

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

**THIRD 3Q09 QUARTER**

September 30, 2009

USA

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

**LIBERTY ALL-STAR® EQUITY FUND**  
**Period Ending September 30, 2009 (Unaudited)**

**Fund Statistics**

Net Asset Value (NAV)	\$5.10
Market Price	\$4.23
Discount	17.1%

	<b>Quarter</b>	<b>Year-to-Date</b>
Distributions	\$0.07	\$0.23
Market Price Trading Range	\$3.24 to \$4.35	\$2.29 to \$4.35
Discount Range	15.7% to 21.4%	15.7% to 26.5%

**Performance**

Shares Valued at NAV	18.65%	28.20%
Shares Valued at NAV with Dividends Reinvested	18.90%	29.98%
Shares Valued at Market Price with Dividends Reinvested	24.27%	29.68%
S&P 500 Index	15.61%	19.26%
Lipper Large-Cap Core Mutual Fund Average*	15.05%	20.41%
NAV Reinvested Percentile Rank (1 = best; 100 = worst)	6th	8th
Number of Funds in Category	945	913

\* 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.

*October 2009***Fellow Shareholders:**

In an exceptionally robust period for stocks, the widely followed S&P 500 Index returned 15.61 percent in the third quarter. The gain very nearly replicated the 15.93 percent return posted by the S&P 500 in the second quarter, and propelled the index to a 19.26 percent return through the first nine months of the year. It was a far cry from a year ago when the index was down by a similar 19.29 percent through nine months—with more pain to come in the fourth quarter.

To be sure, there was no lack of skeptics questioning whether the stock market could continue to advance in the face of rising unemployment, lower consumer spending and business investment, and a weak housing market. Still, there were positive signs for forward looking investors. For one, the economy shrank at an annual rate of 0.7 percent from April through June, a sizable improvement over the -6.4 percent rate of the first quarter. The federal government's \$787 billion stimulus package appeared to give GDP numbers a boost and corporate earnings came in better than expected, even if largely attributable to cost cutting.

On the first trading day of August, stocks surpassed two milestones, as the S&P 500 Index broke through 1000 and the NASDAQ Composite Index passed 2000. Just a week earlier, on July 23, the Dow Jones Industrial Average retook the 9000 level, surging past that mark for the first time since January after hitting a 12-year low of 6547 in March. As the quarter ended, commentators were raising the specter of "Dow 10,000" (the DJIA closed the quarter at 9712).

Liberty All-Star Equity Fund posted a solid quarter, returning 18.65 percent with shares valued at net asset value (NAV); 18.90 percent with shares valued at NAV with dividends reinvested; and 24.27 percent with shares valued at market price with dividends reinvested. All three measures of return were not only above the S&P 500 Index for the quarter, but also ahead of the Fund's primary benchmark, the Lipper Large-Cap Core Mutual Fund Average, which returned 15.05 percent.

Through the first nine months of 2009, the Fund is ahead by 28.20 percent with shares valued at NAV; 29.98 percent with shares valued at NAV with dividends reinvested; and 29.68 percent with shares valued at market price with dividends reinvested. Comparable returns for the S&P 500 Index and the Lipper Large-Cap Core Mutual Fund Average are 19.26 percent and 20.41 percent, respectively.

For the quarter, the Fund's return positioned it in the 6th percentile of the Lipper universe (1st percentile = best, 100th percentile = worst). For the year to date, the Fund ranked in the 8th percentile. Since bottoming on March 9, Fund shares valued at market price have increased 89.23 percent through September 30 (compared with 58.25 percent for the S&P 500 Index, which also bottomed on March 9). The discount at which shares are trading relative to their

underlying net asset value remained stubbornly high, but did contract moderately, ending the quarter at 17.1 percent compared to 20.6 percent at the end of June.

