Clough Capital

Investor Letter
Q2 2024

Clough Select Equity ETF (Ticker: CBSE)

Clough Hedged Equity ETF (Ticker: CBLS)

Quarterly Market Review

The second quarter of 2024 began with significant challenges for both the stock and bond markets, largely driven by persistent inflation concerns. April saw a substantial pullback as inflation readings came in hotter than expected, causing investors to worry that the U.S. Federal Reserve (the "Fed") would maintain higher interest rates for a longer period. However, as the quarter progressed, inflation data began to improve, leading to a more optimistic outlook by the end of June. Equities experienced a mixed, yet overall positive performance. The S&P 500 Index, buoyed by the ongoing boom in artificial intelligence ("AI") technologies, surged by 4.3% during the quarter. Companies like NVIDIA Corp, Microsoft Corp, and Apple Inc played a significant role in driving these gains. NVIDIA alone contributed 1.9% to the market's returns, underscoring the heavy concentration of gains in a few mega-cap tech stocks.

The bond market, after a tumultuous start, stabilized and ended the quarter in positive territory. The Bloomberg US Aggregate Bond Index posted a modest gain of 0.1%, rebounding from a sharp decline in April. This recovery was facilitated by improving inflation data and a more favorable outlook for future rate cuts. The 10-year Treasury yield, which peaked at 4.7% in April, fell by more than 0.3% by the end of June, providing some price appreciation for bondholders.

Inflation, as measured by the Consumer Price Index ("CPI"), showed signs of cooling, with a 0.1% monthly decrease in June, marking the first decline since May 2020. year-over-year CPI inflation stood at 3.0%, down from 3.3% in the previous month. Core CPI inflation, excluding food and energy prices, rose by 0.1% in June, below expectations. This improvement in inflation contributed to the market's recovery and bolstered investor confidence.

The labor market, while still robust, showed signs of slowing. The number of people not in the labor force but who wanted a job declined, and wage growth continued to outpace inflation, providing some relief to households. However, the overall pace of job additions has decelerated, and the unemployment rate has seen a steady rise. These dynamics suggest that while the labor market remains strong, it is beginning to feel the effects of the Fed's tightening policies.

CBSE LISTED NYSE ARCA

The Clough Select Equity ETF

finished the second quarter up 9.7% on a net asset value ("NAV") basis and 9.6% on a market price basis+. This would place CBSE's performance more than 12% ahead of the Morningstar Small Growth Category Average return of -2.6% over the same period++ (please see important disclosures at the end of the document).

+Clough Select Equity ETF (the "ETF") Inception: 11/13/20. Performance represents past performance and does not guarantee future results. Investment returns and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current performance as of the most recent month end is available by calling 877-420-5588. NAV returns are based on the ETF's net asset value, which represents the market value of the ETF's underlying investments minus liabilities divided by the ETF's outstanding shares. Market Price returns are based upon the midpoint of the bid/ask spread at 4:00pm Eastern Time, when the NAV is normally calculated. Returns greater than one year are annualized.

++Morningstar Category Averages are designed to represent the average return of funds within their category over time. Morningstar Category Averages are equal-weighted category returns. The calculation is simply the average of the returns for all the funds in a given category. The standard average calculation is based on constituents of the category at the end of the period.

Category outperformance by CBSE in the first half of 2024 extends a favorable streak for the long-only ETF since inception. Specifically, CBSE finished ahead of its peer group category average in the period from inception (November 13, 2020) through calendar year-end 2020, as well as the full calendar years 2021, 2022, and 2023. This stretch of category outperformance continues with gains of 21.0% in the first half of 2024, versus Morningstar Small Growth Category Average gains of 4.6% over the same period. Outperformance has been the result of strong contributions across an eclectic mix of securities, some of which will be highlighted below. Full details and disclosures related to ETF performance can be found in the accompanying performance table.

