

Clough Global Equity Fund  
Form N-CSRS  
December 07, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21712

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

1290 Broadway, Suite 1100, Denver, Colorado  
(Address of principal executive offices)

80203  
(Zip code)

Erin E. Douglas, Secretary

Clough Global Equity Fund

1290 Broadway, Suite 1100

Denver, Colorado 80203  
(Name and address of agent for service)

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

Date of fiscal year March 31  
end:

Date of reporting period: September 30, 2007

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Item 1. **Reports to Stockholders.**

**Semi-Annual Report**

*September 30, 2007 (unaudited)*



**SHAREHOLDER LETTER**

September 30, 2007 (unaudited)

To Our Shareholders:

Since the Clough Global Equity Fund's market price is significantly below its net asset value, we thought it important to make the following points...

During the six months ended September 30, 2007, the Fund's net asset value assuming reinvestment of all distributions has increased 9.0%. That compares with an 8.4% gain in the S&P 500.

Since the Fund's inception on April 27, 2005, the total growth in net asset value assuming reinvestment of all distributions has been 44.5%. This compares with a cumulative gain of 38.1% in the S&P 500.

The growth in net asset value has compounded at an annual rate of 16.4% since inception while the S&P 500 rise has compounded at an annual rate of 14.3%.

The Fund's quarterly distribution has increased from \$0.30 per share at inception to \$0.44 per share today. In addition, \$0.59 per share has been distributed in special distributions in the two years since the Fund began trading for a total of \$3.69 in distributions since inception.

The Fund's quarterly distributions have grown in line with the increase in net assets and at the current price they offer a yield of approximately 9%.

It is our view that such fundamental results are incompatible with such a large discount in the Fund's current market price and we think that discount to net asset value over time should close.

The Fund's investment strategy has been to focus on a few sectors or markets where investment returns are likely to be high. At present, our investments in Asian markets make up the Fund's largest single exposure. They are focused on Hong Kong, Korea and smaller markets like Malaysia and Indonesia. Whereas the U.S. economy is slowing under the weight of high consumer debt, Asian economies are relatively debt free and are just entering long periods of rising consumer spending and infrastructure investment cycles. The U.S. may be ending a multi-decade debt super cycle; Asia may be just beginning one.

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Hong Kong is benefiting from both a combination of strong growth in China and falling U.S. short term interest rates. Because the Hong Kong dollar is pegged to the U.S. currency, declining U.S. rates translate directly into lower rates in Hong Kong. Since growth is already strong there, falling interest rates are likely to benefit both real estate and equities. Hong Kong property prices are still approximately 60% below their 1997 levels and there is little likelihood of excess supply growth due to the shortage of buildable land available.

The financial markets have begun to realize the coming relaxation of Chinese capital controls but the fact that it is recognized does not diminish its potential impact on markets the Fund is not exposed to the inflated Chinese domestic stock market. Nevertheless, in our view, the long term China story is far from discounted in the financial markets. The domestic markets may be inflated but other national markets in Asia still offer good values. Meanwhile, the Chinese currency is undervalued, and that supports profits; the gap between corporate ROE and borrowing costs is still wide and getting wider and China's export markets are highly diversified.

Energy also remains an important secular investment theme for the Fund. The stocks have done well but remain undervalued in our view. OPEC production has been struggling to grow since September of 2005 as have global oil inventories. Declines in OPEC production began well before the so-called voluntary production declines took effect. The great issue

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for the industry is whether depletion rates in the major oil fields will continue to exceed new production. So long as that is the case there will be upward pressures on oil prices and day by day the value of companies that own oil and gas reserves or sophisticated deepwater drilling rigs increases. Some estimates of annual global depletion rates are as high as 3.2 to 5.0 million barrels/day. The scramble to replace those reserves is underway as evidenced by the huge lease sale that just occurred in the Gulf of Mexico. The total bids for drilling rights totaled more than five times the total amount bid over the past five years, and the need for deepwater rigs and supplies will continue strong.

The Fund's holdings of energy producer stocks have migrated toward the North American gas producers. The price of natural gas has been held hostage to a series of warm winters, an explosion of drilling rigs producing gas and a sharp rise in imports of liquid natural gas. Yet the depletion of most North American gas fields has accelerated, demand for LNG is rising abroad limiting supplies for North America, and warm winters may become less common. Gas stocks are cheap and we think represent the best values in the sector at present.

The Fund has investments in a number of other varied themes. Product upgrade cycles are underway in both the personal computer and telecommunications markets, enhancing the profit outlook for computer manufacturers, software companies and telecommunications equipment manufacturers. For the first time in years we see opportunities in the large capitalization technology companies such as Oracle Systems (ORCL NYSE) and Cisco Systems (CSCO NYSE). We also see opportunities in companies supplying flat screen TV's and the proliferation of broadband. We have further diversified the Fund with investments in global agriculture, involving companies that grow and process agricultural commodities and provide capital goods for global agriculture. A growing middle class in China consumes 130,000 tons of pork a day and that economy does not have capacity to grow hogs or the feed with which to feed them. We think this once prosaic industry could become a recognized growth sector.

Many financial stocks have declined sharply and we think the sector offers opportunity on both the long and short sides. The Funds do own Citigroup NA (C NYSE) and the American Depository Receipts of UBS AG (UBS NYSE), for example. These companies have been in the headlines as the mortgage cycle and its related derivatives bubble unwind. The positive is that underneath the write-offs and excesses in the sub-prime and CDO space there are highly profitable franchises with high barriers to entry that provide huge cash flows. UBS for example has a highly profitable global wealth management business that allowed the firm to write off a \$4 billion mistake with only a minor hit to book value. Our thinking is that management will eventually find the common sense to stop making \$4 billion mistakes and the underlying value of the firm will show through. Citigroup has an important global broker-dealer franchise and a strong global consumer credit operation. Both companies should benefit from a more positive U.S. yield curve. We currently have these positions partially hedged with short positions in the Regional Bank Holders Trust and in specific regional banks with particularly vulnerable mortgage holdings. We also currently hold modest short positions in the mortgage insurers which have branched out from their original franchises to insure more exotic CDO tranches.

The summer months were particularly volatile for the financial markets and that volatility may be with us for a while. In the developed economies, we live in a highly indebted world, and growth is moving away from the developed economies and toward the emerging world with ever greater speed. One subtle signal from the marketplace that suggests the credit stress we experienced this summer is not over is the behavior of so-called swap spreads for financial companies. These are the interest rates at which financial companies are willing to lend to each other and they have remained at the punitive levels seen during the August turmoil even though the equities have rallied. That suggests that there is still

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concern over the quality of the collective financial sector balance sheet. For that and for other reasons the Fund is currently balanced among themes and is partially hedged.

In that vein, we think that global equities markets are acting quite rationally and offer meaningful investment upside. In other words, there is a silver lining in all of this for the financial markets. With financial companies announcing write offs of supposedly highly rated mortgage paper and financial executives falling on their swords, the reality is the only way the Federal Reserve can stabilize the financial sector is to reduce short term interest rates and create a positive yield curve. Then, and only then can banks and brokerage firms generate the cash flow that allows the write downs of impaired assets so they can once again function as credit intermediaries.

The media puts an unending negative spin on events, and the current market decline centered on pressures based upon the sub-prime mortgage fallout, is creating concern among investors. However, we think the markets are simply separating winners from losers in an increasingly globalized economy. The winners are those companies exposed to global growth and the losers are those that grew on the back of the huge and unsustainable mortgage boom. Wal-Mart is only the latest company to announce a cutback in U.S. expansion to spend more in countries like China and India. GE recently announced that China, India, Latin America and Russia account for \$32 billion in revenues and that sector is growing 20% per annum.

