are best positioned to benefit from those specific themes. Individual positions will be selected based upon a number of qualitative and quantitative factors which may include, but are not limited to, such factors as a company’s competitive position, quality of company management, quality and visibility of earnings and cash flow, balance sheet strength and relative valuation.

Clough Capital client accounts managed in accordance with our Global Thematic investing strategies will be actively managed and securities may be bought or sold on a daily basis. Investments may be added to the account if they satisfy value-based criteria or contribute to the account’s risk profiles. Investments may be removed from the accounts if Clough Capital believes that their market value exceeds full value, they add inefficient risk or the initial investment thesis fails.

## **CLOUGH FINN**

The investment objective for Clough Finn and any Separately Managed Account that follows this investment strategy, whether in whole or in part, is to seek to generate attractive risk-adjusted total return, consisting of both income and capital appreciation, by investing primarily in closed-end funds (“CEFs”). Clough Capital believes that certain features of CEFs can create significant market inefficiencies and will opportunistically pursue investments created by or otherwise related to those perceived inefficiencies.

Many of these investment opportunities are expected to relate to differences between the trading price of the shares of a CEF as compared to the net asset value (“NAV”) of the securities and other assets held by that CEF. This often results from the fact that holders of interests in CEFs do not have the right to redeem their interests on a daily basis at a price based on NAV. As a result, a CEF’s shares will often trade at a premium or at a discount to its NAV.

Clough Capital generally expects to seek investment opportunities for Clough Finn in two main categories. First are longer-term, or “core” opportunities, where Clough Capital believes that a CEF is mispriced, and that as a result, Clough Finn may pursue attractive long-term returns by investing in that CEF at prices that Clough Capital believes are undervalued. Second are event-driven opportunities, which tend to be shorter-term in nature. These potential investments are expected to be more dependent on the outcome of particular special situations related to a CEF, and may include opportunities related to events such as rights offerings and dividend changes, among others. It should be noted that although Clough Capital believes that the foregoing types of investments will generally tend to be either longer or shorter duration holdings for the Fund, as described above, there is no minimum period or outside limitation on how long the Fund will be required to hold any of these investments, and holding periods may vary widely even within either of these categories. Additionally, Clough Capital expects to also invest a portion of Clough Finn assets in exchange-traded funds (“ETFs”, and collectively with CEFs, “Underlying Funds”) and securities of other issuers.

## **CLOUGH HEALTHCARE FUNDS**

The investment objective for each of the Clough Healthcare Funds is to seek to generate attractive risk-adjusted absolute total returns, consisting of both capital appreciation and income, which are not correlated to broader markets, by investing primarily in the global healthcare sector. Clough Capital believes that the healthcare sector offers a wide opportunity set from which to strategically seek to exploit information inefficiencies across multiple sub-sectors, due in large part to the complexities and effects of government regulation, reimbursement trends, demographic trends, scientific innovation and consolidation. Clough Capital believes that given the size of the market capitalization and diversity of business models across healthcare, the sector offers multiple avenues to invest strategically on both the long and short sides, and to leverage Clough Capital’s significant industry domain expertise to source investment opportunities. The Funds may invest globally in the securities of both public and late stage private healthcare industry issuers.

Clough Capital will seek to achieve the Clough Healthcare Funds’ investment objectives through a combination of long and short investments in securities of companies within a relatively diverse group of sub-sectors in the healthcare industry. The particular securities and sub-sectors within the healthcare industry selected by Clough Capital may vary over time based on Clough Capital’s analysis of market trends and data and identification of investment opportunities. Clough Capital will monitor, research and analyze various aspects of the healthcare industry, including, regulatory decisions and

actions affecting healthcare products and the industry generally, product pipeline advancements, new therapeutic product launches, product design changes and government actions related to the healthcare industry. Clough Capital expects to generally focus on the following subsectors within the healthcare industry: large capitalization pharmaceutical companies, specialty and generic pharmaceuticals, biotechnology companies, institutional and retail services companies, insurance companies and manufacturers of medical devices. The Clough Healthcare Funds may invest in U.S. companies and non-U.S. companies.

Clough Capital's research process with respect to potential investments for the Clough Healthcare Funds will begin with theme development and isolation of investable themes which include developing and refining a macro view on government healthcare reform and initiatives, domestic and international consolidation, and scientific innovation and capital expenditure trends. The Clough Healthcare Funds may from time to time hold investments outside of the global healthcare sector, either as a hedge on one or more global markets, or because a non-healthcare investment may indirectly have some relationship to another healthcare investment or to the sector more broadly. However, it is not expected that any such investments would represent a substantial part of the Clough Healthcare Funds over time.

## **MATERIAL RISKS - ALL ACCOUNTS**

Investments in a Clough Capital client account presents potentially significant risks and is not intended as a complete investment program. Investing in securities involves risk of loss that investors should be prepared to bear. The following material risks relate generally to the investment strategy and methods of analysis Clough Capital uses for its clients. Not all of these risks will be equally relevant to each client whose assets we manage at any time, and some may not be applicable or equally relevant to each of Clough Capital's clients. Each client's governing documents should also be consulted for additional details on applicable risks.

**Investment and Trading Risks.** An investment in a Clough Capital client account involves a high degree of risk, including the risk that the entire amount invested may be lost. Clough Capital client accounts will invest in and actively trade securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the equity, fixed income, commodity and currency markets, the risks of borrowings and short sales, the leverage associated with trading in the currency and derivatives markets, the potential illiquidity of derivative instruments and the risk of loss from counterparty defaults. The markets in which Clough Capital client accounts expect to invest have recently experienced and may continue to experience significant volatility and losses. No guarantee or representation is made that the investment program will be successful, that the various investment strategies utilized will have low correlation with each other or that Clough Capital client accounts' returns will exhibit low correlation with an investor's traditional securities portfolio. Clough Capital may utilize such investment techniques as option transactions, margin transactions, short sales, forwards, leverage and derivatives

trading, including futures contracts, which practices involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which Clough Capital client accounts' investment portfolio may be subject. In order to comply with the relevant exemption, certain accounts will be subject to certain limitations on investments in futures. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to Clough Capital client accounts.

**Leverage and Financing Risk.** A Clough Capital client account may leverage its capital because Clough Capital believes that the use of leverage may enable the Clough Capital client account to achieve a higher rate of return. Accordingly, a Clough Capital client account may pledge its securities in order to borrow additional funds for investment purposes. A Clough Capital client account may also leverage its investment return with options, futures contracts, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which a Clough Capital client account may have outstanding at any time may be substantial in relation to its capital.

While leverage presents opportunities for increasing a Clough Capital client account's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Clough Capital client account could be magnified to the extent the Clough Capital client account is leveraged. The cumulative effect of the use of leverage by a Clough Capital client account in a market that moves adversely to the Clough Capital client account's investments could result in a substantial loss to the Clough Capital client account which would be greater than if the Clough Capital client account was not leveraged.

In the futures and forward markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures or forward contract trading is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission. Thus, like other leveraged investments, any purchase or sale of a futures or forward contract may result in losses in excess of the amount invested.

In general, the anticipated use of short-term margin borrowings results in certain additional risks to a Clough Capital client account. For example, should the securities pledged to brokers to secure a Clough Capital client account's margin accounts decline in value, a Clough Capital client account could be subject to a "margin call", pursuant to which the Clough Capital client account must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Clough Capital client account's assets, the Clough Capital client account might not be able to liquidate assets quickly enough to satisfy its margin requirements.

A Clough Capital client account may borrow by entering into repurchase agreements. Under a repurchase agreement, a Clough Capital client account sells securities and agrees to repurchase them at a mutually agreed date and price. Repurchase agreements may involve the risk that the market value of the securities retained in lieu of sale by the Clough Capital client account may decline below the price of the securities the Clough Capital client account has sold but is obligated to repurchase. In the event the buyer of securities under a repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Clough Capital client account's obligation to repurchase the securities and the Clough Capital client account's use of the proceeds of the repurchase agreement may effectively be restricted pending such decision. To the extent that, in the meantime, the value of the securities that a Clough Capital client account has repurchased has decreased, the Clough Capital client account could experience a loss.

While Clough Capital attempts to negotiate the terms of financing arrangements with brokers and dealers for its client accounts, its ability to do so is limited. A Clough Capital client account will, therefore, be subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to the Clough Capital client account. To the extent Clough Capital client accounts do not have any alternative credit facility which could be used to finance their portfolios in the absence of financing from broker-dealers, they could be forced to liquidate their portfolios on short notice to meet their financing obligations. The forced liquidation of all or a portion of the Clough Capital client account's portfolio at distressed prices could result in significant losses to such Clough Capital client account.

**Short Selling.** A portion of the investment program for each Clough Capital client account may include short selling. Short sales are sales of securities a Clough Capital client account borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and such Clough Capital client account will be able to make a profit by purchasing the securities at a later date at the lower prices. A Clough Capital client account will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. Each Clough Capital client account's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on

short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of a Clough Capital client account. Additionally, the Securities and Exchange Commission (“SEC”), its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may from time-to-time impose restrictions that adversely effect a Clough Capital client account’s ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, a Clough Capital client account may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. A Clough Capital client account may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and each Clough Capital client account is subject to strict delivery requirements. The inability of a Clough Capital client account to deliver securities within the required time frame may subject such Clough Capital client account to mandatory close out by the executing broker-dealer. A mandatory close out may subject such Clough Capital client account to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact each Clough Capital client account’s ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to Clough Capital client accounts.

**Highly Volatile Markets.** The prices of financial instruments in which a Clough Capital client account may invest can be highly volatile. Price movements of forward, futures and other derivative contracts in which a Clough Capital client account’s assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. A Clough Capital client account also is subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouse.

**Counterparty Risk.** Some of the markets in which a Clough Capital client account may effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes Clough Capital client accounts to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Clough Capital client account to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or



where a Clough Capital client account has concentrated its transactions with a single or small group of counterparties. Clough Capital is not restricted from dealing with any particular counterparty or from concentrating any or all of a Clough Capital client account's transactions with one counterparty. Moreover, Clough Capital has no formal credit function which evaluates the creditworthiness of a Clough Capital client account's counterparties. The ability of a Clough Capital client account to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by Clough Capital client accounts.