We were encouraged by the Fund's solid second quarter results, and this has been reinforced by the excellent third quarter and year to date performance. In particular, the nearly 90 percent return off the March lows speaks to the long-term nature of the Fund as a core equity holding, and we are gratified that patient investors have been rewarded. In the crosscurrents of the economy, there are positive signs and negative ones—and Fund management can only monitor changing conditions and remain watchful. That said, we believe that the Fund's disciplined multi-management process continues to be a sound foundation for long-term investors.

Sincerely,



William R. Parmentier, Jr.

President

Liberty All-Star Equity Fund

The views expressed in the President's letter reflect the views of the President as of October 2009 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.

## TABLE OF DISTRIBUTIONS &amp; RIGHTS OFFERINGS

YEAR	PER SHARE DISTRIBUTIONS	RIGHTS OFFERINGS			
		MONTH COMPLETED	SHARES NEEDED TO PURCHASE ONE ADDITIONAL SHARE	SUBSCRIPTION PRICE	TAX CREDITS*
1988	\$0.64				
1989	0.95				
1990	0.90				
1991	1.02				
1992	1.07	April	10	\$10.05	
1993	1.07	October	15	10.41	\$0.18
1994	1.00	September	15	9.14	
1995	1.04				
1996	1.18				0.13
1997	1.33				0.36
1998	1.40	April	20	12.83	
1999	1.39				
2000	1.42				
2001	1.20				
2002	0.88	May	10	8.99	
2003	0.78				
2004	0.89	July	10**	8.34	
2005	0.87				
2006	0.88				
2007	0.90	December	10	6.51	
2008	0.65				
2009					
1st Quarter	0.10				
2nd Quarter	0.06				
3rd 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.

**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.

**LIBERTY ALL-STAR® EQUITY FUND****TOP 20 HOLDINGS & ECONOMIC SECTORS***as of September 30, 2009 (Unaudited)*

<b>TOP 20 HOLDINGS*</b>	<b>PERCENT OF NET ASSETS</b>
Bank of America Corp.	2.22%
Dell, Inc.	2.21
Microsoft Corp.	2.06
Chesapeake Energy Corp.	1.60
Visa, Inc., Class A	1.53
eBay, Inc.	1.34
PNC Financial Services Group, Inc.	1.32
The Allstate Corp.	1.27
Research In Motion Ltd.	1.25
JPMorgan Chase & Co.	1.19
Arch Coal, Inc.	1.19
Forest Oil Corp.	1.16
RRI Energy, Inc.	1.14
Corning, Inc.	1.10
The Boeing Co.	1.10
J.C. Penney Co., Inc.	1.09
Apple, Inc.	1.07
Magna International, Inc., Class A	1.06
QUALCOMM, Inc.	1.05
Google, Inc., Class A	1.04
	26.99%

<b>ECONOMIC SECTORS*</b>	<b>PERCENT OF NET ASSETS</b>
Information Technology	25.69%
Financials	16.59
Consumer Discretionary	12.97
Energy	12.50
Health Care	11.45
Industrials	8.62
Consumer Staples	4.81
Materials	2.87
Utilities	2.35
Telecommunication Services	0.26
Other Net Assets	1.89
	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.

## MAJOR STOCK CHANGES IN THE THIRD QUARTER

*(Unaudited)*

The following are the major (\$4.5 million or more) stock changes – both purchases and sales that were made in the Fund's portfolio during the third quarter of 2009.

SECURITY NAME	PURCHASES (SALES)	SHARES AS OF 9/30/09
<b>PURCHASES</b>		
Adobe Systems, Inc.	228,000	228,000
eBay, Inc.	280,400	526,400
Hewlett-Packard Co.	152,800	152,800
Microsoft Corp.	331,000	739,025
NetApp, Inc.	208,400	208,400
PNC Financial Services Group	183,175	253,791
UnitedHealth Group	193,300	193,300
<b>SALES</b>		
Capital One Financial Corp.	(283,980)	92,125
Cisco Systems, Inc.	(379,000)	278,000
International Business Machines Corp.	(76,900)	0
McDonald's Corp.	(86,300)	0
Petroleo Brasileiro S.A.	(174,700)	0
QUALCOMM, Inc.	(134,300)	216,300
Quest Diagnostics, Inc.	(86,900)	0

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

**Schneider Capital Management Corporation**

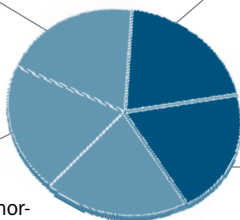
VALUE/Companies that are overlooked and undervalued where the firm expects a rebound in earnings.

