

LIBERTY ALL STAR EQUITY FUND
Form N-CSRS
August 30, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-04809

Liberty All-Star Equity Fund

(exact name of registrant as specified in charter)

1290 Broadway, Suite 1100, Denver, Colorado 80203

(Address of principal executive offices) (Zip code)

Tane T. Tyler, General Counsel

ALPS Fund Services, Inc.

1290 Broadway, Suite 1100

Denver, Colorado 80203

(Name and address of agent for service)

Registrant's telephone number, including area code: 303-623-2577

Date of fiscal year end: December 31

Date of reporting period: January 1 June 30, 2012

Item 1. Report of Shareholders.

LIBERTY ALL-STAR® EQUITY FUND**Period Ending June 30, 2012 (Unaudited)****Fund Statistics**

Net Asset Value (NAV)		\$5.16
Market Price		\$4.51
Discount		12.6%
	Quarter	Year-to-Date
Distributions	\$0.08	\$0.16
Market Price Trading Range	\$4.21 to \$5.01	\$4.21 to \$5.01
Discount Range	10.8% to 13.5%	10.8% to 15.3%

Performance

Shares Valued at NAV	(7.21)%	6.60%
Shares Valued at NAV with Dividends Reinvested	(7.02)%	6.99%
Shares Valued at Market Price with Dividends Reinvested	(6.87)%	10.57%
S&P 500® Index	(2.75)%	9.49%
Lipper Large-Cap Core Mutual Fund Average*	(3.95)%	7.95%
NAV Reinvested Percentile Rank (1 = best; 100 = worst)	97th	72nd
Number of Funds in Category	1,090	1075

* 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 28.

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

July 2012

Many of the fundamental concerns confronting the equity market remained largely unchanged in the second quarter but the outcome was very different from the preceding three-month period. For instance, while the S&P 500® Index returned 12.59 percent in the first quarter, in the second quarter the index declined 2.75 percent. Most other equity indices experienced a similar reversal.

Once again during this quarter, it was macro factors rather than company fundamentals that set the tone in equity markets. Most of the market-moving headlines came out of Europe, as government and European Central Bank officials continued grappling with various ways to address massive sovereign debt issues and weak financial institutions with solutions ranging from bailouts to the outright dissolution of the euro. In the U.S., the culprit was sluggish economic growth, exemplified by a report of gross domestic product growth of just 1.9 percent in the first quarter, down from 3.0 percent in the fourth quarter of 2011. Another key data point the June Purchasing Managers Index provided by the Institute for Supply Management dipped to a reading of 49.7, the first time it fell below 50 since July 2009 when the economy was beginning to recover from the 2007/08 financial crisis. Meanwhile, unemployment remained stubbornly high at 8.2 percent.

For long-term equity investors, daily volatility remained frustratingly high. One has only to look at the final week of the quarter to understand how volatile markets were. On Monday, June 25, doubts about the success of a European summit meeting led the S&P 500® Index to decline 1.6 percent. By Friday, June 29, investors saw potential in a European bailout plan and the S&P 500® rose 2.5 percent, its best single day of the year at that point.

The volatility driven by the risk-on to a risk-off trading mentality made the quarter a challenging one for Liberty All-Star Equity Fund's managers. They remain committed to their fundamentally-based investment styles, and that precludes tactically moving into defensive sectors as many investors, reflecting their short-term orientation, did during the quarter. For the quarter, the Fund declined 7.21 percent with shares valued at net asset value (NAV), 7.02 percent with shares

valued at NAV with dividends reinvested and 6.87 percent with shares valued at market price (with dividends reinvested). This compares with the previously noted -2.75 percent return of the S&P 500® Index and the -3.95 percent return of the Lipper Large-Cap Core Mutual Fund Average. The discount at which Fund shares are priced relative to their NAV narrowed somewhat, ranging from 10.8 percent to 13.5 percent over the quarter.

We concur with the Fund's investment managers' commitment to their bottom-up focus on company fundamentals, despite the top-down orientation that shaped investors' mindsets in the past quarter.

Through the first half, the Fund provided better absolute and relative returns. As of June 30, the Fund had returned 6.60 percent with shares valued at NAV, 6.99 percent with shares valued at NAV with dividends reinvested and 10.57 percent with shares valued at market price (with dividends reinvested). This compares with a return of 9.49 percent for the S&P 500® Index and 7.95 percent for the Lipper Large-Cap Core Mutual Fund Average.