**Purchasing Securities of Initial Public Offering.** From time to time Clough Capital client accounts may purchase equity securities which are part of initial public offerings ("IPOs"). The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for Clough Capital client accounts to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. Clough Capital client accounts may invest in securities that are "new issues," as defined by Rule 5130, which restricts certain persons from receiving securities which are "new issues." Clough Capital will generally allocate IPOs on a pro rata basis to eligible accounts (see IPO and Limited Issue Allocations in Item 12).

**Liquidity of Investments.** A Clough Capital client account may invest in securities which are subject to legal or other restrictions on transfer or for which no liquid market exists. A Clough Capital client account may not be able to sell such securities when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Market prices for such securities are often volatile and may not be ascertainable, and restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Such investments may be difficult to value. In particular, CCP SPV only holds a single illiquid investment that it is expected will continue to be held for an unknown period of time.

**Liquidity of Futures Contracts.** Clough Capital client accounts that are eligible may trade in futures contracts, although certain accounts may be subject to certain limitations on investment in futures. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in such contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices in various commodities occasionally have moved the daily limit for several consecutive

days with little or no trading. Similar occurrences could prevent Clough Capital client accounts from promptly liquidating unfavorable positions and subject it to substantial losses. In addition, Clough Capital client accounts may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or the Commodity Futures Trading Commission (the “CFTC”) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

**Liquidity of Investments Held Across More Than One Account.** If Clough Capital determines that a particular security is appropriate for several accounts but the security is in limited supply or trades with low volume, such holdings may be difficult to acquire for the several portfolios at a price that Clough Capital determines is appropriate, or it may take longer to acquire the desired amount of shares. Such limited supply or low volume securities may also be difficult to sell at the desired price or in an appropriate time frame. The ability to move into or out of the position at a desired price level or time frame, or for a particular holding period, might not be present if only one or only a small number of accounts had invested in that security. These limitations may be especially pronounced during times of market volatility. Clough Capital seeks to reduce this risk by monitoring the use of such securities.

**Limited Diversification.** Given Clough Capital’s focus on a limited number of major global investment themes from time to time, broad diversification of investments in number or by industry or geography is not a primary investment objective of Clough Capital client accounts. At any given time, it is therefore possible that Clough Capital may select investments that are concentrated in a limited number or type of investments. This limited diversity could expose Clough Capital client accounts to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

**Hedging Transactions.** A Clough Capital client account may utilize various financial instruments, both for investment purposes and for risk management purposes in order to seek to: (i) protect against possible changes in the market value of such Clough Capital client account’s investment portfolio resulting from fluctuations in the securities markets and/or changes in interest rates, (ii) protect the Clough Capital client account’s unrealized gains in the value of such Clough Capital client account’s investment portfolio, (iii) facilitate the sale of any such investments, (iv) enhance or preserve returns, spreads or gains on any investment in the Clough Capital client account’s portfolio, (v) hedge the interest rate or currency exchange rate on any of the Clough Capital client account’s liabilities or assets, (vi) protect against any increase in the price of any securities the Clough Capital client account anticipates purchasing at a later date or (vii) for any other reason that Clough Capital deems appropriate.

The success of the hedging strategy of a Clough Capital client account will be subject to Clough Capital’s ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities

change as markets change or time passes, the success of a Clough Capital client account's hedging strategy will also be subject to Clough Capital's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner.

While a Clough Capital client account may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for Clough Capital client accounts than if it had not engaged in any such hedging transactions. For a variety of reasons, Clough Capital may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Clough Capital client account from achieving the intended hedge or expose such Clough Capital client account to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Clough Capital client account's portfolio holdings.

In certain transactions, Clough Capital client accounts may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated. Clough Capital may not hedge a position in a Clough Capital client account's portfolio because a hedge may not be available; it may be too costly in light of the likelihood of the possible risk actually occurring or the risk simply could not be reasonably anticipated.

**Loans of Portfolio Securities.** A Clough Capital client account may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of such Clough Capital client account's assets. By doing so, a Clough Capital client account attempts to increase its income through the receipt of interest on the loan. In the event of a default or the bankruptcy of the other party to a securities loan, the Clough Capital client account could experience delays in recovering the securities it lent and there is no assurance that the securities will be recovered. To the extent that the value of the securities the Clough Capital client account lent has increased, the Clough Capital client account could experience a loss if such securities are not recovered.

**Risks of Investments in Options.** Clough Capital may, on behalf of a Clough Capital client account, purchase and sell ("write") options on equities on national and international securities exchanges and in the domestic and international over-the-counter market. The seller ("writer") of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security, plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

The writer of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the value of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Options may be cash settled, settled by physical delivery or settled by entering into a closing purchase transaction. In entering into a closing purchase transaction, a Clough Capital client account may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price that may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that each Clough Capital client account may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions

**Futures and Commodities.** The prices of futures and commodities contracts are highly volatile. Price movements of futures and commodities are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of certain futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, Clough Capital client accounts' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouse or counterpart. Most U.S. commodities exchanges limit fluctuations in certain commodity interest prices during a single day by imposing what are known as "daily price fluctuation limits" or "daily limits." The existence of daily limits may reduce liquidity or effectively curtail trading in particular markets. Once the price of a particular contract has increased or decreased by the daily limit, effectively, positions in the contract can neither be taken nor liquidated. Contract prices in various commodities have occasionally moved the daily limit for several consecutive days with little or no

trading. Similar occurrences could prevent Clough Capital client accounts from promptly liquidating unfavorable positions and subject it to substantial losses that could exceed the margin initially committed to these trades. Daily limits may reduce liquidity, but do not limit ultimate losses, as daily limits apply on a day-to-day basis. In addition, even if contract prices have not moved the daily limit, Clough Capital client accounts may not be able to execute trades at favorable prices if there is only light trading in the contracts involved. As part of its emergency powers, an exchange or the CFTC can suspend or limit trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The possibility also exists that non-U.S. governments may intervene to stabilize or fix exchange rates, restricting or substantially eliminating trading in certain affected currencies.

**Forward Trading.** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by a Clough Capital client account due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which Clough Capital would otherwise recommend, to the possible detriment of a Clough Capital client account. Market illiquidity or disruption could result in major losses to a Clough Capital client account.

**Swap Transactions.** Clough Capital may invest a portion of client account assets in swap agreements with respect to securities, indexes of securities, interest rates, currencies, commodities, indexes of commodities and other assets or other measures of risk or return (or components of any of them). Clough Capital client accounts may also enter into options on swap agreements (“swaptions”). Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard “swap” transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, or indices. The gross returns to be exchanged or “swapped” between the parties are generally calculated with respect to a “notional amount”. Types of interest rate swap agreements include interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or “cap”; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or “floor”; and combinations of caps and floors, under which a party purchases or sells caps or floors or a combination

thereof in an attempt to protect itself against interest rate movements inside or outside a specified range. A swaption is a contract that gives a party the right (but not the obligation) to enter into a new swap agreement or to shorten, extend, cancel, or otherwise modify an existing swap agreement, at some designated future time on specified terms. Clough Capital's clients may write (sell) and purchase put and call swaptions.

Whether Clough Capital's use of swap agreements for a client account will be successful will depend on Clough Capital's ability to select appropriate transactions for the client account. Swap and swaption transactions may be highly illiquid. Moreover, the client account bears the risk of loss of the amount expected to be received under a swap agreement or swaption in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect Clough Capital's ability to terminate existing swap transactions or to realize amounts to be received under such transactions for a client account. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Total return swaps are another form of swap transaction that Clough Capital may utilize for client accounts. A total return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payer in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payer is synthetically short and the total return receiver is synthetically long. Thus, total return swap agreements may effectively add leverage to the client's portfolio because, in addition, to its total net assets, the client account would be subject to investment exposure on the notional amount of the swap agreement. Total return swaps may create a highly leveraged exposure to the underlying asset.

**Risks Related to Documentation of Counterparty Transactions.** Written confirmations of OTC derivative transactions can be highly complex and the forms used have not all been standardized throughout the industry. Terms used may not always have uniform meanings and may be subject to more than one interpretation. There is no assurance that Clough Capital's interpretation of such agreements for a client account will in all circumstances fully comport with those of the relevant counterparties, and disagreements, possibly in respect of fundamental terms of the documents, could arise. The documentation of many OTC derivative transactions grants the client account's counterparty the right to make a variety of determinations with respect to the transactions, such as certain valuations, the level of certain interest rates or exchange rates, the determination of whether certain significant events have happened, and the like. The client account may have the right, in respect of certain transactions, to dispute some of those determinations. Even where the client account has such dispute rights, there can be no assurance that the client account would prevail in any dispute resolution process that did occur.

**Other Derivative Investment Risks.** Derivative instruments, or “derivatives” include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose the Clough Capital client account to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

**Investments in Fixed-Income Securities.** Each Clough Capital client account may invest a portion of its capital in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations, debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, commercial paper, and “higher yielding” (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

**Non-U.S. Securities.** Clough Capital client accounts may invest in securities of non-U.S. issuers. Clough Capital client accounts’ investments in securities and instruments in foreign markets involve substantial risks not typically associated with investing in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of Clough Capital client accounts’ assets denominated in that currency and thereby will have an impact upon Clough Capital client accounts’ total return on such assets. Clough Capital client accounts may utilize options and forward contracts to hedge against currency

fluctuations but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of Clough Capital client accounts' assets and the effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for Clough Capital client accounts to obtain or enforce a judgment against the issuers of such securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher on foreign markets than in the U.S. In addition, differences in clearance and settlement procedures on foreign markets may occasion delays in settlements of Clough Capital client accounts' trades effected in such markets.

Repatriation of investment income, capital and the proceeds of sales by foreign investors may require governmental registration and/or approval. Clough Capital client accounts could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by the government of an emerging country.