**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.



**Chase Investment Counsel Corporation**

GROWTH/Companies that have demonstrated consistent earnings growth that are prudently priced.

**TCW Investment Management Company**

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

**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 INVESTMENT STYLE SPECTRUM**  
**AS OF SEPTEMBER 30, 2009 VALUE GROWTH**  
**(UNAUDITED)**

	SCHNEIDER	PZENA	MATRIX	CHASE	TCW	TOTAL FUND	S&P 500 INDEX
Number of Holdings	43	49	41	34	32	168*	500
Percent of Holdings in Top 10	54%	35%	36%	46%	45%	16%	20%
Weighted Average Market Capitalization (billions)	\$17	\$39	\$52	\$42	\$46	\$39	\$77
Average Five-Year Earnings Per Share Growth	1%	(2)%	0%	24%	32%	11%	10%
Dividend Yield	1.5%	1.6%	1.5%	0.6%	0.7%	1.2%	2.0%
Price/Earnings Ratio**	20x	15x	18x	19x	23x	19x	17x
Price/Book Value Ratio	2.1x	2.6x	2.7x	3.5x	5.0x	3.2x	3.4x

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

\*\* Excludes negative earnings.

## SCHEDULE OF INVESTMENTS

as of September 30, 2009 (Unaudited)

COMMON STOCKS (98.03%)	SHARES	MARKET VALUE
<b>► CONSUMER DISCRETIONARY (12.89%)</b>		
<b>Auto Components (1.65%)</b>		
Johnson Controls, Inc.	217,000	\$ 5,546,520
Magna International, Inc., Class A	231,550	9,845,506
		<u>15,392,026</u>
<b>Hotels, Restaurants &amp; Leisure (2.28%)</b>		
Carnival Corp.	224,980	7,487,334
Starbucks Corp. <sup>(a)</sup>	421,300	8,699,845
Yum! Brands, Inc.	148,000	4,996,480
		<u>21,183,659</u>
<b>Household Durables (1.61%)</b>		
NVR, Inc. <sup>(a)</sup>	10,655	6,791,177
Pulte Homes, Inc.	381,541	4,193,136
Whirlpool Corp.	57,525	4,024,449
		<u>15,008,762</u>
<b>Internet &amp; Catalog Retail (0.91%)</b>		
Amazon.com, Inc. <sup>(a)</sup>	91,180	8,512,565
<b>Leisure Equipment &amp; Products (0.28%)</b>		
Mattel, Inc.	139,550	2,576,093
<b>Media (2.70%)</b>		
Comcast Corp., Class A	103,000	1,656,240
The DIRECTV Group, Inc. <sup>(a)</sup>	132,800	3,662,624
Liberty Media Corp., Capital Group, Series A <sup>(a)</sup>	90,419	1,891,565
The McGraw-Hill Cos., Inc.	206,000	5,178,840
Omnicom Group, Inc.	193,925	7,163,590
The Walt Disney Co.	203,000	5,574,380
		<u>25,127,239</u>
<b>Multi-Line Retail (1.09%)</b>		
J.C. Penney Co., Inc.	300,740	10,149,975
<b>Specialty Retail (2.37%)</b>		
Best Buy Co., Inc.	34,590	1,297,817
Home Depot, Inc.	76,600	2,040,624
O'Reilly Automotive, Inc. <sup>(a)</sup>	103,300	3,733,262
Staples, Inc.	289,000	6,710,580
The TJX Companies, Inc.	221,400	8,225,010
		<u>22,007,293</u>
<b>► CONSUMER STAPLES (4.81%)</b>		
<b>Beverages (0.42%)</b>		
The Coca-Cola Co.	73,300	3,936,210

