LIBERTY ALL STAR EQUITY FUND
Form N-CSRS
August 30, 2013

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: 811-04809

Liberty All-Star Equity Fund

(exact name of registrant as specified in charter)

1290 Broadway, Suite 1100, Denver, Colorado 80203

(Address of principal executive offices) (Zip code)

Tane T. Tyler, General Counsel

ALPS Fund Services, Inc.

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: December 31

Date of reporting period: January 1 June 30, 2013

Item 1. Report of Shareholders.

LIBERTY ALL-STAR® EQUITY FUND

Period Ending June 30, 2013 (Unaudited)

Fund Statistics

Net Asset Value (NAV)			$5.86
Market Price			$5.20
Discount			11.3%
	Quarter	**Year-to-Date**	**One Year**
Distributions	$0.08	$0.16	$0.32
Market Price Trading Range	$4.97 to $5.47	$4.83 to $5.47	$4.25 to $5.47
Discount Range	9.6% to 12.7%	9.3% to 12.7%	9.1% to 13.7%

Performance

Shares Valued at NAV with Dividends Reinvested	2.56%	12.97%	21.13%
Shares Valued at Market Price with Dividends Reinvested	2.10%	12.43%	22.98%
S&P 500® Index	2.91%	13.82%	20.60%
Lipper Large-Cap Core Mutual Fund Average	2.65%	13.19%	20.42%

Figures shown for the Fund and the Lipper Large-Cap Core Mutual Fund Average are total returns, which include dividends, after deducting fund expenses. Figures for the unmanaged S&P 500® Index are total returns, including dividends. A description of the Lipper benchmark and the S&P 500® Index can be found on page 31.

Past performance cannot predict future results. Performance will fluctuate with market conditions. Current performance may be lower or higher than the performance data shown. Performance information does not reflect the deduction of taxes that shareholders would pay on Fund distributions or the sale of Fund shares. An investment in the Fund involves risk, including loss of principal.

The Fund is a closed-end fund and does not continuously offer shares. The Fund trades in the secondary market, investors wishing to buy or sell shares need to place orders through an intermediary or broker by using the Fund s ticker symbol: USA. The share price of a closed-end fund is based on the market s value. Shares of closed-end funds frequently trade at a discount to net asset value. The price of the Fund s shares is determined by a number of factors, several of which are beyond the control of the Fund. Therefore, the Fund cannot predict whether its shares will trade at, below or above net asset value.

Fellow Shareholders: July 2013

Both the S&P 500® Index and the Dow Jones Industrial Average rose to record highs in the second quarter before volatility returned to the equity market in late May and June to take the edge off a strong quarter. Nevertheless, it was a positive three months, as the S&P 500® gained 2.91 percent and the Dow Jones Industrials advanced 2.92 percent. Building on double-digit gains in the first quarter, these two indices returned 13.82 percent and 15.20 percent, respectively, for the first half of the year.

Washington, not Wall Street, drove markets in the second quarter. The question on investors minds was when and how rapidly the Federal Reserve (Fed) would begin to taper its program of quantitative easing (QE), initiated in November 2008 to inject massive amounts of liquidity into an economy battered by the credit crisis and Great Recession of 2007-2009. In the search for clues, every word uttered by Fed Chair Ben Bernanke was scrutinized. In addition to the economy beginning to show some strength, investors found enough evidence in Bernanke s pronouncements to believe that the Fed would taper its QE monetary policy sooner rather than later. As a result, interest rates rose sharply in May and June while uncertainty gripped the equity market. To underscore the level of volatility in the market, between May 22 and the final trading day of the quarter on June 28, the Dow Jones Industrial Average rose or fell by 100 points or more on 19 out of 27 trading days, a rate slightly over 70 percent.

Prior to the onset of interest rate jitters, equity markets rose almost without interruption from January through latter May. While data showed that the economy only grew 1.8 percent in the first quarter, more recent data pointed to a stronger economy in the future. Employers added an average of more than 200,000 jobs a month since November 2012; sales of new homes rose to a five-year high during the quarter, while existing home sales reached a 3 ^{1}&#8260$_{2}$ year high; and consumer confidence (as measured by the Conference Board s monthly study) rose in June to its highest level since January 2008.

