

CLOUGH CHINA FUND

An ALPS Advisors, Inc. Solution

ALPS Portfolio Solutions

Views from the Top

*A Question & Answer with Portfolio Managers
Eric Brock & Francoise Vappereau*

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A Conversation with Eric Brock and Francoise Vappereau on the Clough China Fund

The Clough China Fund, which began life in 2005 as the Old Mutual Clay Finlay China Fund, today sports a very different, yet very similar, investment profile. Now managed by Clough Capital Partners, the Fund has not only survived its transition, in no small part due to co-portfolio manager Francoise Vappereau's continuous station at the helm, it's alive and well with the addition of Eric Brock to the wheel.

Beyond that good news, this January shareholders approved the replacement of the fund's previous adviser with Denver-based ALPS Advisors, Inc. As part of the "adoption" the Fund was seamlessly reorganized into a newly created offering of the ALPS-sponsored Financial Investors Trust. As a result, investors maintained unbroken access to the same global investment approach they had enjoyed since July 2009 when Clough replaced Clay Finlay as sub-adviser to the Fund, as well as Ms. Vappereau's portfolio management.

The ALPS/Clough relationship began in 2004 with the launch of the Clough Global Allocation Fund, the first of what would be three closed-end offerings. When the chance to take over the open-end Old Mutual Clay Finlay China Fund surfaced, ALPS executives quickly approached Clough with the notion of sub-advising the fund. "We knew Clough had great interest and expertise in China," said Ned Burke, ALPS Advisors' CEO. "The opportunity for them to sub-advise their first open-end fund on our platform was exciting one for both of us."

As of September 30, 2010 Ms. Vappereau and Mr. Brock were overseeing around \$81 million in assets for the Clough China Fund, representing three share classes covering institutional and retail audiences. And their numbers have been fairly impressive. Since July of 2009 when the Clough team assumed control, the Fund has handily outpaced its benchmark, the MSCI China Index, gaining just over 25% while the index added a little over 16%.

We recently sat down, so to speak, with both managers, Francoise in her Hong Kong office and Eric on the other side of the globe in Boston. And we collected a few of the managers' thoughts on the past, present, and future of the Clough China Fund.

Fund Objective: The Fund seeks to provide investors with long-term capital appreciation.

Fund PERFORMANCE as of 9.30.10

| | Annualized | | | | |
|------------------|------------|-------|--------|--------|------------------|
| | 3 Month | YTD | 1 Year | 3 Year | Since Inception* |
| Class A (NAV) | 14.90% | 7.79% | 22.90% | -2.78% | 21.41% |
| Class A (MOP) | 8.32% | 1.60% | 15.83% | -4.68% | 19.91% |
| Class C | 14.71% | 7.12% | 21.90% | -3.51% | 20.54% |
| Class C (CDSC) | 13.71% | 6.12% | 20.90% | -3.51% | 20.54% |
| Class I | 15.08% | 8.08% | 23.45% | -2.29% | 22.06% |
| MSCI China Index | 10.68% | 3.90% | 13.84% | -7.21% | 21.47% |

| | Class A | Class C | Class I |
|----------------------|---------|---------|---------|
| Total Expense Ratios | 2.25% | 3.19% | 1.87% |

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 5.75%. 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.

* Fund Inception date of 12/05/2005.

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.

On January 15, 2010, the Old Mutual China Fund (the "Predecessor Fund") was reorganized into the Clough China Fund (the "Fund"). The historical performance shown for periods prior to January 15, 2010 reflects the historical information for the Predecessor Fund.

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.

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Brock: We've always focused our global funds on a handful of core themes, and China has been, and will continue to be, one of those themes.. As a business, we were trying to isolate that opportunity for investors.

When we met Francoise, we saw someone who had deep experience and a very strong track record in China--both on this Fund and over the course of her career. And we thought that having her and her team in Hong Kong would not only be very accretive to our overall strategy, the Fund might be a nice offering for clients who weren't involved in our private offerings. The Fund, in our mind, was definitely worth saving, especially if we could get our resources behind it.

Vappereau: When I heard Old Mutual was considering various options regarding the Fund, I made an urgent pitch to top management to instead find us a new home. It would have been a real pity to close this Fund, both for its shareholders and the Fund's Hong Kong team.

And that's how I was able to get in contact with Eric and Chuck and with Clough Capital. In the end, the Hong Kong office, which is Priscilla Chan and me, was the only asset to be saved from the Clay Finlay operation.

And just what is going on in the Hong Kong office?

Vappereau: Well, we do research. Lots of research. Between the two of us, Priscilla and I will make more than 400 company contacts per year--both here and on the mainland. We like to speak with management--Chinese management--often, just to be sure of their consistency and their message and to meet them face to face. We share all our observations and opinions with Boston so that everybody in the firm is aware of the why, what, and when of our company analyses.