It is important as an investor to realize the reason why global growth can continue in the face of a U.S. credit slowdown. U.S. financial companies in particular have benefited from the decades long secular expansion in debt. Consumer and business debt combined were 125% of GDP back in the 1960s. Today it is 350% of GDP and it has reached the point of saturation. If debt cannot grow faster than GDP and support growth, U.S. domestic profits will stagnate, particularly for financial companies.

The opposite is true in Asia and in emerging economies generally. As U.S. interest rates fall, capital should migrate to these economies, Asian growth should rise on the support of consumer spending and balance sheets there are clean. Interest rates are 4% while growth rates in domestic spending are 6-10%.

We think the values remain in the sectors that benefit from global growth and the Fund is positioned to benefit from it.

We thank you for investing in the Clough Global Equity Fund and invite you to visit [www.cloughglobal.com](http://www.cloughglobal.com) for updates. If you have questions about your investment, please call 1-877-256-8445.

Sincerely,

Charles I. Clough, Jr.  
Chairman and CEO of Clough Capital Partners, L.P.

Clough Capital Partners, L.P. is a Boston-based investment management firm that has approximately \$3.1 billion under management. For equities, the firm uses a global and theme-based investment approach based on identifying chronic shortages and growth opportunities. For



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fixed-income, Clough believes changing economic fundamentals help reveal potential global credit market opportunities based primarily on flow of capital into or out of a country. Clough was founded in 2000 by Chuck Clough and partners James Canty and Eric Brock. These three are the portfolio managers for the Clough Global Equity Fund.

**PORTFOLIO ALLOCATION**

September 30, 2007 (unaudited)

**ASSET TYPE\***

|                                    |        |
|------------------------------------|--------|
| Common Stocks                      | 72.94% |
| Short-Term Investments             | 10.47% |
| Structured Notes                   | 5.42%  |
| Exchange Traded Funds              | 4.05%  |
| Asset/Mortgage - Backed Securities | 3.25%  |
| Government & Agency Obligations    | 1.61%  |
| Corporate Bonds                    | 1.29%  |
| Options Purchased                  | 0.41%  |
| Closed-End Funds                   | 0.26%  |
| Preferred Stocks                   | 0.17%  |
| Participation Notes                | 0.13%  |

**GLOBAL BREAKDOWN\***

|                  |        |
|------------------|--------|
| United States    | 55.67% |
| China            | 6.11%  |
| South Korea      | 5.88%  |
| Japan            | 4.30%  |
| Hong Kong        | 4.16%  |
| Indonesia        | 3.30%  |
| Canada           | 2.94%  |
| Great Britain    | 2.67%  |
| Bermuda          | 1.91%  |
| Brazil           | 1.65%  |
| Taiwan           | 1.63%  |
| Malaysia         | 1.55%  |
| Russia           | 1.39%  |
| Thailand         | 1.08%  |
| Switzerland      | 0.85%  |
| Netherlands      | 0.74%  |
| Singapore        | 0.57%  |
| Germany          | 0.51%  |
| Argentina        | 0.49%  |
| Vietnam          | 0.43%  |
| Israel           | 0.42%  |
| Chile            | 0.42%  |
| Ireland          | 0.28%  |
| India            | 0.23%  |
| Spain            | 0.21%  |
| Mexico           | 0.20%  |
| Papua New Guinea | 0.19%  |

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|              |       |
|--------------|-------|
| Australia    | 0.10% |
| South Africa | 0.10% |
| Columbia     | 0.02% |

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\* As a percentage of total investments, not including securities sold short or any foreign cash balances.

## STATEMENT OF INVESTMENTS

September 30, 2007 (unaudited)

|   | Shares    | Value      |
|---|-----------|------------|
| <b>COMMON STOCK 112.26%</b>                   |           |            |
| <b>Agriculture 0.57%</b>                      |           |            |
| Pilgrim's Pride Corp.                         | 24,200    | \$ 840,466 |
| Sadia - S.A. *                                | 122,000   | 682,215    |
| Smithfield Foods, Inc. (a)                    | 27,300    | 859,950    |
|   |           | 2,382,631  |
| <b>Consumer/Retail 4.12%</b>                  |           |            |
| ASKUL Corp.                                   | 48,100    | 1,166,226  |
| B&G Foods, Inc.                               | 18,700    | 239,360    |
| Belle International Holdings Ltd.             | 480,000   | 631,039    |
| DSW, Inc. (a)                                 | 56,309    | 1,417,297  |
| GOME Electrical Appliances Holding Ltd.       | 817,000   | 1,603,764  |
| Home Inns & Hotels Management, Inc. - ADR (a) | 18,600    | 647,280    |
| Hyundai Department Store Co. Ltd.             | 15,700    | 1,887,019  |
| Isetan Co. Ltd.                               | 91,000    | 1,227,171  |
| Jardine Matheson Holdings Ltd.                | 59,405    | 1,698,983  |
| Jardine Strategic Holdings Ltd.               | 47,414    | 749,141    |
| Kraft Foods, Inc.                             | 45,700    | 1,577,107  |
| Lotte Shopping Co. Ltd.                       | 3,100     | 1,321,023  |
| Regal Hotels International Holdings Ltd.      | 7,040,500 | 534,342    |
| Takashimaya Co. Ltd.                          | 121,000   | 1,343,098  |
| Yamada Denki Co. Ltd.                         | 10,500    | 1,039,351  |
|   |           | 17,082,201 |
| <b>Energy 29.80%</b>                          |           |            |
| <b>Alternative Energy Technologies 4.97%</b>  |           |            |
| China Sunergy Co. Ltd. - ADR (a)              | 4,000     | 36,600     |
| Conergy AG                                    | 16,200    | 1,559,269  |
| Evergreen Solar, Inc. (a)                     | 151,900   | 1,356,467  |
| First Solar, Inc. (a)                         | 29,800    | 3,508,652  |
| JA Solar Holdings Co. Ltd. - ADR (a)          | 55,600    | 2,499,220  |
| LDK Solar Co. Ltd. - ADR (a)                  | 85,400    | 5,884,060  |
| Sunpower Corp. (a)                            | 23,353    | 1,934,096  |
| Suntech Power Holdings Co. Ltd. - ADR (a)     | 96,900    | 3,866,310  |
|   |           | 20,644,674 |
| <b>Coal 0.41%</b>                             |           |            |
| CONSOL Energy, Inc.                           | 32,200    | 1,500,520  |
| Peabody Energy Corp.                          | 4,300     | 205,841    |
|   |           | 1,706,361  |
| <b>Exploration &amp; Production 10.65%</b>    |           |            |
| Anadarko Petroleum Corp.                      | 70,600    | 3,794,750  |
| Apache Corp.                                  | 10,000    | 900,600    |
| Chesapeake Energy Corp. *                     | 146,300   | 5,158,538  |
| ConocoPhillips                                | 74,000    | 6,494,980  |
| Devon Energy Corp.                            | 52,000    | 4,326,400  |
| Hess Corp. *                                  | 46,400    | 3,086,992  |
| InterOil Corp. (a)                            | 82,800    | 2,616,480  |
| OAO Gazprom - S.A.                            | 53,400    | 2,354,940  |