In this year's second quarter, investors sought refuge in a few defensive sectors—consumer staples, healthcare, telecom and utilities; however, many of these stocks appear overvalued relative to their growth prospects and thus were unattractive to the Fund's managers. An example

of the distortions that characterized the market were stocks in the telecom sector which rose 14 percent during the quarter.

For a perspective on how one of the Fund's growth style managers, Craig Blum of TCW, views the macro issues that are shaping investors' sentiment, I invite you to read the manager interview in this report. Mr. Blum also provides insights into how the firm's investment process seeks to identify quality growth companies with sustainable competitive advantage that participate in large, attractive end markets.

We are disappointed that the Fund lagged in the second quarter, but pleased that strong outperformance in the first quarter allowed the Fund to deliver competitive returns through the first half of the year. We concur with the Fund's investment managers' commitment to their bottom-up focus on company fundamentals, despite the top-down orientation that shaped investors' mindsets in the past quarter. Over the long term, we believe that quality, discipline and experience will be rewarded.

Sincerely,

William R. Parmentier, Jr.

President and Chief Executive Officer

Liberty All-Star® Equity Fund

The views expressed in the President's letter and the Manager Interview reflect the views of the President and Manager as of July 2012 and may not reflect their 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 st Quarter	0.08				
2 nd Quarter	0.08				
Total	\$22.58				

* 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
June 30, 2012 (Unaudited)

Liberty All-Star® Equity Fund

	Percent of Net Assets
Top 20 Holdings*	
Apple, Inc.	3.85%
JPMorgan Chase & Co.	2.21
QUALCOMM, Inc.	2.05
Google, Inc., Class A	1.68
Wells Fargo & Co.	1.53
ACE Ltd.	1.52
State Street Corp.	1.40
The Allstate Corp.	1.38
SunTrust Banks, Inc.	1.34
Schlumberger Ltd.	1.31
Staples, Inc.	1.29
Citigroup, Inc.	1.25
TE Connectivity Ltd.	1.21
Dell, Inc.	1.17
Chesapeake Energy Corp.	1.16
Cisco Systems, Inc.	1.12
American Tower Corp., Class A	1.12
Visa, Inc., Class A	1.09
NVR, Inc.	1.08
Microsoft Corp.	1.07
	29.83%
Economic Sectors*	
Information Technology	23.43%
Financials	20.69
Energy	13.80
Consumer Discretionary	11.41
Health Care	8.90
Industrials	7.89
Consumer Staples	5.50
Materials	2.94
Telecommunication Services	1.73
Utilities	1.10
Other Net Assets	2.61
	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.

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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 second quarter of 2012.

Security Name	Purchases (Sales)	Shares as of 6/30/12
Purchases		
Apollo Group, Inc., Class A	180,504	277,054
Arch Coal, Inc.	378,190	1,098,245
Baidu, Inc.	32,995	85,803
Becton, Dickinson and Co.	57,325	57,325
Celgene Corp.	58,582	58,582
Chesapeake Energy Corp.	471,280	589,851
Citigroup, Inc.	182,665	431,644
Emerson Electric Co.	87,500	87,500
Fastenal Co.	69,000	128,097
Illumina, Inc.	68,385	68,385
Johnson & Johnson	61,966	100,966
Marriott International, Inc., Class A	101,280	176,681
National-Oilwell Varco, Inc.	46,000	46,000
Oracle Corp.	224,550	224,550
Schlumberger Ltd.	59,529	189,913
Sales		
Abbott Laboratories	(85,255)	57,875
Carnival Corp.	(145,590)	128,235
Cisco Systems, Inc.	(154,770)	615,572
CA, Inc.	(150,400)	0
eBay, Inc.	(132,855)	86,639
Exxon Mobil Corp.	(144,607)	44,775
FMC Technologies, Inc.	(112,920)	0
General Mills, Inc.	(107,120)	0
Salesforce.com, Inc.	(36,503)	47,000
Sunstone Hotel Investors, Inc.	(408,063)	0
Varian Medical Systems, Inc.	(54,900)	0
Walgreen Co.	(100,500)	61,500
Wells Fargo & Co.	(173,500)	431,890