Liberty All-Star® Equity Fund generally kept pace with the market in the second quarter. The Fund returned 2.56 percent with shares valued at net asset value (NAV) with dividends reinvested and 2.10 percent with shares valued at market price with dividends reinvested. As previously noted, the S&P 500® Index returned 2.91 percent for the quarter and the Lipper Large-Cap Core Mutual Fund Average gained 2.65 percent. The discount at which Fund shares trade relative to their NAV was largely unchanged from the previous quarter. For the first half, the Fund returned 12.97 percent with shares valued at NAV with dividends reinvested and 12.43 percent with shares valued at market price with dividends reinvested. Over the same period, the S&P 500 returned 13.82 percent, while the Lipper average gained 13.19 percent. For the trailing year, the Fund outperformed both the S&P 500® and the Lipper Large-Cap Core Mutual Fund Average.

In keeping with policy, the Fund s distribution for the second quarter was $0.08. The Fund s distribution policy has been in place since 1988 and is a major component of the Fund s total return. These distributions add up to $24.08 since 1987 (the Fund s first full calendar year of operations). We would emphasize that shareholders must include these distributions when determining the return on their investment in the Fund.

We are pleased to bring shareholders an interview with one of the Fund s three value managers in this semi-annual report. Tony DeSpirito, Principal and Portfolio Manager at Pzena Investment

Management, shares a number of interesting insights, including a positive perspective on the volatility that often confounds many investors.

Investors should be gratified by a very positive first half, and the nervousness that unsettled the equity market late in the second quarter appears to have abated in the early going in the third quarter. We cannot predict what the future holds, obviously, but shareholders can be assured that Fund management will remain diligent and that the Fund s value and growth managers will continue to implement their respective investment styles with knowledge and skill.

Sincerely,

William R. Parmentier, Jr.

President and Chief Executive Officer

Liberty All-Star® Equity Fund

The views expressed in the President s letter and the Manager Interview reflect the views of the President and Manager as of July 2013 and may not reflect their views on the date this report is first published or anytime thereafter. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the Fund disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for the Fund are based on numerous factors, may not be relied on as an indication of trading intent.

		Rights Offerings			
Year	Per Share Distributions	Month Completed	Shares Needed to Purchase One Additional Share	Subscription Price	Tax Credits*
1988	$0.64				
1989	0.95				
1990	0.90				
1991	1.02				
1992	1.07	April	10	$10.05	
1993	1.07	October	15	10.41	$0.18
1994	1.00	September	15	9.14	
1995	1.04				
1996	1.18				0.13
1997	1.33				0.36
1998	1.40	April	20	12.83	
1999	1.39				
2000	1.42				
2001	1.20				
2002	0.88	May	10	8.99	
2003	0.78				
2004	0.89	July	10**	8.34	
2005	0.87				
2006	0.88				
2007	0.90	December	10	6.51	
2008	0.65				
2009***	0.31				
2010	0.31				
2011	0.34				
2012	0.32				
2013					
1st Quarter	0.08				
2nd Quarter	0.08				
Total	$22.90				

* The Fund s net investment income and net realized capital gains exceeded the amount to be distributed under the Fund s distribution policy. In each case, the Fund elected to pay taxes on the undistributed income and passed through a proportionate tax credit to shareholders.

** The number of shares offered was increased by an additional 25% to cover a portion of the over-subscription requests.

*** Effective with the second quarter distribution, the annual distribution rate was changed from 10 percent to 6 percent.

DISTRIBUTION POLICY

Liberty All-Star® Equity Fund s current policy is to pay distributions on its shares totaling approximately 6 percent of its net asset value per year, payable in four quarterly installments of 1.5 percent of the Fund s net asset value at the close of the New York Stock Exchange on the Friday prior to each quarterly declaration date. The fixed distributions are not related to the amount of the Fund s net investment income or net realized capital gains or losses and may be taxed as ordinary income up to the amount of the Fund s current and accumulated earnings and profits. If, for any calendar year, the total distributions made under the distribution policy exceed the Fund s net investment income and net realized capital gains, the excess will generally be treated as a non-taxable return of capital, reducing the shareholder s adjusted basis in his or her shares. If the Fund s net investment income and net realized capital gains for any year exceed the amount distributed under the distribution policy, the Fund may, in its discretion, retain and not distribute net realized capital gains and pay income tax thereon to the extent of such excess. The Fund retained such excess gains in 1993, 1996 and 1997.

