Clough Global Equity Fund
Form N-CSR
June 04, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21712

Clough Global Equity Fund

(exact name of registrant as specified in charter)

1290 Broadway, Suite 1100, Denver, Colorado 80203

(Address of principal executive offices) (Zip code)

Erin E. Douglas, Secretary

Clough Global 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 end: March 31

Date of reporting period: March 31, 2012

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Item 1. **Reports to Stockholders.**

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Clough Global Funds

Shareholder Letter

March 31, 2012 (Unaudited)

To our Shareholders:

Performance

During the twelve-months ended March 31, 2012, the Clough Global Allocation Fund s total return, assuming reinvestment of all distributions, was -3.48% based on the net asset value and -6.73% based on the market price of the stock. That compares with 8.54% return for the S&P 500 for the same period. Since the Fund s inception on July 28, 2004, the average annual total return in net asset value assuming reinvestment of all distributions has been 6.79%, this compares to an average annual total return of 5.48% for the S&P 500 through March 31, 2012. Total distributions since inception has been $10.73 per share, and based on the current quarterly dividend rate of $0.30 per share, offer a yield of 8.61% on market price as of March 31, 2012, of $13.94.

During the twelve-months ended March 31, 2012, the Clough Global Equity Fund s total return, assuming reinvestment of all distributions, was -4.08% based on the net asset value and -7.32% based on the market price of the stock. That compares with 8.54% return for the S&P 500 for the same period. Since the Fund s inception on April 27, 2005, the average annual total return in net asset value assuming reinvestment of all distributions has been 5.89%, this compares to an average annual total return of 5.12% for the S&P 500 through March 31, 2012. Total distributions since inception has been $9.20 per share, and based on the current quarterly dividend rate of $0.29 per share, offer a yield of 8.86% on market price as of March 31, 2012, of $13.09.

During the twelve-months ended March 31, 2012, the Clough Global Opportunities Fund s total return, assuming reinvestment of all distributions, was -3.88% based on the net asset value and -7.14% based on the market price of the stock. That compares with 8.54% return for the S&P 500 for the same period. Since the Fund s inception on April 25, 2006, the average annual total return in net asset value assuming reinvestment of all distributions has been 2.86%, this compares to an average annual total return of 3.43% for the S&P 500 through March 31, 2012. Total distributions since inception has been $6.86 per share, and based on the current quarterly dividend rate of $0.27 per share, offer a yield of 9.17% on market price as of March 31, 2012, of $11.78.

Fiscal Year Fund Review

The Funds underperformed the broader indices in the fiscal year ended March 31, 2012. In summary, few equity strategies worked throughout the calendar year 2011, and those that did worked only marginally. We were early on our purchase of US banks, which have begun to perform better more recently. We also reduced our emerging market exposure to a group of core long term and high conviction investments, but the Funds were not spared the intensive liquidation emerging markets faced during the year. And finally, although the price of oil remained strong during the year reflecting global production limits, the stocks declined. Frustratingly, our fundamental analysis, for the most part, proved correct. For many of our holdings, earnings rose as the year progressed, balance sheets

improved, yet the price of many of these equities declined substantially to valuation levels we think are unnecessarily low.

During the first half of the fiscal year, the Funds suffered largely from sharp declines in three sectors: emerging markets, US financials, and energy. The FTSE Hong Kong Mid Cap Index, for example, was off more than 29% during the calendar year 2011[1]. Despite the big sell-offs, our companies generally did not disappoint fundamentally; they delivered strong earnings and improved balance sheets.

Year-to-date performance in 2012 has been more favorable, slightly trailing the returns of the S&P 500. We can still list the majority of our holdings under one of four separate long strategies. They can be summarized as (1) high free cash flow yields; (2) energy resources; (3) emerging market consumer; and (4) long US financials and Mortgage Backed Security REITs.