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 June 30, 2012 (Unaudited)*

Investment Style Spectrum

	Value					Growth		S&P 500® INDEX
	SCHNEIDER	PZENA	MATRIX	CORNERSTONE	TCW	TOTAL FUND		
Number of Holdings	38	39	37	45	30	156*		500
Percent of Holdings in Top 10	50%	40%	37%	42%	47%	19%		21%
Weighted Average Market Capitalization (billions)	\$29	\$57	\$67	\$93	\$89	\$61		\$109
Average Five-Year Earnings Per Share Growth	(9)%	(1)%	1%	24%	25%	8%		10%
Dividend Yield	1.5%	2.4%	2.5%	1.2%	0.9%	1.7%		2.2%
Price/Earnings Ratio**	12x	10x	12x	16x	21x	13x		15x
Price/Book Value Ratio	1.5x	2.0x	2.1x	4.7x	5.4x	3.2x		3.8x

* Certain holdings are held by more than one manager.

** Excludes negative earnings.

Craig C. Blum, CFA

Group Managing Director

TCW Investment Management Company

TCW TAKES A BOTTOM-UP APPROACH TO PICKING QUALITY GROWTH

COMPANIES BUT KEEPS AN EYE ON MACRO FACTORS

TCW Investment Management Company is one of Liberty All-Star® Equity Fund's two growth style managers. TCW's concentrated growth equity strategy seeks to invest in quality companies with distinct advantages in their business model. Typically, portfolio companies that have superior sales growth, cost and/or structural advantages, large served markets and ample free cash flow. We recently had the opportunity to talk with Craig C. Blum, CFA, Group Managing Director, at TCW. ALPS Advisors, Inc. moderated the interview.

A hallmark of TCW's approach is its focus on quality. How do you define quality? What other characteristics do you look for in portfolio companies?

Our definition of a quality company starts with a compelling and unique business model that gives it an enduring and sustainable competitive advantage that translates into superior financial metrics. The second factor is a business that competes in a large, attractive and growing end market. Of course, a strong management team with a proven track record is also necessary to execute on this combination. An essential tenet of our research process is identifying a company's key competitive advantage, evaluating the sustainability of that advantage and analyzing how that competitive advantage shows up in the financial metrics of the business. We are generally looking for faster growth rates, increasing market share, better margins, better returns on capital, a superior balance sheet and/or better free cash flow generation and growth. When it comes to end markets, we are trying to find companies that are benefiting from some sort of secular tail wind. Examples would be the ubiquity of connected devices or a growing middle class in emerging markets.

We hear the term business model frequently. How do you define the term?

A company's business model is how it makes money, how it goes to market and how it adds value in the marketplace. That quickly leads us to an analysis of competitive advantage and the value that a particular company brings to customers that other companies are not delivering.

What about valuation? Does that enter in when you analyze a potential portfolio company?

We start by looking for a great business. Then we look for a great end market. Then we definitely consider valuation. Our goal here is to ensure that the growth opportunities and potential we see in a potential portfolio company aren't already fully discounted in the stock.

A quality company has a compelling and unique business model, an enduring competitive advantage, and participates in a large, attractive and growing end market.

Give us an example of a stock in the portion of the Liberty All Star® Equity Fund portfolio that you manage that exemplifies your definition of a quality stock.

American Tower is a good example. This company leases tower space to wireless telecom companies like AT&T, Verizon, Sprint and T-Mobile. If we first look at the company's industry, it is benefiting from secular tail winds related to mobile data usage and the proliferation of smart phones and tablets, which drive the need for denser cell networks. In

turn, that drives demand for more tower leases. So, to start, it is a great industry. Second, the business model of American Tower, in particular, is extremely attractive. There is not a viable substitute in close enough geographic proximity for 80 percent of the company's towers. And the economics and zoning requirements for a competing tower create meaningful barriers to building new towers. As a result, American Tower's lease contracts with carriers are long term. They tend to be five to 10 years, and they contain a lot of protections for American Tower, such as price escalators and cancellation penalties. And the economics of additional tenants on a single tower are very attractive and a key reason we believe that American Tower can offer compelling lease rates to the wireless carriers versus what those carriers' proprietary towers might cost them, and yet generate very attractive margins and cash flow for the company itself. We also believe the company enjoys a cost of capital advantage as the only investment-grade company in the industry. Lastly, it enjoys first mover advantage outside of the U.S. Enabled by a strong balance sheet, the company is rapidly buying and building tower portfolios in markets like India and Latin America.

You mentioned a cost of capital advantage. Is this a particularly capital intensive industry? And, what about any regulatory headwinds?

