

LIBERTY ALL STAR EQUITY FUND

Form N-30B-2

November 23, 2010

**LIBERTY ALL-STAR<sup>®</sup> EQUITY FUND**

**Period Ending September 30, 2010 (Unaudited)**

**Fund Statistics**

Net Asset Value (NAV) \$5.12

Market Price \$4.41

Discount 13.9%

	<b>Quarter</b>	<b>Year-to-Date</b>
Distributions	\$0.07	\$0.23
Market Price Trading Range	\$3.83 to \$4.45	\$3.82 to \$4.98
Discount Range	12.4% to 15.2%	10.4% to 17.6%

**Performance**

Shares Valued at NAV 13.00% 2.57%

Shares Valued at NAV with Dividends Reinvested 13.10% 2.99%

Shares Valued at Market Price with Dividends Reinvested 12.59% 7.14%

S&P 500 Index 11.29% 3.89%

Lipper Large-Cap Core Mutual Fund Average\* 10.92% 2.25%

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NAV Reinvested Percentile Rank (1 = best; 100 = worst)	5th	33rd
Number of Funds in Category	1002	990

\* Percentile ranks calculated using the Fund's NAV Reinvested return 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:

October 2010

After a challenging second quarter, the stock market rebounded during the third quarter despite heightened volatility that kept investors on edge.

The S&P 500 Index returned 11.29 percent for the third quarter—a reversal from its 11.43 percent loss in the second quarter—moving this widely followed benchmark into positive territory year-to-date. Although the quarter's performance was strong, monthly returns were volatile. The quarter opened strongly as the S&P 500 Index advanced 7.01 percent in July. Markets reversed course in August, however, with the S&P 500 declining 4.51 percent. Going into September—historically, a month that can be weak for stocks—investors were wary. But the month started off on a positive note and investors never looked back, as the S&P 500 posted a strong 8.92 percent gain. Other key market indices showed the same pattern of good performance in July and September bracketing a poor month in August.

On balance, investors were heartened by incremental improvements in the economy, allaying fears that the country would slip back into recession. Unemployment remained stubbornly high and the housing market continued to struggle. Emblematic of the sluggishness, GDP in the second quarter grew at just 1.7 percent, down from 3.7 percent in the first quarter. The Federal Reserve has been reassuring, indicating its intention to resume quantitative easing, if necessary. Trading volume over the quarter was subdued, suggesting that many investors continued to sit on the sidelines or funnel money into bonds and bond funds.

Liberty All-Star<sup>®</sup> Equity Fund enjoyed a good quarter, as it outperformed all relevant benchmarks. For the quarter, the Fund returned 13.00 percent with shares valued at net asset value (NAV); 13.10 percent with shares valued at NAV with dividends reinvested; and 12.59 percent when shares are valued at market price with dividends reinvested. By comparison, the Fund's primary benchmark, the Lipper Large-Cap Core Mutual Fund Average, advanced 10.92 percent. The Fund's third quarter performance left it very well positioned in the Lipper universe, as it ranked in the 5th percentile (meaning it outperformed 95 percent of 1,002 funds in the Lipper category). As noted earlier, the S&P 500 Index returned 11.29 percent for the third quarter. Year-to-date through September 30, the Fund's 2.99 percent NAV reinvested return is ahead of the Fund's primary benchmark and ranks in the top one-third of all funds in that universe.

The discount at which Fund shares trade relative to their NAV narrowed moderately during the quarter, as it ranged from 12.4 percent to 15.2 percent, which is down from its nine-month high of 17.6 percent. Closed-end domestic equity funds have traded at deeper discounts than closed-end bond funds for some time, most likely reflecting apprehension on the part of individual investors to commit to equities.

President's Letter

Liberty All-Star® Equity Fund

In closing, we are pleased with the Fund's performance for both the quarter and year-to-date given the market volatility. We believe the Fund's disciplined, multi-management approach continues to serve shareholders well and should go forward as we anticipate continued volatility for the foreseeable future.