The markets have begun to recognize the value of free cash flow in a zero interest rate world. We have used Microsoft as the poster boy and after years of frustrating shareholders it is performing well. We have adjusted the strategy to further include companies which combine both strong revenue growth and high free cash flow yields, companies we call compounders. In technology we have focused on the smart phone revolution by investing in companies which will benefit from rising mobile phone payment streams, companies like eBay and VeriFone Corp. Almost 5% of the Fund is invested in media companies like CBS Corp. and Viacom, which have announced they will return a significant percentage of their current market capitalization in the form of dividends and stock buybacks over the next five years.

We have had some disappointments. We have made a strong investment case for Goodyear Tire and Rubber Co, based on the likelihood that declining raw material costs would ultimately lead to free cash generation, allowing the company to begin deleveraging its balance sheet. The fundamental judgment proved correct. During 2011 market estimates for earnings per share rose from 50 cents to $1.60. The company ended the year earning $1.99 per share, yet the stock declined each time it reported positive earnings. As a result, we sold this holding until free cash flow is a present reality, perhaps in 2013, and the market appears more willing to reward the company for it.

Our China strategy is coming to life and we still believe it could be one of the best performing markets in 2012. Even the given up for dead Shanghai Index has rallied and broken its long-lived downward trend-line. There are positive divergences in China stocks with consumer related issues breaking out while investment related securities such as construction machinery and cements lag. China s wage costs are rising but we see that as a positive, reflecting improved productivity and the migration up the quality curve. Even in old traditionally export-driven industries such as textiles, a number of companies have found new life. Textile exports rose only 8.9% in the fourth quarter, down from earlier 22-27% growth rates, but domestic sales rose 17% because retail garment sales in China

[1] *Source: Bloomberg*

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grew 27% as China s manufacturers no longer make textiles solely for export. For example, Chinese shoppers now spend $40 billion per year on shoes[2]. The stronger companies are moving from an export focus to greater concentration on manufacturing and domestic retail.

We think our energy strategies will work this year as conventional crude output of oil peaked six years ago according to the International Energy Association (IEA), and new supplies of shale or unconventional energy sources will not change this. The oil industry is simply straining to meet demand and there is very little slack in the system. It is noteworthy that the US consumes less oil than it did six years ago, but pays nearly twice as much for it. The Saudi s insist they can increase production 25% but there is very little transparency to that statement. Their current production is at a three decade high. They ve even drilled the Dammam field, which had been mothballed 30 years ago. Most oil fields are in steep decline and the new ones are beneath 10,000 feet of water, meaning the cost to produce is high.

The growth of unconventional oil makes sense only if oil production from conventional sources is peaking. Shale is very expensive and can only be supported by high oil prices. If the current oil price level is here to stay the producers are severely undervalued. We think the normal forces of depletion, aging fields and politically charged supply issues will combine with emerging economy demand to sustain high prices.

The two primary short strategies are focused on commodities, in particular the global iron ore industry and the price of natural gas in North America. The China centric credit boom of the past decade has been a boon for the iron ore miners. The price of iron ore is up ten times but now China s construction cycle is only beginning to peak as the stimulative credit policies of 2009-2010 run their course. Keep in mind that construction is still strong in China as projects planned earlier are brought to completion. In other words, construction and steel production are just beginning a lengthy decline. China s steel production is predicted to be down 10% year on year by summer; In January Japanese steel exports were off 16%, down for the 11th straight month[3]. Meanwhile the industry has invested heavily to bring on new mines, faces high capital spending costs, excessive supplies and lower prices. One major company just took delivery of a fleet of iron ore carriers contracted in an inflated market. A reflex rally in the miners held back the Fund s January results but the stocks have since encouragingly declined.

Our short natural gas strategy focuses on the US Natural Gas Trust, an ETF that in our judgment is a flawed security. The Trust holds the nearest expiring futures contract to build exposure to the spot price for natural gas. Upon expiration the Trust is forced to replace the expiring contract by buying futures with later expiration dates, futures which today are priced markedly higher, a so-called contango. So long as natural gas remains depressed or falls further, the equity will suffer. The natural gas industry is overproducing to the extent it will likely run out of storage early in the summer.