I wouldn't say it's terribly capital intensive compared to your typical industrial business. But, yes, the business is about buying and building towers, so there is a definite capital component to it. As to regulatory headwinds and approvals for new towers, that is actually what makes the business so beautiful and keeps others from entering. Rather than viewing things like zoning as a headwind, we view it as more of a tailwind as it protects the existing portfolio of towers. And American Tower has been in the business long enough that it has a lengthy pipeline that ensures ongoing growth when it needs to work through local issues.

Let's shift gears: With fiscal problems in Europe and the U.S., as well as fears of a slowdown in China's economy, macro issues have been the cloud hanging over the stock market. How do you balance bottom-up stock picking and top-down macro environment factors?

We believe that in today's environment it is critical to understand the macro exposures of individual businesses as well as the portfolio at large.

Our process remains primarily driven by bottom-up fundamental research and stock picking, but we do overlay macro analysis and insights. And given how high correlations are today and how much of the market is being driven by the macro factors you mention, particularly policy response around the world, we believe it is critical to understand the macro exposures of individual businesses as well as the portfolio at large.

When we look at some of the macro factors driving the markets today we don't see many easy solutions. Yet, we are keenly aware of the pressure on central banks and governments to soften or even try to reverse the negative consequences that are a result of the current deleveraging cycle. And that combination, in our view, is the formula for the exaggerated volatility that has characterized equity markets in recent years. So, our response to this is balance. In addition to the benefits that come from owning high quality secular winners, we've sought to populate the portfolio with a balance of what we call defensive growth companies, or those companies whose growth drivers are less correlated to global GDP.

American Tower fits the bill because of its long-term contracts and high revenue cash flow visibility. So, approximately one-third of our portfolio is in these more defensive growth names, while two-thirds is in more traditional offensive growth names.

Many thanks for an interesting interview.

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Liberty All-Star® Equity Fund

Schedule of Investments

	SHARES	MARKET VALUE
COMMON STOCKS (97.39%)		
CONSUMER DISCRETIONARY (11.41%)		
Auto Components (1.18%)		
Johnson Controls, Inc.	221,805	\$ 6,146,216
Magna International, Inc.	125,295	4,944,141
		11,090,357
Diversified Consumer Services (1.06%)		
Apollo Group, Inc., Class A ^(a)	277,054	10,026,584
Hotels, Restaurants & Leisure (1.42%)		
Carnival Corp.	128,235	4,394,614
Marriott International, Inc., Class A	176,681	6,925,895
Orient-Express Hotels Ltd., Class A ^(a)	251,251	2,102,971
		13,423,480
Household Durables (2.35%)		
KB Home	362,700	3,554,460
NVR, Inc. ^(a)	11,955	10,161,750
Toll Brothers, Inc. ^(a)	284,001	8,443,350
		22,159,560
Internet & Catalog Retail (1.28%)		
Amazon.com, Inc. ^(a)	26,480	6,046,708
priceline.com, Inc. ^(a)	9,075	6,030,519
		12,077,227
Media (1.01%)		
CBS Corp.	31,575	1,035,028
Omnicom Group, Inc.	96,050	4,668,030
The Walt Disney Co.	77,862	3,776,307
		9,479,365
Multi-Line Retail (0.41%)		
Dollar General Corp. ^(a)	71,805	3,905,474
Specialty Retail (1.53%)		
Dick's Sporting Goods, Inc.	27,057	1,298,736
Staples, Inc.	931,750	12,159,337
Tiffany & Co.	17,407	921,701
		14,379,774
Textiles, Apparel & Luxury Goods (1.17%)		
Burberry Group PLC ^(b)	73,784	3,073,104
Coach, Inc.	45,206	2,643,647
VF Corp.	39,979	5,335,197

See Notes to Schedule of Investments and Financial Statements.
Semi-Annual Report (Unaudited) | June 30, 2012

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Schedule of Investments
June 30, 2012 (Unaudited)