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|   | Shares    | Value              |
|---|-----------|--------------------|
| <b>Exploration &amp; Production (continued)</b> |           |                    |
| Occidental Petroleum Corp.                      | 12,000    | \$ 768,960         |
| Parallel Petro Corp. (a)                        | 46,007    | 781,659            |
| PetroHawk Energy Corp. (a) (d)                  | 30,100    | 494,242            |
| PetroHawk Energy Corp. (a)                      | 125,100   | 2,054,142          |
| Petroleo Brasileiro - S.A.                      | 58,700    | 4,431,850          |
| Range Resources Corp.                           | 47,700    | 1,939,482          |
| Southwestern Energy Co. (a)                     | 105,100   | 4,398,435          |
| Ultra Petroleum Corp. (a)                       | 10,000    | 620,400            |
|   |           | 44,222,850         |
| <b>Oil Services and Drillers 13.77%</b>         |           |                    |
| Baker Hughes, Inc.                              | 68,000    | 6,145,160          |
| Diamond Offshore Drilling, Inc.                 | 42,000    | 4,758,180          |
| FMC Technologies, Inc. (a)                      | 22,000    | 1,268,520          |
| Global SantaFe Corp.                            | 73,000    | 5,549,460          |
| Halliburton Co.                                 | 110,000   | 4,224,000          |
| Helmerich & Payne, Inc.                         | 28,000    | 919,240            |
| Marathon Oil Corp.                              | 28,400    | 1,619,368          |
| Noble Corp.                                     | 115,000   | 5,640,750          |
| Schlumberger Ltd.                               | 138,000   | 14,490,000         |
| Tenaris - S.A.                                  | 51,800    | 2,725,716          |
| Transocean, Inc. * (a)                          | 72,000    | 8,139,600          |
| Weatherford International Ltd. (a)              | 25,000    | 1,679,500          |
|   |           | 57,159,494         |
| <b>TOTAL ENERGY</b>                             |           | <b>123,733,379</b> |
| <b>Finance 27.35%</b>                           |           |                    |
| <b>Banks 23.67%</b>                             |           |                    |
| Banco Bradesco - S.A.                           | 219,200   | 6,437,904          |
| Banco Itau Holding Financeira - S.A.            | 109,900   | 5,563,138          |
| Banco Santander Chile - S.A.                    | 19,000    | 960,830            |
| Bancolombia - S.A.                              | 2,000     | 69,300             |
| Bangkok Bank PLC                                | 437,900   | 1,482,025          |
| Bank Mandiri Persero Tbk PT                     | 6,693,000 | 2,579,861          |
| Bank of Yokohama Ltd.                           | 222,700   | 1,537,467          |
| Blackrock Kelso Capital Corp.                   | 177,200   | 2,569,400          |
| BOC Hong Kong Holdings Ltd.                     | 628,000   | 1,591,438          |
| Brookline Bancorp, Inc.                         | 228,446   | 2,647,689          |
| CIT Group, Inc.                                 | 30,800    | 1,238,160          |
| Citigroup, Inc.                                 | 204,300   | 9,534,681          |
| Daewoo Securities Co.                           | 33,400    | 1,003,606          |
| Hana Financial Group, Inc.                      | 125,300   | 5,907,665          |
| ICICI Bank Ltd.- S.A.                           | 33,700    | 1,776,664          |
| Indochina Capital Vietnam Holdings Ltd. (a)     | 300,000   | 2,724,000          |
| Joyo Bank Ltd.                                  | 235,000   | 1,311,409          |
| Kasikornbank PLC                                | 541,100   | 1,278,748          |
| Kookmin Bank - ADR                              | 18,100    | 1,484,019          |

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|  | Shares    | Value              |
|--|-----------|--------------------|
| <b>Banks (continued)</b>                     |           |                    |
| Korea Exchange Bank                          | 130,400   | \$ 2,115,865       |
| Lion Diversified Holdings BHD                | 348,000   | 1,184,681          |
| Malayan Banking BHD                          | 383,900   | 1,239,296          |
| Melco International Development Ltd.         | 348,000   | 649,994            |
| Merrill Lynch & Co., Inc.                    | 29,400    | 2,095,632          |
| Mirae Asset Securities                       | 7,100     | 678,813            |
| NewAlliance Bancshares, Inc.                 | 46,600    | 684,088            |
| Nomura Holdings, Inc.                        | 79,900    | 1,339,724          |
| Pennantpark Investment Corp.                 | 259,200   | 3,473,280          |
| People's United Financial, Inc.              | 61,400    | 1,060,992          |
| Public Bank BHD                              | 571,900   | 1,669,965          |
| Shizuoka Bank Ltd.                           | 191,000   | 1,855,709          |
| Siam Commercial Bank PLC                     | 1,691,000 | 3,897,564          |
| Sime Darby BHD                               | 590,400   | 1,801,954          |
| Sovereign Bancorp, Inc.                      | 112,000   | 1,908,480          |
| Star Asia Financial Ltd. (b) (c)             | 125,000   | 1,156,250          |
| UBS AG - Registered                          | 39,500    | 2,123,857          |
| UBS AG *                                     | 143,300   | 7,630,725          |
| Unibanco - Uniao de Bancos Brasileiros - GDR | 35,250    | 4,637,137          |
| Woori Finance Holdings Co. Ltd.              | 198,200   | 4,526,202          |
| Woori Investments                            | 29,200    | 826,355            |
|  |           | 98,254,567         |
| <b>Non-Bank 3.68%</b>                        |           |                    |
| Apollo Investment Corp. *                    | 380,526   | 7,914,941          |
| Ares Capital Corp.                           | 141,800   | 2,307,086          |
| Broadridge Financial Solutions, Inc.         | 6,250     | 118,437            |
| Daiwa Securities Group, Inc.                 | 135,700   | 1,292,437          |
| InterContinental Exchange, Inc. (a)          | 10,000    | 1,519,000          |
| Maiden Holdings Ltd. (c)                     | 40,100    | 401,000            |
| MCG Capital Corp.                            | 120,000   | 1,726,800          |
|  |           | 15,279,701         |
| <b>TOTAL FINANCE</b>                         |           | <b>113,534,268</b> |
| <b>Healthcare 0.61%</b>                      |           |                    |
| Athenahealth, Inc. (a)                       | 400       | 13,564             |
| BioSphere Medical, Inc. (a) (d)              | 100,000   | 477,000            |
| BioSphere Medical, Inc. (a)                  | 121,100   | 577,647            |
| Molecular Insight Pharmaceuticals, Inc. (a)  | 71,100    | 482,769            |
| Pharmion Corp. (a)                           | 21,000    | 968,940            |
|  |           | 2,519,920          |
| <b>Industrial 6.82%</b>                      |           |                    |
| Advantest Corp.                              | 36,500    | 1,137,596          |
| Altra Holdings, Inc. (a)                     | 4,900     | 81,683             |
| American Science & Engineering, Inc. *       | 47,712    | 2,989,634          |
| Bunge Ltd.                                   | 9,100     | 977,795            |
| Caterpillar, Inc.                            | 41,200    | 3,231,316          |

