

LIBERTY ALL STAR GROWTH FUND INC.
Form N-CSR
March 02, 2017

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: 811-04537

Liberty All-Star Growth Fund, Inc.
(Exact name of registrant as specified in charter)

1290 Broadway, Suite 1100, Denver, Colorado 80203
(Address of principal executive offices) (Zip code)

Sareena Khwaja-Dixon, Esq.
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: December 31, 2016

Item 1. Reports to Stockholders.

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A SINGLE INVESTMENT...

A DIVERSIFIED GROWTH PORTFOLIO

A single fund that offers:

- ▲ diversified, multi-managed portfolio of small, mid- and large cap growth stocks
- ✪ Exposure to many of the industries that make the U.S. economy one of the world's most dynamic
- ▲ Access to institutional quality investment managers
- Objective and ongoing manager evaluation
- ▲ Active portfolio rebalancing
- ▲ A quarterly fixed distribution policy

▲Actively managed, exchange-traded closed-end fund listed on the New York Stock Exchange (ticker symbol: ASG)

LIBERTY ALL-STAR® GROWTH FUND, INC.

The views expressed in the President's Letter, Unique Fund Attributes and Manager Roundtable reflect the current views of the respective parties. 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 respective parties disclaim 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. References to specific company securities should not be construed as a recommendation or investment advice.

Liberty All-Star® Growth Fund President's Letter

(Unaudited)

Fellow Shareholders: February 2017

While surprising events help to shape equity market performance every year, 2016 will be remembered as an archetype of surprise. Each of the four quarters was marked by headlines that would have been hard to anticipate in advance: the worst calendar year start for U.S. equities ever; the U.K. vote to withdraw from the European Union; record highs recorded by the S&P 500® Index, the Dow Jones Industrial Average (DJIA) and the NASDAQ Composite Index on the same day in August; and Donald Trump's upset win in the presidential election.

Sparked by the Trump victory, U.S. equities rallied in the fourth quarter, with the S&P 500® advancing 3.82 percent, the DJIA gaining 8.66 percent and the NASDAQ returning 1.66 percent. That the fourth quarter's return for the NASDAQ was substantially below the other two indices signaled the unevenness of the rally; investors moved quickly to embrace financials and industrial stocks at the expense of growth stocks, including information technology and health care/biotech. For the full year, the S&P 500® returned 11.96 percent, the DJIA returned 16.50 percent and the NASDAQ returned 8.87 percent.

Departing from the pattern of the past two years, growth stocks generally underperformed their value counterparts in 2016, while small-cap stocks generated higher returns than did large-cap and mid-cap stocks. Among market capitalization indices, the Russell Top 200® Growth Index (large-cap) returned 6.95 percent while the Russell Midcap® Growth Index returned 7.33 percent. After a poor first quarter, small-cap stocks, as represented by the Russell 2000® Growth Index, turned in the year's best performance with a gain of 11.32 percent.

The fact that major equity market indices closed the year with good gains was something that would have been hard to envision on February 11, when the rout that opened the year reached its nadir. At that point, U.S. stocks were down 10 percent, with the stocks of energy companies and those that supply the industry faring even worse. But if the historically poor start to the year was a surprise, the latter half of the first quarter was almost as surprising. A rally took hold that by quarter's end had driven the S&P 500® and DJIA to positive returns and left the NASDAQ only modestly negative.

The second quarter was calm by comparison until a poor jobs report for May rattled investors, only to be followed by the "Brexit" referendum in which voters in the U.K. said they favored leaving the European Union. Once again, however, a rally over the last few trading days of the quarter propelled the S&P 500® and the DJIA to modest gains, while the NASDAQ surrendered less than one percentage point.

Positive sentiment prevailed in the third quarter. At one point, the DJIA recorded gains for nine straight trading days—its longest streak in three years. This time it was the NASDAQ leading the way with a 10.02 percent return, a reflection of investors' greater appetite for risk, as well as technology companies' prospects for growth in a growth-challenged economy. Markets were also buoyed by good job growth, higher home sales, a surge in consumer confidence and firmer crude oil prices.