Liberty All-Star® Equity Fund

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
CONSUMER STAPLES (5.50%)		
Beverages (1.69%)		
The Coca-Cola Company	31,000	\$ 2,423,890
Diageo PLC ^(b)	71,186	7,337,141
Molson Coors Brewing Co., Class B	91,025	3,787,550
PepsiCo, Inc.	33,000	2,331,780
		15,880,361
Food & Staples Retailing (1.07%)		
Costco Wholesale Corp.	48,000	4,560,000
CVS Caremark Corp.	80,000	3,738,400
Walgreen Co.	61,500	1,819,170
		10,117,570
Food Products (1.16%)		
Archer-Daniels-Midland Co.	155,000	4,575,600
Mead Johnson Nutrition Co.	79,200	6,376,392
		10,951,992
Household Products (0.55%)		
The Procter & Gamble Co.	85,000	5,206,250
Personal Products (0.32%)		
Avon Products, Inc.	182,968	2,965,911
Tobacco (0.71%)		
British American Tobacco PLC ^(b)	65,437	6,682,427
ENERGY (13.80%)		
Energy Equipment & Services (3.26%)		
Baker Hughes, Inc.	39,600	1,627,560
National-Oilwell Varco, Inc.	46,000	2,964,240
Oceaneering International, Inc.	105,300	5,039,658
Schlumberger Ltd.	189,913	12,327,253
Tidewater, Inc.	135,000	6,258,600
Weatherford International Ltd. ^(a)	200,845	2,536,672
		30,753,983
Oil, Gas & Consumable Fuels (10.54%)		
Anadarko Petroleum Corp.	38,248	2,532,018
Arch Coal, Inc.	1,098,245	7,566,908
BP PLC ^(b)	242,782	9,842,382
Chesapeake Energy Corp.	589,851	10,971,229
Chevron Corp.	61,000	6,435,500
Cobalt International Energy, Inc. ^(a)	290,589	6,828,841

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See Notes to Schedule of Investments and Financial Statements.

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Liberty All-Star® Equity Fund

Schedule of Investments

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Oil, Gas & Consumable Fuels (continued)		
ConocoPhillips	103,000	\$ 5,755,640
CONSOL Energy, Inc.	97,090	2,936,001
Devon Energy Corp.	139,633	8,097,318
Exxon Mobil Corp.	44,775	3,831,397
Hess Corp.	60,051	2,609,216
Occidental Petroleum Corp.	85,800	7,359,066
Peabody Energy Corp.	332,980	8,164,670
Royal Dutch Shell PLC, Class A ^(b)	133,789	9,021,392
Valero Energy Corp.	306,730	7,407,529
		99,359,107
FINANCIALS (20.69%)		
Capital Markets (4.74%)		
The Charles Schwab Corp.	562,100	7,267,953
Franklin Resources, Inc.	39,125	4,342,484
The Goldman Sachs Group, Inc.	65,351	6,264,547
Invesco Ltd.	172,925	3,908,105
Morgan Stanley	352,675	5,145,528
State Street Corp.	295,175	13,176,612
UBS AG ^(a)	389,825	4,564,851
		44,670,080
Commercial Banks (5.13%)		
BB&T Corp.	155,000	4,781,750
Huntington Bancshares, Inc.	508,261	3,252,870
PNC Financial Services Group, Inc.	105,064	6,420,461
Regions Financial Corp.	1,013,415	6,840,551
SunTrust Banks, Inc.	520,838	12,619,905
Wells Fargo & Co.	431,890	14,442,402
		48,357,939
Consumer Finance (0.64%)		
American Express Co.	103,500	6,024,735
Diversified Financial Services (3.76%)		
Bank of America Corp.	344,350	2,816,783
Citigroup, Inc.	431,644	11,831,362
JPMorgan Chase & Co.	582,500	20,812,725
		35,460,870
Insurance (6.42%)		
ACE Ltd.	193,120	14,315,986
The Allstate Corp.	371,120	13,022,601
American International Group, Inc. ^(a)	164,375	5,274,794
Aon PLC	13,208	617,870
Assured Guaranty Ltd.	274,144	3,865,430

See Notes to Schedule of Investments and Financial Statements.