See Notes to Schedule of Investments

**LIBERTY ALL-STAR® EQUITY FUND****SCHEDULE OF INVESTMENTS***as of September 30, 2009 (Unaudited)*

<b>COMMON STOCKS (continued)</b>	<b>SHARES</b>	<b>MARKET VALUE</b>
<b>Food &amp; Staples Retailing (1.98%)</b>		
Costco Wholesale Corp.	84,100	\$ 4,748,286
CVS Caremark Corp.	120,600	4,310,244
Walgreen Co.	181,000	6,782,070
Wal-Mart Stores, Inc.	52,700	2,587,043
		<u>18,427,643</u>
<b>Food Products (1.20%)</b>		
Kraft Foods, Inc.	117,300	3,081,471
Sara Lee Corp.	250,271	2,788,019
Smithfield Foods, Inc. <sup>(a)</sup>	43,215	596,367
Tyson Foods, Inc., Class A	370,400	4,678,152
		<u>11,144,009</u>
<b>Household Products (0.82%)</b>		
The Procter & Gamble Co.	132,200	7,657,024
<b>Personal Products (0.39%)</b>		
Avon Products, Inc.	107,375	3,646,455
<b>► ENERGY (12.50%)</b>		
<b>Energy Equipment &amp; Services (3.66%)</b>		
BJ Services Co.	213,150	4,141,505
FMC Technologies, Inc. <sup>(a)</sup>	72,510	3,787,922
National-Oilwell Varco, Inc. <sup>(a)</sup>	134,800	5,813,924
Oceaneering International, Inc. <sup>(a)</sup>	117,600	6,673,800
Patterson-UTI Energy, Inc.	84,550	1,276,705
Schlumberger Ltd.	78,230	4,662,508
Weatherford International Ltd. <sup>(a)</sup>	370,200	7,674,246
		<u>34,030,610</u>
<b>Oil, Gas &amp; Consumable Fuels (8.84%)</b>		
Apache Corp.	40,725	3,739,777
Arch Coal, Inc.	499,935	11,063,562
BP PLC <sup>(b)</sup>	82,629	4,398,342
Chesapeake Energy Corp.	525,119	14,913,379
Chevron Corp.	76,000	5,352,680
ConocoPhillips	129,000	5,825,640
Consol Energy, Inc.	118,525	5,346,663
Devon Energy Corp.	108,000	7,271,640
EXCO Resources, Inc.	30,590	571,727
Exxon Mobil Corp.	13,700	939,957
Forest Oil Corp. <sup>(a)</sup>	550,155	10,766,533
Occidental Petroleum Corp.	71,700	5,621,280
Valero Energy Corp.	334,475	6,485,470
		<u>82,296,650</u>

See Notes to Schedule of Investments

## SCHEDULE OF INVESTMENTS

as of September 30, 2009 (Unaudited)