Taxation of dividends, interest and capital gains received by non-residents varies among foreign countries and, in some cases, is comparatively high. In addition, some countries have tax laws and procedures that may permit retroactive taxation so that Clough Capital client accounts could in the future become subject to local tax liability that they had not reasonably anticipated in conducting their investment activities or valuing their assets.

**Emerging Market Securities.** There are substantial risks involved in investing in securities issued by companies located in underdeveloped or developing countries, which are sometimes referred to as "emerging markets." These risks are in addition to the usual risks inherent in foreign investments described above. Because of greater risks of adverse political developments, the lack of effective legal structures and difficulties effecting securities transfers and settlements, Clough Capital client accounts risk the loss of their entire investment when investing in securities issued by companies located in certain foreign countries. Generally, emerging market debt securities are not required to meet any rating standards and may not be rated for creditworthiness by any internationally recognized credit rating organization. Emerging market debt securities



rated in the lower and lowest rating categories of internationally recognized credit rating organizations and unrated securities of comparable quality are predominantly speculative with respect to the capacity to pay interest and repay principal in accordance with their terms and generally involve a greater risk of default and volatility in price than securities in higher rating categories.

**Currencies.** Clough Capital client accounts may invest portions of its assets in instruments denominated in non-U.S. currencies or instruments the prices of which are determined with reference to currencies other than the U.S. dollar, including, without limitation, options on non-U.S. currencies. Clough Capital client accounts, however, value securities and other assets in U.S. dollars. Clough Capital may or may not seek to hedge all or any portion of the foreign currency exposure of the Clough Capital client account. To the extent unhedged, the value of the assets of the Clough Capital client account will fluctuate with U.S. dollar exchange rates as well as the price changes of the positions of the Clough Capital client account in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Clough Capital client account makes its investments will reduce the effect of increases and magnify the effect of decreases in the prices of the securities and other financial instruments owned by the Clough Capital client account in the local markets of such other currencies. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the non-U.S. dollar securities and other financial instruments owned by the Clough Capital client account.

**Foreign Exchange.** Spot and forward prices are highly volatile. Price movements for spot and forward contracts may be influenced by, among other things, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programs and policies of governments, domestic and foreign political and economic events, changes in domestic and foreign interest rates and rates of inflation, currency devaluations and revaluations and emotions of the marketplace. In addition, governments from time to time intervene directly and by regulation in certain markets, particularly those currencies in gold. Such intervention is often intended to influence prices directly. None of these factors can be controlled by Clough Capital, and no assurance can be given that Clough Capital's advice will result in profitable trades for the Clough Capital client account or that the Clough Capital client account will not incur substantial losses. Spot and forward contracts are not traded on exchanges. Rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Neither the CFTC nor banking authorities currently regulate trading in forward contracts on currencies, nor is there a limitation on the daily price movements of forward contracts. Speculative position limits are not applicable to forward trading. The Clough Capital client account will be subject to the risk of the inability or refusal to perform on the part of the principals or agents or through whom such forward contracts are traded.

**Closed-End Funds.** Clough Capital may invest a substantial portion of client account assets in, and may also sell short, closed-end funds ("CEFs"), the shares of which may trade at a premium or discount to their net asset value. Clough Capital, however, will not invest client account assets in, nor sell short for client accounts, shares of its own CEFs. CEFs differ from open-end investment funds in that holders of interests in a CEF

do not have the right to redeem their interests on a daily basis at a price based on net asset value. The CEF shares in which Clough Capital may trade for client accounts may be traded on one or more U.S. or foreign exchanges. Clough Capital may also for client accounts trade shares of CEFs that trade sporadically, are illiquid and may not be traded on an exchange. If Clough Capital trades a CEF for several accounts and that CEF is in limited supply or trades with low volume, it may take longer to acquire a position at a desired price, and the sale of such a CEF may also take longer or affect the desired selling price. CEFs may be subject to various trading restrictions. Clough Capital will generally not have any control over the investments made by CEFs and will generally only have limited access to information about the CEFs and their investments. CEFs generally trade independently of each other and, at times, may hold economically offsetting positions. At times CEFs may make in kind distributions which could result in a Clough Capital client account owning securities that were in a CEF's portfolio. These securities may be illiquid and may take considerable time to sell. If a CEF converts to open-end status, such conversion may result in the Clough Capital client account holding shares in an open-end fund. As a part of such conversion the new open-end fund's withdrawal terms may have associated withdrawal fees, which often decline over time and consequently, if such open-end fund's shares are held by a Clough Capital client account, certain withdrawals by the client account from such open-end fund may be subject to a withdrawal fee. Publicly traded investment funds frequently have anti-takeover provisions that make it difficult to convert them to open-end funds, which would allow the fund's shareholders (including the Clough Capital client account) to realize the full value of that fund's assets. Certain CEFs may also employ leverage, which may amplify investment gains and losses.

**Money Market Instruments.** Clough Capital may invest, for defensive purposes or otherwise, all or a portion of the client account's assets in money-market instruments, and non-U.S. money-market mutual funds, or hold cash or cash equivalents in such amounts as Clough Capital deems appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. Government securities, commercial paper, certificates of deposit and bankers' acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

**Exchange Traded Funds.** Clough Capital may invest a portion of its client account assets in, and may also sell short, shares of exchange traded funds ("ETFs") and other similar instruments. These transactions may be used to adjust the client account's exposure to the general market or industry sectors and to manage the client account's risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments. Certain ETFs may also employ leverage, which may amplify investment gains and losses.

**Business Development Companies.** Clough Capital may invest a portion of the client account's assets in business development companies ("BDCs") (which are typically registered under the 1940 Act). BDCs generally invest in the debt and equity securities of less mature U.S. private companies or thinly traded U.S. public companies which involve greater risk than well-established publicly-traded companies. While many BDCs can be expected to generate income in the form of interest and dividends, certain BDCs during certain periods of time may not generate such income. Clough Capital client accounts will indirectly bear the proportionate share of any management fees and other operating expenses incurred by the BDCs and of any performance-based or incentive fees payable by the BDCs in which a Clough Capital client account invests. A BDC's incentive fee may be very high, may vary from year to year and may be payable even if the value of the BDC's portfolio declines during a given time period. Incentive fees may create an incentive for a BDC's manager to make investments that are risky or more speculative than would be the case in the absence of such compensation arrangements, and may also encourage the BDC's manager to use leverage to increase the return on the BDC's investments. The use of leverage by BDCs magnifies gains and losses on amounts invested and increases the risks associated with investing in BDCs. A BDC may make investments with a larger amount of risk of volatility and loss of principal than other investment options and may also be highly speculative and aggressive.

**Smaller Cap Issuers.** A portion of the client account's assets may be invested in issuers with smaller market capitalizations. While, in Clough Capital's opinion, the securities of smaller-cap issuers may offer the potential for greater capital appreciation than investment in securities of larger-cap issuers, securities of smaller-cap issuers also present greater risks. For example, some smaller-cap issuers have limited product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of smaller-cap issuers generally are more sensitive to changes in earnings expectations, corporate developments, and market rumors than are the market prices of larger-cap issuers. Transaction costs in securities of smaller-cap issuers may be higher than in those of large-cap issuers.

**Broker Risk.** Clough Capital client account assets may be held in one or more accounts maintained for the client account by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the client's assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the client's assets or not segregate customer assets.

Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on the client account and its assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the client's assets or in a significant delay in the client having access to those assets.

**Selection of broker-dealers.** Clough Capital generally attempts to aggregate client trades where possible and when advantageous to client accounts (see Aggregation of Client Trades in Item 12). Some foreign markets require that a custodian bank have a relationship with a local bank in order to trade in that market, and if a Clough Capital client's account custodian does not have such a relationship, the Clough Capital client account may have to be excluded from the trade. In addition, Clough Capital client accounts that do trade in foreign markets may only be able to do so directly with their custodian.

**Derivatives Trading Agreements.** Trading in certain derivatives contracts require the use of trading agreements such as the International Swaps and Derivatives Association ("ISDA") agreement, which must be separately negotiated with each broker-dealer counterparty. For Clough Capital client accounts that permit trading in derivatives transactions, an ISDA agreement may be required to be put in place prior to trading. Clough Capital client accounts may have ISDA agreements with multiple broker-dealers. If Clough Capital wants to execute a portfolio strategy using derivatives, the ability to aggregate transactions among Clough Capital accounts may be limited if a Clough Capital client account does not have an ISDA agreement in place. Clough Capital may be required to use an alternative, if one exists, for example by trading directly in a foreign market instead of using a total return swap contract, or by purchasing an ADR security. The price paid or received by the Clough Capital client account may differ from that of another Clough Capital client account that is able to execute using a derivative contract. Other derivatives transactions may require an executing broker to "give-up" a trade to a custodian to settle, which may add an additional charge to participate in an aggregated trade with other Clough Capital client accounts that use different custodians.

**Position Limits.** "Position limits" imposed by various regulators, including the SEC and the CFTC, may limit Clough Capital's ability to effect desired trades for a client account. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if for a particular client account Clough Capital does not intend to exceed applicable position limits, it is possible that different accounts managed by Clough Capital may be aggregated. If at any time positions managed by Clough Capital were to exceed applicable position limits, Clough Capital would be required to liquidate positions, which might include positions of a particular client account, to the extent necessary to come within those limits. Further, to avoid

exceeding the position limits, the particular client account might have to forego or modify certain of its contemplated trades.

**Highly Volatile Instruments.** The prices of derivative instruments and other financial instruments in which Clough Capital client accounts may invest are highly volatile. Price movements of derivatives transactions in which the Clough Capital client account engages are influenced by, among other things, changes in interest and exchange rates, changes in implied volatilities, changes in inflation, changes in supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options, and as to certain types of transactions, such as certain short transactions. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. In addition, events can occur which lead to, among other things, market dislocations, widely varying prices and spreads, or substantially reduced demand resulting in little or no ability to liquidate instruments or the ability to do so only at substantial discounts from previously available prices, as well as substantially increased collateral requirements. This risk is generally higher for derivatives and other complex or structured instruments that do not trade on exchanges and for which the number of counterparties willing to transact may vary. The Clough Capital client account is also subject to the risk of the failure of any exchange on which its positions trade and of clearinghouses and futures commission merchants.

