

LIBERTY ALL STAR EQUITY FUND

Form N-30B-2

November 27, 2012

**LIBERTY ALL-STAR® EQUITY FUND**

Period Ending September 30, 2012 (Unaudited)

**Fund Statistics**

|                            |                  |                     |
|----------------------------|------------------|---------------------|
| Net Asset Value (NAV)      |                  | \$5.38              |
| Market Price               |                  | \$4.83              |
| Discount                   |                  | 10.2%               |
|                            | <b>Quarter</b>   | <b>Year-to-Date</b> |
| Distributions              | \$0.08           | \$0.24              |
| Market Price Trading Range | \$4.41 to \$4.96 | \$4.21 to \$5.01    |
| Discount Range             | 9.2% to 12.6%    | 9.2% to 15.3%       |

**Performance**

|   |       |        |
|---|-------|--------|
| Shares Valued at NAV                                    | 6.05% | 13.05% |
| Shares Valued at NAV with Dividends Reinvested          | 6.03% | 13.43% |
| Shares Valued at Market Price with Dividends Reinvested | 8.91% | 20.42% |
| S&P 500® Index  | 6.35% | 16.44% |
| Lipper Large-Cap Core Mutual Fund Average*              | 6.20% | 14.67% |
| NAV Reinvested Percentile Rank (1 = best; 100 = worst)  | 59th  | 67th   |
| Number of Funds in Category                             | 985   | 967    |

\* Percentile ranks calculated using the Fund's NAV Reinvested results within the Lipper Large-Cap Core 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 2012

After giving up ground in the second quarter, equities returned to positive territory in the third quarter – not rivaling the exceptional returns of the first quarter, but a gratifying three months nonetheless. The S&P 500® Index returned 6.35 percent for the quarter, bringing its year-to-date return through September 30 to 16.44 percent. Other key equity indices also registered gains.

The same fears that dealt a setback to equities in the second quarter simmered beneath the surface in the third quarter; these were largely macro concerns, including worries over defaults on sovereign debt in Europe, slower economic growth in China, and federal budget deficits and the looming fiscal cliff in the U.S. Nevertheless, investors were more willing to take on risk during the third quarter. Equities benefited from expectations that central banks around the world would take steps to stimulate their economies. In the euro zone, investors were heartened by the European Central Bank's plan to buy government debt and thus reduce some nations' borrowing costs. In the U.S., the economy continued to be burdened by the weakest economic recovery since the Great Depression. The housing sector showed some strength, however, and consumer confidence posted a surprising increase in August. Corporations' earnings reports generally topped expectations; select technology companies, in particular, performed well.

For the quarter, Liberty All-Star Equity Fund posted net asset value (NAV) based results in-line with its relevant benchmarks, while exceeding those benchmarks with shares valued at market price (with dividends reinvested). The Fund returned 6.05 percent with shares valued at NAV, 6.03 percent with shares valued at NAV with dividends reinvested and 8.91 percent with shares valued at market price (with dividends reinvested). Through the first nine months of the year, shares valued at NAV advanced 13.05 percent while shares valued at NAV with dividends reinvested returned 13.43 percent. The Fund's shares valued at market price (with dividends reinvested) returned a particularly strong 20.42 percent through September 30. This compares with a 16.44 percent return for the S&P 500® Index and 14.67 percent for the Lipper Large-Cap Core Mutual Fund Average.

The Fund's quarterly return would have been better but for a slow start in July, as volatility from the second quarter spilled over into the start of the third quarter. The Fund gained momentum through the rest of the period, however, with solid outperformance in August and September. The discount at which the Fund's shares trade relative to their underlying NAV continued to narrow, as it ranged from 9.2 percent to 12.6 percent over the quarter.

The Fund's distribution policy, which has been in place since 1988, is a major component of the Fund's total return. The Fund pays out 1.5 percent of its NAV each quarter, or 6 percent annually. Often, however, these distributions – either in cash or reinvested in additional Fund shares – are overlooked. As you will see in the table on the inside front cover of this report, the Fund has paid distributions of \$0.24 through three quarters and will pay \$0.32 cents for the year. Bear in mind, as well, that these distributions add up over time – in fact, since the advent of the policy back in 1988, they total \$22.66 per share through September 30.

President's Letter

Liberty All-Star® Equity Fund

We are pleased that the Fund has delivered double-digit returns thus far in 2012, especially given the numerous political and economic uncertainties. With a wide range of factors likely to influence the equity market in the final quarter including the presidential election it should be an interesting close to the year. No matter what the investment environment holds, please be assured that your management team at ALPS Advisors and the Fund's five investment management firms remain committed to diligence, prudence and discipline.