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|  | Shares    | Value        |
|--|-----------|--------------|
| <b>Industrial (continued)</b>              |           |              |
| Chicago Bridge & Iron Co. - NY shares      | 32,100    | \$ 1,382,226 |
| Empresa Brasileira de Aeronautica - S.A. * | 26,735    | 1,174,201    |
| General Cable Corp. (a)                    | 20,000    | 1,342,400    |
| General Electric Co.                       | 81,000    | 3,353,400    |
| General Motors Corp.                       | 42,100    | 1,545,070    |
| Grant Prideco, Inc. (a)                    | 49,000    | 2,671,480    |
| Kokuyo Company Ltd.                        | 107,700   | 1,119,521    |
| Smurfit-Stone Container Corp. (a)          | 374,900   | 4,378,832    |
| Spirit AeroSystems Holdings, Inc. (a)      | 55,000    | 2,141,700    |
| Textron, Inc.                              | 12,800    | 796,288      |
|  |           | 28,323,142   |
| <b>Insurance 4.83%</b>                     |           |              |
| ACE Ltd.                                   | 41,800    | 2,531,826    |
| Allstate Corp.                             | 27,000    | 1,544,130    |
| Castlepoint Holdings Ltd.                  | 51,600    | 593,400      |
| Fidelity National Financial, Inc.          | 263,700   | 4,609,476    |
| Loews Corp.                                | 63,200    | 3,055,720    |
| Montpelier Re Holdings Ltd.                | 264,800   | 4,686,960    |
| Platinum Underwriters Holdings Ltd.        | 84,577    | 3,041,389    |
|  |           | 20,062,901   |
| <b>Media 0.51%</b>                         |           |              |
| Kyocera Corp.                              | 6,300     | 590,702      |
| Nippon Television Network Corp.            | 11,700    | 1,506,490    |
|  |           | 2,097,192    |
| <b>Metals &amp; Mining 2.89%</b>           |           |              |
| Anglo American PLC - ADR                   | 33,366    | 1,116,093    |
| Barrick Gold Corp.                         | 1,900     | 76,532       |
| Cameco Corp.                               | 29,000    | 1,340,960    |
| Denison Mines Corp. (a)                    | 83,900    | 940,517      |
| First Uranium Corp. (a)                    | 39,000    | 371,317      |
| Freeport-McMoRan Copper & Gold, Inc.       | 24,700    | 2,590,783    |
| Gerdau - S.A.                              | 47,500    | 1,245,450    |
| Goldcorp, Inc.                             | 36,200    | 1,106,272    |
| Paladin Resources Ltd. (a)                 | 82,500    | 566,618      |
| UEX Corp. (a)                              | 12,800    | 78,114       |
| Uranium One, Inc. (a)                      | 180,005   | 2,379,797    |
| Ur-Energy, Inc. (a)                        | 56,900    | 174,478      |
|  |           | 11,986,931   |
| <b>Real Estate 7.88%</b>                   |           |              |
| Aeon Mall Co. Ltd.                         | 44,000    | 1,344,535    |
| Beijing Capital Land Ltd. (c)              | 369,000   | 331,318      |
| Cheung Kong Holdings Ltd.                  | 390,500   | 6,439,808    |
| China Resources Land Ltd.                  | 482,000   | 1,004,444    |
| Ciputra Development Tbk PT (a)             | 6,190,000 | 629,492      |
| Cosco Corp. (Singapore) Ltd.               | 359,000   | 1,437,933    |
| Great Eagle Holdings Ltd.                  | 425,767   | 1,615,689    |
| Greentown China Holdings Ltd.              | 354,500   | 826,301      |



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|  | Shares    | Value      |
|--|-----------|------------|
| <b>Real Estate (continued)</b>                     |           |            |
| Hang Lung Properties Ltd.                          | 205,000   | \$ 917,692 |
| Henderson Land Development Co. Ltd.                | 258,000   | 2,046,052  |
| Hopewell Holdings Ltd.                             | 179,000   | 854,261    |
| Hysan Development Co. Ltd.                         | 739,960   | 2,051,254  |
| Hyundai Development Co.                            | 21,700    | 2,027,262  |
| Italian-Thai Development PLC (a)                   | 3,685,000 | 817,097    |
| Kerry Properties Ltd.                              | 111,000   | 852,435    |
| Shimao Property Holdings Ltd.                      | 285,500   | 868,563    |
| Shun Tak Holdings Ltd. (c)                         | 100,000   | 161,053    |
| Sun Hung Kai Properties Ltd.                       | 287,000   | 4,836,342  |
| Trinity Capital PLC (a) (c)                        | 614,774   | 1,067,012  |
| Wharf Holdings Ltd.                                | 425,000   | 2,088,412  |
| YNH Property BHD                                   | 619,500   | 485,419    |
|  |           | 32,702,374 |
| <b>Real Estate Investment Trusts (REITS) 0.88%</b> |           |            |
| Annaly Capital Management, Inc.                    | 228,000   | 3,632,040  |
| Regal Real Estate Investment Trust                 | 70,405    | 22,008     |
|  |           | 3,654,048  |
| <b>Technology &amp; Communications 16.48%</b>      |           |            |
| AU Optronics Corp. - ADR                           | 96,687    | 1,635,944  |
| Broadcom Corp. (a)                                 | 34,300    | 1,249,892  |
| Centron Telecom International Holdings Ltd. (a)    | 398,000   | 141,817    |
| Chartered Semiconductor Manufacturing Ltd. (a)     | 1,700,000 | 1,247,391  |
| China Unicom Ltd. - ADR                            | 58,800    | 1,225,392  |
| China Unicom Ltd.                                  | 428,000   | 885,307    |
| Cisco Systems, Inc. (a)                            | 403,100   | 13,346,641 |
| Comcast Corp. (a)                                  | 189,400   | 4,538,024  |
| Corning, Inc.                                      | 141,400   | 3,485,510  |
| CTC Media, Inc. (a)                                | 28,600    | 628,056    |
| F5 Networks, Inc. (a)                              | 25,000    | 929,750    |
| Google, Inc. (a)                                   | 16,000    | 9,076,320  |
| Ingram Micro, Inc. (a)                             | 216,200   | 4,239,682  |
| Intel Corp.  | 238,300   | 6,162,438  |
| KT Corp. - ADR                                     | 68,800    | 1,723,440  |
| LG.Philips LCD Co. Ltd. - ADR (a)                  | 72,900    | 1,745,226  |
| Magal Security Systems Ltd. (a)                    | 254,826   | 2,265,403  |
| Marvell Technology Group Ltd. (a)                  | 91,100    | 1,491,307  |
| Nan Ya Printed Circuit Board Corp.                 | 172,000   | 1,038,272  |
| Powerchip Semiconductor Corp. - GDR (c)            | 138,383   | 686,933    |
| Radvision Ltd. (a)                                 | 271,400   | 4,765,784  |
| Samsung Electronics Co. Ltd.                       | 5,595     | 3,515,215  |
| Time Warner, Inc.                                  | 130,900   | 2,403,324  |
|  |           | 68,427,068 |
| <b>Transportation 0.75%</b>                        |           |            |
| AMR Corp. (a)                                      | 44,100    | 982,989    |
| Babcock & Brown Air Ltd. - ADR (a)                 | 10,600    | 241,680    |
| Golar LNG, Ltd.                                    | 85,300    | 1,903,896  |
|  |           | 3,128,565  |