“In China, stocks don't always react to the company's fundamentals.”

– Francoise Vappereau

We're also paying a lot of attention to what's happening on the macro side. In China, stocks don't always react to the company's fundamentals. Investors in the region like to invest in sectors or companies that are likely to benefit from government policy measures. As a result, it's very, very important to be aware of what's been, and is being, decided at the top level in China. And this means you need to be completely immersed in the local context.

Is it fair to say that not all China Funds have the benefit of that on-the-ground insight into what's going on?

Vappereau: Not all of them, certainly. We're in Hong Kong, but we rent a flat in Beijing and I try to get to the mainland at least once a month. In addition to visiting companies, I like to talk with my friends to see how they're feeling about general business, things like inflation, employment, and the general economic climate. Being on the ground in the mainland is really the only way to learn how China actually operates...what's working well, what's not working so well. I think this insight is very, very useful for the Fund.

I don't know why, but a lot of analysts, even those in Hong Kong, are quite reluctant to go to the mainland. And if they do, it's only once or twice a year, and it's probably to a conference. That means their vision of China is sometimes a bit lagging or, worse, backwards.

That's a whole layer of information that portfolio managers typically don't have to deal with. How does it all get rolled into a buy or sell decision for the Fund?

Brock: First, let me say that you don't get the kind of perspective that Francoise is talking about by simply going to conferences and hanging out at the Ritz Carlton in Shanghai. I don't think there are too many global fund managers doing the kind of work she's talking about.

Most people, I think, are investing in China, or at least attempting to, through emerging markets funds or an international or global mutual fund, or even a regional fund. But if you drill down in to those portfolios, I believe you'll see there's actually little real

Chinese exposure. As a result, most investors, in my opinion, are grossly underexposed to China stocks.

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– Eric Brock

But because we do so much hands-on work, we have a much greater appreciation for what’s going on in the domestic Chinese economy. And that’s led us to what I think have been the greatest opportunities for the Fund.

the Fund is very much overweighted in consumer goods. Why? For one thing, we see the government shifting its priorities from the export of Chinese goods to the development of domestic demand. Currently, China represents 20% to 25% of the worldwide population, yet it represents only 4% of the global consumption. For another, because we’ve been to China, we’ve traveled in China, we’ve taken the train in China, we know there are massive needs for capital expenditure. All of that gives us confidence there’s a huge investment opportunity.

There’s clearly an awful lot going on with the Fund. How do you distill all of that information down to a manageable number of security selections?

Vappereau: We’re both theme pickers and stock pickers. When we find a theme where we think there’s a lot of momentum for the short and the medium term, we tend to select the one or two stocks that we believe will have the best upside potential, which means that they have the lowest possible valuation in the sector.

At the end of 2008, when the market was really, really bad, the Fund had something like 38 or 39 stocks because we had the feeling that increasing the number of stocks was also increasing the risk. Right now, we have 57 stocks in the Fund, and we’ve

been increasing the number. We’re seeing many, many opportunities. In fact, I think that we could go up to something like, let’s say, 70 to 75 names.

Brock: One of the advantages of having Françoise and facilities in Hong Kong is we get to compare notes. We’re seeing a lot of big companies here in downtown Boston. Sometimes Françoise will see them before us, sometimes we’ll see them after, but one way or the other we can throw back ideas and see if the story’s consistent. The collaboration has been helpful.

Given your combined macro view and micro view of China, can you ever see a time where you might just go to the sidelines for a while? A time maybe where you’d rather not be invested in anything?

Brock: Your question, I think, is whether China could be a bubble. We would say, with a strong opinion, that China’s nowhere near a bubble economy, despite what you see in the popular press and the business media. It might appear that the ingredients for a bubble in equities are there, but what we see out of the policymakers in China is quite a bit different than what we saw from the U.S. policymakers.

One thing we should remember is that there was an equity market bubble in Asia back in the late ‘90s. The Chinese learned from this, and they learned quite a bit from the mistakes we made regarding the tech bubble in 2000 and this property bubble that we’re unwinding now. What you see in China is that they’re very quick with policy to avoid overheating the economy and asset markets.

So the bubble ingredients are there because you have very strong growth and you have huge liquidity, particularly from global investors. All those investable assets will have to go somewhere, and China’s going to be particularly attractive for investors. But between now and when we might see markets get overvalued, we’ve got quite some time to prepare. More importantly, I’d expect the Chinese authorities to be proactive in the process, which probably means the investment opportunity lasts longer than it would otherwise.

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Vappereau: And it's important to recognize all the changes in the structure of the country that have taken place over the last 10 years. That's why we are convinced that really, it's not a bubble, because the changes are not cyclical, the changes are structural.

What do you mean by structural change?

Vappereau: Essentially, I'm talking about the urbanization process. I've been going to Beijing every month for 15 years and I can tell you this city has changed completely. You can probably say the same of Shanghai, or Chongqing, or Shenzhen, or any major city in China.

