

LIBERTY ALL STAR EQUITY FUND

Form N-30B-2

June 01, 2011

**LIBERTY ALL-STAR® EQUITY FUND****Fund Statistics**

|                                  | Year 2010        | 1st Quarter 2011 |
|----------------------------------|------------------|------------------|
| Period End Net Asset Value (NAV) | \$5.69           | \$5.92           |
| Period End Market Price          | \$4.93           | \$5.26           |
| Period End Discount              | 13.4%            | 11.1%            |
| Distribution                     | \$0.31           | \$0.09           |
| Market Price Trading Range       | \$3.82 to \$4.98 | \$4.94 to \$5.40 |
| Discount Range                   | 10.4% to 17.6%   | 10.5% to 14.2%   |

**Performance**

|   |        |       |
|---|--------|-------|
| Shares Valued at NAV                                    | 15.59% | 5.61% |
| Shares Valued at NAV with Dividends Reinvested          | 16.28% | 5.89% |
| Shares Valued at Market Price with Dividends Reinvested | 21.69% | 8.59% |
| S&P 500 Index   | 15.06% | 5.92% |
| Lipper Large-Cap Core Mutual Fund Average*              | 12.94% | 5.41% |
| NAV Reinvested Percentile Rank (1 = best; 100 = worst)  | 10th   | 39th  |
| Number of Funds in Category                             | 1069   | 1115  |

\* Percentile ranks calculated using the Fund's NAV Reinvested results within the Lipper Large-Cap Core Open-end Mutual Fund Universe. 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 18.

**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. 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:

April 2011

Equity markets proved to be resilient in the first quarter, as they overcame uncertainties that ringed the globe from turmoil in Libya and the Middle East to the tragedy in Japan to mixed economic signals in the U.S. The S&P 500 Index returned 5.92 percent, rising for the third consecutive quarter and the seventh out of the last eight dating to the start of the market rebound in March 2009. The widely followed Dow Jones Industrial Average gained 7.07 percent marking its best first quarter advance in percentage terms in 12 years.

Despite the positive conclusion, stocks were volatile over the quarter which was to be expected given headline events that kept financial markets on edge. The S&P 500 gained 2.37 percent in January and picked up further momentum with a 3.43 percent advance in February. But investors were unnerved by a combination of factors in March, primarily: the catastrophe and ensuing nuclear crisis in Japan, the world's third-largest economy, beginning on March 11. At the close of the quarter, however, even March was positive, as the S&P 500 eked out a 0.04 percent monthly advance.

In terms of sentiment overall, despite the wall of worry over global geopolitical events and domestic economic trends, the market had a positive tone to it. For the first time in two years, investors put more money into stocks than into bonds, according to Thomson Reuters. Equity funds had estimated net inflows of \$48.7 billion (bond funds took in an estimated \$27.5 billion).

For the quarter, Liberty All-Star® Equity Fund performed in-line with or outperformed relevant benchmarks. The Fund returned 5.61 percent with shares valued at net asset value (NAV), 5.69 percent with shares valued at NAV with dividends reinvested and 8.59 percent with shares valued at market price (with dividends reinvested). As noted earlier, the S&P 500 Index returned 5.92 percent. The Lipper Large-Cap Core Mutual Fund Average returned 5.41 percent for the quarter; the Fund ranked in the 39th percentile in that universe for the initial period in 2011. The Fund's good first quarter builds on strong absolute and relative returns for 2010, as summarized in the table on the facing page. The Fund ranked in the top decile in the Lipper universe last year, the second consecutive calendar year of top decile results within its benchmark universe.

The discount at which Fund shares traded relative to their underlying NAV ranged from 10.5 percent to 14.2 percent over the quarter, representing a continuation of the trend toward narrower discounts that the Fund experienced last year. This is a trend within the closed-end fund industry, as well, and is a welcome development that we hope will continue.

President's Letter

Liberty All-Star® Equity Fund

We are gratified that the Fund is off to a solid start for 2011, its 25th anniversary year. As I commented in the annual report for 2010, we believe that Fund performance through time has validated its multi-manager structure and its ability to meet its objective of serving as a high quality, long-term, core equity holding. Be assured that we at Liberty All-Star® Equity Fund will continue to do our best to manage the Fund with the best long-term interests of shareholders first and foremost.

Sincerely,

William R. Parmentier, Jr.

President and Chief Executive Officer

Liberty All-Star® Equity Fund

The views expressed in the President's letter reflect the views of the President as of April 2011 and may not reflect his 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.

Liberty All-Star® Equity Fund

Table of Distributions &amp; Rights Offerings

| Year                    | Per Share<br>Distributions | Month<br>Completed | Rights Offerings<br>Shares Needed to |                       | Tax Credits* |
|-------------------------|----------------------------|--------------------|--------------------------------------|-----------------------|--------------|
|                         |                            |                    | Purchase One<br>Additional Share     | Subscription<br>Price |              |
| 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                    |                            |                    |                                      |                       |              |
| 1 <sup>st</sup> Quarter | 0.09                       |                    |                                      |                       |              |

\* 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.