The surprise of the fourth quarter, of course, was the presidential election—an outcome that, with few exceptions, was not foreseen by polls or pundits. Markets that had been predicted to retrench as much as 10 percent on a Trump victory instead surprised many investors and rallied. Investors saw opportunity in Trump's calls for lower corporate taxes, investment in infrastructure, replacing the Affordable Care Act and a lighter approach to government regulation. Some of the enthusiasm abated in the final week of the year, as investors locked-in profits. Nevertheless, the DJIA advanced nearly 9 percent (after closing above 19,000 for the first time on November 22). The other main event of the quarter—one that came as no surprise—was the Federal Reserve's quarter-point increase in the fed funds rate, and the subsequent release of meeting notes indicating that the Fed would likely be more aggressive in raising short-term rates

during 2017.

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Liberty All-Star® Growth Fund President's Letter

(Unaudited)

While these were the major events highlighting each quarter, there were underlying themes running through the year. One was a strengthening U.S. economy, marked by gains in employment, improving corporate earnings, a strong housing market and favorable consumer confidence. Another, less positive, story was China—the world's second largest economy—where a slowing economy, a decline in the stock market and a weaker yuan held potential implications for the U.S. economy. The geopolitical situation—principally, the Middle East, South China Sea, North Korea, Russian meddling in Eastern Europe and the refugee crises—remain ongoing sources of concern that are not likely to be resolved any time soon.

Liberty All-Star® Growth Fund

In a challenging year for growth stocks, Liberty All-Star Growth Fund underperformed the broader indices previously referred to in this letter. In 2016, the Fund returned 4.76 percent with shares valued at net asset value (NAV) with dividends reinvested and -0.60 percent with shares valued at market price with dividends reinvested. (Fund returns are net of expenses.) As noted, returns for the S&P 500®, the DJIA and the NASDAQ were 11.96 percent, 16.50 percent and 8.87 percent, respectively. For the fourth quarter, the Fund returned 0.86 percent with shares valued at NAV with dividends reinvested and -0.96 percent with shares valued at market price with dividends reinvested.

Comparing the Fund's returns to its primary growth benchmark, with shares valued at NAV the Fund outperformed the Lipper Multi-Cap Growth Mutual Fund Average for the third consecutive quarter and the full year. For the year, the Fund's return ranked it in the top one-third of funds in the Lipper universe of multi-cap growth funds. Looking back, the Fund—like the vast majority of actively managed funds—was hurt in the first quarter by the market's hyper-volatility. Fund shares valued at market price were also hurt in the fourth quarter by the widening of the discount at which Fund shares trade relative to NAV; during the period, Fund shares traded in a discount range of -10.7 percent to -13.7 percent relative to their underlying NAV.

In accordance with the Fund's distribution policy, Fund distributions totaled \$0.36 per share in 2016, including \$0.09 in the fourth quarter. The 2016 distributions bring the total distributed to shareholders since 1997, when the distribution policy commenced, to \$13.01 per share. The Fund's distribution policy is a major component of the Fund's total return, and we continue to emphasize that shareholders should include these distributions when determining the return on their investment in the Fund.

One of the key principles on which the Fund was founded is multi-management, or the practice of allocating the Fund's assets to carefully selected growth style managers investing across the capitalization spectrum of large-, mid- and small-cap growth stocks. Thus, we are once again offering insights into the managers' thinking through our annual roundtable question-and-answer exchange, and invite shareholders to read the managers' comments.

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Liberty All-Star® Growth Fund President's Letter

(Unaudited)

The market continued to rally in the early days of 2017, but much remains unsettled as the new administration and the Republican-led Congress begin the arduous task of governing. We are hopeful that the U.S. economy will continue to grow and that government policies, as they unfold, will complement and support private sector growth. A year with no surprises may be welcome, but if that turns out to be the case it would be a surprise all by itself. For our part, we at ALPS Advisors will continue to offer shareholders a consistent focus and a steady adherence to the principles that make the Fund a high-quality, multi-cap growth holding for long-term investors.