Top three contributors in Q2 2024

Humacyte Inc. (HUMA) is a biotechnology company that develops universally implantable bioengineered human tissues and organs designed to improve patient outcomes. In the second quarter of 2024, Humacyte's stock performed exceptionally well due to promising preclinical results for their Human Acellular Vessels (HAVs) in coronary artery bypass grafting and the receipt of the U.S. Food and Drug Administration's ("FDA's") Regenerative Medicine Advanced Therapy (RMAT) designation for treating advanced peripheral artery disease. These achievements highlighted the transformative potential of their technology, significantly boosting investor confidence and driving stock appreciation.

TransMedics Group Inc. (TMDX) is a medical technology company that develops and commercializes the Organ Care System (OCS) platform, designed to preserve and assess donor organs for transplantation in a near-physiologic state. In the second quarter of 2024, TransMedics' stock surged by >100%, primarily due to the company's strong first-quarter performance and increased full-year revenue guidance. This remarkable growth was largely attributed to the success of their strategy to manage an internal logistics fleet, which has enhanced the adoption of their innovative organ care system across liver, heart, and lung transplantation procedures.

NVIDIA Corporation (NVDA) designs and sells high-performance graphics processing units (GPUs) and system-on-a-chip units (SoCs) for various applications, including gaming, professional visualization, and AI. In the second quarter of 2024, NVIDIA's stock surged due to record-breaking revenue of $26.0 billion, driven by a 427% year-over-year increase in data center revenue, fueled by the growing demand for AI applications and generative AI technologies.

Bottom three detractors in Q2 2024

Skyline Champion Corporation (SKY) is one of the largest homebuilders in North America, specializing in manufactured and modular homes, park-model RVs, and modular buildings. In the 2nd quarter, Skyline's stock underperformed due to a decrease in net sales compared to the prior-year, including the absence of high-margin Federal Emergency Management Agency ("FEMA")-related sales.

Transocean Ltd. (RIG) is a leading offshore drilling contractor providing services for oil and gas wells, specializing in ultra-deepwater and harsh-environment drilling. In the 2nd quarter of 2024, Transocean's stock underperformed due to delayed contract commencements and operational issues, including adverse weather and equipment failures, which led to lower-than-expected contract drilling revenues and a reduced earnings outlook.

DraftKings Inc. (DKNG) is a digital sports entertainment and gaming company that offers daily fantasy sports, sports betting, and iGaming. In the second quarter of 2024, DraftKings' stock underperformed due to the Illinois Senate's approval of a significant increase in online sports betting taxes, which raised concerns about the company's future profitability and growth prospects.

CBLS LISTED NYSE ARCA

The Clough Hedged Equity ETF

finished the second quarter up 11.6% on an NAV and market price basis+. This outpaced the strategy's primary benchmark (Bloomberg US Treasury 0-1 Yr Maturity Index) which returned 1.2% for the same period and its secondary benchmark (Bloomberg World, Large, Mid & Small Cap Equal Weight/UST 0-1 Yr 50/50 Index) which returned 0.8% for the same period, by more than 10%.

> +Clough Hedged Equity ETF (the "ETF") Inception: 11/13/20. Performance represents past performance and does not guarantee future results. Investment returns and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current performance as of the most recent month end is available by calling 877-420-5588. NAV returns are based on the ETF's net asset value, which represents the market value of the ETF's underlying investments minus liabilities divided by the ETF's outstanding shares. Market Price returns are based upon the midpoint of the bid/ask spread at 4:00pm Eastern Time, when the NAV is normally calculated. Returns greater than one year are annualized.
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> The ETF delivered 270% of the S&P 500 Index returns (4.3%) *despite* an average net exposure during the quarter of just ~55%. The most noteworthy contributor to CBLS's relative outperformance during the period may have been that the short book (despite an average weighting of ~36%) contributed positively to performance on an absolute and relative basis, despite the positive returns experienced by broader equity indices.

Digging into the long book's performance, the strategy benefitted from exposure to sectors that performed well, geographic diversification, as well as strong stock selection. It was a period of significant outperformance for the strategy on an absolute and relative basis.