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First Quarter Report (Unaudited) | March 31, 2011

Top 20 Holdings & Economic Sectors  
 March 31, 2011 (Unaudited)

Liberty All-Star<sup>®</sup> Equity Fund

| <b>Top 20 Holdings*</b>            | <b>Percent of Net Assets</b> |
|------------------------------------|------------------------------|
| Apple, Inc.                        | 2.65%                        |
| JPMorgan Chase & Co.               | 2.22                         |
| Dell, Inc.                         | 1.85                         |
| Bank of America Corp.              | 1.83                         |
| QUALCOMM, Inc.                     | 1.69                         |
| Arch Coal, Inc.                    | 1.54                         |
| PNC Financial Services Group, Inc. | 1.45                         |
| Google, Inc., Class A              | 1.43                         |
| Visa, Inc., Class A                | 1.32                         |
| Consol Energy, Inc.                | 1.23                         |
| Rockwell Automation, Inc.          | 1.18                         |
| The Allstate Corp.                 | 1.14                         |
| Amazon.com, Inc.                   | 1.14                         |
| Citigroup, Inc.                    | 1.08                         |
| Wells Fargo & Co.                  | 1.08                         |
| Zimmer Holdings, Inc.              | 1.06                         |
| The Western Union Co.              | 1.04                         |
| State Street Corp.                 | 1.03                         |
| BP PLC                             | 1.00                         |
| Costco Wholesale Corp.             | 0.97                         |
|                                    | 27.93%                       |

| <b>Economic Sectors*</b>   | <b>Percent of Net Assets</b> |
|----------------------------|------------------------------|
| Information Technology     | 23.00%                       |
| Financials                 | 19.27                        |
| Energy                     | 14.49                        |
| Health Care                | 10.94                        |
| Consumer Discretionary     | 10.04                        |
| Industrials                | 8.25                         |
| Consumer Staples           | 5.49                         |
| Materials                  | 3.49                         |
| Utilities                  | 2.03                         |
| Telecommunication Services | 0.87                         |
| Other Net Assets           | 2.13                         |
|                            | 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.

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Liberty All-Star® Equity Fund

Major Stock Changes in the Quarter

The following are the major (\$3 million or more) stock changes - both purchases and sales - that were made in the Fund's portfolio during the first quarter of 2011.

| Security Name                  | Purchases (Sales) | Shares as of 3/31/11 |
|--------------------------------|-------------------|----------------------|
| <b>Purchases</b>               |                   |                      |
| Baidu, Inc.                    | 28,233            | 74,549               |
| Celgene Corp.                  | 91,664            | 133,063              |
| Molson Coors Brewing Co.       | 119,425           | 119,425              |
| Monster Worldwide, Inc.        | 312,700           | 602,700              |
| Rockwell Automation, Inc.      | 39,791            | 134,841              |
| Royal Dutch Shell PLC, Class A | 57,400            | 57,400               |
| Royal Dutch Shell PLC, Class B | 30,325            | 30,325               |
| The TJX Companies, Inc.        | 68,855            | 68,855               |
| Visa, Inc., Class A            | 41,199            | 194,341              |
| <b>Sales</b>                   |                   |                      |
| Apache Corp.                   | (37,100)          | 0                    |
| Chesapeake Energy Corp.        | (97,120)          | 272,829              |
| Genzyme Corp.                  | (65,000)          | 0                    |
| IntercontinentalExchange, Inc. | (38,506)          | 0                    |
| International Rectifier Corp.  | (230,483)         | 0                    |
| Magna International, Inc.      | (65,115)          | 74,325               |
| Marvell Technology Group Ltd.  | (491,620)         | 0                    |
| The Procter & Gamble Co.       | (51,500)          | 65,000               |
| Target Corp.                   | (81,520)          | 0                    |
| Terex Corp.                    | (127,878)         | 0                    |
| Valero Energy Corp.            | (209,150)         | 304,700              |



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:**

**Schneider Capital**

**Cornerstone Capital Management, Inc.**

**Management Corporation**

GROWTH/Companies whose consensus expectations fail to recognize their true earnings power.

VALUE/Companies that are overlooked and undervalued

where the firm expects a rebound in earnings.

**TCW Investment**

**Management Company**

GROWTH/Companies that have superior sales growth, leading and/or rising market shares, and high and/or rising profit margins.

**Pzena Investment**

**Management, LLC**

VALUE/Companies with low price-to-normalized

earnings ratios that have the ability to generate earnings recovery.

**Matrix Asset Advisors, Inc.**

VALUE/Companies that are financially strong and trade below their enterprise value.

**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 March 31, 2011 (Unaudited)*

|   | Investment Style Spectrum |       |        |             |        | TOTAL FUND | S&P 500 INDEX |
|---|---------------------------|-------|--------|-------------|--------|------------|---------------|
|   | Value                     |       |        |             | Growth |            |               |
|   | SCHNEIDER                 | PZENA | MATRIX | CORNERSTONE | TCW    |            |               |
| Number of Holdings                                | 40                        | 42    | 39     | 45          | 32     | 163*       | 500           |
| Percent of Holdings in Top 10                     | 51%                       | 35%   | 35%    | 38%         | 44%    | 17%        | 19%           |
| Weighted Average Market Capitalization (billions) | \$41                      | \$60  | \$58   | \$56        | \$59   | \$55       | \$92          |
| Average Five-Year Earnings Per Share Growth       | (10)%                     | (2)%  | (4)%   | 22%         | 25%    | 6%         | 4%            |

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|                        |      |      |      |      |      |      |      |
|------------------------|------|------|------|------|------|------|------|
| Dividend Yield         | 1.2% | 1.6% | 1.3% | 0.7% | 0.6% | 1.1% | 1.8% |
| Price/Earnings Ratio** | 16x  | 12x  | 15x  | 20x  | 26x  | 18x  | 16x  |
| Price/Book Value Ratio | 1.9x | 2.0x | 2.7x | 4.9x | 5.9x | 3.5x | 3.4x |

\* Certain holdings are held by more than one manager.