**Risk Management.** Although Clough Capital expects to use certain risk management parameters and methods to seek to reduce the client account's exposure to certain risks, there is no assurance that such risk management parameters and methods will be successful. Clough Capital does not seek to reduce or limit, and may retain the client account's exposure to, various risks to the extent that Clough Capital believes they provide appropriate opportunities for returns. Judgments about the relationship between risks and returns and appropriate risk reduction strategies are subjective, and the desired risk levels may not be obtained or may prove to have been too high or too low. Clough Capital's risk assessment methods, as in effect from time to time, may not accurately identify or quantify the risks to which the Clough Capital client account is exposed, which could limit Clough Capital's ability to manage the Clough Capital client account's risks. Clough Capital's risk assessment methods are, in general, based on historical data. Risks and attendant losses may be significantly greater than may reasonably be predicted from historical data. Additionally, Clough Capital's models may not correctly interpret or apply the historical data and may be unable to assess correctly the interaction of various risks. Moreover, not all historical data is taken into account by any model, and Clough Capital's models may fail to include the relevant historical data. Clough Capital's risk management techniques and strategies, as in effect from time to time, may not fully achieve the targeted risk exposures in all economic or market environments, and may be ineffective to reduce certain types of risk, including but not limited to unidentified or unanticipated risks. Anticipated correlations among the returns of various investments may not materialize. Risk management techniques may be

difficult to calibrate and expensive to implement and thus may have the effect of reducing the Clough Capital client account's returns by more than anticipated. There can be no guarantee that Clough Capital's risk assessment methods and management techniques and strategies will be effective or that the Clough Capital client account's relative value strategies will generate positive returns.

**Cybersecurity Risk.** With the increased use of technologies such as the Internet to conduct business, Clough Capital is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting Clough Capital's and other service providers (including, but not limited to, fund accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Clough Capital client account's ability to value its securities or other investments, impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which a Clough Capital client account invests, counterparties with which the client account engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for shareholders) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While Clough Capital's service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, Clough Capital cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect Clough Capital or its client accounts. Clough Capital and its client accounts could be negatively impacted as a result.

**Virus Pandemic Risks.** Global capital markets have experienced extreme volatility and disruption following the global outbreak of a strain of novel coronavirus causing respiratory illness ("COVID-19") that emerged in December 2019, which has been identified as a global pandemic by the World Health Organization. The COVID-19 pandemic continues to adversely impact global economic activity and has contributed to substantial instability in financial markets. Although vaccinations are now progressing in earnest, there remains significant uncertainty regarding the deployment of these vaccines including the timing of when most people will be vaccinated and whether such vaccinations will prove effective against emerging strains of the virus. The long-term

impact to certain market segments including segments that Clough Capital client accounts have exposure to cannot be determined at this time.

**General Economic and Market Conditions.** The success of Clough Capital client accounts' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of Clough Capital client accounts' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may effect, among other things, the level and volatility of securities' prices, the liquidity of Clough Capital client accounts' investments and the availability of certain securities and investments. Volatility or illiquidity could impair Clough Capital client accounts' profitability or result in losses. Clough Capital client accounts may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss.

**Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act.** The global financial markets may experience pervasive and fundamental disruptions that could even lead to extensive governmental intervention as was the case in 2008. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was passed to reform various aspects of the U.S. financial markets, covers a broad range of market participants including investment advisers (registered and unregistered) such as Clough Capital. The Dodd-Frank Act and other legislation in the future may directly affect Clough Capital by mandating additional new reporting requirements.

The Dodd-Frank Act may also affect Clough Capital client accounts in a number of other ways. Pursuant to the Dodd-Frank Act, banks and other financial firms (like Clough Capital and Clough Capital client accounts) may be designated as "Systemically Important Financial Institutions" or SIFIs. Any bank or financial firm so designated will be subject to regulation by the Federal Reserve Board. In the area of derivatives, the Dodd-Frank Act provides for the registration and comprehensive regulation of "major swap participants." Although Clough Capital believes it and its client accounts are unlikely to be classified as SIFIs and are not subject to the requirements for "major swap participants," the consequences of being so classified could be substantial and adverse. In addition, the cost of derivative transactions may substantially increase as a result of the Dodd-Frank Act as additional margin, capital and collateral obligations are implemented.

Clough Capital client accounts may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible

to close out positions against which the markets are moving. The financing available to Clough Capital client accounts from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to Clough Capital client accounts. Market disruptions may from time to time cause dramatic losses for Clough Capital client accounts, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

## **ADDITIONAL RISKS – CLOUGH FINN**

An investment in Clough Finn involves certain risks, including those generally set forth above in Material Risks – All Accounts. In particular, the risks of investments in Closed-End Funds, Exchange Traded Funds and the Liquidity of Investments Held Across More Than One Account described above should be considered. In addition, certain additional risks are involved in an investment in Clough Finn as follows:

**Event Strategies.** Clough Finn may invest in CEFs with pending or anticipated corporate events or other catalysts that Clough Capital believes are likely to trigger the market's revaluation of such CEFs. The ability to determine the impact of such events or catalysts on the price of a CEF's securities is very difficult to determine and there is no assurance that such events or catalysts will occur, or if they occur, that they occur in the manner anticipated by Clough Capital. Furthermore, the prices of securities of CEFs with pending or anticipated corporate events or catalysts tend to be more volatile than that of other securities.

**Mis-pricings.** Clough Finn may engage in certain arbitrage trading including, but not limited to, CEFs/ETFs arbitrage and event-driven arbitrage. In such trading, Clough Finn will attempt to profit by exploiting price differences of identical or similar securities or financial instruments on different markets or in different forms. Often arbitrage opportunities disappear rapidly once the opportunity becomes well-known and many investors act on it. Certain forms of arbitrage trading can involve large transaction costs because of the need to simultaneously buy and sell many different securities. There is no assurance that the arbitrage transaction will perform in the manner expected by Clough Capital and the exposure of Clough Finn to a movement in the market or other factors could be significantly increased. In certain transactions, Clough Finn may not be hedged against market fluctuations unrelated to the anticipated transaction but which may affect the value of the consideration to be received. This may result in losses, even if the proposed transaction is consummated.

**Risks of the Multi-Manager Strategy and Technique.** The success of Clough Finn depends on the ability of Clough Capital to select and allocate among individual Underlying Funds and upon each Underlying Fund's ability to select individual securities, correctly interpret market data, predict future market movements and otherwise implement its investment strategy. No assurance can be given that the investment strategies to be used by an Underlying Fund will be successful under all or any market conditions. Clough Capital will not have any control over the investments made by the portfolio managers of the Underlying Funds in which Clough Finn will



invest. Clough Capital may, however, reallocate Clough Finn's investments among the Underlying Funds, but Clough Capital's ability to do so may be constrained by any liquidity limitations of such Underlying Funds, as applicable. These liquidity limitations may delay Clough Finn in reacting rapidly to market changes should a portfolio manager of an Underlying Fund fail to effect portfolio changes consistent with such market changes and the expectations of Clough Capital.

**Illiquid Securities; Designated Investments.** Although Clough Capital does not currently anticipate that Clough Finn will purchase assets that are highly illiquid, restricted or difficult to value, in certain circumstances, general economic or market conditions may adversely affect the liquidity of, or ability to value, certain investments held by Clough Finn. In such events, Clough Finn, on the advice of Clough Capital, may designate certain securities as "Designated Investments", and all investors in Clough Finn at the date of such designation will participate on a pro rata basis in such Designated Investments. Such Designated Investments may have to be held for a substantial period of time before they can be liquidated, if at all. Market prices for such Designated Investments are often volatile and may not be ascertainable. The resale of restricted and illiquid securities often may have higher brokerage charges. Designated Investments represent capital not available for withdrawal by investors in Clough Finn. Such investments may be difficult to value.

**Concentration.** Subject to Clough Capital's risk framework, in the normal course of making investments on behalf of Clough Finn, Clough Capital may select investments for Clough Finn that potentially could be concentrated, for example, in a limited number or type of securities or in any one or a small number of issuers, industries, sectors, strategies or geographic regions. Market conditions may create opportunities within certain investment strategies, which cause Clough Capital to increase the concentration of certain investment strategies. Such concentration of risk may expose Clough Finn to losses disproportionate to those incurred by the market in general if the areas in which Clough Finn's investments are concentrated are disproportionately adversely affected by price movements.

**Use of Leverage.** Clough Finn may from time to time seek to use varying degrees of leverage to fund a portion of its investments. The amount of leverage will be determined by Clough Capital in its discretion, considering the nature of the investments, the terms of leverage that may be offered by sellers of investments and other factors it deems relevant. There is no assurance that leverage will be available to Clough Finn on acceptable terms, if at all. Certain Underlying Funds in which Clough Finn will invest may also employ leverage. See *"Certain Risk Factors; Closed-End Funds, Exchange Traded Funds and Business Development Companies."*

## **ADDITIONAL RISKS – CLOUGH HEALTHCARE FUNDS**

An investment in Clough Healthcare or Healthcare Offshore involves certain risks, including those generally set forth above under Material Risks – All Accounts. In

addition, certain additional risks are involved in an investment in Clough Healthcare or Healthcare Offshore, as follows:

**Healthcare Sector Investment Risks.** The Clough Healthcare Funds will generally focus on investments in the global healthcare industry and its subsectors, which may include, without limitation, investments in issuers such as pharmaceutical companies, biotechnology companies, generic drug manufacturers, insurance companies, hospital and ancillary health facilities, healthcare information technology companies and medical device companies. These issuers often face regulatory barriers to licensing, product approvals, and ongoing compliance are in some cases very high and very costly. Due in many cases to the actual and/or perceived possibility of high potential profits in many segments of the global healthcare markets, competition and litigation risks are heightened. Investing in the healthcare sector may also present additional risks that are not typical in other sectors, including, but not limited to:

**Government Regulation and Intervention.** Governments around the world closely monitor and regulate most facets of the healthcare industry and adjust policies and procedures regularly, causing healthcare companies to have to constantly adapt procedures, submit data, and subject themselves to various inspections and audits.