Sincerely,

William R. Parmentier, Jr.
President and Chief Executive Officer
Liberty All-Star® Growth Fund, Inc.

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Liberty All-Star® Growth Fund President's Letter

(Unaudited)

FUND STATISTICS AND SHORT-TERM PERFORMANCE
PERIODS ENDED DECEMBER 31, 2016
FUND STATISTICS:

Net Asset Value (NAV)	\$4.80
Market Price	\$4.18
Discount	-12.9%

	Quarter	2016
Distributions*	\$0.09	\$0.36
Market Price Trading Range	\$3.88 to \$4.33	\$3.45 to \$4.54
Premium/(Discount) Range	-10.7% to -13.7%	-7.8% to -13.7%

PERFORMANCE:

Shares Valued at NAV with Dividends Reinvested	0.86%	4.76%
Shares Valued at Market Price with Dividends Reinvested	-0.96%	-0.60%
Dow Jones Industrial Average	8.66%	16.50%
Lipper Multi-Cap Growth Mutual Fund Average	-0.37%	2.81%
NASDAQ Composite Index	1.66%	8.87%
Russell Growth Benchmark	1.75%	8.53%
S&P 500® Index	3.82%	11.96%

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Liberty All-Star® Growth Fund President's Letter

(Unaudited)

LONG-TERM PERFORMANCE SUMMARY AND DISTRIBUTIONS PERIODS ENDED DECEMBER 31, 2016	ANNUALIZED RATES OF RETURN		
	3 YEARS	5 YEARS	10 YEARS
LIBERTY ALL-STAR® GROWTH FUND, INC.			
Distributions	\$1.46	\$2.04	\$3.88
Shares Valued at NAV with Dividends Reinvested	3.69%	12.12%	7.34%
Shares Valued at Market Price with Dividends Reinvested	0.69%	11.42%	6.48%
Dow Jones Industrial Average	8.71%	12.92%	7.52%
Lipper Multi-Cap Growth Mutual Fund Average	4.71%	12.49%	6.80%
NASDAQ Composite Index	10.14%	17.07%	9.53%
Russell Growth Benchmark	6.94%	14.06%	8.07%
S&P 500® Index	8.87%	14.66%	6.95%

*All 2016 distributions consist of long-term capital gains. A breakdown of each 2016 distribution for federal income tax purposes can be found in the table on page 42.

Performance returns for the Fund are total returns, which include dividends. Returns are net of management fees and other Fund expenses.

The returns shown for the Lipper Multi-Cap Growth Mutual Fund Average are based on open-end mutual funds' total returns, which include dividends, and are net of fund expenses. Returns for the unmanaged Dow Jones Industrial Average, NASDAQ Composite Index, the Russell Growth Benchmark and the S&P 500® Index are total returns, including dividends. A description of the Lipper benchmark and the market indices can be found on page 56.

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.

Closed-end funds raise money in an initial public offering and shares are listed and traded on an exchange. Open-end mutual funds continuously issue and redeem shares at net asset 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.

Liberty All-Star® Growth Fund Unique Fund Attributes

(Unaudited)

UNIQUE ATTRIBUTES OF Liberty All-Star® Growth Fund

Several attributes help to make the Fund a core equity holding for investors seeking a diversified growth portfolio, income and the potential for long-term appreciation.

MULTI-MANAGEMENT FOR INDIVIDUAL INVESTORS

Large institutional investors have traditionally employed multiple investment managers. With three investment managers investing across the full capitalization range of growth stocks, the Fund brings multi-management to individual investors.

REAL-TIME TRADING AND LIQUIDITY

The Fund has a fixed number of shares that trade on the New York Stock Exchange and other exchanges. Share pricing is continuous—not just end-of-day, as it is with open-end mutual funds. In addition, Fund shares offer immediate liquidity and there are no annual sales fees.

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Liberty All-Star® Growth Fund Unique Fund Attributes

(Unaudited)

ACCESS TO INSTITUTIONAL MANAGERS

The Fund's investment managers invest primarily for pension funds, endowments, foundations and other institutions. Because institutional managers are closely monitored by their clients, they tend to be more disciplined and consistent in their investment process.