Top three contributors in Q2 2024

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Bottom three detractors in Q2 2024

Airbus SE (EADSY) is an aerospace corporation that designs, manufactures, and sells civil and military aerospace products worldwide. In the second quarter of 2024, Airbus' stock underperformed due to charges in its space business, resulting from revised project schedules and cost overruns, as well as supply chain challenges that impacted its commercial aircraft deliveries and its A320 production ramp-up plans.

Transocean Ltd. (RIG) is a leading offshore drilling contractor providing services for oil and gas wells, specializing in ultra-deepwater and harsh-environment drilling. In the 2nd quarter of 2024, Transocean's stock underperformed due to delayed contract commencements and operational issues, including adverse weather and equipment failures, which led to lower-than-expected contract drilling revenues and a reduced earnings outlook.

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CBSE
LISTED NYSE ARCA

Average net exposures in Q2 2024+

Market Capitalization:

Small Capitalization	14.2%
Mid Capitalization	14.7%
Large Capitalization	66.9%

Sector (Top 5)

Technology	25.8%
Industrials	14.2%
Consumer Discretionary	12.3%
Energy	11.7%
Health Care	8.8%

Geographic

North America	73.0%
Asia	12.0%
Western Europe	6.8%
South & Central America	6.5%

Top 10 Holdings as of Q2 2024+

NVIDIA Corp	3.62%
Lam Research Corp	3.31%
Cheniere Energy Inc	3.28%
ASML Holding NV	3.20%
Sterling Infrastructure	3.07%
Micron Technology Inc	3.05%
MakeMyTrip Ltd	3.02%
ICICI Bank Ltd	2.80%
Taiwan Semiconductor Co	2.79%
Eli Lilly & Co	2.76%

CBLS
LISTED NYSE ARCA

Average net exposures in Q2 2024+

Long/Short

Long	90.4%
Short	-35.8%

Market Capitalization:

Small Capitalization	8.7%
Mid Capitalization	8.1%
Large Capitalization	37.8%

Sector (Top 5)

Technology	18.3%
Industrials	12.7%
Energy	9.4%
Materials	8.5%
Communications	7.7%

Geographic

North America	34.9%
Asia	9.2%
Western Europe	5.3%
South & Central America	5.3%

Top 5 Long Holdings as of Q2 2024+

NVIDIA Corp	3.00%
Cheniere Energy	2.83%
Eli Lilly & Co	2.82%
MakeMyTrip Ltd	2.57%
Reddit Inc	2.57%

Top 5 Short Holdings as of Q2 2024+

Ford Motor Co	-1.32%
Deckers Outdoor Corp	-1.26%
Intel Corp	-1.21%
Cava Group Inc	-1.20%
Harley-Davidson Inc	-1.17%

+Holdings and allocation data are subject to change without notice and are not a recommendation to buy or sell any security. Excludes cash positions. Calculated as a % of net assets.

Market Outlook

In retrospect, we think it is remarkable the economy recovered from the 2022 inflation shock without serious damage to employment and growth. The economy continues to slow, inflation is declining, and the private sector continues to build up cash balances. These are positives for the financial markets.

Supply restrictions continue to ease, and immigration is expanding the U.S. labor force, removing pressures for higher labor costs. Wage growth has normalized, the stimulus moneys are gone, and employment costs are rising more slowly. In many sectors, inflation is turning into deflation, particularly in automotive and other durable goods, oil and transportation. Moreover, on both the household and business fronts, savings continue to build. Money supply measures continue to stagnate, reflecting the lack of credit growth in the private sector and even in the face of high Treasury demands, the dollar continues to be strong. Demand deposit rates offered by banks range between 0.3% and 1.8%, indicating banks lack enough good loans to aggressively bid up for deposits and were it not for the Fed we think the markets would have driven money rates far lower.