\*\* Excludes negative earnings.

Liberty All-Star® Equity Fund

Schedule of Investments

|  | SHARES  | MARKET VALUE |
|--|---------|--------------|
| <b>COMMON STOCKS (97.87%)</b>                          |         |              |
| <b>CONSUMER DISCRETIONARY (10.04%)</b>                 |         |              |
| <b>Auto Components (0.33%)</b>                         |         |              |
| Magna International, Inc.                              | 74,325  | \$3,560,911  |
| <b>Automobiles (0.04%)</b>                             |         |              |
| General Motors Co. <sup>(a)</sup>                      | 14,455  | 448,539      |
| <b>Diversified Consumer Services (0.75%)</b>           |         |              |
| Apollo Group, Inc., Class A <sup>(a)</sup>             | 194,285 | 8,103,627    |
| <b>Hotels, Restaurants &amp; Leisure (0.90%)</b>       |         |              |
| Carnival Corp.   | 253,860 | 9,738,069    |
| <b>Household Durables (1.67%)</b>                      |         |              |
| DR Horton, Inc.  | 584,892 | 6,813,992    |
| Fortune Brands, Inc.                                   | 65,725  | 4,067,720    |
| NVR, Inc. <sup>(a)</sup>                               | 9,420   | 7,121,520    |
|  |         | 18,003,232   |
| <b>Internet &amp; Catalog Retail (1.89%)</b>           |         |              |
| Amazon.com, Inc. <sup>(a)</sup>                        | 68,191  | 12,283,245   |
| Expedia, Inc.  | 78,000  | 1,767,480    |
| priceline.com, Inc. <sup>(a)</sup>                     | 12,700  | 6,431,788    |
|  |         | 20,482,513   |
| <b>Media (1.83%)</b>                                   |         |              |
| Discovery Communications, Inc., Class A <sup>(a)</sup> | 22,212  | 886,259      |
| Discovery Communications, Inc., Class C <sup>(a)</sup> | 56,304  | 1,982,464    |
| The McGraw Hill Cos., Inc.                             | 181,000 | 7,131,400    |
| Omnicom Group, Inc.                                    | 107,825 | 5,289,894    |
| The Walt Disney Co.                                    | 104,954 | 4,522,468    |
|  |         | 19,812,485   |
| <b>Multi-Line Retail (0.82%)</b>                       |         |              |
| J.C. Penney Co., Inc.                                  | 245,525 | 8,816,803    |
| <b>Specialty Retail (1.49%)</b>                        |         |              |
| Dick's Sporting Goods, Inc. <sup>(a)</sup>             | 91,643  | 3,663,887    |
| Staples, Inc.  | 285,000 | 5,534,700    |
| Tiffany & Co.  | 21,377  | 1,313,403    |
| The TJX Cos., Inc.                                     | 68,855  | 3,424,159    |
| Urban Outfitters, Inc. <sup>(a)</sup>                  | 74,611  | 2,225,646    |

16,161,795

**Textiles, Apparel & Luxury Goods (0.32%)**

Burberry Group PLC<sup>(b)</sup>

90,264

3,411,979

*See Notes to Schedule of Investments.*

Schedule of Investments  
March 31, 2011 (Unaudited)

