

LIBERTY ALL STAR EQUITY FUND

Form N-30B-2

November 29, 2011

LIBERTY ALL-STAR® EQUITY FUND**Period Ending September 30, 2011 (Unaudited)****Fund Statistics**

| | |
|-----------------------|--------|
| Net Asset Value (NAV) | \$4.58 |
| Market Price | \$4.10 |
| Discount | -10.5% |

| | Quarter | Year-to-Date |
|----------------------------|------------------|------------------|
| Distributions | \$0.08 | \$0.26 |
| Market Price Trading Range | \$4.09 to \$5.28 | \$4.09 to \$5.43 |
| Discount Range | 7.2% to 11.5% | 7.2% to 14.2% |

Performance

| | | |
|---|----------|----------|
| Shares Valued at NAV | (18.96)% | (15.75)% |
| Shares Valued at NAV with Dividends Reinvested | (18.80)% | (15.12)% |
| Shares Valued at Market Price with Dividends Reinvested | (19.29)% | (12.30)% |
| S&P 500 Index | (13.87)% | (8.68)% |
| Lipper Large-Cap Core Mutual Fund Average* | (15.06)% | (10.63)% |
| NAV Reinvested Percentile Rank (1 = best; 100 = worst) | 94th | 91st |
| Number of Funds in Category | 1,137 | 1,111 |

* 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 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:

October 2011

The third quarter represented the worst percentage decline for equities since the fourth quarter of 2008. The S&P 500 Index fell 13.87 percent and pulled that benchmark well into negative territory for the first nine months of 2011, a decline of 8.68 percent. By the end of September, the S&P 500 had declined for five consecutive months, marking its longest losing streak since March 2008. The widely followed Dow Jones Industrial Average retreated 12.1 percent during the quarter and closed down 5.7 percent through the first nine months of the year. Other key equity indices experienced sharp declines as well.

A number of factors combined to create the prevailing mood of pessimism. The first was the ongoing crisis in Europe. The risk of Greece defaulting on its debt stoked fears of a financial crisis like the one that hit the U.S. in 2008. Similar debt problems in Spain, Ireland, Portugal and Italy lurked, creating doubt about the future of the euro and the European Union. The second factor was slowing economies around the world. Gross domestic product growth in the U.S. during the second quarter was an anemic 1.3 percent. With unemployment remaining high, housing still depressed and consumer confidence ebbing, the debate domestically was whether the U.S. would slip back into recession--the so-called double dip. Falling industrial commodity prices were indicative of an economic slowdown in China, as well; and, the previously mentioned woes in Europe meant that growth there would likely remain stagnant. The third factor was the debt ceiling spectacle and concerns about the ability of this nation to put its own fiscal house in order.

In addition to the absolute declines in value, investors had to endure market volatility that was at its highest since the first quarter of 2009. The S&P 500 experienced daily moves (higher or lower) of greater than 1 percent on 21 percent of trading days in the first quarter and 24 percent of trading days in the second quarter. That figure soared to 55 percent in the third quarter, and since July 21 it is even higher--60 percent of all trading days until quarter's end.

For the quarter, Liberty All-Star Equity Fund lagged relevant benchmarks. The Fund declined 18.96 percent with shares valued at net asset value (NAV); -18.80 percent with shares valued at NAV with dividends reinvested; and -19.29 percent with shares valued at market price (with dividends reinvested). The Lipper Large-Cap Core Mutual Fund Average returned -15.06 percent for the quarter. The Fund's return ranked in the 94th percentile of the Lipper Large-Cap Core universe for the quarter. While the poor quarter meant that Fund performance fell below median for the trailing year, the Fund maintained its above average ranking in the Lipper universe over the past three years.

The discount at which Fund shares traded relative to their underlying NAV continued to narrow. For the quarter, shares traded in a discount range of 7.2 percent to 11.5 percent to NAV, which was below the second quarter and well below the high point of 15.3 percent reached earlier in the past 12 months.