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|  | Shares    | Value        |
|--|-----------|--------------|
| <b>Utilities 8.77%</b>                           |           |              |
| AES Corp. (a)                                    | 100,200   | \$ 2,008,008 |
| Bakrie Sumatera Plantations Tbk PT               | 3,694,000 | 622,063      |
| BYD Co. Ltd.                                     | 125,500   | 937,151      |
| Cleco Corp.                                      | 34,000    | 859,180      |
| DPL, Inc.  | 100,000   | 2,626,000    |
| Enbridge, Inc.                                   | 69,700    | 2,569,647    |
| Equitable Resources, Inc.                        | 42,000    | 2,178,540    |
| Exelon Corp.                                     | 36,000    | 2,712,960    |
| FirstEnergy Corp.                                | 45,000    | 2,850,300    |
| Gamuda BHD                                       | 490,600   | 1,266,993    |
| Golden Agri-Resources Ltd.                       | 690,000   | 659,576      |
| IOI Corp. BHD                                    | 345,000   | 612,546      |
| Mirant Corp. (a)                                 | 59,500    | 2,420,460    |
| PPL Corp.  | 57,600    | 2,666,880    |
| PT Astra International Tbk                       | 1,712,300 | 3,604,349    |
| Reliant Energy, Inc. (a)                         | 25,000    | 640,000      |
| Sinopec Shanghai Petrochemical Co. Ltd.          | 3,200,000 | 2,622,124    |
| Southern Union Co.                               | 58,400    | 1,816,824    |
| Williams Cos., Inc.                              | 79,800    | 2,717,988    |
|  |           | 36,391,589   |
| <b>TOTAL COMMON STOCK</b>                        |           |              |
| (Cost \$411,843,925)                             |           | 466,026,209  |
| <b>EXCHANGE TRADED FUNDS 6.22%</b>               |           |              |
| iShares  |           |              |
| Dow Jones Select Dividend                        | 70,000    | 4,834,900    |
| MSCI Pacific                                     | 5,600     | 930,944      |
| MSCI Taiwan                                      | 169,900   | 2,845,825    |
| S&P Latin America 40 *                           | 30,000    | 7,212,000    |
| Semiconductor HOLDRs Trust                       | 77,400    | 2,964,420    |
| StreefTRACKS Gold Shares (a)                     | 95,800    | 7,041,300    |
| <b>TOTAL EXCHANGE TRADED FUNDS</b>               |           |              |
| (Cost \$19,289,892)                              |           | 25,829,389   |
| <b>PARTICIPATION NOTES 0.20%</b>                 |           |              |
| Walsin Lihwa Corp.                               | 1,710,000 | 848,843      |
| <b>TOTAL PARTICIPATION NOTES</b>                 |           |              |
| (Cost \$996,075)                                 |           | 848,843      |
| <b>PREFERRED STOCKS 0.26%</b>                    |           |              |
| Freeport-McMoRan Copper & Gold, Inc., 6.750% (c) | 7,000     | 1,085,700    |
| <b>TOTAL PREFERRED STOCKS</b>                    |           |              |
| (Cost \$700,000)                                 |           | 1,085,700    |

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|   | Shares                  | Value        |
|---|-------------------------|--------------|
| <b>CLOSED-END FUNDS 0.40%</b>   |                         |              |
| The Ottoman Fund (a) (c)  | 835,800                 | \$ 1,661,990 |
| <b>TOTAL CLOSED-END FUNDS</b><br>(Cost \$1,453,874)                         |                         | 1,661,990    |
|   | <b>Interest Rate</b>    |              |
| <b>SHORT TERM INVESTMENTS 16.12%</b>  |                         |              |
| Money Market Funds 14.91%   |                         |              |
| JPMorgan Prime Money Market Fund  | 3.703%                  | 4,667,720    |
| Merrill Lynch U.S. Treasury Money Market Fund                               | 4.961%                  | 57,241,490   |
| <b>TOTAL MONEY MARKET FUNDS</b><br>(Cost \$61,909,210)                      |                         | 61,909,210   |
|   | <b>Principal Amount</b> |              |
| U.S. Government & Agency Obligations 1.21%                                  |                         |              |
| Federal Home Loan Mortgage Corporation DN (FHLMC) *                         | 5.140%                  | \$ 5,000,000 |
| <b>TOTAL U.S. GOVERNMENT &amp; AGENCY OBLIGATIONS</b><br>(Cost \$5,000,000) |                         | 5,000,000    |
| <b>TOTAL SHORT TERM INVESTMENTS</b><br>(Cost \$66,909,210)                  |                         | 66,909,210   |
|   | <b>Coupon Rate</b>      |              |
| <b>CORPORATE BONDS 1.99%</b>  |                         |              |
| Maturity Date   |                         |              |
| Suncor Energy, Inc.   |                         |              |
| 06/15/2038  | 6.500%                  | 2,000,000    |
| Swedish Export Credit * (b)   |                         |              |
| 04/30/2012  | 10.010%                 | 6,200,000    |
| <b>TOTAL CORPORATE BONDS</b><br>(Cost \$8,243,636)                          |                         | 8,252,966    |
| <b>ASSET/MORTGAGE BACKED SECURITIES 5.00%</b>                               |                         |              |
| Fannie Mae REMICS   |                         |              |
| Series 2006-3, Class ZE, 03/25/2036 *<br>FNR                                | 6.000%                  | 4,397,594    |
| Series 2006-65, Class DP, 07/25/2036 *                                      | 6.000%                  | 9,397,613    |
| Series 2006-83, Class HZ, 08/25/2036 *                                      | 6.000%                  | 5,334,931    |
| Freddie Mac REMICS  |                         |              |
| Series 2007-3271, Class AS, 02/15/2037 ^ *                                  | 4.305%                  | 1,932,598    |
| <b>TOTAL ASSET/MORTGAGE BACKED SECURITIES</b><br>(Cost \$20,527,761)        |                         | 20,774,316   |

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| Maturity Date  | Coupon                 | Principal Amount      | Value                      |
|--|------------------------|-----------------------|----------------------------|
| <b>U.S. GOVERNMENT &amp; AGENCY OBLIGATIONS 2.48%</b>  |                        |                       |                            |
| U.S. Treasury Bond   |                        |                       |                            |
| 06/30/2012   | 4.875%                 | \$ 10,000,000         | \$ 10,282,820              |
| <b>TOTAL U.S. GOVERNMENT &amp; AGENCY OBLIGATIONS</b>  |                        |                       |                            |
| (Cost \$10,237,563)  |                        |                       | 10,282,820                 |
| <b>STRUCTURED NOTES 8.34%</b>  |                        |                       |                            |
| Federal Home Loan Bank System (FHLB)   |                        |                       |                            |
| 12/20/2021 ^ # * (b)   | 7.500%                 | 15,000,000            | 14,512,500                 |
| Calyon Range Bond *  |                        |                       |                            |
| 01/29/2022 ^ (c)   | 9.300%                 | 5,000,000             | 4,271,250                  |
| Merrill Lynch & Co. Inc.   |                        |                       |                            |
| 01/29/2022 ^ * (c)   | 9.580%                 | 7,500,000             | 6,406,875                  |
| 04/05/2022 ^ * (c)   | 7.000%                 | 5,000,000             | 4,721,250                  |
| Rabobank Nederland   |                        |                       |                            |
| 04/17/2022 ^ * (b) (c)   | 7.050%                 | 5,000,000             | 4,700,000                  |
| <b>TOTAL STRUCTURED NOTES</b>  |                        |                       |                            |
| (Cost \$37,310,055)  |                        |                       | 34,611,875                 |
|  | <b>Expiration Date</b> | <b>Exercise Price</b> | <b>Number of Contracts</b> |
| <b>PURCHASED OPTIONS 0.62%</b>   |                        |                       |                            |
| Purchased Call Options 0.54%   |                        |                       |                            |
| iShares Lehman 20+ Year Treasury Bond Fund   |                        |                       |                            |
|  | January, 2008          | \$ 88                 | 10,000                     |
| <b>TOTAL CALL OPTIONS PURCHASED</b>  |                        |                       |                            |
| (Cost \$3,007,500)   |                        |                       | 2,250,000                  |
| Purchased Put Options 0.08%  |                        |                       |                            |
| S&P 500 Index Option   |                        |                       |                            |
|  | December, 2007         | 1,400                 | 215                        |
| <b>TOTAL PUT OPTIONS PURCHASED</b>   |                        |                       |                            |
| (Cost \$762,996)   |                        |                       | 349,375                    |
| <b>TOTAL PURCHASED OPTIONS</b>   |                        |                       |                            |
| (Cost \$3,770,496)   |                        |                       | 2,599,375                  |
| Total Investments  |                        |                       |                            |
| (Cost \$581,282,487)   | 153.89%                |                       | 638,882,693                |
| Liabilities in Excess of Other Assets  |                        |                       |                            |
|  | (11.66)%               |                       | (48,416,640)               |
| Liquidation Preference of Auction Market Preferred Shares, Series M28 and F7 (including dividends payable on preferred shares) |                        |                       |                            |
|  | (42.23)%               | \$                    | (175,320,738)              |
| <b>NET ASSETS</b>  |                        |                       |                            |
|  | 100.00%                | \$                    | 415,145,315                |