Top 20 Holdings*	Percent of Net Assets
Google, Inc., Class A	2.56%
JPMorgan Chase & Co.	2.33
QUALCOMM, Inc.	1.96
Citigroup, Inc.	1.86
Schlumberger Ltd.	1.81
Metlife, Inc.	1.52
TE Connectivity Ltd.	1.44
SunTrust Banks, Inc.	1.44
Bank of America Corp.	1.43
Visa, Inc., Class A	1.43
Hewlett-Packard Co.	1.41
State Street Corp.	1.36
Morgan Stanley	1.35
Microsoft Corp.	1.32
American International Group, Inc.	1.26
Devon Energy Corp.	1.25
Salesforce.com, Inc.	1.21
Amazon.Com, Inc.	1.16
The Charles Schwab Corp.	1.16
Toll Brothers, Inc.	1.07
	30.33%

Economic Sectors*	Percent of Net Assets
Financials	25.18%
Information Technology	19.55
Energy	13.78
Consumer Discretionary	12.49
Health Care	9.67
Industrials	7.51
Consumer Staples	5.30
Materials	2.51
Telecommunication Services	0.86
Utilities	0.80
Other Net Assets	2.35
	100.00%

* Because the Fund is actively managed, there can be no guarantee that the Fund will continue to hold securities of the indicated issuers and sectors in the future.

The following are the major ($4 million or more) stock changes - both purchases and sales - that were made in the Fund s portfolio during the second quarter of 2013.

	SHARES	
Security Name	**Purchases (Sales)**	**Held as of 6/30/13**
Purchases		
BioMarin Pharmaceutical, Inc.	78,945	78,945
Celgene Corp.	37,400	51,432
Gilead Sciences, Inc.	80,824	80,824
The Hartford Financial Services Group, Inc.	245,660	245,660
LinkedIn Corp., Class A	21,974	59,074
Parker Hannifin Corp.	47,650	47,650
United Rentals, Inc.	81,497	81,497
Sales		
ACE Ltd.	(85,025)	113,885
Apollo Group, Inc., Class A	(362,856)	0
Apple, Inc.	(27,700)	0
Axis Capital Holdings Ltd.	(106,835)	156,000
Cognizant Technology Solutions Corp., Class A	(75,600)	0
CSX Corp.	(235,578)	0
Dell, Inc.	(407,850)	532,687
Life Technologies Corp.	(75,700)	0
NVR, Inc.	(6,046)	5,184
WellPoint, Inc.	(73,483)	25,004

Investment Managers/

Portfolio Characteristics Liberty All-Star® Equity Fund

THE FUND S ASSETS ARE APPROXIMATELY EQUALLY DISTRIBUTED AMONG THREE VALUE MANAGERS AND TWO GROWTH MANAGERS:

MANAGERS DIFFERING INVESTMENT STRATEGIES ARE REFLECTED IN PORTFOLIO CHARACTERISTICS

The portfolio characteristics table below is a regular feature of the Fund s shareholder reports. It serves as a useful tool for understanding the value of a multi-managed portfolio. The characteristics are different for each of the Fund s five investment managers. These differences are a reflection of the fact that each pursues a different investment style. The shaded column highlights the characteristics of the Fund as a whole, while the final column shows portfolio characteristics for the S&P 500® Index.

PORTFOLIO CHARACTERISTICS *As of June 30, 2013 (Unaudited)*

	Investment Style Spectrum						
	Value				Growth		
	SCHNEIDER	**PZENA**	**MATRIX**	**CORNERSTONE**	**TCW**	**TOTAL FUND**	**S&P 500® INDEX**
Number of Holdings	40	39	33	51	31	162*	500
Percent of Holdings in Top 10	49%	38%	41%	37%	45%	18%	18%
Weighted Average Market Capitalization (billions)	$37	$68	$91	$60	$54	$62	$104
Average Five-Year Earnings Per Share Growth	(4)%	5%	7%	15%	20%	8%	11%
Dividend Yield	1.2%	2.1%	2.4%	1.2%	0.8%	1.6%	2.2%
	13x	14x	16x	21x	27x	17x	17x

Price/Earnings Ratio**							
Price/Book Value Ratio	1.0x	2.5x	2.3x	4.4x	7.4x	3.5x	3.7x

* Certain holdings are held by more than one manager.
** Excludes negative earnings.

Antonio DeSpirito III

Principal and Portfolio Manager

Pzena Investment Management, LLC

PZENA KEEPS AN EYE ON THE LONG TERM THROUGH A VOLATILE SPRING

Pzena Investment Management uses fundamental research and a disciplined investment process to identify good companies with a sustainable business advantage that the firm believes are undervalued on the basis of current price to an estimated normal level of earnings. We recently had the opportunity to talk with Antonio DeSpirito III, Principal and Portfolio Manager. ALPS Advisors, Inc. moderated the interview.