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 2012 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.

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Liberty All-Star® Equity Fund

Table of Distributions & 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                    | 0.31                    |                 |   |                    |              |
| 2011                    | 0.34                    |                 |   |                    |              |
| 2012                    |                         |                 |   |                    |              |
| 1 <sup>st</sup> Quarter | 0.08                    |                 |   |                    |              |
| 2 <sup>nd</sup> Quarter | 0.08                    |                 |   |                    |              |
| 3 <sup>rd</sup> Quarter | 0.08                    |                 |   |                    |              |
| Total                   | \$ 22.66                |                 |   |                    |              |

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

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

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

**DISTRIBUTION POLICY**

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

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Top 20 Holdings & Economic Sectors  
September 30, 2012 (Unaudited)

Liberty All-Star® Equity Fund

| <b>Top 20 Holdings*</b>             | <b>Percent of Net Assets</b> |
|-------------------------------------|------------------------------|
| Apple, Inc.                         | 3.35%                        |
| JPMorgan Chase & Co.                | 2.40                         |
| QUALCOMM, Inc.                      | 2.14                         |
| Google, Inc., Class A               | 2.07                         |
| Schlumberger Ltd.                   | 1.62                         |
| The Allstate Corp.                  | 1.48                         |
| SunTrust Banks, Inc.                | 1.48                         |
| ACE Ltd.                            | 1.47                         |
| Wells Fargo & Co.                   | 1.47                         |
| Citigroup, Inc.                     | 1.45                         |
| State Street Corp.                  | 1.25                         |
| TE Connectivity Ltd.                | 1.23                         |
| Devon Energy Corp.                  | 1.22                         |
| Teva Pharmaceutical Industries Ltd. | 1.21                         |
| Cisco Systems, Inc.                 | 1.18                         |
| Visa, Inc., Class A                 | 1.13                         |
| Chesapeake Energy Corp.             | 1.12                         |
| American Tower Corp., Class A       | 1.09                         |
| MetLife, Inc.                       | 1.04                         |
| Baidu, Inc.                         | 1.03                         |
|                                     | 30.43%                       |

| <b>Economic Sectors*</b>   | <b>Percent of Net Assets</b> |
|----------------------------|------------------------------|
| Information Technology     | 22.84%                       |
| Financials                 | 21.43                        |
| Energy                     | 14.05                        |
| Consumer Discretionary     | 12.08                        |
| Health Care                | 9.62                         |
| Industrials                | 7.12                         |
| Consumer Staples           | 5.63                         |
| Materials                  | 2.96                         |
| Telecommunication Services | 1.68                         |
| Utilities                  | 1.09                         |
| Other Net Assets           | 1.50                         |
|                            | 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 (\$3 million or more) stock changes - both purchases and sales - that were made in the Fund's portfolio during the third quarter of 2012.

| Security Name                                | Purchases (Sales) | Shares<br>Held as of 9/30/12 |
|--|-------------------|------------------------------|
| <b>Purchases</b>                             |                   |                              |
| Capital One Financial Corp.                  | 71,066            | 71,066                       |
| The Coca-Cola Company                        | 123,389           | 185,389*                     |
| Delphi Automotive PLC                        | 185,450           | 185,450                      |
| Devon Energy Corp.                           | 60,115            | 199,748                      |
| Equinix, Inc.                                | 19,600            | 19,600                       |
| Starbucks Corp.                              | 102,200           | 102,200                      |
| Teva Pharmaceutical Industries Ltd.          | 164,670           | 289,270                      |
| Verisk Analytics, Inc., Class A              | 84,900            | 84,900                       |
| WellPoint, Inc.                              | 66,545            | 129,243                      |
| <b>Sales</b>                                 |                   |                              |
| Apple, Inc.                                  | (12,353)          | 49,749                       |
| C.H. Robinson Worldwide, Inc.                | (57,100)          | 33,845                       |
| Expeditors International of Washington, Inc. | (100,190)         | 0                            |
| Gilead Sciences, Inc.                        | (55,038)          | 34,426                       |
| The Goldman Sachs Group, Inc.                | (31,776)          | 33,575                       |
| Staples, Inc.                                | (285,000)         | 646,750                      |
| Valero Energy Corp.                          | (248,080)         | 58,650                       |

\* Adjusted for stock split.