Liberty All-Star<sup>®</sup> Equity Fund

|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                |         |              |
| <b>CONSUMER STAPLES (5.49%)</b>                 |         |              |
| <b>Beverages (1.18%)</b>                        |         |              |
| The Coca-Cola Co.                               | 43,000  | \$2,853,050  |
| Diageo PLC <sup>(b)</sup>                       | 56,255  | 4,287,756    |
| Molson Coors Brewing Co., Class B               | 119,425 | 5,599,838    |
|   |         | 12,740,644   |
| <b>Food &amp; Staples Retailing (2.13%)</b>     |         |              |
| Costco Wholesale Corp.                          | 142,724 | 10,464,524   |
| CVS Caremark Corp.                              | 159,200 | 5,463,744    |
| Walgreen Co.                                    | 175,500 | 7,044,570    |
|   |         | 22,972,838   |
| <b>Food Products (1.30%)</b>                    |         |              |
| Archer-Daniels-Midland Co.                      | 128,000 | 4,609,280    |
| General Mills, Inc.                             | 113,602 | 4,152,153    |
| Mead Johnson Nutrition Co.                      | 91,200  | 5,283,216    |
|   |         | 14,044,649   |
| <b>Household Products (0.37%)</b>               |         |              |
| The Procter & Gamble Co.                        | 65,000  | 4,004,000    |
| <b>Personal Products (0.21%)</b>                |         |              |
| Avon Products, Inc.                             | 84,943  | 2,296,859    |
| <b>Tobacco (0.30%)</b>                          |         |              |
| Philip Morris International, Inc.               | 50,224  | 3,296,201    |
| <b>ENERGY (14.49%)</b>                          |         |              |
| <b>Energy Equipment &amp; Services (3.51%)</b>  |         |              |
| FMC Technologies, Inc. <sup>(a)</sup>           | 81,110  | 7,663,273    |
| Oceaneering International, Inc. <sup>(a)</sup>  | 64,600  | 5,778,470    |
| Schlumberger Ltd.                               | 94,330  | 8,797,216    |
| Tidewater, Inc.                                 | 124,000 | 7,421,400    |
| Weatherford International Ltd. <sup>(a)</sup>   | 363,505 | 8,215,213    |
|   |         | 37,875,572   |
| <b>Oil, Gas &amp; Consumable Fuels (10.98%)</b> |         |              |
| Anadarko Petroleum Corp.                        | 81,666  | 6,690,079    |
| Arch Coal, Inc.                                 | 461,735 | 16,640,929   |
| BP PLC <sup>(b)</sup>                           | 244,307 | 10,783,711   |
| Chesapeake Energy Corp.                         | 272,829 | 9,145,228    |
| Chevron Corp.                                   | 63,000  | 6,768,090    |
| ConocoPhillips                                  | 111,000 | 8,864,460    |
| Consol Energy, Inc.                             | 246,870 | 13,239,638   |

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|  |         |           |
|--|---------|-----------|
| Devon Energy Corp.                           | 89,000  | 8,167,530 |
| Exxon Mobil Corp.                            | 102,150 | 8,593,880 |
| Occidental Petroleum Corp.                   | 74,300  | 7,763,607 |
| <i>See Notes to Schedule of Investments.</i> |         |           |

Liberty All-Star<sup>®</sup> Equity Fund

Schedule of Investments

|  | SHARES    | MARKET VALUE |
|--|-----------|--------------|
| <b>COMMON STOCKS (continued)</b>                   |           |              |
| <b>Oil, Gas &amp; Consumable Fuels (continued)</b> |           |              |
| Petrohawk Energy Corp. <sup>(a)</sup>              | 266,628   | \$6,543,051  |
| Royal Dutch Shell PLC, Class A <sup>(b)</sup>      | 57,400    | 4,182,164    |
| Royal Dutch Shell PLC, Class B <sup>(b)</sup>      | 30,325    | 2,221,003    |
| Valero Energy Corp.                                | 304,700   | 9,086,154    |
|  |           | 118,689,524  |
| <b>FINANCIALS (19.27%)</b>                         |           |              |
| <b>Capital Markets (4.26%)</b>                     |           |              |
| Bank of New York Mellon Corp.                      | 226,000   | 6,750,620    |
| The Charles Schwab Corp.                           | 234,400   | 4,226,232    |
| The Goldman Sachs Group, Inc.                      | 50,442    | 7,993,544    |
| Morgan Stanley                                     | 341,900   | 9,340,708    |
| State Street Corp.                                 | 247,450   | 11,120,403   |
| UBS AG <sup>(a)</sup>                              | 368,425   | 6,650,071    |
|  |           | 46,081,578   |
| <b>Commercial Banks (2.88%)</b>                    |           |              |
| BB&T Corp.   | 140,000   | 3,843,000    |
| PNC Financial Services Group, Inc.                 | 248,421   | 15,648,039   |
| Wells Fargo & Co.                                  | 368,180   | 11,671,306   |
|  |           | 31,162,345   |
| <b>Consumer Finance (0.54%)</b>                    |           |              |
| American Express Co.                               | 129,500   | 5,853,400    |
| <b>Diversified Financial Services (5.13%)</b>      |           |              |
| Bank of America Corp.                              | 1,481,029 | 19,742,117   |
| Citigroup, Inc. <sup>(a)</sup>                     | 2,648,943 | 11,708,328   |
| JPMorgan Chase & Co.                               | 520,065   | 23,974,996   |
|  |           | 55,425,441   |
| <b>Insurance (5.90%)</b>                           |           |              |
| ACE Ltd.   | 161,012   | 10,417,476   |
| Aflac, Inc.  | 38,782    | 2,046,914    |
| The Allstate Corp.                                 | 388,055   | 12,332,388   |
| Assured Guaranty Ltd.                              | 311,159   | 4,636,269    |
| Axis Capital Holdings Ltd.                         | 169,975   | 5,935,527    |
| Brown & Brown, Inc.                                | 6,090     | 157,122      |
| Fidelity National Financial, Inc., Class A         | 305,475   | 4,316,362    |
| The Hartford Financial Services Group, Inc.        | 78,925    | 2,125,450    |
| Lincoln National Corp.                             | 69,840    | 2,097,994    |
| MetLife, Inc.                                      | 44,400    | 1,986,012    |
| RenaissanceRe Holdings Ltd.                        | 58,560    | 4,040,054    |