Pzena is very valuation focused. Are you finding better values in certain sectors today, or is finding value a matter of identifying company-level opportunities on a case-by-case basis? Pzena also focuses on normalized earnings, meaning you look past temporary peaks and troughs in earnings. Can you say a little more about normalized earnings and how it plays into your process?

Responding to the first part of the question, in terms of opportunities, our process is very much bottoms-up on a company-by-company basis. That being said, when you step back you ll often see certain themes in our opportunity set the cheapest quintile in the market and today is no exception. Our main theme has been related to economic cyclicality. Owing to the global financial crisis, equity investors have been very skittish about economically-sensitive companies. At the same time, investors have actually been overpaying for stable earning streams and high dividend-paying stocks. Anything that s economically sensitive has been left for dead. Based on historical valuation statistics, this is a major anomaly, so we ve been very interested in the economically sensitive sectors, which we believe are undervalued. The one exception would be those sectors dependent on capital spending in China like basic materials such as cement and iron ore because we view Chinese infrastructure spending as a bubble.

Broadly, within the cyclicals the most deeply undervalued are in the financial sector, particularly money center financials. Old line technology is also deeply undervalued. When you look at the P/E ratio of the tech sector, it s the lowest it has been relative to the S&P 500® Index in decades. But in that sector, there is a wide disparity in valuations. Companies like Salesforce.com and VMware are getting very high valuations. On the other hand, anything that s viewed as old technology is getting very low valuations; this would include companies like Microsoft, Hewlett-Packard and Oracle. That s where we have a large position. In fact, Hewlett-Packard is our largest position and our best performer year to date.

Turning to the second part of the question, the value style offers a nice investing tailwind, and that brings us to our focus on normalized earnings, which is really a matter of looking at a business five years into the future, and asking the question, What should this business earn in a normal operating environment, or at the middle of a market cycle?

In other words, we look past temporary peaks and troughs in earnings, just like a business owner would. You wouldn t want to sell your business at the trough. That s when you actually want to buy it because when its earnings are bottoming out that gives you the opportunity to benefit from both the growth in earnings as well as from a normalization of valuation. Similarly, you want to avoid businesses that are at peak earnings because typically those businesses could be in for a sharp decline in earnings. You certainly wouldn t want to extrapolate peak earnings into the future. A great example would be in the housing space, where in 2005 or 06 we were in the middle of a housing boom, so while many homebuilders and building products companies had low P/E ratios and they may have looked like good values on that basis but they weren t because their earnings power was at its peak. When you normalized the earnings, you d see that they were actually pretty richly priced. In contrast, in 2009 we bought a lot of building products companies when the P/E ratios looked a little high on a current earnings basis. But when you normalized the earnings, you actually saw that they offered great value.

That s why we believe that relying on normalized earnings is a better analytical tool than simply looking at P/E ratios; that measure can get you caught in a value trap. Price-to-book ratio is a tool that has demonstrated empirically to add value, but, as the economy becomes increasingly brand oriented and knowledge based and less hard asset based, investors may miss out on some opportunities where there are some great businesses that have sustainable earnings power but don t have a lot of tangible book value because they don t have much in the way of hard assets. Microsoft is an example. So, that s why our focus has been on normalized earnings.

Volatility is certainly on investors minds especially after the roller-coaster June. You mentioned in the last annual report that Pzena will view it as a buying opportunity should the market treat a company harshly in spite of a favorable long-term outlook. Did this scenario play out for you over the May-June period? In what sectors (or companies) were you able to parlay volatility into a buying opportunity?

We had very good performance over that period, outperforming the market by 3.5 percent over those two months. And what I would say is this: sometimes volatility doesn t make sense, but sometimes it does. And this is a case in which volatility made sense to us owing to those big anomalies that I just pointed out.

What investors saw in June was the market reacting to the fact that interest rates have been abnormally low for an extended period of time, creating another bubble situation.

That drove a lot of fixed income investors to seek higher-yielding bond substitutes by getting into the equity markets. They focused on the dividend paying stocks that I mentioned earlier, like utilities and consumer staples, and those are areas where we saw a major correction. The other area of negativity was in the basic material sector where we had no exposure because of the situation in China that I just cited.

At Pzena, we have actually been in a period of relatively low portfolio turnover because we have been happy with the current portfolio. The portfolio s valuation also gives us a lot of optimism for the future. The portfolio began the period at such a low valuation that even though we outperformed, it is still attractively valued.