The decline in real estate investment should only further increase the nation's savings glut. Between rising defaults on installment credit balances and the need to work through the book of bad commercial real estate loans, we don't believe the financial sector can support a credit expansion substantial enough to reignite inflation. We still believe the U.S. financial system is structurally too large for the legitimate credit needs of the economy, and it will shrink. In 2023, 2,447 bank branches closed. So far in 2024, another 400 have closed. Think of it this way: money rates essentially price the liabilities of the financial sector, like bank deposits, and if the financial sector shrinks, its demand for liabilities will shrink, reducing the cost of its liabilities. Banks, particularly regionals, are seeing their loan quality deteriorate and their need for deposits decline. We think if enough banks are forced to write down assets, that may force the Fed to ease in the not-too-distant future.

Some sectors are strong, but consumer discretionary spending is slowing, and credit delinquencies are rising. The buy-now, pay later phenomenon is a sign of a stretched consumer. Consumers have been resistant to interest rate hikes, since most earnings are achieved by high earners and the cash holdings of that contingent is already high, so they benefit from high interest rates. But the medium to low-income workers, who do most of the spending, are being forced to cut back. The economy is clearly changing. Aging demographics are driving an increase in savings and the U.S. economy into a lower secular growth phase.

We believe the best strategy is to combine high growth technology with companies generating high free cash flow which can be used to pay out in dividends, stock buybacks or pay down high-cost debt.

Clough Select Equity ETF (CBSE) Performance Summary as of 6/30/2024

Trailing Returns	3 Month	YTD	1 Year	3 Year	Since Inception
Fund Performance					
Net Asset Value (NAV)	9.66%	20.96%	30.22%	1.22%	12.86%
Market Price	9.62%	20.98%	30.06%	1.20%	12.85%
Index Performance					
Bloomberg World Large, Mid & Small Cap Equal Weight Total Return Index	0.25%	1.54%	8.59%	-2.15%	4.99%
S&P 500 Index	4.28%	15.29%	24.56%	10.01%	14.47%
Peer Group Performance					
Morningstar Small Growth Category Average	-2.58%	4.78%	9.10%	-4.42%	3.36%
Morningstar Rating™	-	-	-	★★★★	-
Fund Rank Percentile	-	-	1%	13%	4%
# of Investments in Category	-	-	581	563	559

Clough Select Equity ETF (the "ETF") Inception: 11/13/20.
ETF Gross Expense Ratio: 0.86% as of 3/4/2024.
Returns greater than one year are annualized.
Performance represents past performance and does not guarantee future results. Investment returns and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current performance as of most recent month end is available by calling 877-420-5588.
NAV returns are based on the ETF's net asset value, which represents the market value of the ETF's underlying investments minus liabilities divided by the ETF's outstanding shares. Market price returns are based upon the midpoint of the bid/ask spread at 4:00pm Eastern Time, when the NAV is normally calculated. Performance information for each listed index is for illustrative purposes only and does not represent actual fund performance. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index.

As of 12/31/2023, the primary benchmark of the ETF was updated to the Bloomberg World Large, Mid & Small Cap Equal Weight Total Return Index from the S&P 500 Index.

Morningstar Category Averages are designed to represent the average return of funds within their category over time. Morningstar creates a category average daily total return index series, as well as monthly, quarterly, and annual averages of return and non-return data. Morningstar Category Averages are equal-weighted category returns. The calculation is simply the average of the returns for all the funds in a given category. The standard average calculation is based on constituents of the category at the end of the period.