During the quarter, Fund shareholders approved a new Fund Management Agreement with ALPS Advisors (AAI) and new Portfolio Management Agreements among the Fund, AAI and each Portfolio Manager. These approvals were needed to ensure that the operation of our Fund would continue without interruption once the acquisition of AAI's parent company, ALPS Holdings, Inc., by DST Systems was completed. DST Systems is publicly-traded and listed on the New York Stock

President's Letter

Liberty All-Star® Equity Fund

Exchange. AAI will continue to advise Liberty All-Star Equity Fund, and no change in investment management, objectives, distribution policy, or Board of Trustees composition is anticipated. After the quarter ended, the transaction closed on October 31.

By way of historical note, I would point out that Liberty All-Star Equity Fund completed its initial public offering and started trading on the New York Stock Exchange 25 years ago this quarter, the exact date being October 31, 1986. Over those two and one-half decades, we have witnessed a microcosm of financial and economic history: great bull markets, severe bear markets, recessions, recoveries, the birth of great new companies, and the demise of older ones. For its own modest place in history, Liberty All-Star Equity Fund brought multi-manager, multi-style investing--a-time-proven principle practiced by institutional investors--to individual investors and has had a fixed quarterly distribution policy in place since 1988. The Funds reinvested net asset value has increased 619.5 percent since its first fiscal calendar year of operation compared to a return of 567.7 percent for its primary investment benchmark, the Lipper Large Cap Core Mutual Fund Average. Also, over that period the Fund has paid out in excess of \$2.2 billion dollars or \$23.52 per share to its shareholders. Going forward, we will continue to adhere to the Fund's fundamental objectives and strategy to provide investors with a high quality, long-term, core equity holding. We thank you for your support and confidence in the Fund.

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 October 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 & Rights Offerings

| Year | Per Share Distributions | Month Completed | Rights Offerings Shares Needed to | | Tax Credits* |
|-------------------------|----------------------------|--------------------|--------------------------------------|-----------------------|--------------|
| | | | Purchase One Additional Share | Subscription 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 st Quarter | 0.09 | | | | |
| 2 nd Quarter | 0.09 | | | | |
| 3 rd Quarter | 0.08 | | | | |

* 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.

Edgar Filing: LIBERTY ALL STAR EQUITY FUND - Form N-30B-2

Third Quarter Report (Unaudited) | September 30, 2011

3

6

Top 20 Holdings & Economic Sectors
September 30, 2011 (Unaudited)

Liberty All-Star® Equity Fund

| Top 20 Holdings* | Percent of Net Assets |
|------------------------------------|------------------------------|
| Apple, Inc. | 3.38% |
| JPMorgan Chase & Co. | 2.07 |
| QUALCOMM, Inc. | 2.00 |
| Cisco Systems, Inc. | 1.88 |
| Wells Fargo & Co. | 1.84 |
| ACE Ltd. | 1.77 |
| Dell, Inc. | 1.57 |
| Google, Inc., Class A | 1.55 |
| The Allstate Corp. | 1.22 |
| Visa, Inc., Class A | 1.21 |
| Amazon.com, Inc. | 1.19 |
| BP PLC | 1.18 |
| PNC Financial Services Group, Inc. | 1.17 |
| Staples, Inc. | 1.15 |
| Baidu, Inc. | 1.11 |
| The Western Union Co. | 1.10 |
| American Tower Corp., Class A | 1.06 |
| Microsoft Corp. | 1.03 |
| Rockwell Automation, Inc. | 1.03 |
| Cerner Corp. | 1.02 |
| | 29.53% |
| Economic Sectors* | Percent of Net Assets |
| Information Technology | 25.37% |
| Financials | 18.43 |
| Energy | 13.19 |
| Consumer Discretionary | 11.09 |
| Health Care | 8.86 |
| Industrials | 8.25 |
| Consumer Staples | 6.10 |
| Materials | 3.66 |
| Utilities | 2.64 |
| Telecommunication Services | 1.47 |
| Other Net Assets | 0.94 |
| | 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.