What is a recent addition to the portion of the Liberty All-Star® Equity Fund that you manage that exemplifies your approach to value investing?

As I mentioned, there haven t been a lot of portfolio additions recently, but an interesting opportunity arose in the financial sector, where we have our largest exposure. The company is ING U.S., soon to be re-named Voya Financial, which is ING s U.S. life insurance and retirement business. As you may know, ING Group is a Dutch multinational banking and financial services company known by its orange lion logo. The IPO was the result of the European Union s requirement for ING to divest itself of non-core businesses in exchange for a bailout. The IPO was for 25 percent of the entity, with the understanding that the remaining 75 percent would go public by 2016.

Essentially, then, ING was forced into selling, which is always a good opportunity when you re a buyer. Two things hurt ING the variable annuity business, where guaranteed payouts created a huge liability for them in the 2008 bear market, and a $2.8 billion reserve charge required before the IPO. Investors generally viewed this negatively, but we saw it as a positive in that the new management team is incentivized to get out in front of the problem. Comparing their metrics to their competitors, it looks like management has done a better job than others in cleaning up the balance sheet, and that also made us very positive. In addition, they have built up a deferred tax asset, which we value at up to approximately $800 million on a net present value basis. And their business lines annuities and life insurance are strong. Voya is one of the largest retirement players in the U.S. Finally, the stock is inexpensive on a current earnings basis and management has a plan to improve earnings through a combination of moves. The stock went public at about half of tangible book value in other words, a deep discount. It has already appreciated pretty substantially from the IPO in May, but it s still a good value.

Many thanks for the insights into your approach to value investing.

Schedule of Investments
June 30, 2013 (Unaudited)

Liberty All-Star® Equity Fund

	SHARES	MARKET VALUE
COMMON STOCKS (97.65%)		
CONSUMER DISCRETIONARY (12.49%)		
Auto Components (1.93%)		
Delphi Automotive PLC	158,925	$ 8,055,908
Johnson Controls, Inc.	250,876	8,978,852
Magna International, Inc.	58,517	4,167,581
		21,202,341
Hotels, Restaurants & Leisure (2.11%)		
Carnival Corp.	116,900	4,008,501
Marriott International, Inc., Class A	192,876	7,786,404
Orient-Express Hotels Ltd., Class A[a]	135,557	1,648,373
Starbucks Corp.	148,800	9,744,912
		23,188,190
Household Durables (1.89%)		
Lennar Corp., Class A	81,670	2,943,387
NVR, Inc.[a]	5,184	4,779,648
Taylor Morrison Home Corp.[a]	56,539	1,378,421
Toll Brothers, Inc.[a]	358,961	11,712,897
		20,814,353
Internet & Catalog Retail (1.92%)		
Amazon.com, Inc.[a]	46,034	12,783,182
priceline.com, Inc.[a]	8,775	7,258,066
Shutterfly, Inc.[a]	19,627	1,094,990
		21,136,238
Media (1.50%)		
Comcast Corp., Class A	49,880	2,088,975
Omnicom Group, Inc.	140,000	8,801,800
The Walt Disney Co.	88,368	5,580,439
		16,471,214
Multi-Line Retail (0.15%)		
Dollar General Corp.[a]	31,659	1,596,563
Specialty Retail (1.84%)		
Dick s Sporting Goods, Inc.	82,616	4,135,757

Staples, Inc.	536,800	8,513,648
Tiffany & Co.	65,010	4,735,328
The TJX Cos., Inc.	56,425	2,824,636
		20,209,369
Textiles, Apparel & Luxury Goods (1.15%)		
Burberry Group PLC[b]	64,627	2,662,632
Michael Kors Holdings Ltd.[a]	31,881	1,977,260
NIKE, Inc., Class B	57,424	3,656,760
Ralph Lauren Corp.	24,986	4,341,068
		12,637,720

See Notes to Schedule of Investments and Financial Statements.