COMMON STOCKS (continued)	SHARES	MARKET VALUE
<b>▶ FINANCIALS (16.59%)</b>		
<b>Capital Markets (2.49%)</b>		
Bank of New York Mellon Corp.	182,000	\$ 5,276,180
Morgan Stanley	313,175	9,670,844
State Street Corp.	36,250	1,906,750
UBS AG <sup>(a)</sup>	344,100	6,300,471
		<u>23,154,245</u>
<b>Commercial Banks (1.79%)</b>		
Comerica, Inc.	147,500	4,376,325
PNC Financial Services Group, Inc.	253,791	12,331,705
		<u>16,708,030</u>
<b>Consumer Finance (2.37%)</b>		
American Express Co.	135,000	4,576,500
Capital One Financial Corp.	92,125	3,291,626
Visa, Inc., Class A	206,000	14,236,660
		<u>22,104,786</u>
<b>Diversified Financial Services (4.44%)</b>		
Bank of America Corp.	1,220,259	20,646,782
Citigroup, Inc.	1,014,044	4,907,972
IntercontinentalExchange, Inc. <sup>(a)</sup>	47,400	4,606,806
JPMorgan Chase & Co.	253,525	11,109,466
		<u>41,271,026</u>
<b>Insurance (4.24%)</b>		
ACE Ltd. <sup>(a)</sup>	55,500	2,967,030
Aflac, Inc.	22,565	964,428
The Allstate Corp.	385,920	11,816,870
Axis Capital Holdings Ltd.	1,200	36,216
Brown & Brown, Inc.	156,650	3,001,414
Fidelity National Financial, Inc.	129,010	1,945,471
Genworth Financial, Inc., Class A	362,235	4,328,708
The Hartford Financial Services Group, Inc.	136,445	3,615,793
MetLife, Inc.	78,975	3,006,578
RenaissanceRe Holdings Ltd.	37,475	2,052,131
Torchmark Corp.	130,325	5,660,015
		<u>39,394,654</u>
<b>Real Estate Investment Trusts (1.26%)</b>		
Annaly Capital Management, Inc.	517,544	9,388,248
Redwood Trust, Inc.	153,170	2,374,135
		<u>11,762,383</u>
<b>▶ HEALTH CARE (11.45%)</b>		
<b>Biotechnology (2.20%)</b>		
Cephalon, Inc. <sup>(a)</sup>	70,200	4,088,448
Genzyme Corp. <sup>(a)</sup>	143,600	8,146,428
Gilead Sciences, Inc. <sup>(a)</sup>	177,400	8,263,292
		<u>20,498,168</u>

See Notes to Schedule of Investments

**LIBERTY ALL-STAR® EQUITY FUND****SCHEDULE OF INVESTMENTS***as of September 30, 2009 (Unaudited)*

<b>COMMON STOCKS (continued)</b>	<b>SHARES</b>	<b>MARKET VALUE</b>
<b>Health Care Equipment &amp; Supplies (2.84%)</b>		
Boston Scientific Corp. <sup>(a)</sup>	219,450	\$ 2,323,976
CareFusion Corp. <sup>(a)</sup>	93,000	2,027,400
Covidien Ltd.	86,000	3,720,360
Intuitive Surgical, Inc. <sup>(a)</sup>	15,400	4,038,650
Medtronic, Inc.	47,000	1,729,600
Varian Medical Systems, Inc. <sup>(a)</sup>	157,900	6,652,327
Zimmer Holdings, Inc. <sup>(a)</sup>	111,425	5,955,666
		<u>26,447,979</u>
<b>Health Care Providers &amp; Services (3.43%)</b>		
Aetna, Inc.	186,775	5,197,948
AmerisourceBergen Corp.	98,276	2,199,417
Brookdale Senior Living, Inc.	138,564	2,512,165
Cardinal Health, Inc.	186,000	4,984,800
Medco Health Solutions, Inc. <sup>(a)</sup>	64,000	3,539,840
Omnicare, Inc.	47,940	1,079,609
UnitedHealth Group, Inc.	193,300	4,840,232
WellPoint, Inc. <sup>(a)</sup>	160,400	7,596,543
		<u>31,950,554</u>
<b>Health Care Technology (0.61%)</b>		
Cerner Corp. <sup>(a)</sup>	75,732	5,664,754
<b>Life Sciences Tools &amp; Services (0.90%)</b>		
Life Technologies Corp. <sup>(a)</sup>	179,300	8,346,415
<b>Pharmaceuticals (1.47%)</b>		
Allergan, Inc.	84,900	4,818,924
Bristol-Myers Squibb Co.	188,442	4,243,714
Johnson & Johnson	48,375	2,945,554
Teva Pharmaceutical Industries Ltd. <sup>(b)</sup>	33,300	1,683,648
		<u>13,691,840</u>
<b>► INDUSTRIALS (8.62%)</b>		
<b>Aerospace &amp; Defense (2.44%)</b>		
The Boeing Co.	189,655	10,269,819
L-3 Communications Holdings, Inc.	57,025	4,580,248
Northrop Grumman Corp.	151,425	7,836,244
		<u>22,686,311</u>
<b>Air Freight &amp; Logistics (1.35%)</b>		
C.H. Robinson Worldwide, Inc.	157,345	9,086,673
Expeditors International of Washington, Inc.	98,790	3,472,469
		<u>12,559,142</u>
<b>Commercial Services &amp; Supplies (0.37%)</b>		
Quanta Services, Inc. <sup>(a)</sup>	155,400	3,439,002