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, 2012 (Unaudited)***Investment Style Spectrum**

|   | SCHNEIDER | PZENA | MATRIX | CORNERSTONE | TCW   | TOTAL FUND | S&P 500® INDEX |
|---|-----------|-------|--------|-------------|-------|------------|----------------|
| Number of Holdings                                | 40        | 39    | 36     | 47          | 32    | 161*       | 500            |
| Percent of Holdings in Top 10                     | 51%       | 39%   | 38%    | 38%         | 46%   | 19%        | 21%            |
| Weighted Average Market Capitalization (billions) | \$32      | \$63  | \$74   | \$87        | \$103 | \$72       | \$120          |
| Average Five-Year Earnings Per Share Growth       | (8)%      | (1)%  | 2%     | 21%         | 25%   | 8%         | 10%            |
| Dividend Yield                                    | 1.4%      | 2.3%  | 2.5%   | 1.3%        | 0.9%  | 1.7%       | 2.2%           |
| Price/Earnings Ratio**                            | 12x       | 10x   | 12x    | 17x         | 24x   | 14x        | 16x            |
| Price/Book Value Ratio                            | 1.4x      | 2.4x  | 2.2x   | 4.9x        | 5.5x  | 3.3x       | 4.0x           |

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

\*\* Excludes negative earnings.



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Liberty All-Star® Equity Fund

Schedule of Investments

|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (98.50%)</b>                       |         |              |
| <b>CONSUMER DISCRETIONARY (12.08%)</b>              |         |              |
| <b>Auto Components (1.56%)</b>                      |         |              |
| Delphi Automotive PLC <sup>(a)</sup>                | 185,450 | \$ 5,748,950 |
| Johnson Controls, Inc.                              | 221,805 | 6,077,457    |
| Magna International, Inc.                           | 84,385  | 3,650,495    |
|   |         | 15,476,902   |
| <b>Diversified Consumer Services (0.96%)</b>        |         |              |
| Apollo Group, Inc., Class A <sup>(a)</sup>          | 327,814 | 9,522,997    |
| <b>Hotels, Restaurants &amp; Leisure (1.93%)</b>    |         |              |
| Carnival Corp.                                      | 120,975 | 4,408,329    |
| Marriott International, Inc., Class A               | 192,921 | 7,543,211    |
| Orient-Express Hotels Ltd., Class A <sup>(a)</sup>  | 219,101 | 1,949,999    |
| Starbucks Corp.                                     | 102,200 | 5,186,650    |
|   |         | 19,088,189   |
| <b>Household Durables (2.39%)</b>                   |         |              |
| KB Home   | 334,300 | 4,797,205    |
| NVR, Inc. <sup>(a)</sup>                            | 11,870  | 10,024,215   |
| Toll Brothers, Inc. <sup>(a)</sup>                  | 265,301 | 8,815,952    |
|   |         | 23,637,372   |
| <b>Internet &amp; Catalog Retail (1.59%)</b>        |         |              |
| Amazon.com, Inc. <sup>(a)</sup>                     | 39,792  | 10,119,901   |
| priceline.com, Inc. <sup>(a)</sup>                  | 9,075   | 5,614,975    |
|   |         | 15,734,876   |
| <b>Media (1.01%)</b>                                |         |              |
| CBS Corp., Class B Non-voting Shares                | 60,807  | 2,209,118    |
| Omnicom Group, Inc.                                 | 96,050  | 4,952,338    |
| The Walt Disney Co.                                 | 54,613  | 2,855,168    |
|   |         | 10,016,624   |
| <b>Multi-Line Retail (0.64%)</b>                    |         |              |
| Dollar General Corp. <sup>(a)</sup>                 | 123,014 | 6,340,141    |
| <b>Specialty Retail (1.06%)</b>                     |         |              |
| Dick's Sporting Goods, Inc.                         | 37,030  | 1,920,006    |
| Staples, Inc.                                       | 646,750 | 7,450,560    |
| Tiffany & Co.                                       | 17,407  | 1,077,145    |
|   |         | 10,447,711   |
| <b>Textiles, Apparel &amp; Luxury Goods (0.94%)</b> |         |              |
| Burberry Group PLC <sup>(b)</sup>                   | 71,585  | 2,323,649    |
| VF Corp.  | 43,774  | 6,975,825    |