**Food and Drug Administration (“FDA”) and Global Oversight Entities.** Certain pipeline products of pharmaceutical, biotechnology and medical device companies are subject to long and costly development testing that is regulated by government entities (such as the FDA, in the United States). Ultimately the products must be approved before they can be sold, after sometimes intense scrutiny by government regulators. In some cases, a product denied approval may be a healthcare company’s only product candidate. If a product is not approved, extreme volatility in shares of the underlying company can occur and sales and/or profits may be delayed indefinitely. In addition, even once approved, a product’s safety and efficacy, as well as its manufacturing process, continue to be monitored and assessed by regulatory agencies. Failure to comply with regulations can result in large fines, in a product being removed from the market, or in the product being banned from sale indefinitely until the company can satisfy the regulatory agency.

**Medicare and Medicaid, Affordable Care Act Reimbursement.** Most healthcare companies rely in some way on government reimbursement through major programs such as Medicare (elderly support), Medicaid (financial duress) and expanded access to each through the Affordable Care Act (also known as “Obamacare”). These programs are perpetually evolving and funding cuts or shifting of resources within these programs cause inherent risks for the companies which depend on them for all or part of the payment for their products or services.

**Taxation of Offshore Profits.** While domicile of intellectual property or manufacturing capabilities outside of the United States in some cases affords healthcare companies corporate tax breaks and shelters under current tax laws, political, fiscal or legislative pressures may cause existing rules to change meaningfully, potentially affecting the profitability of some of these issuers.

**High Risk and High Cost Research and Development Strategies.** Most healthcare/life sciences product companies embark on very costly development plans that involve scientific experiments on animals and humans to test the safety and efficacy of their products, prior to the product's broad availability. There are multiple opportunities for cost overruns and timeline setbacks that are inherent in this process.

**Pipeline Failures.** In the event of a pipeline failure or delay due to a safety, manufacturing or efficacy issue with a product, significant costs can be incurred, and sales can be delayed for a prolonged period while a healthcare company attempts to correct the issue or issues and negotiates with regulatory authorities to seek a path forward.

**Single Product Risk.** Many early stage life sciences and devices companies depend on the success of one product. In the event that the product is not approved, or is removed from the market, or has its approved label changed to include safety issues or a smaller addressable endmarket, these companies can swing from profitable to not profitable, or be forced to raise additional funds in the equity or debt markets at depressed prices or unfavorable terms.

**Product Obsolescence and Patent Risk.** Science, healthcare and the ability to deliver related services lead to a rapidly evolving marketplace. Due to the perceived high profits in these areas, competition is very high and patent life is subject to defined timeframe and invalidation risk. In many cases, multiple options are marketed by multiple companies to address medical needs and 'newer, better' options are constantly being approved for sale and distribution. If a healthcare company's product offering is unable to remain relevant, or the company is unable to garner steady pricing due to a discounting for share model, profits can decline versus prior levels. If a patent is challenged and invalidated in the courts, sales and profits may be eroded by generic competition at lower prices.

**Single Security Volatility.** Due to inefficiencies of information flow and the velocity of change in regulatory laws and innovation, healthcare company securities are in many cases more volatile than those of issuers in some other market sectors.

**Product Liability.** Healthcare companies are exposed to a high level of product liability risk during the testing and sales of many products. Claims against these companies can result in delay or stoppage of clinical trials, reduction of demand

and revenues from products, high litigation costs, substantial fines or monetary outlays to third parties, and costly specialized consulting engagements designed to seek to rectify these sorts of problems.

**Specialized Workforce.** Healthcare companies employ highly educated and trained specialists in many fields ranging from medicine to advanced research and development to manufacturing, and in many cases these specialties are unique to the industry. Due to the barriers to obtaining these skills, relevant experience, and academic degree levels, the pool of applicants is finite and most development successes depend on a company's ability to attract, hire and retain these highly specialized personnel. In the event that a healthcare company's management is unsuccessful in hiring personnel who are qualified to perform in these areas, and retain them on acceptable terms, development delays and quality issues could harm the company and its ability to execute on its business model.

**Event Strategies.** The Clough Healthcare Funds may invest in issuers with pending or anticipated corporate or regulatory events, or other catalysts that Clough Capital believes are likely to trigger the market's revaluation of such issuers. The ability to determine the impact of such events or catalysts on the price of a company's securities is very difficult to determine and there is no assurance that such events or catalysts will occur, or if they occur, that they occur in the manner anticipated by Clough Capital. Furthermore, the prices of securities of issuers with pending or anticipated corporate or regulatory events, or other catalysts, tend to be more volatile than that of other securities.

**Sector Concentration and Diversification.** Since the Clough Healthcare Funds' investments are concentrated within a particular market sector (i.e., the global healthcare sector), an investment in Clough Healthcare Funds may be subject to greater market fluctuations than an investment in a portfolio of securities representing a broader range of market sectors. In addition, Clough Healthcare Funds' investments may from time to time be concentrated in a small number of positions (i.e., less than 100) and/or countries. As a consequence, the aggregate return on an investor's investment in the Clough Healthcare Funds may be substantially adversely affected by the unfavorable performance of even a single portfolio investment. Because the Clough Healthcare Funds' assets will be primarily invested in a single industry sector, and furthermore, to the extent that a significant portion of the Clough Healthcare Funds' assets may be invested in a particular country or a small number of countries, the Clough Healthcare Funds will be subject to a greater extent than if the Clough Healthcare Funds' assets were less concentrated, to the risks of adverse changes in the global healthcare markets and to political, social or economic events in the countries in which the Clough Healthcare Funds invest. Although Clough Capital will consider certain diversification parameters when assembling and maintaining the Clough Healthcare Funds' portfolio, given the Clough Healthcare Funds' focus on healthcare companies and the Clough Healthcare Funds' ability to concentrate their assets in a smaller number of securities, the Clough Healthcare Funds should not be viewed as a

complete investment program and the Clough Healthcare Funds will not be adequately diversified in all market conditions. Such concentration of risk may expose the Clough Healthcare Funds to losses disproportionate to those incurred by the market in general if the areas in which the Clough Healthcare Funds' investments are concentrated are disproportionately adversely affected by price movements.

**Illiquid Securities; Designated Investments.** From time to time, the Clough Healthcare Funds may purchase assets that are illiquid, restricted or difficult to value, or in certain circumstances, general economic or market conditions may adversely affect the liquidity of, or the ability to value, certain investments held by the Clough Healthcare Funds. In such events, the Clough Healthcare Funds, on the advice of Clough Capital, may designate certain securities as "Designated Investments", and all investors in the Clough Healthcare Funds at the date of such designation will participate on a pro rata basis in such Designated Investments. However, it is not expected that Designated Investments will comprise more than ten percent (10%) of the net asset value of the Clough Healthcare Master Fund, Ltd. as measured at the time of any investment by the Clough Healthcare Funds (through the Clough Healthcare Master Fund) in a Designated Investment (or the designation of an existing investment as such). Such Designated Investments may have to be held for a substantial period of time before they can be liquidated, if at all. Market prices for such Designated Investments are often volatile and may not be ascertainable. The resale of restricted and illiquid securities often may have higher brokerage charges. Designated Investments represent capital not available for withdrawal by investors in the Clough Healthcare Funds. Such investments may be difficult to value.

**Portfolio Liquidity and Transfer Restrictions (PIPEs and Similar Investments).** The Clough Healthcare Funds may invest their assets in so-called "PIPE" transactions (or similar investments), in which a private purchase of common stock or a security convertible into common stock is anticipated to be followed shortly by a registered public offering of such common stock, or of common stock of the same class. As securities sold in a PIPE transaction will generally be restricted only for the period from the private sale until the issuer's registration statement with the SEC covering resale of such securities becomes effective, the Clough Healthcare Funds may pay more for such securities than for other private placement securities. If the issuer is unable to obtain an effective resale registration statement for a PIPE, the PIPE will remain restricted under U.S. securities laws (subject to the availability of some other exemption) and the Clough Healthcare Funds may be unable to recover from the issuer an amount sufficient to compensate the Clough Healthcare Funds for the loss of liquidity of such security.

## **Item 9      Disciplinary Information**

There are no legal or disciplinary events to report that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

## **Item 10      Other Financial Industry Activities and Affiliations**

### **Conflicts of Interest Common to all Clients**

Clough Capital and affiliated entities, including their members, partners, officers and employees (the “Clough Affiliates”) are subject to several actual and potential conflicts of interests. Clough Capital provides investment management services to Mutual Funds, Private Funds, as well as to Separately Managed Accounts and may in the future provide investment management services to other entities and clients, other collective investment vehicles, registered investment companies and accounts held by single investors, which may or may not utilize investment programs substantially similar to that of the Mutual Funds, Private Funds, and Separately Managed Accounts. By the terms of partnership agreements and investment management agreements, Clough Capital and Clough Affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the Private Funds, Mutual Funds, or Separately Managed Accounts, and/or may involve substantial time and resources of Clough Capital or Clough Affiliates. It is anticipated that the Mutual Funds and certain of the Separately Managed Accounts will invest in many of the same securities in which the Private Funds invest.

*Non-Exclusive Activities.* Clough Capital and Clough Affiliates will devote as much of their time to the activities of the Private Funds, Mutual Funds and Separately Managed Accounts as Clough Capital and Clough Affiliates deem necessary and appropriate. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of Clough Capital and Clough Affiliates will not be devoted exclusively to the business of the Private Funds, Mutual Funds and Separately Managed Accounts, but will be allocated between the business of the Private Funds, Mutual Funds and Separately Managed Accounts and other business activities of Clough Capital and Clough Affiliates.

*Limited Resources.* Clough Capital portfolio managers may, and often do, manage accounts for more than one client account or type of account, and cannot devote their full time and attention to the management of each single account. Accordingly, Clough Capital 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 Clough Capital 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. Material conflicts of interest may arise as a result of the fact that the portfolio managers for the Mutual Funds also have day-to-day management responsibilities with respect to the various other Clough Capital accounts.

*Limited Investment Opportunities.* If Clough Capital identifies 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 not be limited if Clough Capital did not provide investment advice to other accounts.

