CLOUGH CHINA FUND

CHNAX | CHNCX | CHNIX

Performance

	Cumulative as of 6/30/18				Annualized as of 6/30/18					Expense Ratios	
	1 Mo.	3 Mo.	YTD	Since Inception[1]	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception[1]	Total Expense Ratio	What You Pay[2]
Class I	-5.31%	-6.42%	-2.90%	292.72%	14.86%	3.13%	7.61%	6.87%	11.57%	**1.83%**	1.70%
Class Inv	-5.33%	-6.44%	-3.00%	273.99%	14.62%	2.78%	7.29%	6.50%	11.13%	**2.06%**	1.95%
Class A (NAV)	-5.36%	-6.47%	-3.03%	273.86%	14.58%	2.77%	7.28%	6.50%	11.13%	**2.06%**	1.95%
Class A (MOP)	-10.57%	-11.62%	-8.37%	253.37%	8.29%	0.85%	6.07%	5.89%	10.63%		
Class C (NAV)	-5.38%	-6.65%	-3.35%	240.57%	13.73%	2.00%	6.48%	5.69%	10.30%	**2.85%**	2.70%
Class C (CDSC)	-6.33%	-7.59%	-4.32%	240.57%	12.73%	2.00%	6.48%	5.69%	10.30%		
MSCI China Index	-5.22%	-3.50%	-1.75%	300.46%	21.23%	7.08%	12.10%	5.98%	11.74%		

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance data may be higher or lower than actual data quoted. The Fund imposes a 2.00% redemption fee on shares held for less than 30 days. Performance shown does not include the redemption fee, which if reflected would reduce the performance quoted. For the most current month-end performance data please call 1.866.759.5679. Performance includes reinvested distributions and capital gains.

Maximum Offering Price (MOP) for Class A shares includes the Fund's maximum sales charge of 5.50%. CDSC performance for Class C shares includes a 1% contingent deferred sales charge (CDSC) on C shares redeemed within 12 months of purchase. Performance shown at NAV does not include these sales charges and would have been lower had it been taken into account.

Performance prior to January 15, 2010 reflects the historical performance of the Old Mutual China Fund (as a result of a prior reorganization of the Old Mutual Fund China Fund into the Fund).

Effective December 1, 2017, Class A shares of the Clough China Fund were renamed Investor Class shares and such shares will be offered without an initial sales charge or a contingent deferred sales charge. Contingent Deferred Sales Charge (CDSC) performance for Class C shares includes a 1% CDSC on C shares redeemed within 12 months of purchase. Performance shown at Net Asset Value (NAV) does not include these sales charges and would have been lower had it been taken into account.

Effective June 12, 2018, Class A shares of the Clough China Fund were added as a new available fund class. Performance for Class A Shares prior to June 12, 2018 reflects the historical performance of the respective Fund's Investor Class Shares, calculated using the fees and expense of Class A Shares.

1 *Fund inception date of 12/30/2005.*
2 *What You Pay reflects the Adviser and Sub-Adviser's decision to contractually limit expenses through February 29, 2016. Please see the prospectus for additional information.*

The Clough China Fund ("the Fund") had a net return of 3.16% for the semi-annual period from November 1, 2017 to April 30, 2018. This compares to 5.36% for the broader market MSCI China Index. From a sector perspective, the Fund's underweight in the energy and utilities sectors detracted the most from performance, and its overweight exposure to the banking and real estate sectors contributed the most. From an individual stock perspective, our investments in Tencent, China Construction Bank, Industrial and Commercial Bank, Ping An Insurance, and China Resources Land contributed most positively, while investments in Alibaba, China Life Insurance, Hon Hai Precision, China Oilfield Services, and Kunlun Energy detracted the most from performance.

Over the period, the market experienced a bout of volatility, with the market opening 2018 following cues from 2017's strong performance. By the end of late January 2018, the China market and the Fund were up over 14% in just a few short weeks. Following the U.S.'s lead, though, China was not immune to concerns over rising inflation and interest rates, and promptly gave up much of the year's gains. Also casting a pall over sentiment was President Trump's comments regarding the United States' large and growing trade deficit with China. Fears of a trade war hurt investor sentiment with exporters getting hit hardest. One of our holdings, Man Wah Holdings, which the Fund has owned for an extended period of time, was down peak-to-trough roughly 30% during the reporting period in spite of the fact that its China operations continue to grow over 40% on a revenue basis and will in the coming three years likely overtake the U.S. as the company's largest market. We continue to hold Man Wah, as we think the real driver of the company's success is not on its exposure to the U.S., but rather its fast growth in China. On a relative valuation basis, Man Wah, which is listed on the Hong Kong exchange, trades at a large discount to its A-share counterparts listed on China's Shanghai and Shenzhen exchanges.

