CLOUGH CAPITAL

LISTED ON THE
NEW YORK STOCK EXCHANGE

CLOUGH CAPITAL ETFs

Active by Design

A practical guide to ETFs, active management, and Clough Capital's approach

For informational and educational purposes

cloughcapital.com/etfs

SECTION 01 · WHO WE ARE

Why Clough Capital? Why Now?

Boutique by design. Research-driven by discipline.

Clough Capital is a boutique asset manager that crafts portfolios seeking to provide superior, risk-adjusted returns for discerning investors. Founded over 26 years ago by **Chuck Clough**, former Chief Global Investment Strategist at Merrill Lynch, the firm pairs Chuck's market awareness with the day-to-day portfolio management of **Vince Lorusso** and **Bill Whelan**.

As a boutique firm, Clough Capital offers clients access to the investment team and the market insights that flow from it.

Who we serve

CLIENT-FIRST
Relationships built on integrity.

INSIGHTS WITH SUBSTANCE
Grounded in fundamental research, not headlines.

ENTREPRENEURIAL MINDSET
Willing to look where the consensus isn't.

BOSTON-BASED, GLOBAL REACH
53 State Street, Boston.

Our ETFs in context

Clough Capital's ETFs were pioneering innovations when they listed on the New York Stock Exchange in **2020**. They give clients access to the same research process and the same investment discipline Clough Capital has applied across more than two decades of market cycles, delivered in a vehicle built for **transparency, intraday liquidity, and tax efficiency**.

SECTION 02 · WHY ACTIVE ETFS NOW

Why Active ETFs Are Here. And Growing.

A regulatory unlock in 2019. A market that crossed over in 2025.

The rule change that opened the door

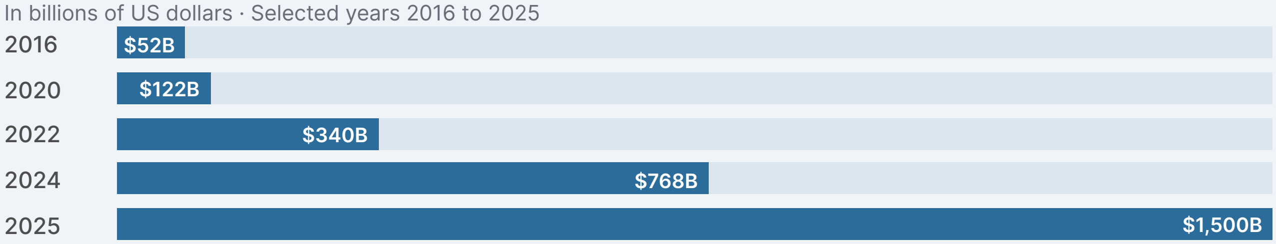
For most of the ETF era, asset managers who wanted to launch a new ETF faced a long, custom process. Every fund needed its own exemptive relief from the U.S. Securities and Exchange Commission (the "SEC"). In **September 2019**, the SEC adopted **Rule 6c-11** under the Investment Company Act of 1940. The rule standardized how ETFs can operate and removed the need for fund-by-fund exemptive orders. The practical result: investment managers could bring strategies to market in the ETF wrapper faster, more efficiently, and with a clearer rulebook.

A market that crossed over

According to Morningstar Direct, U.S. active ETF assets grew from approximately **$52 billion in 2016** to roughly **$1.5 trillion at year-end 2025**, including a **64% jump in 2025 alone**. Active ETFs reached approximately **$1.6 trillion by February 2026**, representing about 11% of total ETF AUM.

U.S. Active ETF Assets Under Management (year-end)

In billions of US dollars · Selected years 2016 to 2025



Sources: Morningstar Direct; SEC Division of Economic and Risk Analysis (Feb 2026). 2025 figure approximate.

85%

of new U.S. ETFs launched in 2025 were actively managed

Source: Morningstar Direct

> *"In June 2025, the number of active ETFs surpassed the number of passive ETFs for the first time."*
>
> Bloomberg, June 16, 2025

DID YOU KNOW

Clough Capital's two ETFs, Clough Hedged Equity (CBLS) and Clough Select Equity (CBSE), both launched on the New York Stock Exchange in November 2020, less than a year after Rule 6c-11 took effect.

SECTION 03 · WHAT ETFS STRUCTURALLY DELIVER

The Four Ropes of the Active ETF.

Four structural properties, woven together in the ETF wrapper.

The potential advantages of ETFs are embedded in the structure, not in marketing. They're how the vehicle is built, codified in regulation and embedded in the operations of every authorized participant ("AP") and ETF issuer. Together, these four properties are the structural reasons active managers have been bringing strategies into the ETF wrapper since 2019.

ACTIVE MANAGEMENT

Skill applied through a repeatable process: research, conviction, sizing, and risk controls.

INTRADAY LIQUIDITY

A two-layer model. Investors trade on the exchange; APs create and redeem with the issuer.

DAILY TRANSPARENCY

Most ETFs publish full holdings every business day. You can view the daily holdings of the ETF on the website.