Schedule of Investments
June 30, 2012 (Unaudited)

Liberty All-Star[®] Equity Fund

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Insurance (continued)		
Axis Capital Holdings Ltd.	245,910	\$ 8,004,370
Fidelity National Financial, Inc., Class A	96,100	1,850,886
Genworth Financial, Inc., Class A ^(a)	215,959	1,222,328
MetLife, Inc.	296,750	9,154,737
RenaissanceRe Holdings Ltd.	42,053	3,196,449
		60,525,451
HEALTH CARE (8.90%)		
Biotechnology (0.88%)		
Celgene Corp. ^(a)	58,582	3,758,621
Gilead Sciences, Inc. ^(a)	89,464	4,587,714
		8,346,335
Health Care Equipment & Supplies (2.67%)		
Becton, Dickinson and Co.	57,325	4,285,044
Hologic, Inc. ^(a)	159,643	2,879,960
Intuitive Surgical, Inc. ^(a)	7,100	3,931,909
NuVasive, Inc. ^(a)	47,037	1,192,858
St. Jude Medical, Inc.	160,000	6,385,600
Zimmer Holdings, Inc.	101,000	6,500,360
		25,175,731
Health Care Providers & Services (1.04%)		
Brookdale Senior Living, Inc. ^(a)	328,177	5,821,860
WellPoint, Inc.	62,698	3,999,506
		9,821,366
Health Care Technology (0.78%)		
Cerner Corp. ^(a)	88,864	7,345,498
Life Sciences Tools & Services (1.12%)		
Illumina, Inc. ^(a)	68,385	2,762,070
Life Technologies Corp. ^(a)	117,100	5,268,329
Thermo Fisher Scientific, Inc.	49,000	2,543,590
		10,573,989
Pharmaceuticals (2.41%)		
Abbott Laboratories	57,875	3,731,201
Allergan, Inc.	77,900	7,211,203
Johnson & Johnson	100,966	6,821,263
Teva Pharmaceutical Industries Ltd. ^(b)	124,600	4,914,224
		22,677,891
INDUSTRIALS (7.89%)		

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Aerospace & Defense (2.67%)

The Boeing Co.	47,270	3,512,161
L-3 Communications Holdings, Inc.	88,150	6,523,982

See Notes to Schedule of Investments and Financial Statements.

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Liberty All-Star® Equity Fund

Schedule of Investments

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Aerospace & Defense (continued)		
Northrop Grumman Corp.	112,875	\$ 7,200,296
Precision Castparts Corp.	37,300	6,135,477
Textron, Inc.	73,063	1,817,077
		25,188,993
Air Freight & Logistics (0.98%)		
C.H. Robinson Worldwide, Inc.	90,945	5,323,011
Expeditors International of Washington, Inc.	100,190	3,882,362
		9,205,373
Building Products (0.62%)		
Fortune Brands Home & Security, Inc. ^(a)	62,075	1,382,410
Masco Corp.	325,475	4,514,339
		5,896,749
Construction & Engineering (0.65%)		
Fluor Corp.	123,945	6,115,446
Electrical Equipment (0.82%)		
Emerson Electric Co.	87,500	4,075,750
Rockwell Automation, Inc.	54,982	3,632,111
		7,707,861
Machinery (0.94%)		
Joy Global, Inc.	77,045	4,370,763
Navistar International Corp. ^(a)	157,841	4,477,949
		8,848,712
Road & Rail (0.48%)		
CSX Corp.	204,433	4,571,122
Trading Companies & Distributors (0.55%)		
Fastenal Co.	128,097	5,163,590
Transportation Infrastructure (0.18%)		
Aegean Marine Petroleum Network, Inc.	323,900	1,732,865
INFORMATION TECHNOLOGY (23.43%)		
Communications Equipment (4.10%)		
Acme Packet, Inc. ^(a)	165,769	3,091,592
Cisco Systems, Inc.	615,572	10,569,371
Harris Corp.	135,000	5,649,750

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QUALCOMM, Inc.	346,985	19,320,125
		38,630,838

Computers & Peripherals (6.07%)

Apple, Inc. ^(a)	62,102	36,267,568
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See Notes to Schedule of Investments and Financial Statements.
Semi-Annual Report (Unaudited) | June 30, 2012

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Schedule of Investments

Liberty All-Star® Equity Fund

June 30, 2012 (Unaudited)