Liberty All-Star® Equity Fund

Major Stock Changes in the Quarter

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 third quarter of 2011.

| Security Name | Purchases (Sales) | Shares as of 9/30/11 |
|------------------------------|-------------------|----------------------|
| Purchases | | |
| Arch Coal, Inc. | 233,630 | 555,545 |
| Computer Sciences Corp. | 148,500 | 148,500 |
| Medco Health Solutions, Inc. | 105,210 | 105,210 |
| MetLife, Inc. | 118,875 | 218,875 |
| Peabody Energy Corp. | 114,270 | 217,095 |
| Staples, Inc. | 435,275 | 720,275 |
| SunTrust Banks, Inc. | 371,020 | 371,020 |
| Sales | | |
| Apollo Group, Inc., Class A | (105,641) | 58,825 |
| Apple, Inc. | (11,194) | 74,186 |
| Bank of America Corp. | (1,291,629) | 344,350 |
| Celgene Corp. | (113,409) | 0 |
| Chesapeake Energy Corp. | (164,333) | 108,496 |
| Citigroup, Inc. | (130,412) | 148,806 |
| Johnson & Johnson | (75,675) | 0 |
| Oracle Corp. | (213,575) | 0 |
| Petrohawk Energy Corp. | (261,092) | 0 |

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 September 30, 2011 (Unaudited)*

| | Investment Style Spectrum | | | | | TOTAL FUND | S&P 500 INDEX |
|---|---------------------------|-------|--------|-------------|------|------------|---------------|
| | Value | | Growth | | | | |
| | SCHNEIDER | PZENA | MATRIX | CORNERSTONE | TCW | | |
| Number of Holdings | 39 | 41 | 37 | 44 | 31 | 159* | 500 |
| Percent of Holdings in Top 10 | 47% | 37% | 37% | 40% | 46% | 19% | 19% |
| Weighted Average Market Capitalization (billions) | \$29 | \$47 | \$52 | \$63 | \$59 | \$50 | \$87 |
| Average Five-Year Earnings Per Share Growth | (8)% | (3)% | (1)% | 18% | 25% | 6% | 7% |
| Dividend Yield | 1.8% | 2.6% | 2.1% | 1.2% | 0.7% | 1.6% | 2.3% |
| Price/Earnings Ratio** | 12x | 10x | 11x | 15x | 22x | 13x | 13x |
| Price/Book Value Ratio | 1.5x | 1.5x | 2.0x | 4.5x | 4.9x | 2.9x | 3.1x |

* Certain holdings are held by more than one manager.

** Excludes negative earnings.

Liberty All-Star® Equity Fund

Schedule of Investments

| | SHARES | MARKET VALUE |
|--|---------|--------------|
| COMMON STOCKS (99.05%) | | |
| CONSUMER DISCRETIONARY (11.09%) | | |
| Auto Components (1.10%) | | |
| Johnson Controls, Inc. | 188,521 | \$4,971,299 |
| Magna International, Inc. | 127,455 | 4,202,191 |
| | | 9,173,490 |
| Diversified Consumer Services (0.28%) | | |
| Apollo Group, Inc., Class A ^(a) | 58,825 | 2,330,058 |
| Hotels, Restaurants & Leisure (1.15%) | | |
| Carnival Corp. | 273,025 | 8,272,657 |
| Orient-Express Hotels Ltd., Class A ^(a) | 200,890 | 1,388,150 |
| | | 9,660,807 |
| Household Durables (1.81%) | | |
| Fortune Brands, Inc. | 65,725 | 3,554,408 |
| KB Home | 188,310 | 1,103,497 |
| NVR, Inc. ^(a) | 10,900 | 6,583,382 |
| Toll Brothers, Inc. ^(a) | 267,700 | 3,862,911 |
| | | 15,104,198 |
| Internet & Catalog Retail (2.00%) | | |
| Amazon.com, Inc. ^(a) | 45,930 | 9,931,444 |
| Expedia, Inc. | 68,000 | 1,751,000 |
| priceline.com, Inc. ^(a) | 11,300 | 5,078,898 |
| | | 16,761,342 |
| Media (0.91%) | | |
| Omnicom Group, Inc. | 131,450 | 4,842,618 |
| The Walt Disney Co. | 91,753 | 2,767,270 |
| | | 7,609,888 |
| Multi-Line Retail (0.91%) | | |
| J.C. Penney Co., Inc. | 283,845 | 7,601,369 |
| Specialty Retail (2.47%) | | |
| Dick's Sporting Goods, Inc. ^(a) | 114,755 | 3,839,702 |
| Guess?, Inc. | 63,087 | 1,797,349 |
| Staples, Inc. | 720,275 | 9,579,657 |
| Tiffany & Co. | 26,213 | 1,594,275 |
| The TJX Cos., Inc. | 69,382 | 3,848,620 |
| | | 20,659,603 |