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 2010 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<sup>®</sup> Equity Fund

## Table of Distributions &amp; Rights Offerings

Year	Per Share Distributions	Month Completed	Rights Offerings Shares Needed to Purchase One Additional Share	Subscription Price	Tax Credits*
1988	\$0.64				
1989	0.95				
1990	0.90				
1991	1.02				
1992	1.07	April	10	\$10.05	
1993	1.07	October	15	10.41	\$0.18
1994	1.00	September	15	9.14	
1995	1.04				
1996	1.18				0.13
1997	1.33				0.36
1998	1.40	April	20	12.83	
1999	1.39				
2000	1.42				
2001	1.20				
2002	0.88	May	10	8.99	
2003	0.78				
2004	0.89	July	10**	8.34	
2005	0.87				
2006	0.88				
2007	0.90	December	10	6.51	
2008	0.65				
2009	0.31***				
2010					
1 <sup>st</sup> Quarter	0.08				
2 <sup>nd</sup> Quarter	0.08				
3 <sup>rd</sup> Quarter	0.07				

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





## Top 20 Holdings &amp; Economic Sectors

Liberty All-Star<sup>®</sup> Equity Fund*September 30, 2010 (Unaudited)*

<b>Top 20 Holdings*</b>	<b>Percent of Net Assets</b>
Apple, Inc.	2.76%
JPMorgan Chase & Co.	1.98
Dell, Inc.	1.93
Bank of America Corp.	1.81
QUALCOMM, Inc.	1.74
Wells Fargo & Co.	1.39
Arch Coal, Inc.	1.36
The Allstate Corp.	1.28
Cisco Systems, Inc.	1.27
PNC Financial Services Group, Inc.	1.23
Tyco Electronics Ltd.	1.22
J.C. Penney Co., Inc.	1.21
Amazon.com, Inc.	1.20
The Western Union Co.	1.19
Costco Wholesale Corp.	1.06
C.H. Robinson Worldwide, Inc.	1.05
Consol Energy, Inc.	1.01
Google, Inc., Class A	1.00
State Street Corp.	0.98
Broadcom Corp., Class A	0.97
	27.64%

<b>Economic Sectors*</b>	<b>Percent of Net Assets</b>
Information Technology	23.83%
Financials	19.01
Energy	12.97
Consumer Discretionary	11.56
Health Care	10.92
Industrials	9.59
Consumer Staples	4.55
Materials	2.66
Utilities	2.23
Telecommunication Services	0.67
Other Net Assets	2.01
	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<sup>®</sup> 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 third quarter of 2010.

Security Name	Purchases (Sales)	Shares as of 9/30/10
<b>Purchases</b>		
ACE Ltd.	61,512	138,112
Aegean Marine Petroleum Network, Inc.	179,010	241,335
Broadcom Corp., Class A	115,063	257,018
Consol Energy, Inc.	90,960	256,600
Forest Laboratories, Inc.	114,000	133,350
General Dynamics Corp.	69,892	69,892
IntercontinentalExchange, Inc.	29,807	54,907
Pentair, Inc.	92,586	92,586
Target Corp.	58,692	100,237
Wells Fargo & Co.	186,110	516,185
<b>Sales</b>		
Avon Products, Inc.	(142,682)	30,818
The Boeing Co.	(72,875)	64,000
Chesapeake Energy Corp.	(144,060)	354,509
Cooper Industries Plc	(76,125)	0
Deere & Co.	(53,268)	0
Kraft Foods, Inc.	(125,175)	0
Lam Research Corp.	(84,880)	0
Sempra Energy	(77,150)	0
Tyco International Ltd.	(166,500)	0

Investment Managers/

Portfolio Characteristics

Liberty All-Star<sup>®</sup> 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, 2010 (Unaudited)*

	Investment Style Spectrum					TOTAL FUND	S&P 500 INDEX
	Value				Growth		
	SCHNEIDER	PZENA	MATRIX	CORNERSTONE	TCW		
Number of Holdings	36	41	38	45	33	160*	500
Percent of Holdings in Top 10	49%	38%	35%	39%	44%	17%	19%
Weighted Average Market Capitalization (billions)	\$31	\$48	\$50	\$48	\$56	\$47	\$81
Average Five-Year Earnings Per Share							
Growth	(6)%	(6)%	(3)%	18%	25%	6%	5%
Dividend Yield	1.3%	1.6%	1.5%	0.8%	0.7%	1.2%	2.0%
Price/Earnings Ratio**	16×	12×	13×	17×	23×	15×	15×
Price/Book Value Ratio	1.7×	1.8×	2.6×	4.6×	5.0×	3.2×	3.3×

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

\*\* Excludes negative earnings.