See Notes to Schedule of Investments

## SCHEDULE OF INVESTMENTS

as of September 30, 2009 (Unaudited)

COMMON STOCKS (continued)	SHARES	MARKET VALUE
<b>Construction &amp; Engineering (0.52%)</b>		
Fluor Corp.	94,500	\$ 4,805,325
<b>Electrical Equipment (0.39%)</b>		
Rockwell Automation, Inc.	85,950	3,661,470
<b>Industrial Conglomerates (0.76%)</b>		
Tyco International Ltd.	206,500	7,120,120
<b>Machinery (1.82%)</b>		
Danaher Corp.	53,780	3,620,470
Deere & Co.	26,600	1,141,672
Flowsolve Corp.	62,006	6,110,071
Joy Global, Inc.	61,600	3,014,704
Navistar International Corp. <sup>(a)</sup>	55,813	2,088,522
PACCAR, Inc.	25,000	942,750
		16,918,189
<b>Professional Services (0.97%)</b>		
The Dun & Bradstreet Corp.	20,600	1,551,592
Monster Worldwide, Inc. <sup>(a)</sup>	428,100	7,483,188
		9,034,780
<b>► INFORMATION TECHNOLOGY (25.69%)</b>		
<b>Communications Equipment (5.15%)</b>		
Alcatel-Lucent <sup>(a)(b)</sup>	1,363,433	6,121,814
Cisco Systems, Inc. <sup>(a)</sup>	278,000	6,544,120
Corning, Inc.	671,800	10,285,258
Motorola, Inc.	430,725	3,699,928
QUALCOMM, Inc.	216,300	9,729,174
Research In Motion Ltd. <sup>(a)</sup>	171,700	11,598,335
		47,978,629
<b>Computers &amp; Peripherals (5.18%)</b>		
Apple, Inc. <sup>(a)</sup>	53,600	9,935,832
Dell, Inc. <sup>(a)</sup>	1,347,125	20,557,127
EMC Corp. <sup>(a)</sup>	290,300	4,946,712
Hewlett-Packard Co.	152,800	7,213,688
NetApp, Inc. <sup>(a)</sup>	208,400	5,560,112
		48,213,471
<b>Electronic Equipment &amp; Instruments (1.45%)</b>		
Avnet, Inc. <sup>(a)</sup>	222,540	5,779,364
Tyco Electronics Ltd.	345,125	7,689,385
		13,468,749
<b>Internet Software &amp; Services (2.87%)</b>		
eBay, Inc. <sup>(a)</sup>	526,400	12,428,304
Google, Inc., Class A <sup>(a)</sup>	19,600	9,718,660
Yahoo!, Inc. <sup>(a)</sup>	255,500	4,550,455
		26,697,419