9,299,474

**CONSUMER STAPLES (5.63%)**

**Beverages (2.21%)**

|                       |         |           |
|-----------------------|---------|-----------|
| The Coca-Cola Company | 185,389 | 7,031,805 |
|-----------------------|---------|-----------|

*See Notes to Schedule of Investments.*

Third Quarter Report (Unaudited) | September 30, 2012

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## Schedule of Investments

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

|  | SHARES    | MARKET VALUE |
|--|-----------|--------------|
| <b>COMMON STOCKS (continued)</b>                 |           |              |
| <b>Beverages (continued)</b>                     |           |              |
| Diageo PLC <sup>(b)</sup>                        | 54,505    | \$ 6,144,349 |
| Molson Coors Brewing Co., Class B                | 91,025    | 4,100,676    |
| Monster Beverage Corp. <sup>(a)</sup>            | 42,092    | 2,279,703    |
| PepsiCo, Inc.                                    | 33,000    | 2,335,410    |
|  |           | 21,891,943   |
| <b>Food &amp; Staples Retailing (0.88%)</b>      |           |              |
| Costco Wholesale Corp.                           | 48,000    | 4,806,000    |
| CVS Caremark Corp.                               | 80,000    | 3,873,600    |
|  |           | 8,679,600    |
| <b>Food Products (1.31%)</b>                     |           |              |
| Archer-Daniels-Midland Co.                       | 210,000   | 5,707,800    |
| Kellogg Co.                                      | 38,000    | 1,963,080    |
| Mead Johnson Nutrition Co.                       | 72,200    | 5,290,816    |
|  |           | 12,961,696   |
| <b>Household Products (0.62%)</b>                |           |              |
| The Procter & Gamble Co.                         | 89,000    | 6,173,040    |
| <b>Tobacco (0.61%)</b>                           |           |              |
| British American Tobacco PLC <sup>(b)</sup>      | 58,691    | 6,024,044    |
| <b>ENERGY (14.05%)</b>                           |           |              |
| <b>Energy Equipment &amp; Services (3.88%)</b>   |           |              |
| Baker Hughes, Inc.                               | 68,300    | 3,089,209    |
| National-Oilwell Varco, Inc.                     | 51,400    | 4,117,654    |
| Oceaneering International, Inc.                  | 105,300   | 5,817,825    |
| Schlumberger Ltd.                                | 221,789   | 16,041,998   |
| Tidewater, Inc.                                  | 143,000   | 6,939,790    |
| Weatherford International Ltd. <sup>(a)</sup>    | 192,614   | 2,442,346    |
|  |           | 38,448,822   |
| <b>Oil, Gas &amp; Consumable Fuels (10.17%)</b>  |           |              |
| Anadarko Petroleum Corp.                         | 44,439    | 3,107,175    |
| Arch Coal, Inc.                                  | 1,336,380 | 8,459,285    |
| BP PLC <sup>(b)</sup>                            | 233,257   | 9,880,766    |
| Chesapeake Energy Corp.                          | 585,726   | 11,052,650   |
| Chevron Corp.                                    | 61,000    | 7,110,160    |
| Cobalt International Energy, Inc. <sup>(a)</sup> | 245,200   | 5,460,604    |
| ConocoPhillips                                   | 103,000   | 5,889,540    |
| CONSOL Energy, Inc.                              | 50,410    | 1,514,820    |
| Devon Energy Corp.                               | 199,748   | 12,084,754   |
| Exxon Mobil Corp.                                | 44,775    | 4,094,674    |
| Hess Corp.                                       | 57,540    | 3,091,049    |
| Occidental Petroleum Corp.                       | 93,000    | 8,003,580    |
| Peabody Energy Corp.                             | 369,340   | 8,232,589    |
| Royal Dutch Shell PLC, Class A <sup>(b)</sup>    | 135,412   | 9,398,947    |

*See Notes to Schedule of Investments.*

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Liberty All-Star® Equity Fund