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

## Schedule of Investments

	SHARES	MARKET VALUE
<b>COMMON STOCKS (97.83%)</b>		
<b>CONSUMER DISCRETIONARY (11.56%)</b>		
<b>Auto Components (1.04%)</b>		
Johnson Controls, Inc.	113,700	\$3,467,850
Magna International, Inc.	76,340	6,279,728
		9,747,578
<b>Diversified Consumer Services (0.58%)</b>		
Apollo Group, Inc., Class A <sup>(a)</sup>	106,008	5,443,511
<b>Hotels, Restaurants &amp; Leisure (0.86%)</b>		
Carnival Corp.	209,140	7,991,239
<b>Household Durables (1.75%)</b>		
DR Horton, Inc.	488,962	5,437,258
Fortune Brands, Inc.	89,900	4,425,777
NVR, Inc. <sup>(a)</sup>	10,110	6,546,528
		16,409,563
<b>Internet &amp; Catalog Retail (2.01%)</b>		
Amazon.com, Inc. <sup>(a)</sup>	71,654	11,253,977
priceline.com, Inc. <sup>(a)</sup>	21,688	7,554,798
		18,808,775
<b>Media (2.16%)</b>		
Discovery Communications, Inc., Class A <sup>(a)</sup>	22,842	994,769
Discovery Communications, Inc., Class C <sup>(a)</sup>	13,792	526,717
Liberty Media Corp., Capital Group, Series A <sup>(a)</sup>	50,299	2,618,566
The McGraw Hill Cos., Inc.	188,000	6,215,280
Omnicom Group, Inc.	182,850	7,218,918
The Walt Disney Co.	79,985	2,648,303
		20,222,553
<b>Multi-Line Retail (1.95%)</b>		
J.C. Penney Co., Inc.	415,925	11,304,842
Nordstrom, Inc.	41,577	1,546,664
Target Corp.	100,237	5,356,665
		18,208,171
<b>Specialty Retail (1.21%)</b>		
Best Buy Co., Inc.	67,991	2,776,073
Dick's Sporting Goods, Inc. <sup>(a)</sup>	115,079	3,226,815
Staples, Inc.	255,000	5,334,600

		11,337,488
<b>CONSUMER STAPLES (4.55%)</b>		
<b>Beverages (0.53%)</b>		
The Coca-Cola Co.	50,000	2,926,000
Diageo Plc <sup>(b)</sup>	29,671	2,047,596
		4,973,596
<b>Food &amp; Staples Retailing (2.20%)</b>		
Costco Wholesale Corp.	153,977	9,929,977

*See Notes to Schedule of Investments.*

Schedule of Investments  
September 30, 2010 (Unaudited)

Liberty All-Star® Equity Fund

	SHARES	MARKET VALUE
<b>COMMON STOCKS (continued)</b>		
<b>Food &amp; Staples Retailing (continued)</b>		
CVS Caremark Corp.	131,800	\$4,147,746
Walgreen Co.	194,000	6,499,000
		20,576,723
<b>Food Products (0.64%)</b>		
Archer-Daniels-Midland Co.	120,000	3,830,400
Mead Johnson Nutrition Co.	33,170	1,887,705
Smithfield Foods, Inc. <sup>(a)</sup>	14,890	250,598
		5,968,703
<b>Household Products (0.67%)</b>		
The Procter & Gamble Co.	104,800	6,284,856
<b>Personal Products (0.11%)</b>		
Avon Products, Inc.	30,818	989,566
<b>Tobacco (0.40%)</b>		
Philip Morris International, Inc.	67,456	3,778,885
<b>ENERGY (12.97%)</b>		
<b>Energy Equipment &amp; Services (2.76%)</b>		
FMC Technologies, Inc. <sup>(a)</sup>	83,810	5,723,385
Oceaneering International, Inc. <sup>(a)</sup>	61,700	3,323,162
Schlumberger Ltd.	110,553	6,811,170
Tidewater, Inc.	124,000	5,556,440
Weatherford International Ltd. <sup>(a)</sup>	255,290	4,365,459
		25,779,616
<b>Oil, Gas &amp; Consumable Fuels (10.21%)</b>		
Anadarko Petroleum Corp.	100,788	5,749,955
Apache Corp.	37,100	3,626,896
Arch Coal, Inc.	474,685	12,678,836
BP Plc <sup>(b)</sup>	199,694	8,221,402
Chesapeake Energy Corp.	354,509	8,029,629
Chevron Corp.	70,500	5,714,025
ConocoPhillips	125,000	7,178,750
Consol Energy, Inc.	256,600	9,483,936
Devon Energy Corp.	100,500	6,506,370
Exxon Mobil Corp.	136,425	8,429,701
Occidental Petroleum Corp.	76,800	6,013,440
Petrohawk Energy Corp. <sup>(a)</sup>	304,399	4,913,000
Valero Energy Corp.	515,300	9,022,903