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|                           |         |            |
|---------------------------|---------|------------|
| Torchmark Corp.           | 89,500  | 5,949,960  |
| Willis Group Holdings PLC | 191,160 | 7,715,218  |
|                           |         | 63,756,746 |

**Real Estate Investment Trusts (0.35%)**

|                                 |         |           |
|---------------------------------|---------|-----------|
| Annaly Capital Management, Inc. | 205,534 | 3,586,568 |
|---------------------------------|---------|-----------|

*See Notes to Schedule of Investments.*



Schedule of Investments  
March 31, 2011 (Unaudited)

Liberty All-Star<sup>®</sup> Equity Fund

|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                    |         |              |
| <b>Real Estate Investment Trusts (continued)</b>    |         |              |
| Sunstone Hotel Investors, Inc. <sup>(a)</sup>       | 17,880  | \$182,197    |
|   |         | 3,768,765    |
| <b>Thrifts &amp; Mortgage Finance (0.21%)</b>       |         |              |
| MGIC Investment Corp. <sup>(a)</sup>                | 249,637 | 2,219,273    |
| <b>HEALTH CARE (10.94%)</b>                         |         |              |
| <b>Biotechnology (1.67%)</b>                        |         |              |
| Celgene Corp. <sup>(a)</sup>                        | 133,063 | 7,655,114    |
| Gilead Sciences, Inc. <sup>(a)</sup>                | 157,839 | 6,698,687    |
| Myriad Genetics, Inc. <sup>(a)</sup>                | 181,177 | 3,650,717    |
|   |         | 18,004,518   |
| <b>Health Care Equipment &amp; Supplies (3.66%)</b> |         |              |
| Covidien Ltd.                                       | 40,000  | 2,077,600    |
| Intuitive Surgical, Inc. <sup>(a)</sup>             | 18,000  | 6,002,280    |
| NuVasive, Inc. <sup>(a)</sup>                       | 138,960 | 3,518,467    |
| St. Jude Medical, Inc.                              | 135,000 | 6,920,100    |
| Varian Medical Systems, Inc. <sup>(a)</sup>         | 107,900 | 7,298,356    |
| Volcano Corp. <sup>(a)</sup>                        | 86,779  | 2,221,543    |
| Zimmer Holdings, Inc. <sup>(a)</sup>                | 190,025 | 11,502,213   |
|   |         | 39,540,559   |
| <b>Health Care Providers &amp; Services (1.71%)</b> |         |              |
| Aetna, Inc.   | 113,350 | 4,242,691    |
| Brookdale Senior Living, Inc. <sup>(a)</sup>        | 187,974 | 5,263,272    |
| Laboratory Corp. of America Holdings <sup>(a)</sup> | 46,775  | 4,309,381    |
| WellPoint, Inc.                                     | 66,999  | 4,675,860    |
|   |         | 18,491,204   |
| <b>Health Care Technology (0.72%)</b>               |         |              |
| Cerner Corp. <sup>(a)</sup>                         | 70,032  | 7,787,558    |
| <b>Life Sciences Tools &amp; Services (0.55%)</b>   |         |              |
| Life Technologies Corp. <sup>(a)</sup>              | 112,700 | 5,907,734    |
| <b>Pharmaceuticals (2.63%)</b>                      |         |              |
| Allergan, Inc.                                      | 85,700  | 6,086,414    |
| Bristol-Myers Squibb Co.                            | 198,800 | 5,254,284    |
| Forest Laboratories, Inc. <sup>(a)</sup>            | 197,250 | 6,371,175    |
| Johnson & Johnson                                   | 89,225  | 5,286,581    |
| Teva Pharmaceutical Industries Ltd. <sup>(b)</sup>  | 108,400 | 5,438,428    |

28,436,882

**INDUSTRIALS (8.25%)**

**Aerospace & Defense (3.49%)**

|                        |        |           |
|------------------------|--------|-----------|
| The Boeing Co.         | 57,210 | 4,229,535 |
| General Dynamics Corp. | 87,449 | 6,695,096 |
| Goodrich Corp.         | 53,710 | 4,593,816 |