Schedule of Investments

|  | SHARES  | MARKET VALUE |
|--|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                   |         |              |
| <b>Oil, Gas &amp; Consumable Fuels (continued)</b> |         |              |
| Valero Energy Corp.                                | 58,650  | \$ 1,858,032 |
| WPX Energy, Inc. <sup>(a)</sup>                    | 87,655  | 1,454,196    |
|  |         | 100,692,821  |
| <b>FINANCIALS (21.43%)</b>                         |         |              |
| <b>Capital Markets (4.49%)</b>                     |         |              |
| The Charles Schwab Corp.                           | 657,100 | 8,404,309    |
| Franklin Resources, Inc.                           | 39,125  | 4,893,364    |
| The Goldman Sachs Group, Inc.                      | 33,575  | 3,816,806    |
| Invesco Ltd.                                       | 172,925 | 4,321,396    |
| Morgan Stanley                                     | 352,675 | 5,903,779    |
| State Street Corp.                                 | 295,175 | 12,385,543   |
| UBS AG   | 389,825 | 4,748,069    |
|  |         | 44,473,266   |
| <b>Commercial Banks (5.28%)</b>                    |         |              |
| BB&T Corp.   | 155,000 | 5,139,800    |
| Huntington Bancshares, Inc.                        | 504,711 | 3,482,506    |
| KeyCorp  | 237,225 | 2,073,346    |
| PNC Financial Services Group, Inc.                 | 99,664  | 6,288,798    |
| Regions Financial Corp.                            | 851,530 | 6,139,531    |
| SunTrust Banks, Inc.                               | 517,188 | 14,620,905   |
| Wells Fargo & Co.                                  | 420,650 | 14,525,045   |
|  |         | 52,269,931   |
| <b>Consumer Finance (1.01%)</b>                    |         |              |
| American Express Co.                               | 103,500 | 5,885,010    |
| Capital One Financial Corp.                        | 71,066  | 4,051,473    |
|  |         | 9,936,483    |
| <b>Diversified Financial Services (4.16%)</b>      |         |              |
| Bank of America Corp.                              | 344,350 | 3,040,611    |
| Citigroup, Inc.                                    | 438,464 | 14,346,542   |
| JPMorgan Chase & Co.                               | 587,650 | 23,788,072   |
|  |         | 41,175,225   |
| <b>Insurance (6.23%)</b>                           |         |              |
| ACE Ltd.   | 192,445 | 14,548,842   |
| The Allstate Corp.                                 | 369,995 | 14,655,502   |
| American International Group, Inc. <sup>(a)</sup>  | 164,375 | 5,389,856    |
| Assured Guaranty Ltd.                              | 272,219 | 3,707,623    |
| Axis Capital Holdings Ltd.                         | 245,460 | 8,571,463    |
| Genworth Financial, Inc., Class A <sup>(a)</sup>   | 214,434 | 1,121,490    |
| MetLife, Inc.                                      | 299,750 | 10,329,385   |
| RenaissanceRe Holdings Ltd.                        | 20,253  | 1,560,291    |
| WR Berkley Corp.                                   | 48,566  | 1,820,739    |
|  |         | 61,705,191   |

*See Notes to Schedule of Investments.*

Third Quarter Report (Unaudited) | September 30, 2012

## Schedule of Investments

Liberty All-Star® Equity Fund

|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                    |         |              |
| <b>Real Estate Investment Trusts (0.26%)</b>        |         |              |
| Camden Property Trust                               | 40,182  | \$ 2,591,337 |
| <b>HEALTH CARE (9.62%)</b>                          |         |              |
| <b>Biotechnology (0.61%)</b>                        |         |              |
| Celgene Corp. <sup>(a)</sup>                        | 49,563  | 3,786,613    |
| Gilead Sciences, Inc. <sup>(a)</sup>                | 34,426  | 2,283,477    |
|   |         | 6,070,090    |
| <b>Health Care Equipment &amp; Supplies (2.78%)</b> |         |              |
| Becton, Dickinson and Co.                           | 75,650  | 5,943,064    |
| Hologic, Inc. <sup>(a)</sup>                        | 156,584 | 3,169,260    |
| Intuitive Surgical, Inc. <sup>(a)</sup>             | 7,100   | 3,518,973    |
| NuVasive, Inc. <sup>(a)</sup>                       | 31,041  | 711,149      |
| St. Jude Medical, Inc.                              | 169,000 | 7,119,970    |
| Zimmer Holdings, Inc.                               | 105,000 | 7,100,100    |
|   |         | 27,562,516   |
| <b>Health Care Providers &amp; Services (1.45%)</b> |         |              |
| Brookdale Senior Living, Inc. <sup>(a)</sup>        | 294,327 | 6,834,273    |
| WellPoint, Inc.                                     | 129,243 | 7,497,386    |
|   |         | 14,331,659   |
| <b>Health Care Technology (0.70%)</b>               |         |              |
| Cerner Corp. <sup>(a)</sup>                         | 88,864  | 6,878,962    |
| <b>Life Sciences Tools &amp; Services (1.13%)</b>   |         |              |
| Illumina, Inc. <sup>(a)</sup>                       | 44,190  | 2,129,958    |
| Life Technologies Corp. <sup>(a)</sup>              | 117,100 | 5,723,848    |
| Thermo Fisher Scientific, Inc.                      | 57,000  | 3,353,310    |
|   |         | 11,207,116   |
| <b>Pharmaceuticals (2.95%)</b>                      |         |              |
| Abbott Laboratories                                 | 57,875  | 3,967,910    |
| Allergan, Inc.                                      | 77,900  | 7,134,082    |
| Johnson & Johnson                                   | 88,500  | 6,098,535    |
| Teva Pharmaceutical Industries Ltd. <sup>(b)</sup>  | 289,270 | 11,978,671   |
|   |         | 29,179,198   |
| <b>INDUSTRIALS (7.12%)</b>                          |         |              |
| <b>Aerospace &amp; Defense (2.38%)</b>              |         |              |
| The Boeing Co.                                      | 43,225  | 3,009,324    |
| Engility Holdings, Inc. <sup>(a)</sup>              | 12,695  | 234,223      |
| L-3 Communications Holdings, Inc.                   | 76,175  | 5,462,509    |
| Northrop Grumman Corp.                              | 103,575 | 6,880,487    |
| Precision Castparts Corp.                           | 37,300  | 6,092,582    |
| Textron, Inc.                                       | 70,009  | 1,832,136    |