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Computers & Peripherals (continued)		
Dell, Inc. ^(a)	881,390	\$ 11,035,003
Hewlett-Packard Co.	432,825	8,704,111
NetApp, Inc. ^(a)	37,999	1,209,128
		57,215,810
Electronic Equipment & Instruments (2.11%)		
Avnet, Inc. ^(a)	81,555	2,516,787
Corning, Inc.	460,000	5,947,800
TE Connectivity Ltd.	357,900	11,420,589
		19,885,176
Internet Software & Services (4.05%)		
Baidu, Inc. ^{(a)(b)}	85,803	9,865,629
eBay, Inc. ^(a)	86,639	3,639,704
Facebook, Inc. ^(a)	43,657	1,358,606
Google, Inc., Class A ^(a)	27,341	15,859,694
Monster Worldwide, Inc. ^(a)	442,000	3,757,000
OpenTable, Inc. ^(a)	82,145	3,697,346
		38,177,979
IT Services (2.96%)		
Cognizant Technology Solutions Corp., Class A ^(a)	78,300	4,698,000
Computer Sciences Corp.	174,225	4,324,265
Visa, Inc., Class A	82,949	10,254,985
The Western Union Co.	514,792	8,669,097
		27,946,347
Semiconductors & Semiconductor Equipment (0.91%)		
ARM Holdings PLC ^(b)	200,500	4,769,895
MEMC Electronic Materials, Inc. ^(a)	477,380	1,035,915
Texas Instruments, Inc.	95,929	2,752,203
		8,558,013
Software (3.23%)		
Citrix Systems, Inc. ^(a)	26,938	2,261,175
Microsoft Corp.	329,025	10,064,875
Oracle Corp.	224,550	6,669,135
Salesforce.com, Inc. ^(a)	47,000	6,498,220
VMware, Inc., Class A ^(a)	55,100	5,016,304
		30,509,709
MATERIALS (2.94%)		
Chemicals (1.65%)		
The Mosaic Co.	99,037	5,423,266
PPG Industries, Inc.	37,025	3,929,093

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Praxair, Inc.

57,200

6,219,356

15,571,715

See Notes to Schedule of Investments and Financial Statements.

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Liberty All-Star® Equity Fund

Schedule of Investments

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Metals & Mining (1.29%)		
Alcoa, Inc.	407,000	\$ 3,561,250
Freeport-McMoRan Copper & Gold, Inc.	128,730	4,385,831
Silver Wheaton Corp.	155,300	4,168,252
		12,115,333
TELECOMMUNICATION SERVICES (1.73%)		
Wireless Telecommunication Services (1.73%)		
American Tower Corp., Class A	150,960	10,553,614
Vodafone Group PLC ^(b)	205,500	5,790,990
		16,344,604
UTILITIES (1.10%)		
Electric Utilities (0.84%)		
Entergy Corp.	80,975	5,497,393
FirstEnergy Corp.	48,009	2,361,562
		7,858,955
Independent Power Producers & Energy Traders (0.26%)		
GenOn Energy, Inc. ^(a)	1,440,250	2,462,828
TOTAL COMMON STOCKS		
(COST OF \$948,832,667)		918,199,273
PAR VALUE		
SHORT TERM INVESTMENT (2.71%)		
REPURCHASE AGREEMENT (2.71%)		
Repurchase agreement with State Street Bank & Trust Co., dated 06/29/12, due 07/02/12 at 0.01%, collateralized by several Fannie Mae and Freddie Mac instruments with various maturity dates, market value of \$26,055,161 (Repurchase proceeds of \$25,532,021)		
(COST OF \$25,532,000)	\$ 25,532,000	25,532,000
TOTAL INVESTMENTS (100.10%)		
(COST OF \$974,364,667) ^(c)		943,731,273
LIABILITIES IN EXCESS OF OTHER ASSETS (-0.10%)		
		(920,685)
NET ASSETS (100.00%)		
		\$ 942,810,588
NET ASSET VALUE PER SHARE		
(182,678,079 SHARES OUTSTANDING)		\$ 5.16

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See Notes to Schedule of Investments and Financial Statements.
Semi-Annual Report (Unaudited) | June 30, 2012

Schedule of Investments
June 30, 2012 (Unaudited)

Liberty All-Star[®] Equity Fund

Notes to Schedule of Investments:

- (a) Non-income producing security.
- (b) American Depositary Receipt.
- (c) Cost of investments for federal income tax purposes is \$984,875,790.

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

Gross unrealized appreciation	\$ 118,271,795
Gross unrealized depreciation	(159,416,312)
Net unrealized depreciation	\$ (41,144,517)

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 Financial Statements.