Edgar Filing: LIBERTY ALL STAR EQUITY FUND - Form N-30B-2

Textiles, Apparel & Luxury Goods (0.46%)

| | | |
|-----------------------------------|---------|-----------|
| Burberry Group PLC ^(b) | 104,737 | 3,875,269 |
|-----------------------------------|---------|-----------|

CONSUMER STAPLES (6.10%)

Beverages (1.18%)

| | | |
|---------------------------|--------|-----------|
| The Coca-Cola Company | 31,000 | 2,094,360 |
| Diageo PLC ^(b) | 37,835 | 2,872,812 |

See Notes to Schedule of Investments.

Third Quarter Report (Unaudited) | September 30, 2011

7

Schedule of Investments

Liberty All-Star[®] Equity Fund

| | SHARES | MARKET VALUE |
|---|---------|--------------|
| COMMON STOCKS (continued) | | |
| Beverages (continued) | | |
| Molson Coors Brewing Co., Class B | 123,700 | \$4,899,757 |
| | | 9,866,929 |
| Food & Staples Retailing (1.67%) | | |
| Costco Wholesale Corp. | 72,353 | 5,941,628 |
| CVS Caremark Corp. | 80,000 | 2,686,400 |
| Walgreen Co. | 162,000 | 5,328,180 |
| | | 13,956,208 |
| Food Products (1.16%) | | |
| Archer-Daniels-Midland Co. | 160,000 | 3,969,600 |
| Mead Johnson Nutrition Co. | 83,200 | 5,726,656 |
| | | 9,696,256 |
| Household Products (0.86%) | | |
| Colgate-Palmolive Co. | 34,534 | 3,062,475 |
| The Procter & Gamble Co. | 65,000 | 4,106,700 |
| | | 7,169,175 |
| Personal Products (0.61%) | | |
| Avon Products, Inc. | 130,443 | 2,556,683 |
| The Estee Lauder Cos., Inc., Class A | 29,310 | 2,574,590 |
| | | 5,131,273 |
| Tobacco (0.62%) | | |
| British American Tobacco PLC ^(b) | 61,038 | 5,171,750 |
| ENERGY (13.19%) | | |
| Energy Equipment & Services (2.83%) | | |
| FMC Technologies, Inc. ^(a) | 118,620 | 4,460,112 |
| Oceaneering International, Inc. | 115,200 | 4,071,168 |
| Schlumberger Ltd. | 91,730 | 5,479,033 |
| Tidewater, Inc. | 124,000 | 5,214,200 |
| Weatherford International Ltd. ^(a) | 363,309 | 4,436,003 |
| | | 23,660,516 |
| Oil, Gas & Consumable Fuels (10.36%) | | |
| Anadarko Petroleum Corp. | 72,956 | 4,599,876 |
| Arch Coal, Inc. | 555,545 | 8,099,846 |
| BP PLC ^(b) | 273,457 | 9,863,594 |
| Chesapeake Energy Corp. | 108,496 | 2,772,073 |
| Chevron Corp. | 63,000 | 5,828,760 |

Edgar Filing: LIBERTY ALL STAR EQUITY FUND - Form N-30B-2

| | | |
|--|---------|-----------|
| Cobalt International Energy, Inc. ^(a) | 253,821 | 1,956,960 |
| ConocoPhillips | 107,300 | 6,794,236 |
| Consol Energy, Inc. | 245,060 | 8,314,886 |
| Devon Energy Corp. | 89,000 | 4,934,160 |
| Exxon Mobil Corp. | 80,175 | 5,823,110 |
| Hess Corp. | 40,740 | 2,137,220 |
| Occidental Petroleum Corp. | 78,100 | 5,584,150 |
| Peabody Energy Corp. | 217,095 | 7,355,179 |

See Notes to Schedule of Investments.