TAX EFFICIENCY

The in-kind redemption mechanism has historically reduced taxable capital gain distributions.

SECTION 04 · LIQUIDITY & TRANSPARENCY

A Two-Layer Market. Holdings You Can See.

Two structural properties we believe are most often confused, or overlooked.

ETF Liquidity: a two-layer model

ETF liquidity has two sources. Confusing the primary and secondary market is the most common mistake we see investors make when evaluating an ETF.

SECONDARY MARKET
Investors trade ETF shares with one another on the exchange. Average daily volume ("ADV")[1] reflects activity here. For most retail-sized trades, this is the layer that matters.

PRIMARY MARKET
APs create and redeem shares directly with the ETF issuer in large blocks. This mechanism helps keep an ETF's market price aligned with its net asset value, although intraday ETF trading involves bid-ask spreads that may impact the effective cost of a transaction.

The implication: ETF liquidity is affected by underlying liquidity, secondary market activity, bid-ask spreads, market makers/authorized participants, market conditions and other factors.

ETF Transparency: daily, not quarterly

Most ETFs publish their complete portfolio holdings **every business day**. Most traditional mutual funds disclose **quarterly**, often with a 30- to 60-day lag.

ETFS · DAILY
Full holdings every business day. Daily transparency lets investors and advisors verify what they own, and confirm the manager is doing what the strategy described.

MUTUAL FUNDS · QUARTERLY
Holdings disclosed 30 to 60 days after quarter end. For active strategies, that lag obscures changes that happened many weeks earlier.

For actively managed strategies, daily transparency matters **more**, not less. The stated process and the actual portfolio are visible on the same day.

[1] **Average daily volume** is the average number of shares or contracts of a security traded per day over a specific period.

SECTION 05 · TAX EFFICIENCY

Tax Efficient by Design.

The structural mechanisms behind the ETF wrapper.

ETFs offer a structural tax advantage that is the same whether the strategy is active or passive. It comes from how the vehicle is designed to handle redemptions, codified in **Internal Revenue Code §852(b)(6)**.

When investors sell ETF shares on the exchange, the ETF itself usually doesn't have to do anything. When an AP redeems shares directly with the fund, the AP typically receives a basket of the ETF's underlying securities rather than cash. The result: the ETF doesn't sell appreciated securities to satisfy the redemption. There's no realized gain triggered at the fund level. Long-term shareholders are not pulled into a taxable event by another investor's exit.

The four-step flow

1

INVESTOR SELLS

An investor places a sell order through a brokerage account. The trade settles in the secondary market.

2

MARKET MAKER

A market maker accumulates ETF shares through ordinary trading. Periodically, it delivers shares to an AP.

3

AP REDEEMS IN-KIND

The AP redeems shares with the issuer and receives a basket of the ETF's underlying securities, in-kind. No cash changes hands.

4

AP DISPOSES

The AP sells the securities elsewhere or holds them. The ETF's remaining shareholders are unaffected.

DID YOU KNOW

The in-kind redemption mechanism applies to ETFs whether they are passive or actively managed. The structural tax advantage comes from the wrapper, not the strategy.

SECTION 06 · THE LINEUP

The Clough Capital ETF Lineup.

Two strategies. One process.

Clough Capital manages two actively managed ETFs, both listed on the New York Stock Exchange in **November 2020**. Each is grounded in Clough Capital's research framework, proprietary insights into industry and economic trends, applied through bottom-up security selection.

CBLS

Clough Hedged Equity ETF

NYSE · Inception 11/13/2020 · Long/Short

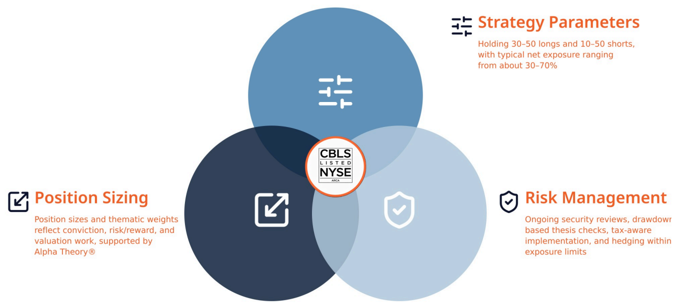
OBJECTIVE
Long-term capital appreciation while minimizing volatility.

STRATEGY
Long/short equity. **Net exposure 30% to 70%** of net assets.

PROCESS
Thematic top-down + bottom-up security selection.