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Liberty All-Star® Equity Fund

Statement of Assets and Liabilities

June 30, 2012 (Unaudited)

ASSETS:	
Investments at market value (Cost \$974,364,667)	\$943,731,273
Cash	1,886
Receivable for investment securities sold	4,127,961
Dividends and interest receivable	1,037,475
Prepaid and other assets	123,897
Total Assets	949,022,492

LIABILITIES:	
Payable for investments purchased	5,420,172
Investment advisory fee payable	557,823
Payable for administration, pricing and bookkeeping fees	140,692
Accrued expenses	93,217
Total Liabilities	6,211,904

Net Assets \$942,810,588

NET ASSETS REPRESENTED BY:	
Paid-in capital	\$1,117,236,149
Overdistributed net investment income	(26,400,381)
Accumulated net realized loss on investments	(117,391,786)
Net unrealized depreciation on investments	(30,633,394)

Net Assets \$942,810,588

Shares of common stock outstanding (unlimited number of shares of beneficial interest without par value authorized) 182,678,079

Net Asset Value Per Share \$5.16

See Notes to Financial Statements.

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Statement of Operations

Liberty All-Star[®] Equity Fund*For the Six Months Ended June 30, 2012 (Unaudited)***INVESTMENT INCOME:**

Dividends (Net of foreign taxes withheld at source which amounted to \$41,241)	\$7,997,979
Interest	931

Total Investment Income	7,998,910
--------------------------------	------------------

EXPENSES:

Investment advisory fee	3,592,823
Administration fee	898,206
Pricing and bookkeeping fees	97,519
Audit fee	24,400
Custodian fee	49,632
Insurance expense	28,766
Legal fees	83,734
NYSE fee	84,484
Shareholder communication expenses	112,662
Transfer agent fees	49,184
Trustees fees and expenses	131,718
Miscellaneous expenses	17,670

Total Expenses	5,170,798
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Net Investment Income	2,828,112
------------------------------	------------------

REALIZED AND UNREALIZED GAIN ON INVESTMENTS:

Net realized gain on investment transactions	42,538,150
Net change in unrealized appreciation on investments	14,862,395

Net Realized and Unrealized Gain on Investments	57,400,545
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Net Increase in Net Assets from Operations	\$60,228,657
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See Notes to Financial Statements.

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Liberty All-Star® Equity Fund

Statements of Changes in Net Assets

	For the Six Months Ended June 30, 2012 (Unaudited)	For the Year Ended December 31, 2011
FROM OPERATIONS:		
Net investment income	\$2,828,112	\$3,277,203
Net realized gain on investment transactions	42,538,150	43,387,408
Net change in unrealized appreciation/(depreciation)	14,862,395	(111,570,483)
Net Increase/(Decrease) in Net Assets From Operations	60,228,657	(64,905,872)
DISTRIBUTIONS TO SHAREHOLDERS:		
From net investment income	(29,228,493)	(46,724,626)
Tax return of capital		(15,385,921)
Total Distributions	(29,228,493)	(62,110,547)
Net Increase/(Decrease) in Net Assets	31,000,164	(127,016,419)
NET ASSETS:		
Beginning of period	911,810,424	1,038,826,843
End of period (Includes overdistributed net investment income of \$(26,400,381) and \$0, respectively)	\$942,810,588	\$911,810,424

See Notes to Financial Statements.

Semi-Annual Report (Unaudited) | June 30, 2012

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Per Share Operating Performance:

Net asset value at beginning of period

Income from investment operations:Net investment income^(a)

Net realized and unrealized gain/(loss) on investments

Total from Investment Operations

Less Distributions to Shareholders:

Net investment income

Net realized gain on investments

Tax return of capital

Total Distributions

Change due to rights offering^(c)

Total Distributions and Rights Offering

Net asset value at end of period

Market price at end of period

Total Investment Return For Shareholders:^(d)

Based on net asset value

Based on market price

Ratios and Supplemental Data:

Net assets at end of period (millions)

Ratio of expenses to average net assets

Ratio of net investment income to average net assets

Portfolio turnover rate

^(a) Calculated using average shares outstanding during the period.^(b) Less than \$0.005 per share.^(c) Effect of Fund's rights offerings for shares at price below net asset value.^(d) Calculated assuming all distributions are reinvested at actual reinvestment prices. The net asset value and market price returns will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares traded during the period. Past performance is not a guarantee of future results.^(e) Not annualized.^(f) Annualized.^(g) The benefits derived from custody credits and directed brokerage arrangements, if any, had an impact of less than 0.01%.*See Notes to Financial Statements.*

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Liberty All-Star® Equity Fund

Financial Highlights

For the Six Months Ended June 30, 2012 (Unaudited)	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
\$4.99	\$5.69	\$5.23	\$4.21		