Liberty All-Star® Equity Fund

Schedule of Investments

| | SHARES | MARKET VALUE |
|--|---------|--------------|
| COMMON STOCKS (continued) | | |
| Oil, Gas & Consumable Fuels (continued) | | |
| Royal Dutch Shell PLC, Class A ^(b) | 83,335 | \$5,126,769 |
| Royal Dutch Shell PLC, Class B ^(b) | 30,325 | 1,881,666 |
| Valero Energy Corp. | 313,855 | 5,580,342 |
| | | 86,652,827 |
| FINANCIALS (18.43%) | | |
| Capital Markets (3.89%) | | |
| Bank of New York Mellon Corp. | 121,300 | 2,254,967 |
| The Charles Schwab Corp. | 395,100 | 4,452,777 |
| Franklin Resources, Inc. | 23,250 | 2,223,630 |
| The Goldman Sachs Group, Inc. | 61,903 | 5,852,929 |
| Morgan Stanley | 396,175 | 5,348,362 |
| State Street Corp. | 255,450 | 8,215,272 |
| UBS AG ^(a) | 368,425 | 4,211,098 |
| | | 32,559,035 |
| Commercial Banks (4.66%) | | |
| BB&T Corp. | 140,000 | 2,986,200 |
| Huntington Bancshares, Inc. | 420,306 | 2,017,469 |
| PNC Financial Services Group, Inc. | 203,476 | 9,805,508 |
| Regions Financial Corp. | 648,210 | 2,158,539 |
| SunTrust Banks, Inc. | 371,020 | 6,659,809 |
| Wells Fargo & Co. | 636,665 | 15,356,360 |
| | | 38,983,885 |
| Consumer Finance (0.58%) | | |
| American Express Co. | 108,000 | 4,849,200 |
| Diversified Financial Services (2.77%) | | |
| Bank of America Corp. | 344,350 | 2,107,422 |
| Citigroup, Inc. | 148,806 | 3,812,410 |
| JPMorgan Chase & Co. | 573,665 | 17,278,790 |
| | | 23,198,622 |
| Insurance (6.30%) | | |
| ACE Ltd. | 244,652 | 14,825,911 |
| The Allstate Corp. | 431,970 | 10,233,369 |
| American International Group, Inc. ^(a) | 153,125 | 3,361,094 |
| Assured Guaranty Ltd. | 345,684 | 3,799,067 |
| Axis Capital Holdings Ltd. | 169,975 | 4,409,152 |
| Fidelity National Financial, Inc., Class A | 233,275 | 3,541,114 |
| Lincoln National Corp. | 71,150 | 1,112,074 |
| MetLife, Inc. | 218,875 | 6,130,689 |
| RenaissanceRe Holdings Ltd. | 63,655 | 4,061,189 |
| Willis Group Holdings PLC | 33,915 | 1,165,659 |

See Notes to Schedule of Investments.