It's difficult to take an unequivocal position on the outcome of the trade situation between the U.S. and China, but there are some facts that are irrefutable. The U.S. has a large trade deficit with China, hitting $375bn in 2017, and China's "Made in 2025" policy objectives, which were laid out in a speech made by China's President Xi Jinping in May 2015, are deeply ingrained in China's state-directed industries. Quick changes to industrial policy do not happen easily and thus it is difficult to see an immediate solution to the U.S.'s demand for a $100bn reduction in China's trade surplus. As a result, it appears that the relationship between China and the U.S will likely follow a course similar to what we saw in the 1990's before China ascended into the World Trade Organization ("WTO"). In our view, an all-out trade war is not likely, because it would be detrimental to not only these two economies, but the global economy. Given our view of the most likely outcome, we have primarily focused our portfolio's exposure to domestically-oriented consumption stocks where we see structural opportunities for growth.

This focus can be seen in some of our top performers over the last six months. Tencent is a stock that we have talked about a lot over the past years. The company's dominance as a gaming and social media platform continues to help the company generate very strong revenue and income growth. Unlike some of its competitors in the internet sector, Tencent has been able to sustain growth without compromising margins. It currently remains a core holding for the Fund.

China Construction Bank and Industrial and Commercial Bank of China are two of China's "Big 4" banks. Both of these stocks were positive contributors to the Fund's performance for the last semi-annual period. In our view, the markets have overly focused on the risks of an non-performing loan ("NPL") problem for the banking sector as a whole. We believe that China's credit situation is far from critical, and with banks trading at substantial discounts to book value, with mid-teens returns on equity and consensus 2019 dividend yields in the low 5% range, there is potentially a tremendous value in these stocks. Our fundamental premise on China's banking situation is that China has far more flexibility to deal with problem credits than the rest of the world. First of all, Chinese banks are internally funded, with high savings rates. Secondly, the banks and borrowers are for the most part owned by the state. Thus, their ability to work out a mutually beneficial agreement is far easier. Finally, the heart of NPLs is in the industrial sector, and profitability seems to have improved dramatically over the last two years. We think the worst is behind these companies from an NPL perspective. On the revenue front, as the Chinese consumers' wealth continues to increase, demand for different financial products will grow. This underpins not only the banks' core lending businesses, but also non-interest income as well. We believe that China Construction Bank and Industrial and Commercial Bank are the best run banks in the country and are significantly undervalued at this time.

Ping An is currently one of our biggest active weights in the Fund. It is China's largest privately-owned insurance company. There are a number of reasons we are so bullish on Ping An. First of all, the average Chinese consumer has reached a level of wealth where insurance products become a core part of an individual/families' asset allocation basket. In the past, insurance products were largely savings products, with modest protection components in place. In the last couple of years, regulators have required insurance companies to get back to the basics, and offer more standard insurance protection products. This has a number of positive implications for the industry, but most importantly, China's insurance industry will look much more like a global insurance entity on an asset and liability side creating an environment of steadier and less volatile growth. Valuations, though, have not reflected this structural change in the business. Ping An also has other factors supporting an upward re-rating from its holdings in a number of its subsidiary companies, which includes one of China's largest peer-to-peer lenders, and an online physician platform called Ping An Healthcare, which was just listed.

China Resources Land also contributed nicely to Fund performance over the year. In our view, Chinese property is fundamentally misunderstood. In China,as in the United States, there are pockets of strength and weakness in local markets. The press and many investors tend to lump China into one market, when in reality, supply and demand dynamics and affordability are very different among different cities and regions. Additionally, China's property sector is rapidly consolidating, with the big getting bigger. According to Citigroup, the top 10 developers will account for 28% of property developed in 2017 as compared to 20% in 2016. China Resources Land checks off a number of boxes for us. First of all, it is going to be a consolidator in the market, which should underpin growth. Secondly, the company's strategy of building a retail podium surrounded by residential property creates a very attractive environment for residents, and finally, the company has focused exposure in markets that we view as attractive. This company trades at single digit earnings growing in the mid-teens, with a dividend yield of over 4.5%.