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Every year, between 12 million and 20 million people leave the countryside and go to live in the city. And I'm talking about people who arrive in the cities to be established there and to stay there and to live there. And they need a lot more things, especially services. Urbanization creates a lot of new activity, new businesses, and a lot of income and consumption.

At the same time, the reform of the State-owned enterprises

in 1998 created a huge individual property market. Today, about 70% of the urban population in China owns their own flat—they own their house, they have their individual balance sheet, and they have their own property. They have, in other words, assets. And there are more than 100 million of them. That's a huge mass of purchasing power and asset wealth.

Are there enough publicly traded securities in China for you to trade adequately?

Vappereau: Oh, yes. Last year, Hong Kong was first in the world in terms of the size of IPOs, and nearly all of those new offerings were Chinese companies. So the number of Chinese equities coming to be available to international investors is increasing by

the day. Already, if you look at the Hang Seng—the traditional index for Hong Kong stocks—I'd estimate 70% to 75% of the transactions represent Chinese stocks.

Brock: Just another statistic here...according to our research, the combined market capitalization of China and Hong Kong is about equivalent to the combined market capitalizations of the United Kingdom, Germany, and France. We see that five or six of the top 10 companies by market cap globally are Chinese companies.

Vappereau: And these companies cover all the sectors you can imagine, from steel, to heavy industry, to retailing, to Internet companies. Autos, banks, airlines...every sector you can imagine is represented on the Chinese stock market.

Can you give us an example of an interesting security or a sector that's emerged out of your process?

Vappereau: One I mentioned earlier is the government subsidization of electrical appliances. These subsidies are designed to encourage the rural population to buy things like flat-screen TVs, household appliances, and so on.

So, late last year we met with a good number of companies in the space, and found a couple that we particularly liked. The most notable is a company called Skyworks Digital, a manufacturer of flat-screen LCD TVs, which are a very fashionable good these days in the Chinese countryside. This company, which relies on China for about 80% of its business, has seen its sales jump by something like 80% year over year. We met with the management several times...these executives are good professionals, they know their industry very well, and they run their factories very well. They're also very much aware of the value of the brand and they're eager to make their brand as famous as possible. The stock's become one of our major holdings and has done very well for us.

Another theme we like is retailers or designers involved in sporting goods, footwear, and sport garments. There are five or six well-known domestic names in China right now focused on sports-minded people. We like two of them: XTEP International and 361 Degrees International. They're each very competitive and they're both opening a lot of stores all around China.

Brock: You know, some of these goods that Chinese consumers are purchasing now have moved from luxury status to staple items. For example, China has something like 700 million or 800 million subscribers to wireless phones. These things used to be considered a luxury, now they're a must-have. And there are three-quarters of a billion customers. You see similar adoption curve for sneakers. Used to be only the wealthy could purchase these shoes, but as household incomes grow, they are, too, becoming a staple. The population is huge and if you look at the market caps of the sporting goods companies, they're still tiny relative to a company like Nike. To us, that looks like an opportunity.

Is that the essence of the China story? This huge multiplier of possibilities as the market matures?

Brock: Absolutely. And I think it's fair to say that over the last year or two we've seen an inflection point in consumption. As Francoise highlighted earlier, government policy towards rebalancing the economy in favor of domestic consumption has been a key catalyst. So, we have this combination of rising personal income, government subsidies, and this pulse cycle with property all adding up to get the timeliness of our themes.

Vappereau: The next cycle, I think, is going to favor private companies that are better leveraged to this cycle consumption and domestic growth. We have now a good list of these legacy companies that comprise the indexes and are increasingly followed by traditional portfolio managers. These names will likely do well, but they're not nearly as dynamic and have the growth potential that these private companies have.

So it looks like you have a full slate of investment opportunities. That's really kind of a portfolio manager's dream, isn't it?

Vappereau: Yes, you can say so. Providing, of course, you have a very vigilant stock selection process.

Top Ten Holdings* as of 9.30.10

| | |
|---|-------|
| Industrial & Commercial Bank of China, Class H | 4.76% |
| China Construction Bank Corp. | 4.74% |
| China Mobile, Ltd. | 3.72% |
| SA SA International Holdings, Ltd. | 3.14% |
| China State Construction International Holdings, Ltd. | 3.06% |
| CNOOC, Ltd. | 3.05% |

| | |
|---|---------------|
| Bank of China, Ltd. | 2.67% |
| China Telecom Corp., Ltd., Class H | 2.50% |
| Ping An Insurance Group Co. of China Ltd. | 2.47% |
| Air China, Ltd., Class H | 2.22% |
| Top Ten Holdings | 32.33% |
| Total Number of Holdings | 63 |

* Holdings are subject to change.

Not FDIC Insured • No Bank Guarantee • May Lose Value

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