MONITORING AND REBALANCING

ALPS Advisors continuously monitors these investment managers to ensure that they are performing as expected and adhering to their style and strategy, and will replace the managers when warranted. Periodic rebalancing maintains the Fund's structural integrity and is a well-recognized investment discipline.

ALIGNMENT AND OBJECTIVITY

Alignment with shareholders' best interests and objective decision-making help to ensure that the Fund is managed openly and equitably. In addition, the Fund is governed by a Board of Directors that is elected by and responsible to shareholders.

DISTRIBUTION POLICY

Since 1997, the Fund has followed a policy of paying annual distributions on its shares at a rate that approximates historical equity market returns. The current annual distribution rate is 8 percent of the Fund's net asset value (paid quarterly at 2 percent per quarter), providing a systematic mechanism for distributing funds to shareholders.

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Liberty All-Star® Growth Fund Investment Managers/Portfolio Characteristics

(Unaudited)

THE FUND'S THREE GROWTH INVESTMENT MANAGERS
AND THE MARKET CAPITALIZATION ON WHICH EACH FOCUSES:

ALPS Advisors, Inc., the investment advisor to the Fund, has the ultimate authority (subject to oversight by the Board of Directors) to oversee the investment managers and recommend their hiring, termination and replacement.

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 the Fund's multi-managed portfolio. The characteristics are different for each of the Fund's three investment managers. These differences are a reflection of the fact that each has a different capitalization focus and investment strategy. The shaded column highlights the characteristics of the Fund as a whole, while the first three columns show portfolio characteristics for the Russell Smallcap, Midcap and Largecap Growth indices. See page 56 for a description of these indices.

PORTFOLIO CHARACTERISTICS AS OF DECEMBER 31, 2016	MARKET CAPITALIZATION SPECTRUM						
	SMALL	MIDCAP	LARGECAP	WEATHERBIE	CONGRESS	SUSTAINABLE	TOTAL FUND
	RUSSELL GROWTH:						
	Smallcap Index	Midcap Index	Largecap Index	Weatherbie	Congress	Sustainable	Total Fund
Number of Holdings	1,177	468	606	50	40	30	115*
Weighted Average Market Capitalization (billions)	\$2.2	\$13.4	\$148.0	\$2.5	\$7.3	\$112.9	\$40.8
Average Five-Year Earnings Per Share Growth	14%	14%	13%	34%	21%	12%	20%
Average Five-Year Sales Per Share Growth	10%	10%	11%	16%	10%	13%	12%
Price/Earnings Ratio**	27x	24x	24x	29x	23x	31x	27x
Price/Book Value Ratio	3.8x	4.9x	5.4x	4.5x	4.8x	5.2x	4.8x

* Certain holdings are held by more than one manager.

** Excludes negative earnings.

Liberty All-Star® Growth Fund Investment Growth

(Unaudited)

GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT

The graph below illustrates the growth of a hypothetical \$10,000 investment assuming the purchase of shares of common stock at the closing market price (NYSE: ASG) of \$9.25 on December 31, 1996, and tracking its progress through December 31, 2016. For certain information, it also assumes that a shareholder exercised all primary rights in the Fund's rights offerings (see below). This graph covers the period since the Fund commenced its distribution policy in 1997.

The growth of the investment assuming all distributions were received in cash and not reinvested back into the Fund. The value of the investment under this scenario grew to \$18,584 (including the December 31, 2016 value of the original investment of \$4,519, plus distributions during the period of \$14,065).

The additional value realized through reinvestment of all distributions. The value of the investment under this scenario grew to \$32,053.

The additional value realized by exercising all primary rights in the Fund's rights offerings. The value of the investment under this scenario grew to \$39,526 excluding the cost to exercise all primary rights in the rights offerings which was \$5,299.

Past performance cannot predict future results. Performance will fluctuate with changes in 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.