Clough Hedged Equity ETF (CBLS) Performance Summary as of 6/30/2024

Trailing Returns	3 Month	YTD	1 Year	3 Year	Since Inception
Fund Performance					
Net Asset Value (NAV)	11.57%	24.77%	29.94%	-0.20%	7.15%
Market Price	11.55%	24.78%	30.10%	-0.20%	7.15%
Index Performance					
Bloomberg US Treasury 0-1 Yr Maturity Index	1.18%	2.33%	4.91%	2.68%	2.24%
Bloomberg World Large, Mid, & Small Cap Equal Weight / UST 0-1 Yr 50/50 Index	0.72%	1.98%	7.02%	0.55%	3.94%
Wilshire Liquid Alt Equity Hedge Total Return Index	1.49%	7.62%	12.81%	5.01%	7.78%

Clough Hedged Equity ETF (the "ETF") Inception: 11/13/20.
ETF Gross Expense Ratio: 2.59% as of 3/4/2024.
Returns greater than one year are annualized.
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As of 12/31/2023, the primary benchmark of the ETF was updated to the Bloomberg US Treasury 0-1 Yr Index from the Wilshire Liquid Alt Equity Hedge TR Index.

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Investors should consider the investment objectives, risks, charges, and expenses of Clough Select Equity ETF ("CBSE") and the Clough Hedged ETF ("CBLS") (each, a "ETF" and collectively, the "ETFs") carefully before investing. This and other information are contained in each ETF's prospectus, which may be obtained by visiting www.cloughetfs.com or by calling 877-420-5588. Please read the prospectus carefully before you invest.

The ETFs are NYSE listed ETFs and may trade at a price above or below each ETF's NAV. Shares of the ETF may trade at a premium or discount to NAV and may be bought and sold throughout the day at their market price on the exchange on which they are listed. The market price may be at, above or below the ETF's NAV and will fluctuate with changes in the NAV as well as supply and demand in the market for the shares. The market price of the ETF's shares may differ significantly from its NAV during periods of market volatility. Shares of the ETF may only be redeemed directly at NAV by Authorized Participants, in very large creation units. There can be no guarantee that an active trading market for the ETF's shares will develop or be maintained, or that their listing will continue or remain unchanged. Buying or selling shares of the ETF on an exchange may require the payment of brokerage commissions and frequent trading may incur brokerage costs that detract significantly from investment returns.
Investments in securities are not insured, protected, or guaranteed and may result in loss of income and/or principal. Diversification does not eliminate the risk of market loss. A long-term investment approach cannot guarantee a profit. All financial products have an element of risk and may experience loss. Past performance is not indicative of, nor does it guarantee future results. Purchases are subject to suitability, risk tolerance and any other investment limitations.
The ETFs are distributed by Vigilant Distributors, LLC. Vigilant Distributors, LLC and Clough Capital Partners L.P. ("Clough Capital") are not affiliated.

Risk Factors

Investing involves risk. Principal loss is possible. The equity securities held in the portfolio may experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect securities markets generally or factors affecting specific issuers, industries, or sectors in which the ETF invests.
Short selling involves the sale of securities borrowed from a third party. The short seller profits if the borrowed security's price declines. If a shorted security increases in value, a higher price must be paid to buy the stock back to cover the short sale, resulting in a loss. The ETF may incur expenses related to short selling, including compensation, interest or dividends, and transaction costs payable to the security lender, whether the price of the shorted security increases or decreases. The amount the ETF could lose on a short sale is theoretically unlimited. Short selling also involves counterparty risk – the risk associated with the third-party ceasing operations or failing to sell the security back.
Hedging Risk. Options used by the ETF to reduce volatility and generate returns may not perform as intended. There can be no assurance that the ETF's option strategy will be effective. It may expose the ETF to losses, e.g., option premiums, to which it would not have otherwise been exposed. Further, the option strategy may not fully protect the ETF against declines in the value of its portfolio securities.

This letter is provided for informational purposes only and is not an offer to sell or a solicitation of an offer to buy the securities, products or services mentioned, and no offers or sales will be made in jurisdictions in which the offer or sale of these securities, products or services is not qualified or otherwise exempt from regulation. The information contained herein should not be considered a recommendation, blanket or otherwise: (1) to purchase any specific stock, index or equity-based product, or (2) to utilize any specific stock selection strategy.
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Although not generally stated throughout, the information in this letter is the opinion of Clough Capital, which opinion is subject to change and neither Clough Capital nor the ETFs have any obligation to inform you of any such changes. Opinions expressed herein are solely those of Clough Capital. Clough Capital is an investment adviser registered with the U.S. Securities and Exchange Commission (the "SEC"). Registration with the SEC should not be construed as an endorsement or an indicator of investment skill, acumen or experience.