Third Quarter Report (Unaudited) | September 30, 2011

9

Schedule of Investments

Liberty All-Star[®] Equity Fund

| | SHARES | MARKET VALUE |
|---|---------|--------------|
| COMMON STOCKS (continued) | | |
| Real Estate Investment Trusts (0.23%) | | |
| Sunstone Hotel Investors, Inc. ^(a) | 341,300 | \$1,941,997 |
| HEALTH CARE (8.86%) | | |
| Biotechnology (1.13%) | | |
| Gilead Sciences, Inc. ^(a) | 183,901 | 7,135,359 |
| Myriad Genetics, Inc. ^(a) | 122,867 | 2,302,527 |
| | | 9,437,886 |
| Health Care Equipment & Supplies (2.56%) | | |
| Intuitive Surgical, Inc. ^(a) | 11,000 | 4,007,080 |
| NuVasive, Inc. ^(a) | 105,241 | 1,796,464 |
| St. Jude Medical, Inc. | 135,000 | 4,885,650 |
| Varian Medical Systems, Inc. ^(a) | 96,300 | 5,023,008 |
| Zimmer Holdings, Inc. ^(a) | 107,000 | 5,724,500 |
| | | 21,436,702 |
| Health Care Providers & Services (1.82%) | | |
| Brookdale Senior Living, Inc. ^(a) | 327,767 | 4,110,198 |
| Express Scripts, Inc. ^(a) | 47,367 | 1,755,895 |
| Medco Health Solutions, Inc. ^(a) | 105,210 | 4,933,297 |
| WellPoint, Inc. | 68,122 | 4,447,004 |
| | | 15,246,394 |
| Health Care Technology (1.02%) | | |
| Cerner Corp. ^(a) | 124,664 | 8,541,977 |
| Life Sciences Tools & Services (0.59%) | | |
| Life Technologies Corp. ^(a) | 128,100 | 4,922,883 |
| Pharmaceuticals (1.74%) | | |
| Abbott Laboratories | 113,350 | 5,796,719 |
| Allergan, Inc. | 81,800 | 6,738,684 |
| Teva Pharmaceutical Industries Ltd. ^(b) | 54,000 | 2,009,880 |
| | | 14,545,283 |
| INDUSTRIALS (8.24%) | | |
| Aerospace & Defense (3.33%) | | |
| The Boeing Co. | 64,295 | 3,890,490 |
| General Dynamics Corp. | 94,428 | 5,372,009 |
| Huntington Ingalls Industries, Inc. ^(a) | 21,862 | 531,903 |
| L-3 Communications Holdings, Inc. | 93,425 | 5,789,547 |
| Northrop Grumman Corp. | 123,300 | 6,431,328 |
| Precision Castparts Corp. | 37,700 | 5,860,842 |

| | | |
|--|---------|------------|
| | | 27,876,119 |
| Air Freight & Logistics (1.52%) | | |
| C.H. Robinson Worldwide, Inc. | 121,245 | 8,301,645 |
| Expeditors International of Washington, Inc. | 109,790 | 4,451,985 |
| | | 12,753,630 |

See Notes to Schedule of Investments.

Liberty All-Star® Equity Fund

Schedule of Investments

| | SHARES | MARKET VALUE |
|---|-----------|--------------|
| COMMON STOCKS (continued) | | |
| Building Products (0.28%) | | |
| Masco Corp. | 325,475 | \$2,317,382 |
| Construction & Engineering (0.35%) | | |
| Fluor Corp. | 62,001 | 2,886,146 |
| Electrical Equipment (1.03%) | | |
| Rockwell Automation, Inc. | 153,420 | 8,591,520 |
| Industrial Conglomerates (0.33%) | | |
| Textron, Inc. | 157,620 | 2,780,417 |
| Machinery (0.72%) | | |
| Navistar International Corp. ^(a) | 146,081 | 4,692,122 |
| Terex Corp. ^(a) | 131,115 | 1,345,240 |
| | | 6,037,362 |
| Professional Services (0.54%) | | |
| Robert Half International, Inc. | 211,896 | 4,496,433 |
| Transportation Infrastructure (0.14%) | | |
| Aegean Marine Petroleum Network, Inc. | 255,135 | 1,150,659 |
| INFORMATION TECHNOLOGY (25.37%) | | |
| Communications Equipment (4.81%) | | |
| Acme Packet, Inc. ^(a) | 72,384 | 3,082,834 |
| Cisco Systems, Inc. | 1,016,085 | 15,739,157 |
| Harris Corp. | 135,000 | 4,612,950 |
| QUALCOMM, Inc. | 344,703 | 16,762,907 |
| | | 40,197,848 |
| Computers & Peripherals (5.91%) | | |
| Apple, Inc. ^(a) | 74,186 | 28,278,219 |
| Dell, Inc. ^(a) | 926,450 | 13,109,268 |
| Hewlett-Packard Co. | 358,125 | 8,039,906 |
| | | 49,427,393 |
| Electronic Equipment & Instruments (1.85%) | | |
| Avnet, Inc. ^(a) | 122,885 | 3,204,841 |
| Corning, Inc. | 370,000 | 4,573,200 |
| Tyco Electronics Ltd. | 274,325 | 7,719,505 |
| | | 15,497,546 |