Liberty All-Star® Growth Fund Table of Distributions and Rights Offerings

(Unaudited)

YEAR	PER SHARE DISTRIBUTIONS	RIGHTS OFFERINGS		
		MONTH COMPLETED	SHARES NEEDED TO PURCHASE ONE ADDITIONAL SHARE	SUBSCRIPTION PRICE
1997	\$1.24			
1998	1.35	July	10	\$12.41
1999	1.23			
2000	1.34			
2001	0.92	September	8	6.64
2002	0.67			
2003	0.58	September	8 ¹	5.72
2004	0.63			
2005	0.58			
2006	0.59			
2007	0.61			
2008	0.47			
2009 ²	0.24			
2010	0.25			
2011	0.27			
2012	0.27			
2013	0.31			
2014	0.33			
2015 ³	0.77			
2016	0.36			
Total	\$13.01			

¹The number of shares offered was increased by an additional 25 percent to cover a portion of the over-subscription requests.

²Effective with the second quarter distribution, the annual distribution rate was changed from 10 percent to 6 percent.

³Effective with the second quarter distribution, the annual distribution rate was changed from 6 percent to 8 percent.

DISTRIBUTION POLICY

The current policy is to pay distributions on its shares totaling approximately 8 percent of its net asset value per year, payable in four quarterly installments of 2 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. Sources of distributions to shareholders may include ordinary dividends, long-term capital gains and return of capital. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during its fiscal year and may be subject to changes based on tax regulations. If a distribution includes anything other than net investment income, the Fund provides a Section 19(a) notice of the best estimate of its distribution sources at that time. These estimates may not

match the final tax characterization (for the full year's distributions) contained in shareholders' 1099-DIV forms after the end of the year. 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 capital gains and pay income tax thereon to the extent of such excess.

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Liberty All-Star® Growth Fund Top 20 Holdings and Economic Sectors

December 31, 2016 (Unaudited)

TOP 20 HOLDINGS*	PERCENT OF NET ASSETS
Middleby Corp.	2.13%
Signature Bank	1.88
Stamps.com, Inc.	1.83
Core Laboratories NV	1.82
GTT Communications, Inc.	1.76
IPG Photonics Corp.	1.69
FirstService Corp.	1.63
BofI Holding, Inc.	1.41
MACOM Technology Solutions Holdings, Inc.	1.41
Insulet Corp.	1.36
Visa, Inc., Class A	1.34
NIKE, Inc., Class B	1.34
Salesforce.com, Inc.	1.33
Mondelez International, Inc., Class A	1.33
FleetCor Technologies, Inc.	1.33
Apple, Inc.	1.32
Ecolab, Inc.	1.32
Alphabet, Inc., Class C	1.32
Amazon.com, Inc.	1.28
The Ultimate Software Group, Inc.	1.27
	30.10%

ECONOMIC SECTORS* PERCENT OF NET ASSETS

Information Technology	28.18%
Consumer Discretionary	16.49
Health Care	15.75
Industrials	15.61
Financials	9.01
Consumer Staples	4.80
Real Estate	3.45
Energy	2.48
Materials	2.02
Other Net Assets	2.21

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® Growth Fund Major Stock Changes in the Quarter

December 31, 2016 (Unaudited)

The following are the major (\$600,000) stock changes - both purchases and sales - that were made in the Fund's portfolio during the fourth quarter of 2016.

	SHARES	
SECURITY NAME	PURCHASE (SALES)	HELD AS OF 12/31/16
PURCHASES		
ACADIA Pharmaceuticals, Inc.	24,536	31,818
Hasbro, Inc.	10,000	10,000
Portola Pharmaceuticals, Inc.	34,033	34,033
UnitedHealth Group, Inc.	5,254	5,254
SALES		
Aerie Pharmaceuticals, Inc.	(16,682)	6,304
Cotiviti Holdings, Inc.	(18,207)	34,439
Francesca's Holdings Corp.	(38,892)	16,959
Helen of Troy Ltd.	(9,500)	0
IPG Photonics Corp.	(9,202)	21,621
RealPage, Inc.	(26,975)	7,348
Schlumberger Ltd.	(8,550)	9,990
SPS Commerce, Inc.	(9,976)	10,433

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Liberty All-Star® Growth Fund Manager Roundtable

(Unaudited)

MANAGER ROUNDTABLE

Looking back and looking ahead, the Fund's managers assess 2016 and evaluate what a Trump administration may—and may not—mean for the investment environment in 2017.