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
CONSUMER STAPLES (5.30%)		
Beverages (1.53%)		
The Coca-Cola Company	120,827	$ 4,846,371
Diageo PLC[(b)]	52,170	5,996,941
Molson Coors Brewing Co., Class B	44,075	2,109,430
PepsiCo, Inc.	48,000	3,925,920
		16,878,662
Food & Staples Retailing (0.90%)		
Costco Wholesale Corp.	47,900	5,296,303
CVS Caremark Corp.	80,000	4,574,400
		9,870,703
Food Products (1.68%)		
Archer-Daniels-Midland Co.	210,000	7,121,100
Kellogg Co.	48,000	3,083,040
Mead Johnson Nutrition Co.	75,000	5,942,250
Mondelez International, Inc., Class A	80,231	2,288,990
		18,435,380
Household Products (0.65%)		
The Procter & Gamble Co.	92,500	7,121,575
Tobacco (0.54%)		
Philip Morris International, Inc.	68,595	5,941,699
ENERGY (13.78%)		
Energy Equipment & Services (4.67%)		
Baker Hughes, Inc.	142,025	6,551,613
National-Oilwell Varco, Inc.	50,600	3,486,340
Oceaneering International, Inc.	101,700	7,342,740
Schlumberger Ltd.	276,798	19,835,345
Tidewater, Inc.	143,000	8,146,710
Weatherford International Ltd.[(a)]	436,510	5,980,187
		51,342,935
Oil, Gas & Consumable Fuels (9.11%)		
Anadarko Petroleum Corp.	14,000	1,203,020

Arch Coal, Inc.	2,059,426	7,784,630
BP PLC[(b)]	223,450	9,326,812
Chesapeake Energy Corp.	572,921	11,676,130
Chevron Corp.	61,000	7,218,740
Cobalt International Energy, Inc.[(a)]	246,233	6,542,411
ConocoPhillips	103,000	6,231,500
CONSOL Energy, Inc.	118,926	3,222,895
Devon Energy Corp.	264,868	13,741,352

See Notes to Schedule of Investments and Financial Statements.

Schedule of Investments
June 30, 2013 (Unaudited)

Liberty All-Star® Equity Fund

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Oil, Gas & Consumable Fuels (continued)		
Exxon Mobil Corp.	44,775	$ 4,045,421
Occidental Petroleum Corp.	82,000	7,316,860
Peabody Energy Corp.	472,003	6,910,124
Royal Dutch Shell PLC[b]	132,495	8,453,182
WPX Energy, Inc.[a]	335,345	6,351,434
		100,024,511
FINANCIALS (25.18%)		
Capital Markets (5.90%)		
The Charles Schwab Corp.	599,800	12,733,754
Franklin Resources, Inc.	32,825	4,464,856
The Goldman Sachs Group, Inc.	37,450	5,664,312
Invesco Ltd.	193,325	6,147,735
Morgan Stanley	605,707	14,797,422
State Street Corp.	229,475	14,964,065
UBS AG	359,525	6,093,949
		64,866,093
Commercial Banks (4.42%)		
BB&T Corp.	205,000	6,945,400
Huntington Bancshares, Inc.	330,661	2,605,609
KeyCorp	247,435	2,731,682
The PNC Financial Services Group, Inc.	70,666	5,152,965
Regions Financial Corp.	574,078	5,470,963
SunTrust Banks, Inc.	499,813	15,779,097
Wells Fargo & Co.	240,000	9,904,800
		48,590,516
Consumer Finance (0.91%)		
American Express Co.	103,500	7,737,660
Capital One Financial Corp.	36,446	2,289,173
		10,026,833
Diversified Financial Services (6.14%)		
Bank of America Corp.	1,219,826	15,686,962
Citigroup, Inc.	425,479	20,410,228
CME Group, Inc.	27,841	2,115,359
ING US, Inc.[a]	137,250	3,713,985
JPMorgan Chase & Co.	483,905	25,545,345

		67,471,879
Insurance (7.17%)		
ACE Ltd.	113,885	10,190,430
The Allstate Corp.	179,405	8,632,969
American International Group, Inc.[(a)]	310,516	13,880,065
Assured Guaranty Ltd.	260,884	5,755,101
Axis Capital Holdings Ltd.	156,000	7,141,680
Genworth Financial, Inc., Class A[(a)]	207,234	2,364,540

See Notes to Schedule of Investments and Financial Statements.

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Insurance (continued)		
The Hartford Financial Services Group, Inc.	245,660	$ 7,595,807
MetLife, Inc.	363,775	16,646,344
Willis Group Holdings PLC	115,350	4,703,973
WR Berkley Corp.	44,686	1,825,870
		78,736,779
Real Estate Investment Trusts (0.37%)		
Camden Property Trust	58,460	4,041,924
Real Estate Management & Development (0.27%)		
Zillow, Inc., Class A[(a)]	51,756	2,913,863