*Liquidity of investments held across more than one account.* If Clough Capital determines that a particular security is appropriate for several accounts but the security is in limited supply or trades with low volume, such holdings may be both difficult to acquire for the several portfolios, as well as difficult to sell, effecting the ability to move into or out of the position at a desired price level or time frame, or for a particular holding period, and such limitations might not be present if only one or only a couple of accounts had invested in that security.

*Different Investment Strategies.* The client accounts managed by Clough Capital have differing investment strategies. Clough Capital may give advice or take action with respect to any of the other accounts (including those that have investment objectives and/or investment strategies similar to a Private Fund, Mutual Fund or Separately Managed Account) which may be the same as or differ from the advice given or the timing or nature of any action taken with respect to investments of such Private Fund, Mutual Fund or Separately Managed Account. If Clough Capital determines that an investment opportunity may be appropriate for only some of the accounts or decides that certain of the accounts should take different positions with respect to a particular security, Clough Capital 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. Securities considered as investments for the Private Funds, Mutual Funds or Separately Managed Accounts may also be appropriate for other funds and client accounts managed by Clough Capital, including for initial public offerings and other new issues (see IPOs and Limited Issue Allocations in Item 12). It is anticipated that a Private Fund, Mutual Fund or Separately Managed Account and certain other funds and accounts managed by Clough Capital will invest in some or a substantial portion of the same underlying securities. Clough Capital maintains policies and procedures to seek to ensure that the Private Fund, Mutual Fund or Separately Managed Account will be treated fairly over time with respect to such securities. There is no assurance that the Private Fund, Mutual Fund or Separately Managed Account will purchase securities or sell securities at the same time or in the same proportions.

*Variation in Compensation.* A conflict of interest may arise where Clough Capital is compensated differently by different accounts. If certain accounts pay higher management fees or performance-based fees, Clough Capital might be motivated to prefer certain accounts over others. Clough Capital might also be motivated to favor accounts in which they have a greater ownership interest or accounts that are more likely to enhance Clough Capital's performance record or to otherwise benefit Clough Capital.

*Selection of Brokers.* Clough Capital selects the brokers that execute securities transactions for the client accounts that it manages. In addition to executing trades, some brokers provide Clough Capital with research and other services which generally require the payment of higher brokerage fees than might otherwise be available. Clough Capital's 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.

*Shorting of Securities:* In a shorting transaction, a Clough Capital client account must borrow the shares to be shorted in order to effectuate the short and pay a borrow rate, which can vary based on a number of factors, including whether the custodian has access to the particular security to be shorted from other accounts under its supervision. Securities that are in demand or thinly traded can require a higher borrow rate. The borrow typically is done with the client account's custodian, but if the client account has a different custodian than other Clough Capital client accounts, the cost of the borrow can vary between client accounts based on each client account custodian's access to the security. As a result, Clough Capital client accounts can end up paying different borrow rates for the same security to be sold short.

*Use of Soft Dollars.* The use of brokerage commissions to obtain research services may create a conflict of interest between Clough Capital and the Private Fund, Mutual Fund, or Separately Managed Account. This may result in the Private Fund, Mutual Fund, or Separately Managed Account paying higher brokerage commissions than might be paid if transactions were affected through brokers that do not provide such services. To the extent that Clough Capital can acquire these products and services without expending its own resources or at reduced prices, Clough Capital's use of "soft-dollars" would tend to increase its profitability. In addition, the availability of these non-monetary benefits may influence Clough Capital to select one broker rather than another to perform services for the Private Fund, Mutual Fund or Separately Managed Account. In general, the use of soft dollars to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Securities and Exchange Act of 1934, as amended (see Use of Soft Dollars under Item 12).

*Service on Boards of Directors.* Representatives of Clough Capital and/or a Clough Affiliate may serve on the board of directors of one or more private or publicly traded companies, including, but not limited to, companies in which a Private Fund, Mutual Fund or Separately Managed Account may invest. In addition, representatives of Clough Capital and/or a Clough Affiliate, as result of an investment in a private transaction, may be awarded board of directors' observer rights on behalf of Clough Capital for securities in which Clough Capital client accounts may invest. As a result, the Private Fund, Mutual Fund or Separately Managed Account may be restricted from transacting in securities of such issuers.

*Cross Transactions.* If permitted under applicable law, Clough Capital may, on behalf of a Private Fund, Mutual Fund or Separately Managed Account, for liquidity, portfolio rebalancing, trade allocation or other reasons, purchase investments from, sell investments to or enter into agreements with other accounts managed by Clough



Capital and its affiliates (i.e., “cross transactions”). The terms of any such cross transactions will be commercially reasonable and will not be materially less favorable to the Private Fund, Mutual Fund or Separately Managed Account than those available in the market. Clough Capital will receive no special fees or other compensation in connection with cross transactions. Expenses incurred in a cross transaction will be allocated equitably in the sole discretion of Clough Capital between the Private Fund, Mutual Fund or Separately Managed Account, and the other accounts that are parties to the cross transaction. Similarly, if a transaction is cancelled, any costs incurred will be allocated equitably in the sole discretion of Clough Capital between the Private Fund, Mutual Fund or Separately Managed Account and the other accounts that are parties to the cross transaction.

*Personal Securities Trading.* Clough Capital and Clough Affiliates may trade in certain securities for their own accounts, including securities that are held by, or may be traded by, Clough Capital client accounts, subject to restrictions and reporting requirements as may be required by law or as determined by Clough Capital, and further provided that no transactions may be entered into that would violate federal securities laws. Clough Capital has adopted a Code of Ethics and Professional Conduct (the “Code of Ethics”) to govern the personal securities trading of all partners and employees. See Item 11.

#### **Additional Conflicts of Interest - Mutual Funds:**

Clough Capital previously disclosed in "Advisory Business" (Item 4) and "Fees and Compensation" (Item 5) of this brochure that our firm is the investment adviser to the Clough Global Dividend and Income Fund, the Clough Global Equity Fund, the Clough Global Opportunities Fund, the Clough China Fund, and the Clough Global Long/Short Fund (collectively, the “Mutual Funds”), all of which are investment companies registered under the Investment Company Act of 1940 (the “ICA”). Registration under the ICA means that these Mutual Funds are subject to the various ICA rules and regulations to which other Clough Capital accounts are not subject, which may limit the investments for, or investment amounts available to, the Mutual Funds as compared to other non-investment company accounts.

For additional information, each Fund’s Prospectus and Statement of Additional Information are available on-line at: **[www.cloughglobal.com](http://www.cloughglobal.com)** and **[www.alpsfunds.com/CHNAX](http://www.alpsfunds.com/CHNAX)**. Prospective investors should review these documents carefully before making any investment in the Mutual Funds.

#### **Additional Conflicts of Interest - Private Funds:**

Clough Capital and/or management personnel, and certain partners, principals, managers, officers and employees of Clough Capital (the “Management Affiliates”) are affiliated, through common ownership and control, to Clough Associates LLC, Clough Finn Associates, LLC, Clough Healthcare Associates, LLC, and CCP Associates, LLC which are entities that serve as the general partners of the Private Funds set up as

limited partnerships (the “General Partners”). Clough Capital also acts as investment manager of these Private Funds. A list of these affiliated entities is specifically disclosed on Schedule R of Form ADV. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.) Certain advisory clients of Clough Capital may elect to invest in Private Funds. Clients are under no obligation to invest in any of the above described entities or to implement any advisory recommendations.

A Private Fund may engage in certain transactions with its affiliates provided the terms thereof are commercially reasonable, as determined by the General Partner. The General Partner has certain responsibilities with respect to valuing securities. A conflict may arise with respect to this responsibility given the performance allocation to be earned by the General Partner is based on such valuations.

Investors in a Private Fund should refer to the Private Fund's offering documents for more information specific to the relationship between Clough Capital and its related companies.

Clough Capital may enter into agreements with third parties providing for payment of a portion of the subscription amount or ongoing payments based upon a percentage of the Management Fee and/or Performance Allocation attributable to the capital accounts of Limited Partners introduced by such third parties. Persons that solicit Limited Partners on behalf of the Private Fund are subject to a conflict of interest because they will be compensated in connection with their solicitation activities.

In addition, representatives of Clough Capital may speak at conferences and programs for investors interested in investing in hedge funds that are sponsored by prime brokers and other brokers and may also meet directly with such people in meetings. These “capital introduction” services (“Cap Intro”) may provide opportunities by which Clough Capital is introduced to potential investors in a Private Fund and other investment vehicles it manages. Generally, the prime brokers are not compensated by Clough Capital, the Private Fund, or potential investors for providing such Cap Intro opportunities. In addition, prime brokers and other brokers may provide financing and other services to a Private Fund and Clough Capital. Consequently, such additional services by a prime broker or other broker may influence Clough Capital in deciding whether to use the services of such prime broker or other broker in connection with the activities of the Private Fund, including directing transactions from Private Funds to broker-dealers that provide Cap Intro services to Clough Capital (including where there is an understanding with a broker-dealer with respect to introductions of prospective investors). Notwithstanding the foregoing, Clough Capital will seek best execution with respect to any such transactions.

The use of a master-feeder structure may create a conflict of interest in that different tax considerations for a domestic Private Fund and an Offshore Private Fund may cause the Master Fund to structure or dispose of an investment in a manner that is more advantageous to one feeder fund than the other.

## **Item 11      Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

**Code of Ethics:** Clough Capital has adopted a Code of Ethics which sets forth the standards of business conduct that Clough Capital requires of our employees, including compliance with applicable federal securities laws.

Clough Capital and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code of Ethics.

Our Code of Ethics includes policies and procedures for the pre-clearance of certain employee personal security transactions, the review of quarterly securities transactions reports, as well as initial and annual securities holdings reports that must be submitted to and reviewed by our CCO. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) and generally prohibits employee participation in initial public offerings (IPOs). Our Code of Ethics also provides for oversight, enforcement and recordkeeping provisions.

Clough Capital's Code of Ethics further includes a policy prohibiting the use of material non-public information. All employees are reminded that to the extent they come into possession of material non-public information, such information may not be used in a personal or professional capacity, and they must report this to the CCO so that the security can be added to the Restricted List as necessary.