95,568,843

**FINANCIALS (19.01%)**

**Capital Markets (4.31%)**

Bank of New York Mellon Corp.	226,000	5,905,380
The Charles Schwab Corp.	242,000	3,363,800

*See Notes to Schedule of Investments.*

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

## Schedule of Investments

	SHARES	MARKET VALUE
<b>COMMON STOCKS (continued)</b>		
<b>Capital Markets (continued)</b>		
The Goldman Sachs Group, Inc.	57,372	\$8,294,844
Morgan Stanley	327,150	8,074,062
State Street Corp.	244,450	9,205,987
UBS AG <sup>(a)</sup>	324,700	5,529,641
		40,373,714
<b>Commercial Banks (2.75%)</b>		
Comerica, Inc.	34,459	1,280,152
PNC Financial Services Group, Inc.	220,976	11,470,864
Wells Fargo & Co.	516,185	12,971,729
		25,722,745
<b>Consumer Finance (0.58%)</b>		
American Express Co.	129,500	5,442,885
<b>Diversified Financial Services (4.89%)</b>		
Bank of America Corp.	1,294,914	16,976,323
Citigroup, Inc. <sup>(a)</sup>	1,155,568	4,506,715
IntercontinentalExchange, Inc. <sup>(a)</sup>	54,907	5,749,861
JPMorgan Chase & Co.	485,855	18,496,500
		45,729,399
<b>Insurance (5.85%)</b>		
ACE Ltd.	138,112	8,045,024
Aflac, Inc.	57,322	2,964,121
The Allstate Corp.	380,355	12,000,200
Assured Guaranty Ltd.	293,654	5,024,420
Axis Capital Holdings Ltd.	152,725	5,030,761
Brown & Brown, Inc.	113,375	2,289,041
Fidelity National Financial, Inc., Class A	200,950	3,156,924
The Hartford Financial Services Group, Inc.	86,500	1,985,175
Lincoln National Corp.	77,140	1,845,189
RenaissanceRe Holdings Ltd.	35,760	2,144,170
Torchmark Corp.	105,800	5,622,212
Willis Group Holdings Plc	150,450	4,636,869
		54,744,106
<b>Real Estate Investment Trusts (0.63%)</b>		
Annaly Capital Management, Inc.	212,769	3,744,734
Redwood Trust, Inc.	145,895	2,109,642
		5,854,376
<b>HEALTH CARE (10.92%)</b>		



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**Biotechnology (1.95%)**

Celgene Corp. <sup>(a)</sup>	58,225	3,354,342
Genzyme Corp. <sup>(a)</sup>	76,500	5,415,435
Gilead Sciences, Inc. <sup>(a)</sup>	176,941	6,300,869
Myriad Genetics, Inc. <sup>(a)</sup>	190,658	3,128,698
		18,199,344

*See Notes to Schedule of Investments.*

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Schedule of Investments  
September 30, 2010 (Unaudited)