Now onto those stocks that have most detracted from performance for the Fund over the last semi-annual period.

Alibaba shows up on the Fund's underperformers list for the first time in recent memory. We have talked about the dynamics and the strength of the Chinese consumer over the years, and in our view, we are still in the relatively early innings of this story. Revenue growth continues to be very strong at Alibaba, with just announced revenue growing 58% from the previous year. The market, though, has focused on the company's spending in order to generate this growth, as margins continue to decline faster than the market expected. Historically, Alibaba's bottom-line growth far surpassed revenue growth, whereas now the opposite is occurring. We believe that it will be difficult for the stock to perform under these circumstances, and have thus cut our overweight position relative to the MSCI Index.

China Life Insurance made the list and we own it for many of the reasons that we own Ping An Insurance. The company does not have the benefit of valuable subsidiaries, but trades at a substantial discount to Ping An. The company announced some very strong fiscal year 2017 results, and we believed that the company had turned the corner, but ultimately, this company is state-owned and run, and thus does not have the dynamic leadership that Ping An possesses. We maintain the position, though, as we believe that the company's execution will move in the right direction over time, and the valuation discount versus its peers is too great for us not to invest.

Hon Hai Precision was a new name to the China Fund. Hon Hai is the world's largest contract manufacturer based in Taiwan. One of the important factors in the company's revenue and profits is directly tied to the success of Apple iPhone products. We had taken a position in the company on the back of our view that they would be a major beneficiary of the launch of the iPhone X. Initial indications were positive, with long backlogs of demand for the new phone. However, the company did have initial teething problems on yields on phone production, which negatively impacted the company's results. As time has passed, it also appears that demand for the iPhone X was lower than anticipated, further hampering prospects for the company. We have since exited the position.

Finally, we were underweight relative to the MSCI Index in the energy sector and two names that we had exposure to, China Oilfield Services and Kunlun Energy, hurt performance. The energy sector in China is particularly tricky, as the dynamics of the market are driven not only by global oil prices, but also by government policy. Given the opaque nature of government policy, we believe that having a structural underweight in the energy sector makes sense. At this time, we expect that we would generally only consider making a more sizeable investment in the sector if valuations were to better reflect time value.

Thank you for your support. Please let us know if you have any questions.

*Top 10 Holdings^*

Tencent Holdings, Ltd.	17.78%	Industrial & Commercial Bank of China, Ltd.	3.85%
Alibaba Group Holding, Ltd.	9.05%	JD.com, Inc.	3.82%
China Construction Bank Corp.	6.81%	China Resources Land, Ltd.	2.91%
Ping An Insurance Group Co. of China, Ltd.	6.19%	Sunny Optical Technology Group Co., Ltd.	2.85%
Bank of China, Ltd.	4.15%	**Top Ten Holdings**	**61.40%**
China Mobile, Ltd.	3.99%	**Total Number of Holdings**	**33**

^ *Future holdings are subject to change.*

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Important Disclosures & Definitions

An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information, call 1.866.759.5679 or visit www.alpsfunds.com. Read the prospectus carefully before investing.

Investing in China, Hong Kong, and Taiwan involves risk and considerations not present when investing in more established securities markets. The Clough China Fund may be more susceptible to the economic, market, political, and local risks of these regions than a fund that is more geographically diversified.

There are increased risks with investing in Chinese equities with access to A shares and the potential unavailability of the A shares may affect the fund. Any reduction or elimination of access to A shares will have a material adverse effect on the ability of the fund to achieve its investment objective. In addition, uncertainties in the Chinese tax rules governing taxation of income and gains from investments in A shares could result in unexpected tax liabilities for the Fund which may adversely impact fund returns.

In order to gain exposure to certain issuers, the Fund may participate in market access mechanisms administered by the respective markets, which may be subject to quota controls, heightened liquidity risks and different settlement procedures than would typically be expected with respect to U.S. issuers.

The statements and opinions expressed here are those of the author. Any discussion of investments and investment strategies represents the Funds' investments and portfolio managers' views as of the date of the articles, and are subject to change without notice.

Not FDIC Insured • No Bank Guarantee • May Lose Value

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MSCI China Index - The MSCI China Index is constructed according to the MSCI Global Investable Market Index (GIMI) family. The MSCI China Index is part of the MSCI Emerging Markets Index. An investor may not invest directly in an index.

MSCI Emerging Market Index - An index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets.

MSCI World Index - A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world.

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