[2] *Source: Research-Works*
[3] *Source: Nikkei Inc.*

Nevertheless it is unlikely the industry will reduce production anywhere near enough to avoid lower spot prices. Production efficiency is rising too rapidly and the loss of critical cash flow is incentive enough to keep producing.

Outlook for the Next Twelve Months

Our fundamental view of the forces that will drive worldwide equity prices has not changed. We believe OECD (Organization for Economic Cooperation and Development) interest rates will likely remain extremely low as inflation wanes and banking systems contract. In this environment, companies with reasonable growth prospects and high cash flows are attractively priced. Growth in the OECD could be tepid. But confounding skeptics, we believe growth in China will continue to be robust, particularly in the consumer sector. We also think areas in the energy sector provide very attractive growth prospects.

We are focusing on companies that are growing and generating rising free cash flow yields, our so-called compounders. These investments are focused in a limited number of industries. We believe technology, in particular, offers top line growth, rising cash flow and substantial dividend potential. Companies that produce media content also have strong pricing power and growing free cash flow as entertainment is streamed through more outlets. Finally, we are invested in selected aerospace and industrial companies with profit sources independent of the business cycle.

On the fixed income side, in a low interest rate environment, we think a premium should be placed on reliable cash flows and 2012 could offer investors an attractive backdrop for Agency MBS REIT s.[4] As in 2011, a Federal Reserve on hold along with a steep yield curve should produce mid-teen dividend yields for MBS REIT s. We also view the sector as attractively priced with valuations at book value. One of our holdings in the space which reflects these attributes is American Capital Agency Corp. During last summer s market volatility, our exposure to 10-year and 30-year US Treasuries provided a benefit to the Funds. We have since reduced some of this exposure as well as our exposure to US corporate debt as rates moved lower. But US corporations generally continue to demonstrate strong balance sheets and healthy levels of liquidity, so we would view any significant back-up in credit valuations as a potential re-entry point, provided the cash flow and liquidity outlook remained favorable.

Asian and Brazilian markets traded poorly in the calendar year 2011. They have traded better in the first quarter of 2012 and we think they will continue to outperform in the year ahead as central banks continue to inject liquidity into the financial system. Moreover, the true source of sovereign risk is being re-evaluated. Bond issuance by

[4] *MBS REIT Stands for a Mortgage Backed Security (MBS) Real Estate Investment Trust (REIT). These securities invest in mortgage pools that are wrapped by government agencies (such as FNMA and Freddie Mac). The revenues for these vehicles are generated primarily by the interest that they earn on the mortgage loans, and they are required to pay out 90% of taxable earnings in a given year to avoid some forms of taxation.*

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countries in Asia and Latin America are finding far better reception than that of the developed nations. Investing in the transition of China s profit cycle to the consumer will continue to be a major strategy in the year ahead. The Funds own companies in the consumer and financial industries. Domestic consumption is far less credit and resource intensive. It can be supported not only by liquidation of China s huge stock of domestic savings but also rapid productivity and personal income growth.

Opportunities still abound in energy even though the market did not agree with us in 2011. Apart from dislocations in the Middle East, global crude inventories are being drawn down suggesting production is struggling to meet demand. Drilling has to compensate for three to four percent annual depletion rates for existing crude fields while OECD figures indicate no slowdown in global crude demand, even in the face of weak developed economies and slowing emerging economies. We have hedged some of our energy investments with short positions on natural gas focused producers and service stocks. With natural gas inventory at an all time high, we think there will be a slowdown in US land drilling focused on natural gas production.

We are appreciative of your patience and support in a period of under-performance. Fortunately, such periods have been rare for us. We think our long book has a great deal of upside. The market refused to agree with us in the fiscal year ended March 31, 2012, but the fundamental behavior of our companies was strong, and as central bank liquidity builds in 2012, we believe we can extend our longer-term outperformance.

Sincerely,

Charles I. Clough, Jr.

Past performance is no guarantee of future results.

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

Book Value - The value at which an asset is carried on a balance sheet.