Liberty All-Star® Equity Fund

	SHARES	MARKET VALUE
<b>COMMON STOCKS (continued)</b>		
<b>Health Care Equipment &amp; Supplies (3.37%)</b>		
Covidien Ltd.	86,000	\$3,456,340
Intuitive Surgical, Inc. <sup>(a)</sup>	13,900	3,943,986
Medtronic, Inc.	28,900	970,462
NuVasive, Inc. <sup>(a)</sup>	76,909	2,702,582
St. Jude Medical, Inc. <sup>(a)</sup>	130,938	5,151,101
Varian Medical Systems, Inc. <sup>(a)</sup>	120,400	7,284,200
Zimmer Holdings, Inc. <sup>(a)</sup>	153,850	8,050,971
		31,559,642
<b>Health Care Providers &amp; Services (1.67%)</b>		
Aetna, Inc.	121,950	3,854,840
Brookdale Senior Living, Inc. <sup>(a)</sup>	193,224	3,151,483
Laboratory Corp. of America Holdings <sup>(a)</sup>	43,700	3,427,391
WellPoint, Inc. <sup>(a)</sup>	91,570	5,186,525
		15,620,239
<b>Health Care Technology (0.65%)</b>		
Cerner Corp. <sup>(a)</sup>	72,432	6,083,564
<b>Life Sciences Tools &amp; Services (0.63%)</b>		
Life Technologies Corp. <sup>(a)</sup>	126,300	5,896,947
<b>Pharmaceuticals (2.65%)</b>		
Allergan, Inc.	96,300	6,406,839
Bristol-Myers Squibb Co.	198,800	5,389,468
Forest Laboratories, Inc. <sup>(a)</sup>	133,350	4,124,515
Johnson & Johnson	48,375	2,997,315
Teva Pharmaceutical Industries Ltd. <sup>(b)</sup>	111,900	5,902,725
		24,820,862
<b>INDUSTRIALS (9.43%)</b>		
<b>Aerospace &amp; Defense (3.28%)</b>		
The Boeing Co.	64,000	4,258,560
General Dynamics Corp.	69,892	4,389,917
Goodrich Corp.	44,084	3,250,313
Honeywell International, Inc.	83,010	3,647,459
L-3 Communications Holdings, Inc.	88,450	6,392,282
Northrop Grumman Corp.	143,600	8,706,468
		30,644,999
<b>Air Freight &amp; Logistics (1.58%)</b>		
C.H. Robinson Worldwide, Inc.	141,145	9,868,858
Expeditors International of Washington, Inc.	106,890	4,941,525

14,810,383

**Building Products (0.52%)**

Masco Corp.	445,150	4,901,102
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*See Notes to Schedule of Investments.*

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

## Schedule of Investments

	SHARES	MARKET VALUE
<b>COMMON STOCKS (continued)</b>		
<b>Construction &amp; Engineering (0.91%)</b>		
Fluor Corp.	98,332	\$4,870,384
Quanta Services, Inc. <sup>(a)</sup>	188,400	3,594,672
		8,465,056
<b>Electrical Equipment (0.64%)</b>		
Rockwell Automation, Inc.	96,650	5,966,204
<b>Industrial Conglomerates (0.44%)</b>		
Textron, Inc.	202,173	4,156,677
<b>Machinery (1.63%)</b>		
FlowsERVE Corp.	39,606	4,333,688
Joy Global, Inc.	25,906	1,821,710
Navistar International Corp. <sup>(a)</sup>	86,206	3,762,030
Pentair, Inc.	92,586	3,113,667
Terex Corp. <sup>(a)</sup>	97,593	2,236,832
		15,267,927
<b>Transportation Infrastructure (0.43%)</b>		
Aegean Marine Petroleum Network, Inc.	241,335	4,015,814
<b>INFORMATION TECHNOLOGY (23.83%)</b>		
<b>Communications Equipment (3.78%)</b>		
Acme Packet, Inc. <sup>(a)</sup>	91,148	3,458,155
Alcatel-Lucent <sup>(a)(b)</sup>	1,111,583	3,757,150
Cisco Systems, Inc. <sup>(a)</sup>	541,700	11,863,230
QUALCOMM, Inc.	361,488	16,310,339
		35,388,874
<b>Computers &amp; Peripherals (5.32%)</b>		
Apple, Inc. <sup>(a)</sup>	91,017	25,826,074
Dell, Inc. <sup>(a)</sup>	1,391,810	18,037,857
Hewlett-Packard Co.	140,700	5,919,249
		49,783,180
<b>Electronic Equipment &amp; Instruments (2.26%)</b>		
Avnet, Inc. <sup>(a)</sup>	121,525	3,282,390
Corning, Inc.	350,000	6,398,000
Tyco Electronics Ltd.	391,625	11,443,283
		21,123,673