A copy of our Code of Ethics will be provided upon request to our advisory clients and prospective clients. You may request a copy by email sent to [investorrelations@cloughcapital.com](mailto:investorrelations@cloughcapital.com), or by calling us at 617-204-3400.

Clough Capital and employees and certain related individuals are prohibited from engaging in principal transactions (buying or selling of securities to or from clients from our own accounts).

Our Code of Ethics is designed to seek to ensure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

**Personal Trading:** Except as otherwise provided below, Clough Capital and/or individuals associated with Clough Capital may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, employees and certain related individuals may have an interest or position in a certain security(ies) which may also be recommended to a client. Clough Capital partners and

employees may not purchase or short individual equity securities, but may sell or cover shares of previously held individual equity securities, subject to pre-clearance review and holding period requirements.

As these situations represent actual or potential conflicts of interest to our clients, Clough Capital has established the following policies and procedures for implementing our firm's Code of Ethics, to ensure Clough Capital complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No partner or employee of Clough Capital may put his or her own interest above the interest of an advisory client.
2. No partner or employee of Clough Capital may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the policy of Clough Capital that no person employed by us may purchase or sell any security (with certain exceptions) within 7 days of a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Clough Capital requires prior approval for any private placement investments by partners or employees. IPO purchases by partners and employees are generally prohibited.
5. All of our partners and employees must act in accordance with all applicable federal and state laws and regulations governing registered investment advisory practices.
6. Clough Capital requires delivery and acknowledgement of the Code of Ethics by each partner and employee of Clough Capital, upon initial employment and annually thereafter.
7. Clough Capital has established policies requiring the reporting of Code of Ethics violations to our CCO.

**Participation or Interest in Client Transactions:** If a client with a separately managed account invests a portion of that account's assets in one of the Private Funds, then no additional account management fee is paid on the portion of assets in the Private Fund, but rather, the normal management and performance-based fees of the Private Fund are charged on those assets.

The Private Funds are not required to register as investment companies under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. Clough Capital manages the Private Funds on a discretionary basis in accordance with the terms and conditions of the Private Funds' offering and organizational documents.

## **Item 12      Brokerage Practices**

### **Selection of Broker-Dealers for Client Transactions**

Clough Capital is provided with written authority from all clients to determine the brokers to use for client transactions and the commission costs that will be charged to our clients for these transactions.

In selecting a broker-dealer for a particular transaction for a client account, Clough Capital will seek the most advantageous terms reasonably available under the circumstances for an account's transactions (i.e. best execution). Price alone is not the determinative factor, but is considered along with the broker's execution capabilities, financial responsibility, responsiveness, and market information and research services provided. Clough Capital will consider certain factors which may include the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility and the provision or payment of the costs of brokerage or research products or services. Clough Capital need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Accordingly, if Clough Capital determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research products or services provided by such broker to the client account or Clough Capital, the client account will generally pay commissions to such broker in an amount greater than the amount another broker might charge.

### **Use of Soft Dollars**

Research products or services provided to Clough Capital include general economic, political, business and market information, industry and company reviews, evaluations of securities and portfolio strategies and transactions, proxy voting data and analysis, technical analysis of various aspects of the securities markets, recommendations as to the purchase and sale of securities and other portfolio transactions, financial, industry, and trade publications, news and information services, pricing and quotation services, and other research services. Any particular research services obtained through a broker-dealer may be used by Clough Capital in connection with client accounts other than those accounts that pay commission to such broker-dealer. Any such research services may be broadly useful and of value to Clough Capital in rendering investment advisory services to all or a significant portion of its clients, or may be relevant and useful for the management of only one client's account or a few clients' accounts, or may be useful for the management of merely a segment of certain clients' accounts, regardless of whether any such account or accounts paid commissions to the broker-dealer through which such research services was obtained. Advisory fees are not reduced because Clough Capital receives such services. Clough Capital evaluates the nature and quality of the various research services obtained through broker-dealer firms and attempts to allocate sufficient portfolio security transactions to such firms to ensure

the continued receipt of research services which Clough Capital believes are useful or of value to it in rendering investment advisory services to its clients.

The use of commissions or “soft dollars” to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended. Under Section 28(e), research obtained with soft dollars generated by a client accounts may be used by Clough Capital to service accounts other than such client account. Where a product or service obtained with soft dollars provides both research and non-research assistance to Clough Capital, Clough Capital will make a reasonable allocation of the cost which may be paid for with soft dollars. Non-permitted uses based on this allocation will be paid for by Clough Capital with hard dollars. It is anticipated that any use by Clough Capital of soft dollars to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Exchange Act.

A client account’s securities transactions can be expected to generate brokerage commissions and other compensation, all of which such client account, not Clough Capital, will be obligated to pay. Clough Capital will have complete discretion in deciding what brokers and dealers a client account will use and in negotiating the rates of compensation the client account will pay. In addition to using brokers as “agents” and paying commissions, a client account may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

In some situations, payment for the provision of research or trade ideas by a broker-dealer is included in the overall commission rate charged by the broker-dealer. This “bundled” commission rate is an informal soft dollar arrangement and Clough Capital makes no attempt to separate the cost of the research and the cost of trade execution, but rather considers the range of the broker's services as described above to determine if best execution has been achieved. Clough Capital does, however, attempt to ensure that the services received in these informal arrangements are eligible for soft dollar treatment and that the values of such services are comparable to the commission dollars expended upon them. In other situations, however, a more formal understanding is made and a specific per share rate for trade execution and for soft dollar provision is assigned. These agreements in which a broker provides products or services in exchange for executing brokerage transactions through that broker is referred to as a soft dollar arrangement. Clients should consider that these arrangements may create a potential conflict of interest between Clough Capital and its clients. This conflict of interest may exist because Clough Capital's decision to use a particular broker may be based in part on that broker's ability and/or willingness to provide certain products or services to Clough Capital.

Products and services acquired with client brokerage commissions within the last fiscal year included the following: research newsletters; credit research; access to on-line research/information portals; access to meetings with company senior managements; invitations to meetings with industry analysts; attendance at industry conventions, webinars, and other information sessions; research analysis of short sales

opportunities; financial data & other security fundamentals; research services concerning regulatory filings; market industry/trends information; bankruptcy/reorganization research; quantitative-based research; daily technical research letters; online news & reports; macroeconomic research & forecasting; proprietary brokerage research; access to software platforms to conduct our own research; securities pricing services related to trading of securities; trade order management software and trading capabilities; electronic utilities to communicate trade and order fill details.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than these suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of the considerations described above. A broker is not excluded from receiving business merely because it has not been identified as providing research services.

### **Aggregation of Client Trades**

Clough Capital will aggregate trades where possible and when advantageous to clients. This aggregation of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block.

If two or more brokers or trading facilities are used to trade the same security on the same day, the allocation percentage amongst the various accounts participating should generally be the same.

Block trading generally allows us to execute equity trades in a timelier, more equitable manner, at an average share price. Clough Capital will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally may split the trade between two or more brokers or trading facilities on any particular day. Clough Capital's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Clough Capital, or our firm's order allocation policy.
- 2) The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Clough Capital to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-

20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

4) Prior to entry of an aggregated order, an order ticket must be completed in our trade order management system, which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the CCO no later than the morning following the execution of the aggregate trade.

8) Clough Capital's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Clough Capital's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account identifiers for each participating client.

10) No client or account will be favored over another.

### **IPO and Limited Issue Allocations**

It is the policy of Clough Capital to strive to achieve fair and equitable treatment of client accounts with respect to the allocation of initial public offerings (IPO's) and other new issues, as well as for certain secondary offerings. Due to the often limited availability of IPO's, it is sometimes difficult to secure a complete allocation for all eligible accounts on every issue, so the policy is designed to ensure that over time, each client account has been treated fairly and equitably.

In general, due to the often limited nature of the IPO market and the opportunity for significant initial gains, to the extent an IPO or other new issue is appropriate for a client



account, then that account should have an equal opportunity to participate in the purchase of that IPO with other accounts across the various investment strategies, on a pro rata basis based on account size (based on net assets). If a particular IPO may be more appropriate only for a certain account or group of accounts, however, based on investment strategy or related limitations, or if the portfolio manager believes that an eligible account already has a sufficient allocation weighting (industry or geographic) to the sector the IPO represents so that it should be left out of the allocation or receive a reduced allocation, these situations should be discussed in advance with the CCO and/or other members of the Compliance Committee and the allocation decision appropriately documented. Furthermore, if the expected allocation to be received in the IPO would be so small for an account so as to be *de minimis* (e.g. 5 basis points or less), then an allocation to that account may not be necessary, again with such a decision appropriately discussed with the CCO and/or other members of the Compliance Committee and documented in advance. Clough Capital client accounts must be treated fairly in the allocation of new issues, especially those that are over-subscribed and which might result in a reduced allotment. In these situations, the reduced amount should be distributed on a pro rata basis, unless a valid exception applies (see exceptions below). There may be instances, however, where the particular IPO or new issue is either not available to an account due to a regulatory restriction, or the issue may not be appropriate for the account, based on investment objectives or other factors, in which case a pro rata allocation to that account would not be appropriate, and the reasons in that case shall be documented at the time the allocation decision is made and such non-pro rata allocations, if any, will be reviewed on a quarterly basis by the Compliance Committee.

If, as the result of a partial fill, a pro rata allocation to a smaller account would result in that account receiving less than an optimal amount of shares (e.g. small holdings or odd lots), the account may be permitted to receive its entire allocation before the larger accounts in order to minimize transaction costs involved with a series of small allocations. Furthermore, accounts that specialize in or concentrate holdings in a particular industry, market or geographic sector may be given priority in allocation over other accounts with a more general industry, market or geographic sector focus if a particular IPO or limited issue secondary offering in that industry, market or geographic sector is oversubscribed or its availability is otherwise limited. In determining an allocation to be made across a group of accounts that share a similar (but not the same) investment strategy, such allocation determination may also take into consideration whether an account already has the desired or optimal allocation weighting to the industry, market or geographic sector the IPO represents, in which case an allocation to that account may not be necessary, or that a less than pro rata allocation may bring the account to the desired weighting. Such other than pro rata allocations must be determined in advance and periodically reviewed by the Compliance Committee. Additionally, if the expected allocation to a particular account would result in an account getting a 5 basis point or less holding, then the portfolio manager may decide to leave that account out of the allocation. For any of these exceptions to the general pro rata allocation requirement, the circumstances must be documented by the CCO, and the CCO must review and approve such exceptions, if any. Finally, for ease of trading and

administering of portfolio positions, it is generally a practice of Clough Capital to whenever possible trade in 100 share lots. This may result in allocations that are not exactly equal to each account's specific percent of the total order.