PRIMARY BENCHMARK
Bloomberg World All-Cap Equal Weight TR Index ("World All-Cap Index").[1]

SECONDARY BENCHMARK
Bloomberg World All-Cap Equal Weight/UST 0-1 Yr 50/50 Index ("World All-Cap/UST 0-1 Yr 50/50 Index").[2]



CBSE

Clough Select Equity ETF

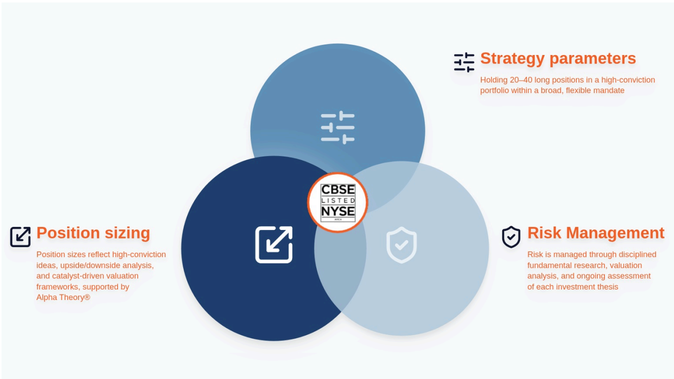
NYSE · Inception 11/13/2020 · Long-Only

OBJECTIVE
Capital appreciation and lower volatility than the broader market.

STRATEGY
Long-only equity. **U.S.-listed, any market cap**.

PROCESS
Thematic top-down + bottom-up security selection.

BENCHMARK
Bloomberg World All-Cap Equal Weight TR Index ("World All-Cap Index").[1]



How to access

The Clough Capital ETFs trade intraday on the NYSE and are available through major brokerage platforms.
Schedule a conversation: cloughcapital.com/etfs · 617-204-3400

SECTION 07 · IMPORTANT DISCLOSURES

Important Disclosures.

Investors should consider the investment objectives, risks, charges, and expenses of the Clough Hedged Equity ETF (CBLS) and the Clough Select Equity ETF (CBSE) (each an "ETF" and collectively, the "Clough Capital ETFs"), which are managed by Clough Capital Partners L.P. ("Clough Capital"), carefully before investing. This and other information are contained in the ETFs' prospectus, which may be obtained by visiting cloughcapital.com/etfs or by calling 855-393-0559. Please read the prospectus carefully before you invest.

The Clough Capital ETFs are NYSE-listed ETFs and may trade at a price above or below an ETF's NAV. Shares 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. The market price may be at, above, or below an ETF's NAV and will fluctuate with changes in NAV as well as supply and demand. The market price of the ETFs' shares may differ significantly from their NAV during periods of market volatility. Shares 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 ETFs' shares will develop or be maintained, or that their listing will continue or remain unchanged. Buying or selling shares of the ETFs on an exchange may require the payment of brokerage commissions and frequent trading may incur brokerage costs that detract significantly from investment returns.

Active management involves higher fees and the risk of underperformance relative to passive alternatives. There is no guarantee that an active strategy will outperform its benchmark or that any investment objective will be achieved. The success of an actively managed strategy depends on the portfolio manager's skill, research process, and judgment, all of which involve risk. Past results do not predict future results.

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.

Risk Factors. Investing involves risk including possible loss of principal. The equity securities held in the portfolio may experience sudden or prolonged declines due to market-wide or issuer-specific factors. Short selling involves significant risks, including potentially unlimited losses if a security's price rises, ongoing expenses, and counterparty risk. The ETF's use of options for hedging or income may not be effective, may not fully protect against losses, and may result in additional costs or exposure to loss.

Tax efficiency is a structural feature of the ETF wrapper and is not guaranteed in any given period. The in-kind redemption mechanism may reduce, but does not eliminate, the possibility of taxable capital gain distributions. Tax treatment depends on individual circumstances; consult a tax advisor.

Actively managed ETFs may offer certain tax efficiencies due to the ETF structure, including the use of in-kind creation and redemption transactions. However, active management may result in greater portfolio turnover and more frequent realization of capital gains than a passive strategy. There is no guarantee that an actively managed ETF will be more tax efficient than a passive ETF or other investment vehicle. Investors may be subject to taxes on distributions and upon the sale of Fund shares. Investors should consult their tax advisor regarding their individual circumstances.

The Clough Capital ETFs are distributed by Paralel Distributors, LLC. Paralel Distributors, LLC and Clough Capital are not affiliated.

Sources: SEC Division of Economic and Risk Analysis, "The Fast-Growing Market of Active ETFs" (February 2026); Morningstar Direct (data as of year-end 2025 and Q1 2026); Bloomberg (June 16, 2025).

This material is for informational and educational purposes only and does not constitute investment advice, an offer to sell, or a solicitation of any offer to buy. Information has been obtained from sources believed to be reliable but is not guaranteed. Views expressed represent the opinions of Clough Capital and are subject to change without notice.

Index Definitions. [1] The Bloomberg World All-Cap Equal Weight TR Index ("World All-Cap Index") is an equal weighted equity benchmark that covers 99% market cap of the measured market. [2] The Bloomberg World All-Cap Equal Weight/UST 0-1 Yr 50/50 Index ("World All-Cap/UST 0-1 Yr 50/50 Index") is a blend of 50% of the Bloomberg World All-Cap Equal Weight TR Index and 50% of the Bloomberg US Treasury 0-1 Year Maturity TR Index. 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.

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