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**Internet Software & Services (2.95%)**

Baidu, Inc. <sup>(a)(b)</sup>	35,984	3,692,678
eBay, Inc. <sup>(a)</sup>	271,000	6,612,400
Google, Inc., Class A <sup>(a)</sup>	17,800	9,359,062
Monster Worldwide, Inc. <sup>(a)</sup>	415,000	5,378,400
VistaPrint Ltd. <sup>(a)</sup>	67,510	2,609,262
		27,651,802

*See Notes to Schedule of Investments.*

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Liberty All-Star® Equity Fund

	SHARES	MARKET VALUE
<b>COMMON STOCKS (continued)</b>		
<b>IT Services (3.14%)</b>		
Cognizant Technology Solutions Corp., Class A <sup>(a)</sup>	111,500	\$7,188,405
International Business Machines Corp.	3,500	469,490
Mastercard, Inc., Class A	19,884	4,454,016
Visa, Inc., Class A	82,100	6,096,746
The Western Union Co.	630,923	11,148,410
		29,357,067
<b>Semiconductors &amp; Semiconductor Equipment (3.18%)</b>		
Analog Devices, Inc.	197,500	6,197,550
Broadcom Corp., Class A	257,018	9,095,867
International Rectifier Corp. <sup>(a)</sup>	327,498	6,906,933
MEMC Electronic Materials, Inc. <sup>(a)</sup>	429,620	5,121,070
Novellus Systems, Inc. <sup>(a)</sup>	90,000	2,392,200
		29,713,620
<b>Software (3.20%)</b>		
Adobe Systems, Inc. <sup>(a)</sup>	86,286	2,256,379
CA, Inc.	256,750	5,422,560
Microsoft Corp.	346,225	8,479,050
Oracle Corp.	296,874	7,971,067
Salesforce.com, Inc. <sup>(a)</sup>	52,000	5,813,600
		29,942,656
<b>MATERIALS (2.66%)</b>		
<b>Chemicals (1.83%)</b>		
The Dow Chemical Co.	147,574	4,052,382
PPG Industries, Inc.	49,750	3,621,800
Praxair, Inc.	63,900	5,767,614
The Sherwin-Williams Co.	48,400	3,636,776
		17,078,572
<b>Metals &amp; Mining (0.83%)</b>		
Alcoa, Inc.	410,000	4,965,100
Freeport-McMoRan Copper & Gold, Inc.	33,327	2,845,792
		7,810,892
<b>TELECOMMUNICATION SERVICES (0.67%)</b>		
<b>Wireless Telecommunication Services (0.67%)</b>		
American Tower Corp., Class A <sup>(a)</sup>	120,960	6,200,410
<b>UTILITIES (2.23%)</b>		
<b>Electric Utilities (1.17%)</b>		
Allegheny Energy, Inc.	290,080	7,112,762

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Edison International	112,175	3,857,698
		10,970,460
<b>Gas Utilities (0.50%)</b>		
EQT Corp.	128,891	4,647,809