*See Notes to Schedule of Investments.*

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Liberty All-Star® Equity Fund

Schedule of Investments

|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                    |         |              |
| <b>Air Freight &amp; Logistics (0.20%)</b>          |         |              |
| C.H. Robinson Worldwide, Inc.                       | 33,845  | \$ 1,981,625 |
| <b>Building Products (0.56%)</b>                    |         |              |
| Fortune Brands Home & Security, Inc. <sup>(a)</sup> | 58,243  | 1,573,143    |
| Masco Corp.   | 265,400 | 3,994,270    |
|   |         | 5,567,413    |
| <b>Construction &amp; Engineering (0.53%)</b>       |         |              |
| Fluor Corp.   | 94,044  | 5,292,796    |
| <b>Electrical Equipment (0.99%)</b>                 |         |              |
| Emerson Electric Co.                                | 105,000 | 5,068,350    |
| Rockwell Automation, Inc.                           | 68,316  | 4,751,378    |
|   |         | 9,819,728    |
| <b>Machinery (0.81%)</b>                            |         |              |
| Joy Global, Inc.                                    | 71,893  | 4,030,321    |
| Navistar International Corp. <sup>(a)</sup>         | 190,996 | 4,028,106    |
|   |         | 8,058,427    |
| <b>Professional Services (0.41%)</b>                |         |              |
| Verisk Analytics, Inc., Class A <sup>(a)</sup>      | 84,900  | 4,042,089    |
| <b>Road &amp; Rail (0.43%)</b>                      |         |              |
| CSX Corp.   | 204,433 | 4,241,985    |
| <b>Trading Companies &amp; Distributors (0.61%)</b> |         |              |
| Fastenal Co.  | 140,797 | 6,052,863    |
| <b>Transportation Infrastructure (0.20%)</b>        |         |              |
| Aegean Marine Petroleum Network, Inc.               | 321,650 | 1,952,416    |
| <b>INFORMATION TECHNOLOGY (22.84%)</b>              |         |              |
| <b>Communications Equipment (4.31%)</b>             |         |              |
| Acme Packet, Inc. <sup>(a)</sup>                    | 165,769 | 2,834,650    |
| Cisco Systems, Inc.                                 | 613,747 | 11,716,430   |
| Harris Corp.  | 135,000 | 6,914,700    |
| QUALCOMM, Inc.                                      | 339,516 | 21,216,355   |
|   |         | 42,682,135   |
| <b>Computers &amp; Peripherals (5.26%)</b>          |         |              |
| Apple, Inc.   | 49,749  | 33,195,518   |
| Dell, Inc.  | 832,440 | 8,207,858    |
| Hewlett-Packard Co.                                 | 550,600 | 9,393,236    |
| NetApp, Inc. <sup>(a)</sup>                         | 37,999  | 1,249,407    |