Free Cash Flow A measure of financial performance calculated as operating cash flow minus capital expenditures.

FTSE Hong Kong Mid Cap Index A free float market capitalization weighted index. FTSE World Indices include constituents of the Large and Mid capitalization universe for Developed and Emerging Market segments. It is not possible to invest directly in an index.

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

Shanghai Index A capitalization weighted index. The index tracks the daily price performance of all A shares and B shares listed on the Shanghai Stock Exchange. It is not possible to invest directly in an index.

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Portfolio Allocation

Clough Global Allocation Fund

March 31, 2012 (Unaudited)

Asset Allocation*

Common Stocks - US	62.20%
Common Stocks - Foreign	17.39%
ETFs/ETNs	-6.11%
Total Equities	73.48%
Government L/T	9.63%
Corporate Debt	1.96%
Preferred Stocks	0.31%
Asset/Mortgage Backed Securities	0.28%
Total Fixed Income	12.18%
Short-Term Investments	13.76%
Options	0.57%
Other (Foreign Cash)	0.01%
Total Other	14.34%
TOTAL INVESTMENTS	100.00%

* *Percentages are based on total investments, including options written and securities sold short. Holdings are subject to change.*

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

Global Securities Holdings^

United States	82.32%
China	7.69%
Norway	3.18%
United Kingdom	2.48%
Brazil	1.59%
South Korea	1.54%
Malaysia	1.16%
Singapore	1.07%
Hong Kong	0.84%
Germany	0.52%
Philippines	0.37%
Japan	0.36%
Luxembourg	0.34%

Canada	0.25%
France	-0.01%
Sweden	-0.08%
European Union	-0.22%
Italy	-0.36%
Spain	-0.40%
Australia	-2.64%
TOTAL INVESTMENTS	100.00%

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Clough Global Equity Fund

Portfolio Allocation

March 31, 2012 (Unaudited)

Asset Allocation*

Common Stocks - US	65.31%
Common Stocks - Foreign	17.37%
ETFs/ETNs	-6.02%
Total Equities	76.66%
Government L/T	4.46%
Corporate Debt	1.90%
Preferred Stocks	0.31%
Asset/Mortgage Backed Securities	0.21%
Total Fixed Income	6.88%
Short-Term Investments	15.88%
Options	0.57%
Other (Foreign Cash)	0.01%
Total Other	16.46%
TOTAL INVESTMENTS	100.00%

* *Percentages are based on total investments, including options written and securities sold short. Holdings are subject to change.*

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

Global Securities Holdings^

United States	82.37%
China	7.58%
Norway	3.21%
United Kingdom	2.58%
Brazil	1.55%
South Korea	1.52%
Malaysia	1.14%
Singapore	1.06%
Hong Kong	0.83%
Germany	0.51%
Philippines	0.37%
Japan	0.35%
Luxembourg	0.33%

Canada	0.25%
France	-0.01%
Sweden	-0.08%
European Union	-0.21%
Italy	-0.36%
Spain	-0.39%
Australia	-2.60%
TOTAL INVESTMENTS	100.00%

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Portfolio Allocation

Clough Global Opportunities Fund

March 31, 2012 (Unaudited)

Asset Allocation*

Common Stocks - US	61.79%
Common Stocks - Foreign	17.36%
ETFs/ETNs	-6.10%
Total Equities	**73.05%**
Government L/T	8.65%
Corporate Debt	1.89%
Preferred Stocks	0.31%
Asset/Mortgage Backed Securities	0.04%
Total Fixed Income	**10.89%**
Short-Term Investments	15.01%
Options	1.04%
Other (Foreign Cash)	0.01%
Total Other	**16.06%**
TOTAL INVESTMENTS	100.00%

* *Percentages are based on total investments, including options written and securities sold short. Holdings are subject to change.*

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

Global Securities Holdings^

United States	82.35%
China	7.67%
Norway	3.16%
United Kingdom	2.47%
Brazil	1.59%
South Korea	1.53%
Malaysia	1.16