

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
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Market Price	\$4.41
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Discount	13.9%
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	<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%
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Shares Valued at NAV with Dividends Reinvested	13.10%	2.99%
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Shares Valued at Market Price with Dividends Reinvested	12.59%	7.14%
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S&P 500 Index	11.29%	3.89%
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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

<b>Year</b>	<b>Per Share Distributions</b>	<b>Month Completed</b>	<b>Rights Offerings Shares Needed to Purchase One Additional Share</b>	<b>Subscription Price</b>	<b>Tax Credits*</b>
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					