**SCHEDULE OF SECURITIES SOLD SHORT**

| Name                                    | Shares    | Value           |
|---|-----------|-----------------|
| Ashland, Inc.                           | (7,500)   | \$ (451,575)    |
| Banco Bilbao Vizcaya - S.A.             | (53,200)  | (1,238,496)     |
| Bed Bath & Beyond, Inc. (a)             | (46,000)  | (1,569,520)     |
| BJ Services Co.                         | (6,000)   | (159,300)       |
| China Life Insurance Co. Ltd. - ADR     | (17,900)  | (1,543,338)     |
| Comerica, Inc.                          | (6,900)   | (353,832)       |
| Energy Select Sector SPDR               | (32,087)  | (2,405,242)     |
| ENSCO International, Inc.               | (8,000)   | (448,800)       |
| Financial Select Sector SPDR            | (152,600) | (5,218,920)     |
| Hercules Offshore, Inc. (a)             | (47,000)  | (1,227,170)     |
| iShares FTSE/Xinhua China 25 Index Fund | (17,700)  | (3,183,522)     |
| iShares MSCI Brazil                     | (12,800)  | (947,328)       |
| iShares MSCI Emerging Markets           | (44,800)  | (6,684,160)     |
| iShares MSCI Mexico Index Fund          | (28,900)  | (1,686,893)     |
| iShares Russell 2000 Index Fund         | (117,000) | (9,377,550)     |
| Martin Marietta Materials, Inc.         | (12,100)  | (1,615,955)     |
| MBIA, Inc.                              | (28,000)  | (1,709,400)     |
| Nabors Industries Ltd. (a)              | (14,000)  | (430,780)       |
| Patterson-UTI Energy, Inc.              | (96,100)  | (2,168,977)     |
| Polaris Industries, Inc.                | (22,100)  | (964,002)       |
| Pride International, Inc. (a)           | (8,000)   | (292,400)       |
| Regional Bank HOLDRs Trust              | (24,100)  | (3,577,645)     |
| Rowan Cos., Inc.                        | (20,000)  | (731,600)       |
| SPDR Trust Series 1                     | (25,300)  | (3,861,792)     |
| Toro Co.                                | (8,500)   | (500,055)       |
| Unit Corp. (a)                          | (21,300)  | (1,030,920)     |
| <b>TOTAL SECURITIES SOLD SHORT</b>      |           |                 |
| (Proceeds \$52,366,811)                 |           | \$ (53,379,172) |

S.A - Sponsored ADR

ADR - American Depositary Receipt

GDR - Global Depositary Receipt

PLC - Public Limited Company

PT - equivalent to Public Limited Company in Indonesia

BHD - Berhad (in Malaysia; equivalent to Public Limited Company)

Tbk - Terbuka (stock symbol in Indonesian)

DN - Discount Note

REMICS - Real Estate Mortgage Investment Conduits

SPDR - Standard & Poor's Depository Receipt

- 
- (a) Non-Income Producing Security.
  - (b) Fair valued security; valued in accordance with procedures approved by the Fund's Board of Trustees. As of September 30, 2007, these securities had total value of \$26,568,750 or 6.40% of total net assets.
  - (c) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. As of September 30, 2007, these securities had a total value of \$26,650,631 or 6.42% of total net assets.
  - (d) Private Placement; these securities may only be resold in transactions exempt from registration under the securities Act of 1933. As of September 30, 2007, these securities had a total value of \$971,242 or 0.23% of total net assets.
- ^ Floating or variable rate security - rate disclosed as of September 30, 2007.
- # Next reset date 12/20/07.
- \* Security, or portion of security, is being held as collateral for written options and/or short sales.

*See Notes to Financial Statements*

## Statement of aSSetS &amp; liabilitiesS

September 30, 2007 (unaudited)

|  |    |              |
|--|----|--------------|
| <b>Assets:</b>   |    |              |
| Investments, at value (Cost - see below)   | \$ | 638,882,693  |
| Cash   |    | 1,574,347    |
| Foreign currency, at value (Cost \$2,304,057)  |    | 2,290,694    |
| Deposit with broker for securities sold short and written options  |    | 11,311,042   |
| Dividends receivable   |    | 827,488      |
| Interest receivable  |    | 860,653      |
| Receivable for investments sold  |    | 10,417,357   |
| Other assets   |    | 10,414       |
| Total Assets   |    | 666,174,688  |
| <b>Liabilities:</b>  |    |              |
| Securities sold short (Proceeds \$52,366,811)  |    | 53,379,172   |
| Payable for investments purchased  |    | 21,502,654   |
| Dividends payable-short sales  |    | 115,359      |
| Interest payable - margin account  |    | 23,881       |
| Accrued investment advisory fee  |    | 477,254      |
| Accrued administration fee   |    | 169,690      |
| Accrued trustees fee   |    | 17,829       |
| Other payables   |    | 22,796       |
| Total Liabilities  |    | 75,708,635   |
| <b>Preferred Stock (unlimited shares authorized):</b>  |    |              |
| Auction market preferred shares, Series M28 & F7,<br>including dividends payable on preferred shares<br>(\$25,000 liquidation value per share, no par value,<br>4,000 and 3,000 shares issued and outstanding, respectively) |    | 175,320,738  |
| Net Assets   | \$ | 415,145,315  |
| Cost of Investments  | \$ | 581,282,487  |
| <b>Composition of Net Assets:</b>  |    |              |
| Paid in capital  |    | 339,632,866  |
| Overdistributed net investment income  |    | (15,792,782) |
| Accumulated net realized gain on investments,<br>options, securities sold short and foreign<br>currency transactions   |    | 34,725,658   |
| Net unrealized appreciation in value of investments,<br>options, securities sold short and translation of<br>assets and liabilities denominated in foreign currencies  |    | 56,579,573   |
| Net Assets   | \$ | 415,145,315  |
| Shares of common stock outstanding of no par value,<br>unlimited shares authorized   |    | 17,840,705   |
| Net asset value per share  | \$ | 23.27        |