*See Notes to Schedule of Investments.*

Third Quarter Report (Unaudited) | September 30, 2012

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Schedule of Investments

Liberty All-Star® Equity Fund

|  | SHARES  | MARKET VALUE |
|--|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                             |         |              |
| <b>Electronic Equipment &amp; Instruments (1.95%)</b>        |         |              |
| Avnet, Inc. <sup>(a)</sup>                                   | 37,703  | \$ 1,096,780 |
| Corning, Inc.  | 460,000 | 6,049,000    |
| TE Connectivity Ltd.   | 357,900 | 12,172,179   |
|  |         | 19,317,959   |
| <b>Internet Software &amp; Services (4.46%)</b>              |         |              |
| Baidu, Inc. <sup>(a)(b)</sup>                                | 87,346  | 10,203,760   |
| eBay, Inc. <sup>(a)</sup>                                    | 67,017  | 3,244,293    |
| Equinix, Inc. <sup>(a)</sup>                                 | 19,600  | 4,038,580    |
| Google, Inc., Class A <sup>(a)</sup>                         | 27,106  | 20,451,477   |
| Monster Worldwide, Inc. <sup>(a)</sup>                       | 442,000 | 3,239,860    |
| OpenTable, Inc. <sup>(a)</sup>                               | 71,921  | 2,991,913    |
|  |         | 44,169,883   |
| <b>IT Services (2.78%)</b>                                   |         |              |
| Cognizant Technology Solutions Corp., Class A <sup>(a)</sup> | 78,300  | 5,474,736    |
| Computer Sciences Corp.                                      | 115,700 | 3,726,697    |
| Visa, Inc., Class A  | 82,949  | 11,138,392   |
| The Western Union Co.  | 394,292 | 7,184,000    |
|  |         | 27,523,825   |
| <b>Semiconductors &amp; Semiconductor Equipment (0.70%)</b>  |         |              |
| ARM Holdings PLC <sup>(b)</sup>                              | 200,500 | 5,609,990    |
| MEMC Electronic Materials, Inc. <sup>(a)</sup>               | 474,030 | 1,303,583    |
|  |         | 6,913,573    |
| <b>Software (3.38%)</b>                                      |         |              |
| Citrix Systems, Inc. <sup>(a)</sup>                          | 51,834  | 3,968,929    |
| Microsoft Corp.  | 329,025 | 9,798,365    |
| Oracle Corp.   | 217,500 | 6,849,075    |
| Salesforce.com, Inc. <sup>(a)</sup>                          | 48,900  | 7,466,541    |
| VMware, Inc., Class A <sup>(a)</sup>                         | 55,100  | 5,330,374    |
|  |         | 33,413,284   |
| <b>MATERIALS (2.96%)</b>                                     |         |              |
| <b>Chemicals (1.58%)</b>                                     |         |              |
| The Mosaic Co.   | 78,637  | 4,530,277    |
| PPG Industries, Inc.   | 19,925  | 2,288,187    |
| Praxair, Inc.  | 57,200  | 5,941,936    |
| The Sherwin-Williams Co.                                     | 19,413  | 2,890,790    |
|  |         | 15,651,190   |
| <b>Metals &amp; Mining (1.38%)</b>                           |         |              |
| Alcoa, Inc.  | 407,000 | 3,601,950    |
| Freeport-McMoRan Copper & Gold, Inc.                         | 98,584  | 3,901,955    |
| Silver Wheaton Corp.   | 155,300 | 6,166,963    |
|  |         | 13,670,868   |

*See Notes to Schedule of Investments.*

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Liberty All-Star® Equity Fund