Past performance is not indicative of future results. No assurance can be given that each ETF's objectives will be achieved, and such information is subject to change without notice. ETF Inception: 11/13/20. Performance represents past performance and does not guarantee future results. Investment returns and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current performance as of most recent month end is available by calling 877-420-5588. Market Price returns are based upon the midpoint of the bid/ ask spread at 4:00pm Eastern Time, when the NAV is normally calculated. Brokerage commissions will reduce returns. Returns shown include the reinvestment of all dividends and distribution. Returns shown do not reflect the deduction of taxes that a shareholder would pay on distributions or the redemption of shares. Returns greater than one year are annualized.
Performance information for each listed index is for illustrative purposes only and does not represent actual ETF performance. Indexes do not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Indexes are unmanaged and an investor cannot invest directly in an index.
The Bloomberg World, Large, Mid & Small Cap Equal Weight Total Return Index is an equal weighted equity benchmark that covers 99% market cap of the measured market.
The S&P 500 Index is a diversified, market-capitalization-weighted index which measures the performance of 500 of the largest U.S. equities representing all major industries. The index is calculated on a total return basis with dividends reinvested and is not available for direct investment.
The Bloomberg US Treasury 0-1 Year Index is an index created by Bloomberg which functions as a cash proxy.
The Bloomberg World Large, Mid & Small Cap Equal Weight/UST 0-1 Yr 50/50 Index is a blend of 50% of the Bloomberg World, Large, Mid & Small Cap Equal Weight Total Return Index and 50% of the Bloomberg US Treasury 0-1 Year Maturity TR Index.
The Wilshire Liquid Alternative Equity Hedge Total Return Index measures the performance of the equity hedge strategy, which predominantly invests in long and short equities of the Wilshire Liquid Alt Index. The index is designed to provide a broad measure of the liquid alternative equity hedge sub-strategy of the liquid alternative market.

Performance information presented was obtained from Morningstar Direct. Morningstar's calculation of total return is determined by taking the change in price, reinvesting, if applicable, all income and capital gains distributions during the period, and dividing by the starting price. Unless otherwise noted, Morningstar does not adjust total returns for sales charges (such as front-end loads, deferred loads, and redemption fees), preferring to give a clearer picture of performance. Total returns do account for the expense ratio, which includes management, administrative, 12b-1 fees, and other costs that are taken out of assets. Total returns for periods longer than one year are expressed in terms of compounded average annual returns (also known as geometric total returns), affording a more meaningful picture of fund performance than nonannualized figures. The ETFs managed by Clough Capital do not charge any loads, nor do they have redemption fees. In this instance, total return would equate to net return.
Morningstar Category Averages are designed to represent the average return of funds within their category over time. Morningstar creates a category average daily total return index series, as well as monthly, quarterly, and annual averages of return and non-return data. Morningstar Category Averages are equal-weighted category returns. The calculation is simply the average of the returns for all the funds in a given category. The standard average calculation is based on constituents of the category at the end of the period. The Morningstar Small Growth Category includes funds that invest in companies projected to grow faster than other small-cap stocks. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value and cash flow) and high valuations (high price ratios and low dividend yields). The ETF was categorized in the Morningstar Category of Small Growth Funds by Morningstar. Morningstar assigns categories based on funds' average holdings statistics over the past three years. When necessary, Morningstar may change a category assignment based on recent changes to the portfolio.
For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating™ for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating™ metrics. As of June 30, 2024, Clough Select Equity ETF was rated against the following numbers of Small Growth Funds over the following time periods: 563 funds in the last three years.