See Notes to Schedule of Investments

**LIBERTY ALL-STAR® EQUITY FUND****SCHEDULE OF INVESTMENTS***as of September 30, 2009 (Unaudited)*

<b>COMMON STOCKS (continued)</b>	<b>SHARES</b>	<b>MARKET VALUE</b>
<b>IT Services (1.61%)</b>		
Accenture Ltd., Class A	3,375	125,786
Cognizant Technology Solutions Corp. <sup>(a)</sup>	152,100	5,880,186
Fiserv, Inc. <sup>(a)</sup>	55,000	2,651,000
The Western Union Co.	336,000	6,357,120
		<u>15,014,092</u>
<b>Semiconductors &amp; Semiconductor Equipment (3.54%)</b>		
Analog Devices, Inc.	203,000	5,598,740
ASML Holding N.V.	126,160	3,730,551
Intel Corp.	108,700	2,127,259
International Rectifier Corp. <sup>(a)</sup>	360,313	7,022,500
Lam Research Corp. <sup>(a)</sup>	241,400	8,246,225
Novellus Systems, Inc. <sup>(a)</sup>	295,000	6,189,100
		<u>32,914,375</u>
<b>Software (5.89%)</b>		
Adobe Systems, Inc. <sup>(a)</sup>	228,000	7,533,120
BMC Software, Inc. <sup>(a)</sup>	55,700	2,090,421
CA, Inc.	256,750	5,645,933
Citrix Systems, Inc. <sup>(a)</sup>	45,400	1,781,042
Intuit, Inc. <sup>(a)</sup>	57,700	1,644,450
McAfee, Inc. <sup>(a)</sup>	163,300	7,150,907
Microsoft Corp.	739,025	19,133,356
Oracle Corp.	305,100	6,358,284
Salesforce.com, Inc. <sup>(a)</sup>	61,000	3,472,730
		<u>54,810,243</u>
<b>► MATERIALS (2.87%)</b>		
<b>Chemicals (1.42%)</b>		
Cytec Industries, Inc.	21,095	684,955
Monsanto Co.	99,200	7,678,080
Praxair, Inc.	50,000	4,084,500
Sigma-Aldrich Corp.	15,000	809,700
		<u>13,257,235</u>
<b>Metals &amp; Mining (1.45%)</b>		
Alcoa, Inc.	410,000	5,379,200
Barrick Gold Corp.	213,900	8,106,810
		<u>13,486,010</u>
<b>► TELECOMMUNICATION SERVICES (0.26%)</b>		
<b>Wireless Telecommunication Services (0.26%)</b>		
Vodafone Group PLC <sup>(b)</sup>	108,300	2,436,750
<b>► UTILITIES (2.35%)</b>		
<b>Electric Utilities (0.76%)</b>		
Allegheny Energy, Inc.	266,120	7,057,502

See Notes to Schedule of Investments

## SCHEDULE OF INVESTMENTS

as of September 30, 2009 (Unaudited)

COMMON STOCKS (continued)	SHARES	MARKET VALUE
<b>Independent Power Producers &amp; Energy Traders (1.14%)</b>		
RRI Energy, Inc. <sup>(a)</sup>	1,490,690	10,643,527
<b>Multi-Utilities (0.45%)</b>		
Sempra Energy	81,250	4,047,063
Wisconsin Energy Corp., Series C	3,978	179,686
		4,226,749
<b>TOTAL COMMON STOCKS (COST OF \$957,349,638)</b>		912,520,137
<b>EXCHANGE TRADED FUND (0.02%)</b>		
<b>▶ EXCHANGE TRADED FUND (0.02%)</b>		
iShares Russell 1000 Value Index Fund (COST OF \$224,355)	4,155	230,561
<b>PREFERRED STOCK (0.08%)</b>		
<b>▶ CONSUMER DISCRETIONARY (0.08%)</b>		
<b>Automobiles (0.08%)</b>		
General Motors Corp., Series C, 6.250% (COST OF \$3,321,454)	194,445	712,155
<b>SHORT TERM INVESTMENT (2.26%)</b>		
<b>▶ REPURCHASE AGREEMENT (2.26%)</b>		
Repurchase agreement with State Street Bank & Trust Co., dated 09/30/09, due 10/01/09 at 0.010%, collateralized by several Fannie Mae and Freddie Mac instruments with various maturity dates, market value of \$21,463,958 (Repurchase proceeds of \$21,027,006) (COST OF \$21,027,000)	\$21,027,000	\$ 21,027,000
<b>TOTAL INVESTMENTS (100.39%) (COST OF 981,922,447)<sup>(c)</sup></b>		934,489,853
<b>LIABILITIES IN EXCESS OF OTHER ASSETS (-0.39%)</b>		(3,636,809)
<b>NET ASSETS (100.00%)</b>		\$ 930,853,044
<b>NET ASSET VALUE PER SHARE (182,678,079 SHARES OUTSTANDING)</b>		\$ 5.10

<sup>(a)</sup> Non-income producing security.<sup>(b)</sup> American Depositary Receipt.<sup>(c)</sup> Cost of investments for federal income tax purposes is \$991,072,326.