Edgar Filing: LIBERTY ALL STAR EQUITY FUND - Form N-30B-2

| Internet Software & Services (4.41 %) | | |
|--|---------|------------|
| Baidu, Inc. ^{(a)(b)} | 86,398 | 9,236,810 |
| eBay, Inc. ^(a) | 245,233 | 7,231,921 |
| Google, Inc., Class A ^(a) | 25,246 | 12,986,038 |
| Monster Worldwide, Inc. ^(a) | 616,660 | 4,427,619 |

See Notes to Schedule of Investments.

Third Quarter Report (Unaudited) | September 30, 2011

11

Schedule of Investments

Liberty All-Star[®] Equity Fund

| | SHARES | MARKET VALUE |
|--|---------|--------------|
| COMMON STOCKS (continued) | | |
| Internet Software & Services (continued) | | |
| OpenTable, Inc. ^(a) | 65,542 | \$3,015,587 |
| | | 36,897,975 |
| IT Services (3.42%) | | |
| Cognizant Technology Solutions Corp., Class A ^(a) | 85,400 | 5,354,580 |
| Computer Sciences Corp. | 148,500 | 3,987,225 |
| Visa, Inc., Class A | 117,929 | 10,108,874 |
| The Western Union Co. | 598,672 | 9,153,695 |
| | | 28,604,374 |
| Semiconductors & Semiconductor Equipment (2.23%) | | |
| Analog Devices, Inc. | 172,000 | 5,375,000 |
| ARM Holdings PLC ^(b) | 157,300 | 4,011,150 |
| Broadcom Corp., Class A ^(a) | 172,645 | 5,747,352 |
| Intel Corp. | 44,582 | 950,934 |
| MEMC Electronic Materials, Inc. ^(a) | 485,130 | 2,542,082 |
| | | 18,626,518 |
| Software (2.74%) | | |
| CA, Inc. | 249,875 | 4,850,074 |
| Microsoft Corp. | 346,225 | 8,617,540 |
| Salesforce.com, Inc. ^(a) | 54,811 | 6,263,801 |
| VMware, Inc., Class A ^(a) | 39,200 | 3,150,896 |
| | | 22,882,311 |
| MATERIALS (3.66%) | | |
| Chemicals (2.44%) | | |
| The Dow Chemical Co. | 105,089 | 2,360,299 |
| The Mosaic Co. | 72,798 | 3,564,918 |
| PPG Industries, Inc. | 70,850 | 5,006,261 |
| Praxair, Inc. | 62,800 | 5,870,544 |
| The Sherwin-Williams Co. | 48,400 | 3,597,088 |
| | | 20,399,110 |
| Metals & Mining (1.22%) | | |
| Alcoa, Inc. | 407,000 | 3,894,990 |
| Freeport-McMoRan Copper & Gold, Inc. | 117,844 | 3,588,350 |
| Silver Wheaton Corp. | 91,200 | 2,685,840 |
| | | 10,169,180 |
| TELECOMMUNICATION SERVICES (1.47%) | | |
| Wireless Telecommunication Services (1.47%) | | |
| American Tower Corp., Class A ^(a) | 165,460 | 8,901,748 |
| Sprint Nextel Corp. ^(a) | 166,435 | 505,962 |
| Vodafone Group PLC ^(b) | 112,000 | 2,872,800 |

12,280,510

| | | |
|-----------------------------------|--------|-----------|
| UTILITIES (2.64%) | | |
| Electric Utilities (1.63%) | | |
| Edison International | 89,000 | 3,404,250 |
| Entergy Corp. | 91,950 | 6,095,366 |

See Notes to Schedule of Investments.