*See Notes to Schedule of Investments.*

Liberty All-Star® Equity Fund

Schedule of Investments

|  | SHARES  | MARKET VALUE |
|--|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                   |         |              |
| <b>Aerospace &amp; Defense (continued)</b>         |         |              |
| Huntington Ingalls Industries, Inc. <sup>(a)</sup> | 21,863  | \$907,294    |
| L-3 Communications Holdings, Inc.                  | 93,425  | 7,316,112    |
| Northrop Grumman Corp.                             | 131,175 | 8,225,984    |
| Precision Castparts Corp.                          | 38,900  | 5,725,302    |
|  |         | 37,693,139   |
| <b>Air Freight &amp; Logistics (1.41%)</b>         |         |              |
| C.H. Robinson Worldwide, Inc.                      | 136,545 | 10,122,081   |
| Expeditors International of Washington, Inc.       | 103,390 | 5,183,974    |
|  |         | 15,306,055   |
| <b>Building Products (0.39%)</b>                   |         |              |
| Masco Corp.  | 302,675 | 4,213,236    |
| <b>Construction &amp; Engineering (0.43%)</b>      |         |              |
| Fluor Corp.  | 63,114  | 4,648,977    |
| <b>Electrical Equipment (1.18%)</b>                |         |              |
| Rockwell Automation, Inc.                          | 134,841 | 12,762,701   |
| <b>Industrial Conglomerates (0.29%)</b>            |         |              |
| Textron, Inc.                                      | 113,157 | 3,099,370    |
| <b>Machinery (0.88%)</b>                           |         |              |
| Navistar International Corp. <sup>(a)</sup>        | 83,856  | 5,813,737    |
| Pentair, Inc.                                      | 98,866  | 3,736,146    |
|  |         | 9,549,883    |
| <b>Transportation Infrastructure (0.18%)</b>       |         |              |
| Aegean Marine Petroleum Network, Inc.              | 234,760 | 1,915,642    |
| <b>INFORMATION TECHNOLOGY (23.00%)</b>             |         |              |
| <b>Communications Equipment (3.50%)</b>            |         |              |
| Acme Packet, Inc. <sup>(a)</sup>                   | 70,764  | 5,021,413    |
| Cisco Systems, Inc.                                | 465,945 | 7,990,957    |
| Harris Corp.                                       | 23,500  | 1,165,600    |
| Polycom, Inc. <sup>(a)</sup>                       | 103,662 | 5,374,875    |
| QUALCOMM, Inc.                                     | 332,603 | 18,236,622   |

|   |           |            |
|---|-----------|------------|
|   |           | 37,789,467 |
| <b>Computers &amp; Peripherals (5.44%)</b>            |           |            |
| Apple, Inc. <sup>(a)</sup>                            | 82,081    | 28,601,124 |
| Dell, Inc. <sup>(a)</sup>                             | 1,374,705 | 19,946,970 |
| Hewlett-Packard Co.                                   | 249,250   | 10,211,773 |
|   |           | 58,759,867 |
| <b>Electronic Equipment &amp; Instruments (1.91%)</b> |           |            |
| Avnet, Inc. <sup>(a)</sup>                            | 114,550   | 3,905,010  |
| Corning, Inc.   | 345,000   | 7,117,350  |
| <i>See Notes to Schedule of Investments.</i>          |           |            |

Schedule of Investments  
March 31, 2011 (Unaudited)

Liberty All-Star® Equity Fund

|  | SHARES  | MARKET VALUE |
|--|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                             |         |              |
| <b>Electronic Equipment &amp; Instruments (continued)</b>    |         |              |
| Tyco Electronics Ltd.  | 276,125 | \$9,614,672  |
|  |         | 20,637,032   |
| <b>Internet Software &amp; Services (4.40%)</b>              |         |              |
| Baidu, Inc. <sup>(a)(b)</sup>                                | 74,549  | 10,273,597   |
| eBay, Inc. <sup>(a)</sup>                                    | 258,000 | 8,008,320    |
| Google, Inc., Class A <sup>(a)</sup>                         | 26,318  | 15,427,875   |
| Monster Worldwide, Inc. <sup>(a)</sup>                       | 602,700 | 9,582,930    |
| VistaPrint Ltd. <sup>(a)</sup>                               | 81,903  | 4,250,766    |
|  |         | 47,543,488   |
| <b>IT Services (3.14%)</b>                                   |         |              |
| Cognizant Technology Solutions Corp., Class A <sup>(a)</sup> | 96,100  | 7,822,540    |
| International Business Machines Corp.                        | 3,500   | 570,745      |
| Visa, Inc., Class A  | 194,341 | 14,307,384   |
| The Western Union Co.  | 543,122 | 11,280,644   |
|  |         | 33,981,313   |
| <b>Semiconductors &amp; Semiconductor Equipment (1.78%)</b>  |         |              |
| Analog Devices, Inc.   | 172,000 | 6,773,360    |
| ARM Holdings PLC <sup>(b)</sup>                              | 95,455  | 2,688,968    |
| Broadcom Corp., Class A                                      | 111,606 | 4,395,044    |
| MEMC Electronic Materials, Inc. <sup>(a)</sup>               | 417,895 | 5,415,919    |
|  |         | 19,273,291   |
| <b>Software (2.83%)</b>                                      |         |              |
| CA, Inc.   | 272,250 | 6,583,005    |
| Microsoft Corp.  | 346,225 | 8,780,266    |
| Oracle Corp.   | 248,761 | 8,301,155    |
| Salesforce.com, Inc. <sup>(a)</sup>                          | 51,800  | 6,919,444    |
|  |         | 30,583,870   |
| <b>MATERIALS (3.49%)</b>                                     |         |              |
| <b>Chemicals (2.22%)</b>                                     |         |              |
| The Dow Chemical Co.   | 60,410  | 2,280,477    |
| Ecolab, Inc.   | 85,334  | 4,353,741    |
| PPG Industries, Inc.   | 64,125  | 6,105,341    |
| Praxair, Inc.  | 70,700  | 7,183,120    |
| The Sherwin-Williams Co.                                     | 48,400  | 4,065,116    |
|  |         | 23,987,795   |
| <b>Metals &amp; Mining (1.27%)</b>                           |         |              |
| Alcoa, Inc.  | 410,000 | 7,236,500    |
| Freeport-McMoRan Copper & Gold, Inc.                         | 61,541  | 3,418,603    |
| Silver Wheaton Corp.   | 70,400  | 3,052,544    |