See Notes to Financial Statements





## STATEMENT OF OPERATIONS

For the Six Months Ended September 30, 2007 (unaudited)

|   |    |             |
|---|----|-------------|
| <b>Investment Income:</b>   |    |             |
| Dividends (Net of foreign withholding taxes of \$331,518)   | \$ | 4,703,711   |
| Interest on investment securities   |    | 3,695,892   |
| Total Income  |    | 8,399,603   |
| <b>Expenses:</b>  |    |             |
| Investment advisory fee   |    | 2,951,197   |
| Administration fee  |    | 1,049,314   |
| Trustees fee  |    | 72,197      |
| Dividend expense - short sales  |    | 375,707     |
| Broker/dealer fees  |    | 222,678     |
| Interest expense - margin account   |    | 280,467     |
| Miscellaneous   |    | 11,006      |
| Total Expenses  |    | 4,962,566   |
| Net Investment Income   |    | 3,437,037   |
| <b>Net realized gain (loss) on:</b>   |    |             |
| Investment securities   |    | 17,104,718  |
| Securities sold short   |    | (5,783,326) |
| Written options   |    | 3,893,977   |
| Foreign currency transactions   |    | (5,207)     |
| Net change in net unrealized appreciation (depreciation)<br>on investments, options, securities sold short, and<br>translation of assets and liabilities denominated in<br>foreign currencies |    | 19,688,920  |
| Net gain on investments, options, securities sold short<br>and foreign currency transactions  |    | 34,899,082  |
| Net Increase in Net Assets from Operations  |    | 38,336,119  |
| Distributions to Preferred Shareholders   |    |             |
| From net investment income  |    | (4,868,749) |
| From net realized gains   |    |             |
| <b>Net Increase in Net Assets Attributable to Common<br/>Shares from Operations</b>   | \$ | 33,467,370  |

*See Notes to Financial Statements*

## STATEMENT OF CHANGES IN NET ASSETS

|   | For the Six<br>Months Ended<br>September 30, 2007<br>(Unaudited) | For the<br>Year Ended<br>March 31, 2007 |
|---|--|---|
| <b>Common Shareholder Operations:</b>   |  |   |
| Net investment income   | \$ 3,437,037   | \$ 5,779,258                            |
| Net realized gain (loss) from:  |  |   |
| Investment securities   | 17,104,718   | 39,599,943                              |
| Securities sold short   | (5,783,326)  | (6,670,309)                             |
| Written options   | 3,893,977  | 2,822,349                               |
| Foreign currency transactions   | (5,207)  | 11,803                                  |
| Net change in unrealized appreciation<br>(depreciation) on investments, options,<br>securities sold short and translation<br>of assets and liabilities denominated<br>in foreign currencies | 19,688,920   | (25,712,002)                            |
| Distributions to Preferred Shareholders   |  |   |
| From net investment income  | (4,868,749)  | (4,196,957)                             |
| From net realized gains   |  | (4,872,772)                             |
| Net increase in net assets attributable to<br>common shares from operations   | 33,467,370   | 6,761,313                               |
| <b>Distributions to Common Shareholders:</b>  |  |   |
| From net investment income  | (13,915,748)   | (30,240,376)                            |
| From net realized gain  |  | (4,460,176)                             |
| Net Decrease in Net Assets from Distributions   | (13,915,748)   | (34,700,552)                            |
| <b>Capital Share Transactions:</b>  |  |   |
| Net asset value of common stock issued to<br>stockholders from reinvestment of dividends  |  | 4,218,367                               |
| Net increase in net assets from capital<br>share transactions   |  | 4,218,367                               |
| <b>Net increase (decrease) in net assets<br/>attributable to common shares</b>  | <b>19,551,622</b>  | <b>(23,720,872)</b>                     |
| <b>Net Assets Attributable to Common Shares:</b>  |  |   |
| Beginning of period   | 395,593,693  | 419,314,565                             |
| End of period *   | \$ 415,145,315   | \$ 395,593,693                          |

\*Includes overdistributed net investment income of: \$ (15,792,782) \$ (445,322)

See Notes to Financial Statements

## financial highlightS

|   | For the Six<br>Months Ended<br>September 30, 2007<br>(Unaudited) | For the<br>Year Ended<br>March 31, 2007 | For the Period<br>April 27, 2005<br>(inception) to<br>March 31, 2006 |
|---|--|---|--|
| <b>Per Common Share Operating Performance</b>                                   |  |   |  |
| Net asset value - beginning of period   | \$ 22.17   | \$ 23.74                                | \$ 19.10   |
| Income from investment operations:  |  |   |  |
| Net investment income   | 0.19*  | 1.77                                    | 0.86   |
| Net realized and unrealized gain (loss) on investments                          | 1.96   | (0.88)                                  | 5.13   |
| Distributions to preferred shareholders:  |  |   |  |
| From net investment income  | (0.27)   | (0.51)                                  | (0.23)   |
| Total from investment operations  | 1.88   | 0.38                                    | 5.76   |
| <b>Distributions to Common Shareholders:</b>                                    |  |   |  |
| From net investment income  | (0.78)   | (1.70)                                  | (0.96)   |
| From capital gains  |  | (0.25)                                  |  |
| Total distributions to common shareholders                                      | (0.78)   | (1.95)                                  | (0.96)   |
| <b>Capital Share Transactions:</b>  |  |   |  |
| Common share offering costs charged to paid in capital                          |  |   | (0.04)   |
| Preferred share offering costs and sales load charged to paid in capital        |  |   | (0.12)   |
| Total capital share transactions  |  |   | (0.16)   |
| Net asset value - end of period   | \$ 23.27   | \$ 22.17                                | \$ 23.74   |
| Market price - end of period  | \$ 20.17   | \$ 20.13                                | \$ 22.46   |
| <b>Total Investment Return - Net Asset Value (1)</b>                            | 9.02%  | 2.03%                                   | 29.90%   |
| <b>Total Investment Return - Market Price (1)</b>                               | 4.07%  | (2.08)%                                 | 17.36%   |
| <b>Ratios and Supplemental Data</b>   |  |   |  |
| Net assets attributable to common shares, end of period (000)                   | \$ 415,145   | \$ 395,594                              | \$ 419,315   |
| Ratios to average net assets attributable to common shareholders:               |  |   |  |
| Total expenses before reimbursements (3)  | 2.44%(2)   | 2.43%                                   | 2.29%(2)   |
| Net expenses after reimbursements (3)   | 2.44%(2)   | 2.43%                                   | 2.26%(2)   |
| Net expenses excluding dividends on short sales (3)                             | 2.26%(2)   | 2.16%                                   | 2.04%(2)   |
| Net investment income (3)   | 1.69%(2)   | 1.45%                                   | 0.98%(2)   |
| Preferred share dividend  | 2.40%(2)   | 2.28%                                   | 1.16%(2)   |
| Portfolio turnover rate   | 73%  | 200%                                    | 164%   |
| <b>Auction Market Preferred Shares</b>  |  |   |  |
| Liquidation value, end of period, including dividends on preferred shares (000) | \$ 175,321   | \$ 175,444                              | \$ 175,411   |
| Total shares outstanding (000)  | 7  | 7                                       | 7  |
| Asset coverage per share (4)  | \$ 84,352  | \$ 81,577                               | \$ 84,961  |
| Liquidation preference per share  | \$ 25,000  | \$ 25,000                               | \$ 25,000  |
| Average market value per share (5)  | \$ 25,000  | \$ 25,000                               | \$ 25,000  |

\* Based on average shares outstanding.

(1)

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Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Total investment return on net asset value excludes a sales load of \$0.90 per share for the period, effectively reducing the net asset value at issuance from \$20.00 to \$19.10. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions on the purchase or sale of the Fund's common shares. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.

- (2) Annualized.
- (3) Ratios do not reflect dividend payments to preferred shareholders.
- (4) Calculated by subtracting the Fund's total liabilities (excluding Preferred Shares) from the Fund's total assets and dividing by the number of preferred shares outstanding.
- (5) Based on monthly prices.