Gross unrealized appreciation and depreciation at September 30, 2009,  
based on cost of investments for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 100,987,503
Gross unrealized depreciation	(157,569,976)
Net unrealized depreciation	\$ (56,582,473)

See Notes to Schedule of Investments

## LIBERTY ALL-STAR® EQUITY FUND

## PER SHARE CHANGES IN NET ASSETS

	NINE MONTHS ENDED SEPTEMBER 30, 2009 (UNAUDITED)	YEAR ENDED DECEMBER 31,				
		2008	2007	2006	2005	2004
Net asset value at beginning of year	\$4.21	\$8.07	\$8.76	\$8.85	\$9.30	\$9.13
Net investment income	0.02	0.07	0.07	0.04	0.02	0.02
Net realized and unrealized gain/(loss) on investments and foreign currency	1.10	(3.28)	0.31	0.75	0.40	1.09
Distributions paid <sup>(a)</sup>	(0.23)	(0.65)	(0.90)	(0.88)	(0.87)	(0.89)
Change due to rights offering <sup>(b)</sup>	–	–	(0.17)	–	–	(0.05)
Net asset value at end of period	\$5.10	\$4.21	\$8.07	\$8.76	\$8.85	\$9.30

<sup>(a)</sup> Realized gains offset by capital loss carryforwards are not required to be distributed to shareholders. Any such gains distributed may be taxable to shareholders as ordinary income. To the extent distributions exceed the Fund's current year earnings and profits, the excess may be treated as a non-taxable return of capital.

<sup>(b)</sup> Effect of All-Star's rights offerings for shares at a price below net asset value.

*September 30, 2009 (Unaudited)*

### **Security Valuation**

Equity securities 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.

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.

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 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.

### **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

*September 30, 2009 (Unaudited)*

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 (REIT's). Distributions received in excess of income are recorded as a reduction of the cost of the related investments. If the Fund no longer owns the applicable securities, any distributions received in excess of income are recorded as realized gains.

#### **Fair Value Reporting**

The Fund discloses the classification of its fair value measurements following the three-tier hierarchy established by the Financial Accounting Standards Board. 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. 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® EQUITY FUND**  
**NOTES TO SCHEDULE OF INVESTMENTS**

*September 30, 2009 (Unaudited)*

The following is a summary of the inputs used to value the Fund's investments as of September 30, 2009.

VALUATION INPUTS	INVESTMENTS IN SECURITIES	OTHER FINANCIAL INSTRUMENTS*
<b>Level 1 - Quoted Prices</b>		
Common Stocks	\$ 912,520,137	\$ -
Exchange Traded Fund	230,561	-
Preferred Stock	712,155	-
<b>Level 2 - Other Significant Observable Inputs</b>		
Short Term Investment	21,027,000	-
<b>Level 3 - Significant Unobservable Inputs</b>		
	-	-
<b>Total</b>	<b>\$ 934,489,853</b>	<b>\$ -</b>

\* Other financial instruments are derivative investments not reflected in the Schedule of Investments such as futures, forwards and swap contracts, which are valued at the unrealized appreciation/depreciation on the investment.

For the nine months ended September 30, 2009, the Fund did not have significant unobservable inputs (Level 3) used 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.

**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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Phil Perrone, Chief Compliance Officer

\* Member of the Audit Committee

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 1-800-241-1850. Information regarding how the Fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2009 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.



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FUND  
ASSOCIATION, INC.**  
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