13,707,647

**TELECOMMUNICATION SERVICES (0.87%)**

**Wireless Telecommunication Services (0.87%)**

American Tower Corp., Class A<sup>(a)</sup>

165,460

8,574,137

*See Notes to Schedule of Investments.*

Liberty All-Star® Equity Fund

Schedule of Investments

|   | SHARES           | MARKET VALUE  |
|---|------------------|---------------|
| <b>COMMON STOCKS (continued)</b>                                |                  |               |
| <b>Wireless Telecommunication Services (continued)</b>          |                  |               |
| Sprint Nextel Corp. <sup>(a)</sup>                              | 176,830          | \$820,491     |
|   |                  | 9,394,628     |
| <b>UTILITIES (2.03%)</b>  |                  |               |
| <b>Electric Utilities (0.96%)</b>                               |                  |               |
| Edison International  | 112,175          | 4,104,483     |
| FirstEnergy Corp.   | 168,912          | 6,264,946     |
|   |                  | 10,369,429    |
| <b>Gas Utilities (0.58%)</b>                                    |                  |               |
| EQT Corp.   | 125,341          | 6,254,516     |
| <b>Independent Power Producers &amp; Energy Traders (0.49%)</b> |                  |               |
| GenOn Energy, Inc. <sup>(a)</sup>                               | 1,404,270        | 5,350,269     |
| <b>TOTAL COMMON STOCKS</b><br>(COST OF \$952,092,359)           |                  | 1,057,717,858 |
| <b>EXCHANGE TRADED FUND (0.07%)</b>                             |                  |               |
| iShares Russell 1000 Value Index Fund                           | 10,540           | 723,782       |
| <b>TOTAL EXCHANGE TRADED FUND</b><br>(COST OF \$659,799)        |                  | 723,782       |
|   | <b>PRINCIPAL</b> |               |
|   | <b>AMOUNT</b>    |               |
| <b>CORPORATE BOND (0.06%)</b>                                   |                  |               |
| <b>INDUSTRIALS (0.06%)</b>                                      |                  |               |
| <b>Airlines (0.06%)</b>   |                  |               |
| United Continental Holdings, Inc.<br>6.00%, 10/15/2029          | \$250,000        | 707,500       |
| <b>TOTAL CORPORATE BOND</b><br>(COST OF \$548,849)              |                  | 707,500       |

*See Notes to Schedule of Investments.*



Schedule of Investments  
March 31, 2011 (Unaudited)

Liberty All-Star® Equity Fund

|  | PAR VALUE    | MARKET VALUE    |
|--|--------------|-----------------|
| <b>SHORT TERM INVESTMENT (2.33%)</b>   |              |                 |
| <b>REPURCHASE AGREEMENT (2.33%)</b>  |              |                 |
| Repurchase agreement with State Street Bank & Trust Co., dated 03/31/11, due 04/01/11 at 0.01%, collateralized by several Fannie Mae and Freddie Mac instruments with various maturity dates, market value of \$25,652,923 (Repurchase proceeds of \$25,142,007) | \$25,142,000 | \$25,142,000    |
| <b>TOTAL SHORT TERM INVESTMENT</b>   |              |                 |
| (COST OF \$25,142,000)   |              | 25,142,000      |
| <b>TOTAL INVESTMENTS (100.33%)</b>   |              |                 |
| (COST OF \$978,443,007) <sup>(c)</sup>   |              | 1,084,291,140   |
| <b>LIABILITIES IN EXCESS OF OTHER ASSETS (-0.33%)</b>  |              | (3,606,655)     |
| <b>NET ASSETS (100.00%)</b>  |              | \$1,080,684,485 |
| <b>NET ASSET VALUE PER SHARE</b>   |              |                 |
| (182,678,079 SHARES OUTSTANDING)   |              | \$5.92          |

- (a) Non-income producing security.  
(b) American Depositary Receipt.  
(c) Cost of investments for federal income tax purposes is \$989,049,957.

Gross unrealized appreciation and depreciation at March 31, 2011 based on cost of

investments for federal income tax purposes is as follows:

|                                    |                     |
|------------------------------------|---------------------|
| Gross unrealized appreciation      | \$182,370,373       |
| Gross unrealized depreciation      | (87,129,190)        |
| <b>Net unrealized appreciation</b> | <b>\$95,241,183</b> |

For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets. These industry classifications are unaudited.

See Notes to Schedule of Investments.



**Security Valuation**

Equity securities including common stocks and exchange traded funds are valued at the last sale price at the close of the principal exchange on which they trade, except for securities listed on the National Association of Securities Dealers Automated Quotations ( NASDAQ ) exchange, which are valued at the NASDAQ official closing price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Debt securities generally are valued by pricing services approved by the Liberty All-Star® Equity Fund s (the Fund ) Board of Trustees (the Board ). The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available are valued at an over-the-counter or exchange bid quotation.

Short-term debt obligations maturing in more than 60 days for which market quotations are readily available are valued at current market value. Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value.

Investments for which market quotations are not readily available are valued at fair value as determined in good faith under consistently applied procedures approved by and under the general supervision of the Board.