*See Notes to Schedule of Investments.*

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

## Schedule of Investments

	SHARES	MARKET VALUE
<b>COMMON STOCKS (continued)</b>		
<b>Independent Power Producers &amp; Energy Traders (0.56%)</b>		
RRI Energy, Inc. <sup>(a)</sup>	1,458,135	\$5,176,379
<b>TOTAL COMMON STOCKS</b>		
(COST OF \$951,008,184)		915,211,045
<b>EXCHANGE TRADED FUND (0.04%)</b>		
iShares Russell 1000 Value Index Fund	7,330	432,397
<b>TOTAL EXCHANGE TRADED FUND</b>		
(COST OF \$431,792)		432,397
	<b>PRINCIPAL</b>	
	<b>AMOUNT</b>	
<b>CORPORATE BOND (0.16%)</b>		
<b>INDUSTRIALS (0.16%)</b>		
<b>Airlines (0.16%)</b>		
United Continental Holdings, Inc. 6.00%, 10/15/2029	\$513,000	1,477,440
<b>TOTAL CORPORATE BOND</b>		
(COST OF \$1,144,073)		1,477,440
	<b>PAR VALUE</b>	
<b>SHORT TERM INVESTMENT (1.81%)</b>		
<b>REPURCHASE AGREEMENT (1.81%)</b>		
Repurchase agreement with State Street Bank & Trust Co., dated 09/30/10, due 10/01/10 at 0.010%, collateralized by several Fannie Mae and Freddie Mac instruments with various maturity dates, market value of \$17,288,269 (Repurchase proceeds of \$16,940,005)		
<b>TOTAL SHORT TERM INVESTMENT</b>		
(COST OF \$16,940,000)	\$16,940,000	16,940,000
<b>TOTAL INVESTMENTS (99.84%)</b>		
(COST OF \$969,524,049) <sup>(c)</sup>		934,060,882
<b>OTHER ASSETS IN EXCESS OF LIABILITIES (0.16%)</b>		1,486,916
<b>NET ASSETS (100.00%)</b>		\$935,547,798
<b>NET ASSET VALUE PER SHARE</b>		
(182,678,079 SHARES OUTSTANDING)		\$5.12



*See Notes to Schedule of Investments.*

Schedule of Investments  
September 30, 2010 (Unaudited)

Liberty All-Star® Equity Fund

- (a) Non-income producing security.  
 (b) American Depositary Receipt.  
 (c) Cost of investments for federal income tax purposes is \$979,896,983.

Gross unrealized appreciation and depreciation at September 30, 2010 based on cost of investments for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 94,976,963
Gross unrealized depreciation	(140,813,064)
<b>Net unrealized depreciation</b>	<b>\$ (45,836,101)</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 NASDAQ, 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 and are classified as level 1 of the fair value hierarchy.

Debt securities generally are valued by pricing services approved by the Fund's Board of Trustees (the Board), based upon market transactions for normal, institutional-size trading units of similar securities. 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. Debt obligations are classified as level 2 of the fair value hierarchy.

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 and would be classified as level 2 or 3 within the fair value hierarchy.

**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 and would be classified as level 1 or 2 within the fair value hierarchy.

**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.

**Foreign Currency Translation**

The books and records of the Fund are maintained in U.S. dollars. Investment valuations and other assets and liabilities initially expressed in foreign currencies are converted each business day into U.S. dollars based upon current exchange rates. Prevailing foreign exchange rates may generally be obtained at the close of the NYSE, normally 4:00 p.m. Eastern Time. As available and as provided by an appropriate pricing service, translation of foreign security and currency market values may also occur with the use of foreign exchange rates obtained at approximately 11:00 a.m. Eastern Time, which approximates the close of the London Exchange. The portion of unrealized and realized gains or losses on investments due to fluctuations in foreign currency exchange rates is not separately disclosed.

**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,

Notes to Schedule of Investments  
September 30, 2010 (Unaudited)

Liberty All-Star® Equity Fund

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. Repurchase agreement transactions are classified as level 2 of the fair value hierarchy.

### 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 established by the Financial Accounting Standards Board (FASB). 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 which the fair value measurement falls in its entirety 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** 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)

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

## Notes to Schedule of Investments

The following is a summary of the inputs used to value the Fund's investments as of September 30, 2010.

Investments in Securities at Value*	Valuation Inputs			Total
	Level 1	Level 2	Level 3	
Common Stocks	\$ 915,211,045	\$	\$	\$ 915,211,045
Exchange Traded Fund	432,397			432,397
Corporate Bond		1,477,440		1,477,440
Short Term Investment		16,940,000		16,940,000
Total	\$ 915,643,442	\$ 18,417,440	\$	\$ 934,060,882

\*See Schedule of Investments for industry classifications

For the nine months ended September 30, 2010, the Fund did not have any significant transfers between Level 1 and Level 2 securities. For the period ended September 30, 2010, the Fund did not have any securities which used significant unobservable inputs (Level 3) in determining fair value. Therefore, a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value is not applicable.

#### 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) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Large-Cap core funds have more latitude in the companies in which they invest. 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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Jeremy O. May, Treasurer

### **TRANSFER & DIVIDEND**

Kimberly R. Storms, Assistant Treasurer

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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.

LAS000357 1/31/2011