### **Trade Error Policy**

Clough Capital's policy concerning trade errors is that errors affecting a client's account must be resolved promptly and fairly, and in accordance with legal & regulatory restrictions and guidelines. Errors include: (i) an incorrect order upon entry; (ii) the purchase or sale of the wrong quantity of securities or the wrong security or type or class of security; (iii) the misallocation or wrong settlement of a securities transaction that is attributable to Clough Capital or a third party (typically the executing broker-dealer), regardless of whether a profit or loss results from the error; and (iv) any transaction that violates or conflicts with an account's investment guidelines and restrictions, Clough Capital's policies or procedures (including securities on Clough Capital's restricted list) or applicable law, regardless of whether the error is due to a mistake, systems failure, miscommunication or otherwise. If any Clough Capital partner or employee becomes aware of any trade error, he or she shall promptly inform the CCO, or a member of the Compliance Committee in his absence. In general, errors resulting in a loss should be reimbursed to the client; errors resulting in a gain should be awarded to the client. Some types of errors may not necessarily result in a reimbursement to the client. For example, some errors, although made inadvertently, may not be inconsistent with the standard of care owed to clients under their applicable governing documents. In addition, typically immaterial operational errors such as failed trades or overdraft charges will not be treated as errors to be reimbursed. Once an error has been discovered, corrective action will be discussed with the trading desk, operations, the portfolio manager(s) of the account(s) involved, and compliance, who together will determine the best way to correct the error and if reimbursement is appropriate, from what party such reimbursement should be recovered. Clough Capital will review all of the relevant facts and circumstances, which may include a netting of error-related gains and losses over time when determining the financial impact of an error in a client's account, and will also look to the account's governing documents for guidance. The final resolution must be approved by the CCO or a member of the Compliance Committee in his absence, and must be undertaken as soon as possible. A post-trade error memo documenting the cause of the error and the resolution will be drafted by the CCO for review at the next scheduled Compliance Committee meeting.

## **Item 13      Review of Accounts**

### **PRIVATE FUNDS**

**REVIEWS:** Clough Capital periodically reviews and monitors each Private Fund's holdings in accordance with the investment objectives as detailed in its Private Placement Memorandum or other governing documents. In addition, the Private Funds are reviewed on at least a monthly basis by the Clough Capital Investment Review

Committee for industry sector allocations, cross-holdings, and other issues relating to trade allocations, exposures, and performance.

**REPORTS:** Investors in Clough I, Clough II, Clough Finn, Clough Healthcare Funds, and CCP SPV will receive audited financial statements and K-1 statements, if applicable, within 120 days of the Private Fund's year end. These statements are audited by the Private Funds' auditors, Ernst & Young. Investors in these Private Funds also receive unaudited performance reports on a monthly basis during the year. These statements are generated by the Private Funds' administrator, Morgan Stanley Funds Services. Investors in the Clough Offshore, and Healthcare Offshore Private Funds receive audited annual financial statements and unaudited monthly performance statements as described above. With the exception of CCP SPV, where updates are expected to be less frequent by nature, Private Fund investors also receive monthly or quarterly management commentary letters from Clough Capital.

## **MUTUAL FUND PORTFOLIO MANAGEMENT**

**REVIEWS:** Clough Capital periodically reviews and monitors each Mutual Fund's holdings in accordance with the investment objectives as detailed in the Fund Prospectus. In addition, the Mutual Funds are reviewed on at least a monthly basis by the Clough Capital Investment Review Committee for industry sector allocations, cross-holdings, and other issues relating to trade allocations, exposures, and performance.

**REPORTS:** Clients should refer to the Fund Prospectus for information regarding regular reports to the Mutual Fund by Clough Capital, which are generally available on each Mutual Fund's website. See Item 4 for the websites for the Closed End Mutual Funds, the Clough Global Long/Short Fund, and the Clough China Fund.

## **SEPARATELY MANAGED PORTFOLIOS**

**REVIEWS:** While the underlying securities within Separately Managed Accounts are periodically monitored, these accounts are reviewed at least quarterly by the Clough Capital Investment Review Committee. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that Separately Managed Account clients receive from their custodians, Clough Capital provides periodic reports summarizing account performance, balances and holdings.

## **Item 14 Client Referrals and Other Compensation**

In general, Clough Capital does not use solicitors or pay related or non-related persons for referring potential client accounts to Clough Capital. Clough Capital does, however,

pay certain broker-dealers or registered representatives a portion of the management fee and/or performance-based compensation received from investors in a Private Fund referred to Clough Capital by the broker-dealer or registered representative.

It is Clough Capital's policy not to accept or allow our related persons to accept anything of value, either directly or indirectly, from broker-dealers or other persons providing services to Clough Capital in exchange for any action being taken by such person on behalf of Clough Capital or any of the client accounts or that might otherwise create a conflict of interest or interfere with the impartial discharge of his or her responsibilities to the client accounts.

### **Compensation to Non-Advisory Personnel for Client Referrals:**

**Consulting Agreement.** Clough Capital has entered into a written consulting agreement (the "Consulting Agreement") with a third party registered representative (the "Registered Representative") of ALPS Distributors, Inc. ("ALPS") an unaffiliated broker-dealer, whereby the Registered Representative offers marketing, shareholder servicing, consulting and other services to certain current or prospective investors in Clough Capital Private Funds. An affiliate of ALPS acts as administrator for the Clough Capital Mutual Funds.

Clough Capital makes cash payments to ALPS under a marketing services agreement (the "Marketing Agreement"), pursuant to which ALPS provides certain marketing, advertising, and sales literature review, and other services relating to the Clough Capital Private Funds. Such services include the establishment and maintenance of a system to supervise the activities of the Registered Representative under the Consulting Agreement, and other registered representatives that help market and support the Clough Capital Private Funds.

This arrangement may create a conflict of interest because the payments from Clough Capital might induce ALPS or the Registered Representative to recommend Clough Capital Private Funds to an investor even though the Registered Representative might not otherwise recommend Clough Capital Private Funds if there was no payment. Clough Capital and the Registered Representative are not affiliated persons as defined in the Investment Advisers Act of 1940, as amended.

**Dealer Agreement.** Clough Capital has entered into a Dealer Agreement with a registered broker-dealer ("Broker-Dealer") for the purpose of Broker-Dealer, through its affiliated third-party marketing firm, making prospective investor introductions to various clients advised by Clough Capital. Pursuant to the terms of that agreement, Broker-Dealer is entitled to receive compensation from Clough Capital for its services. This compensation may include a portion of the management fee and/or performance-based compensation received from investors in a Private Fund referred to Clough Capital by Broker-Dealer, and a quarterly retainer fee for marketing services.

## **Item 15      Custody**

Clough Capital does not have custody of the assets of Separately Managed Accounts, nor does it have custody of the assets of the Mutual Funds for which it serves as investment advisor. Clients should carefully review the account statements received from their custodians for errors and contact Clough Capital with any questions. For the Private Funds, Clough Capital will seek to ensure compliance with the Advisers Act and the Custody Rule by ensuring that their cash and securities are held with qualified independent custodians. For the Clough Capital Private Funds, monthly statements are produced and delivered by the Private Funds' administrator, Morgan Stanley Funds Services, and an annual audit using generally accepted accounting principles (GAAP) is conducted by the Funds' auditors, Ernst & Young, and the audited financial statements are provided to investors in the Private Funds within 120 days of each Fund's applicable fiscal year end.

## **Item 16      Investment Discretion**

Clients generally hire us to provide discretionary asset management services. In general, Clough Capital is given full investment discretion over client portfolios in the investment management agreement including the Private Funds and Mutual Funds, without obtaining any prior approval from the client.

Clients give us discretionary authority when they sign the investment management agreement with Clough Capital, and any limitations or restrictions are listed in the investment guidelines attached as part of the investment management agreement. Clients may change/amend such limitations by once again providing us with written instructions.

## **Item 17      Voting Client Securities**

Clough Capital will vote proxies for all client accounts if given this authority in the investment management agreement. Clough Capital has adopted policies and procedures pursuant to SEC rule 206(4)-6 with respect to voting proxies on behalf of the Private Funds, Mutual Funds, and Separately Managed Accounts. Generally, Clough Capital will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Clough Capital will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. In exercising its voting discretion Clough Capital will seek to avoid any direct or indirect conflicts of interest presented by the voting decision. If any substantive matter or foreseeable result of the matter to be voted on presents a conflict or potential conflict of interest involving Clough

Capital or an affiliate, or any issuer of a security for which Clough Capital or an affiliate acts as a sponsor, advisor, or manager, or any person with whom Clough Capital or an affiliate has a material contract or business relationship (all considered “Interested Parties”), Clough Capital will make a written disclosure of the conflict to the client indicating how Clough Capital proposes to vote on the matter and the reasons for doing so. If Clough Capital does not receive timely written instructions as to voting or not voting on the matter from the client, Clough Capital may take any of the following actions which it deems to be in the best interests of the client:

- Engage an independent third party to determine whether and how the proxy should be voted and vote that way, or refrain from voting on the matter as determined by the third party;
- Vote on the matter as proposed to the client if the vote is against the interests of Clough Capital or any Interested Party; or
- Refrain from voting on the matter.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting us by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

## **Item 18      Financial Information**

Clough Capital believes that it is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients, and Clough Capital has not been the subject of any bankruptcy proceeding.

## **Item 19      Requirements for State-Registered Advisers**

This Item is not applicable to Clough Capital.