Liberty All-Star® Equity Fund

Schedule of Investments

| | SHARES | MARKET VALUE |
|--|------------------|---------------------|
| COMMON STOCKS (continued) | | |
| Electric Utilities (continued) | | |
| FirstEnergy Corp. | 92,587 | \$4,158,082 |
| | | 13,657,698 |
| Gas Utilities (0.50%) | | |
| EQT Corp. | 79,051 | 4,218,161 |
| Independent Power Producers & Energy Traders (0.51%) | | |
| GenOn Energy, Inc. ^(a) | 1,526,220 | 4,242,892 |
| TOTAL COMMON STOCKS | | |
| (COST OF \$950,499,637) | | 828,375,324 |
| EXCHANGE TRADED FUND (0.00%) | | |
| iShares Russell 1000 Value Index Fund | 44 | 2,490 |
| TOTAL EXCHANGE TRADED FUND | | |
| (COST OF \$2,978) | | 2,490 |
| | PRINCIPAL | |
| | AMOUNT | MARKET VALUE |
| CORPORATE BOND (0.01%) | | |
| INDUSTRIALS (0.01%) | | |
| Airlines (0.01%) | | |
| United Continental Holdings, Inc. 6.00%, 10/15/2029 | \$38,000 | 90,250 |
| TOTAL CORPORATE BOND | | |
| (COST OF \$82,331) | | 90,250 |
| | PAR VALUE | |
| SHORT TERM INVESTMENT (0.99%) | | |
| REPURCHASE AGREEMENT (0.99%) | | |
| Repurchase agreement with State Street Bank & Trust Co., dated 09/30/11, due 10/03/11 at 0.01%, collateralized by several Fannie Mae and Freddie Mac instruments with various maturity dates, market value of \$8,411,743 (Repurchase proceeds of \$8,239,000) | \$8,239,000 | 8,239,000 |
| TOTAL SHORT TERM INVESTMENT | | |
| (COST OF \$8,239,000) | | 8,239,000 |

See Notes to Schedule of Investments.

Schedule of Investments

Liberty All-Star[®] Equity Fund

| | |
|---|---------------|
| TOTAL INVESTMENTS (100.05%) | |
| (COST OF \$958,823,946) ^(c) | 836,707,064 |
| LIABILITIES IN EXCESS OF OTHER ASSETS (-0.05%) | (405,311) |
| NET ASSETS (100.00%) | \$836,301,753 |
| NET ASSET VALUE PER SHARE | |
| (182,678,079 SHARES OUTSTANDING) | \$4.58 |

(a) Non-income producing security.

(b) American Depositary Receipt.

(c) Cost of investments for federal income tax purposes is \$969,615,533.

Gross unrealized appreciation and depreciation at September 30, 2011 based on cost of investments for federal income tax purposes is as follows:

| | |
|-------------------------------|-----------------|
| Gross unrealized appreciation | \$61,652,871 |
| Gross unrealized depreciation | (194,561,340) |
| Net unrealized appreciation | \$(132,908,469) |

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 recorded 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, unrestricted assets or liabilities that a Fund has the ability to access at the measurement date;

Level 2 Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

Level 3 Significant unobservable prices or inputs (including the Fund's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

The following is a summary of the inputs used to value the Fund's investments as of September 30, 2011:

| Investments in Securities at | Valuation Inputs | | | |
|------------------------------|------------------|--------------|---------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Value* | | | | |
| Common Stocks | \$ 828,375,324 | \$ | \$ | \$ 828,375,324 |
| Exchange Traded Fund | 2,490 | | | 2,490 |
| Corporate Bond | | 90,250 | | 90,250 |
| Short Term Investment | | 8,239,000 | | 8,239,000 |
| Total | \$ 828,377,814 | \$ 8,329,250 | \$ | \$ 836,707,064 |

*See Schedule of Investments for industry classifications

For the period ended September 30, 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 the Dow Jones Industrial Average.

Lipper Benchmark and the S&P 500 Index

Liberty All-Star[®] Equity Fund

The Dow Jones Industrial Average

A price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

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.