*See Notes to Financial Statements*

NOTES TO FINANCIAL STATEMENTS

September 30, 2007 (unaudited)

**1. SIGNIFICANT ACCOUNTING AND OPERATING POLICIES**

The Fund is a closed-end management investment company (that was organized under the laws of the state of Delaware by an Agreement and Declaration of Trust dated January 25, 2005. The Fund is a non-diversified series with an investment objective to provide a high level of total return. The Declaration of Trust provides that the Trustees may authorize separate classes of shares of beneficial interest.

**Security Valuation:** The net asset value per Share of the Fund is determined no less frequently than daily, on each day that the American Stock Exchange (the Exchange) is open for trading, as of the close of regular trading on the Exchange (normally 4:00 p.m. New York time). Trading may take place in foreign issues held by the Fund at times when the Fund is not open for business. As a result, the Fund's net asset value may change at times when it is not possible to purchase or sell shares of the Fund. Securities held by the fund for which exchange quotations are readily available are valued at the last sale price, or if no sale price or if traded on the over-the-counter market, at the mean of the bid and asked prices on such day. Over-the-counter securities traded on NASDAQ are valued based upon the closing price. Debt securities for which the over-the-counter market is the primary market are normally valued on the basis of prices furnished by one or more pricing services at the mean between the latest available bid and asked prices. As authorized by the Trustees, debt securities (other than short-term obligations) may be valued on the basis of valuations furnished by a pricing service which determines valuations based upon market transactions for normal, institutional-size trading units of securities. Short-term obligations maturing within 60 days are valued at amortized cost, which approximates value, unless the Trustees determine that under particular circumstances such method does not result in fair value. Over-the-counter options are valued at the mean between bid and asked prices provided by dealers. Financial futures contracts listed on commodity exchanges and exchange-traded options are valued at closing settlement prices. Securities for which there is no such quotation or valuation and all other assets are valued at fair value in good faith by or at the direction of the Trustees.

**Foreign Securities:** The Fund may invest a portion of its assets in foreign securities. In the event that the Fund executes a foreign security transaction, the Fund will generally enter into a forward foreign currency contract to settle the foreign security transaction. Foreign securities may carry more risk than U.S. securities, such as political, market and currency risks.

The accounting records of the Fund are maintained in U.S. dollars. Prices of securities denominated in foreign currencies are translated into U.S. dollars at the closing rates of exchange at period end. Amounts related to the purchase and sale of foreign securities and investment income are translated at the rates of exchange prevailing on the respective dates of such transactions.

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The effect of changes in foreign currency exchange rates on investments is included with the fluctuations arising from changes in market values of securities held and reported with all other foreign currency gains and losses in the Fund's Statement of Operations.

**Options:** The Fund may purchase or write (sell) put and call options. One of the risks associated with purchasing an option among others, is that the Fund pays a premium whether or not the option is exercised. Additionally, the Fund bears the risk of loss of premium and change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of call options is increased

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by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid.

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

Written option activity as of September 30, 2007 was as follows:

| Written Call Options             | Contracts | Premiums     |
|----------------------------------|-----------|--------------|
| Outstanding March 31, 2007       | 10,000    | \$ 1,417,456 |
| Positions opened                 | 1,050     | 284,162      |
| Expired                          | (230)     | (74,289)     |
| Closed                           | (10,820)  | (1,627,329)  |
| Outstanding, September 30, 2007  |           | \$           |
| Market Value, September 30, 2007 |           | \$           |

| Written Put Options              | Contracts | Premiums     |
|----------------------------------|-----------|--------------|
| Outstanding March 31, 2007       | 20,000    | \$ 2,412,955 |
| Positions opened                 |           |              |
| Expired                          | (20,000)  | (2,412,955)  |
| Closed                           |           |              |
| Outstanding, September 30, 2007  |           | \$           |
| Market Value, September 30, 2007 |           | \$           |

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

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

**Distributions to Shareholders:** The Fund intends to make a level dividend distribution each quarter to Common Shareholders after payment of interest on any outstanding borrowings or dividends on any outstanding preferred shares. The level dividend rate may be modified by the Board of Trustees from time to time. Any net capital gains earned by the Fund are distributed at least annually to the extent necessary to avoid federal income and





excise taxes. Distributions to shareholders are recorded by the Fund on the ex-dividend date. The Fund has applied to the Securities and Exchange Commission for an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting the Fund to make periodic distributions of long-term capital gains, provided that the distribution policy of the Fund with respect to its Common Shares calls for periodic (e.g., quarterly/monthly) distributions in an amount equal to a fixed percentage of the Fund's average net asset value over a specified period of time or market price per common share at or about the time of distribution or pay-out of a level dollar amount.

**Securities Transactions and Investment Income:** Investment security transactions are accounted for as of trade date. Dividend income is recorded on the ex-dividend date. Certain dividend income from foreign securities will be recorded as soon as the Fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date and may be subject to withholding taxes in these jurisdictions. Interest income, which includes amortization of premium and accretion of discount, is accrued as earned. Realized gains and losses from securities transactions and unrealized appreciation and depreciation of securities are determined using the highest cost basis for both financial reporting and income tax purposes.

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

**Reclassifications:** Certain prior period amounts have been reclassified to conform to the current year presentation format.

**Recent Accounting Pronouncements:** In June 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes, that requires the tax effects of certain tax positions to be recognized. These tax positions must meet a more likely than not standard that, based on their technical merits, have a more than 50 percent likelihood of being sustained upon examination. FASB Interpretation No. 48 is effective for fiscal periods beginning after December 15, 2006. At adoption, the financial statements must be adjusted to reflect only those tax positions that are more likely than not of being sustained. Management of the Fund is currently evaluating the impact that FASB Interpretation No. 48 will have on the Fund's financial statements.

In September 2006, the FASB issued FASB Statement No. 157, Fair Valuation Measurement ( SFAS No. 157 ), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Fund is currently evaluating the potential impact the adoption of SFAS No. 157 will have on the Fund's financial statements.

In February 2007, the FASB issued FASB Statement 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 ( SFAS No. 159 ), which permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term

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measurement objectives for accounting for financial instruments. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Fund is currently evaluating the potential impact the adoption of SFAS No. 159 will have on the Fund's financial statements.

**2. TAXES**

Net unrealized appreciation/depreciation of investments based on federal tax cost as of September 30, 2007 were as follows:

|  |    |              |
|--|----|--------------|
| Gross appreciation (excess of value over tax cost) | \$ | 71,966,059   |
| Gross depreciation (excess of tax cost over value) |    | (17,646,253) |
| Net unrealized appreciation                        | \$ | 54,319,806   |
| Cost of investments for income tax purpose         | \$ | 584,562,887  |

**3. CAPITAL TRANSACTIONS**

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

Transactions in common shares were as follows:

|   | For the<br>Six Months Ended<br>September 30, 2007 | For the<br>Year Ended<br>March 31, 2007 |
|---|---|---|
| Common shares outstanding - beginning of period   | 17,840,705  | 17,662,492                              |
| Common shares issued as reinvestment of dividends |   | 178,213                                 |
| Common shares outstanding - end of period         | 17,840,705  | 17,840,705                              |

**Preferred Shares:** On September 14, 2005, the Fund's Board of Trustees authorized the issuance of an unlimited number of no par value preferred shares, in addition to the existing common shares, as part of the Fund's leverage strategy. Preferred shares issued by the Fund have seniority over the common shares.

The Fund is subject to certain limitations and restrictions while preferred shares are outstanding. Failure to comply with these limitations and restrictions could preclude the Fund from declaring any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of Preferred Shares at their liquidation value. Specifically, the Fund is required under the Investment Company Act of 1940 to maintain an asset coverage with respect to the outstanding preferred shares of 200% or greater.