Schedule of Investments

|  | SHARES           | MARKET VALUE   |
|--|------------------|----------------|
| <b>COMMON STOCKS (continued)</b>   |                  |                |
| <b>TELECOMMUNICATION SERVICES (1.68%)</b>  |                  |                |
| <b>Wireless Telecommunication Services (1.68%)</b>   |                  |                |
| American Tower Corp., Class A  | 150,960          | \$ 10,777,034  |
| Vodafone Group PLC <sup>(b)</sup>  | 205,500          | 5,855,723      |
|  |                  | 16,632,757     |
| <b>UTILITIES (1.09%)</b>   |                  |                |
| <b>Electric Utilities (0.72%)</b>  |                  |                |
| Entergy Corp.  | 80,975           | 5,611,568      |
| FirstEnergy Corp.  | 35,414           | 1,561,757      |
|  |                  | 7,173,325      |
| <b>Independent Power Producers &amp; Energy Traders (0.37%)</b>  |                  |                |
| GenOn Energy, Inc. <sup>(a)</sup>  | 1,430,175        | 3,618,343      |
| <b>TOTAL COMMON STOCKS</b><br>(COST OF \$958,036,537)  |                  | 975,150,990    |
|  | <b>PAR VALUE</b> |                |
| <b>SHORT TERM INVESTMENT (1.73%)</b>   |                  |                |
| <b>REPURCHASE AGREEMENT (1.73%)</b>  |                  |                |
| Repurchase agreement with State Street Bank & Trust Co., dated 09/28/12, due 10/01/12 at 0.01%, collateralized by Federal National Mortgage Association 3.05% 01/01/42, market value of \$17,473,151 (Repurchase proceeds of \$17,120,014) |                  |                |
| (COST OF \$17,120,000)   | \$ 17,120,000    | \$ 17,120,000  |
| <b>TOTAL INVESTMENTS (100.23%)</b><br>(COST OF \$975,156,537) <sup>(c)</sup>   |                  | 992,270,990    |
| <b>LIABILITIES IN EXCESS OF OTHER ASSETS (-0.23%)</b>  |                  | (2,249,040)    |
| <b>NET ASSETS (100.00%)</b>  |                  | \$ 990,021,951 |
| <b>NET ASSET VALUE PER SHARE</b><br>(183,864,812 SHARES OUTSTANDING)   |                  | \$ 5.38        |

(a) Non-income producing security.

(b) American Depositary Receipt.

(c) Cost of investments for federal income tax purposes is \$985,170,961.

See Notes to Schedule of Investments.

Third Quarter Report (Unaudited) | September 30, 2012

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Gross unrealized appreciation and depreciation at September 30, 2012 based on cost of investments for federal income tax purposes is as follows:

|                               |                |
|-------------------------------|----------------|
| Gross unrealized appreciation | \$ 145,542,150 |
| Gross unrealized depreciation | (138,442,121)  |
| Net unrealized appreciation   | \$ 7,100,029   |

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.*

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**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 Fund's 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 may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible reevaluation of currencies, the inability to repatriate foreign currency, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers. For the period ended September 30, 2012, the Fund only held American Depositary Receipts and did not hold any securities denominated in foreign currencies.

**Security Transactions**

Security transactions are recorded on 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 engages 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. Premiums and discounts 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 a 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 which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The designated input levels are not necessarily an indication of the risk or liquidity associated with these investments. These inputs are categorized in the following hierarchy under applicable financial accounting standards:

- Level 1** Unadjusted quoted prices in active markets for identical investments, 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, 2012. The Fund recognizes transfers between the levels as of the beginning of the annual period in which the transfer occurred.



| Investments in Securities at | Valuation Inputs |               |         |                |
|------------------------------|------------------|---------------|---------|----------------|
|                              | Level 1          | Level 2       | Level 3 | Total          |
| Value*                       |                  |               |         |                |
| Common Stocks                | \$ 975,150,990   | \$            | \$      | \$ 975,150,990 |
| Short Term Investment        |                  | 17,120,000    |         | 17,120,000     |
| Total                        | \$ 975,150,990   | \$ 17,120,000 | \$      | \$ 992,270,990 |

\*See Schedule of Investments for industry classifications

For the period ended September 30, 2012, the Fund did not have any significant transfers between Level 1 and Level 2 securities. The Fund did not have any securities which used significant unobservable inputs (Level 3) in determining fair value.

#### Indemnification

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

Description of Lipper

Benchmark and The S&P 500® Index

Liberty All-Star® Equity Fund

*September 30, 2012 (Unaudited)*

**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.

You cannot invest directly in an index.















**INVESTMENT ADVISOR**

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**INVESTOR ASSISTANCE,**

**TRANSFER & DIVIDEND**

**DISBURSING AGENT & REGISTRAR**

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**LEGAL COUNSEL**

K&L Gates LLP

1601 K Street, NW

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Washington, DC 20006

### **TRUSTEES**

John A. Benning\*

Thomas W. Brock\*

Edmund J. Burke

George R. Gaspari\*

Richard W. Lowry\*, Chairman

Dr. John J. Neuhauser\*

Richard C. Rantzow\*

### **OFFICERS**

William R. Parmentier, Jr., President

Mark T. Haley, CFA, Senior Vice President

Edmund J. Burke, Vice President

Jeremy O. May, Treasurer

Kimberly R. Storms, Assistant Treasurer

Tané T. Tyler, Secretary

Alex J. Marks, Assistant Secretary

Melanie H. Zimdars, 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 (SEC) 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.

LAS000487 05/31/13