**Foreign Securities**

The Fund invests in foreign securities including American Depositary Receipts, which may involve a number of risk factors and special considerations not present with investments in securities of U.S. corporations.

**Security Transactions**

Security transactions are accounted for on the trade date. Cost is determined and gains/(losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

**Repurchase Agreements**

The Fund may engage in repurchase agreement transactions with institutions that the Fund s investment advisor has determined are creditworthy. The Fund, through its custodian, receives delivery of underlying securities collateralizing a repurchase agreement. Collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays or restrictions upon a Fund s ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

**Income Recognition**

Interest income is recorded on the accrual basis. Premium and discount are amortized and accreted, respectively, on all debt securities. Corporate actions and dividend income are recorded on the ex-date.

The Fund estimates components of distributions from real estate investment trusts ( REITs ). Distributions received in excess of income are recorded as a reduction of the cost of the related investments. Once the REIT reports annually the tax character of its distributions, the Fund revises its estimates. If the Fund no longer owns the applicable securities, any distributions received in excess of income are recorded as realized gains.

**Fair Value Measurements**

The Fund discloses the classification of its fair value measurements following the three-tier hierarchy based on the inputs used to measure fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available.

Various inputs are used in determining the value of the Fund's investments as of the end of the reporting period. When inputs used fall into different levels of the fair value hierarchy, the level in the hierarchy within the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The designated input levels are not necessarily an indication of the risk or liquidity associated with these investments. These inputs are categorized in the following hierarchy under applicable financial accounting standards:

- Level 1** Unadjusted quoted prices in active markets for identical investments
  - Level 2** Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
  - Level 3** Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)
- The following is a summary of the inputs used to value the Fund's investments as of March 31, 2011:

| Investments in Securities at Value* | Valuation Inputs        |                      |           |                         |
|-------------------------------------|-------------------------|----------------------|-----------|-------------------------|
|                                     | Level 1                 | Level 2              | Level 3   | Total                   |
| Common Stocks                       | \$ 1,057,717,858        | \$                   | \$        | \$ 1,057,717,858        |
| Exchange Traded Fund                | 723,782                 |                      |           | 723,782                 |
| Corporate Bond                      |                         | 707,500              |           | 707,500                 |
| Short Term Investment               |                         | 25,142,000           |           | 25,142,000              |
| <b>Total</b>                        | <b>\$ 1,058,441,640</b> | <b>\$ 25,849,500</b> | <b>\$</b> | <b>\$ 1,084,291,140</b> |

\*See Schedule of Investments for industry classifications

For the three months ended March 31, 2011, the Fund did not have any significant transfers between Level 1 and Level 2 securities. The Fund did not have any securities which used significant unobservable inputs (Level 3) in determining fair value.

**Indemnification**

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnities. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims against the Fund. Also, under the Fund's organizational documents and by contract, the Trustees and Officers of the Fund are indemnified against certain liabilities that may arise out of their duties to the Fund. However, based on experience, the Fund expects the risk of loss due to these warranties and indemnities to be minimal.

Description of Lipper Benchmark

and the S&P 500 Index

Liberty All-Star<sup>®</sup> Equity Fund

**Lipper Large-Cap Core Mutual Fund Average**

The average of funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) above Lipper's U.S. domestic equity large-cap floor. These funds typically have an average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P 500 Index.

**S&P 500 Index**

A representative sample of 500 leading companies in leading industries of the U.S. economy. Focuses on the large-cap segment of the market with approximately 75% coverage of U.S. equities.

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[www.all-starfunds.com](http://www.all-starfunds.com)







**INVESTMENT ADVISOR**

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PUBLIC ACCOUNTING FIRM**

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State Street Bank & Trust Company  
One Lincoln Street  
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**INVESTOR ASSISTANCE,  
TRANSFER & DIVIDEND  
DISBURSING AGENT & REGISTRAR**

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, Rhode Island 02940-3078  
1-800-LIB-FUND (1-800-542-3863)  
www.computershare.com

A description of the Fund's proxy voting policies and procedures is available (i) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov), and (ii) without charge, upon request, by calling 1-800-542-3863. Information regarding how the Fund voted proxies relating to portfolio securities during the 12-month period ended June 30th is available from the SEC's website at [www.sec.gov](http://www.sec.gov). Information regarding how the Fund voted proxies relating to portfolio securities is also available at [www.all-starfunds.com](http://www.all-starfunds.com).

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q's are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time to time shares of its own common stock in the open market.

This report is transmitted to shareholders of Liberty All-Star® Equity Fund for their information. It is not a prospectus or other document intended for use in the purchase of Fund shares.

**LEGAL COUNSEL**

K&L Gates LLP  
1601 K Street, NW  
Washington, DC 20006

**TRUSTEES**

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Thomas W. Brock\*  
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George R. Gaspari\*  
Richard W. Lowry\*, Chairman  
Dr. John J. Neuhauser\*  
Richard C. Rantzow\*

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Kimberly R. Storms, Assistant Treasurer  
Stephanie Barres, Secretary  
Melanie H. Zimdars, Chief Compliance Officer

\* Member of the Audit Committee

LAS000396 07/31/2011