Liberty All-Star Growth Fund's investment managers have long experience, in-depth knowledge, a proven track record and a firm commitment to growth style investing. Once again, therefore, we are grateful to be able to call upon this resource to provide Fund shareholders with timely commentary and insight. The Fund's Investment Advisor, ALPS Advisors, serves as moderator of the roundtable. Participating investment management firms, the portfolio manager for each and their respective capitalization ranges are:

CONGRESS ASSET MANAGEMENT COMPANY, LLP

Portfolio Manager/Todd Solomon, CFA

Senior Vice President/Portfolio Manager

Capitalization Focus/Mid-Cap Growth – Congress Asset Management's mid-cap growth strategy focuses on established, high-quality companies that are growing earnings and generating attractive levels of free cash flow. The firm also strives to construct portfolios with relatively low levels of volatility.

SUSTAINABLE GROWTH ADVISERS, LP

Portfolio Manager/George Fraise

Founding Principal

Capitalization Focus/Large-Cap Growth – Sustainable Growth Advisers (SGA) focuses on companies that have unique characteristics that lead to a high degree of predictability, strong profitability and above-average earnings and cash flow growth over the long term.

WEATHERBIE CAPITAL, LLC

Portfolio Manager/Matthew A. Weatherbie, CFA

President and Founder

Capitalization Focus/Small-Cap Growth – Weatherbie practices a small capitalization growth investment style focusing on high quality companies that demonstrate superior earnings growth prospects, yet are reasonably priced relative to their intrinsic value. The firm seeks to provide superior returns relative to small capitalization growth indices over a full market cycle.

Let's open by asking you to assess 2016 in general and, more specifically, identify the industries, sectors or strategies that helped and/or hurt returns in the portion of the Liberty All-Star Growth Fund that you manage. Matt Weatherbie, start us off, please.

Weatherbie (Weatherbie – Small-Cap Growth): Two thousand sixteen was a challenging year. U.S. smaller-cap companies held in the portfolio exhibited strong financial metrics, low debt levels, healthy product demand and reasonable valuations. In most economic environments, those characteristics create a portfolio that performs consistently well, as our 20-year track record demonstrates. In 2016, however, each quarter was affected by one or more unsettling macro factors — oil price instability, China economic slowdown, the so-called “Brexit” vote in the U.K. and, of course, the contentious U.S. presidential election. Headlines from these and other macro events held back the stock appreciation of companies posting strong earnings growth. A good example would be in March when presidential candidate Hillary Clinton made pointed comments about forcing drug companies to lower prices for specialized treatments; as a result, some of our biotech pharma portfolio positions suffered, despite having superb research and being positioned for success. Despite the ups and downs during the year, the final results for 2016

showed a solid double-digit return for this Fund allocation.

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Liberty All-Star® Growth Fund Manager Roundtable

(Unaudited)

Thanks. Now let's hear from Congress and Sustainable.

Solomon (Congress – Mid-Cap Growth): Our long-term focus on high quality and cash flow was an important part of our strong performance in 2016. Security selection in health care was outstanding as we did not invest in speculative companies and remained focused on companies with consistent operating histories. Selection within consumer discretionary was strong as we remained optimistic on consumer spending due to high levels of consumer confidence and a strengthening domestic job market. The portfolio further benefitted from two acquisitions in 2016: Linear Technologies and B/E Aerospace.

Fraise (Sustainable – Large-Cap Growth): We were disappointed with our results in 2016, which were impacted late in the year by the shift in investor sentiment resulting from the November election. Driven by hope for more pro-growth fiscal and regulatory policies under a Trump administration and a Republican-controlled Congress, low quality, smaller-cap and value stocks staged a major rally, largely in stocks very different from the types on which our approach is focused. Companies with lower returns on equity, more cyclical and higher betas, and more debt outperformed in November and December. Stocks in the energy, financial services and industrials sectors performed best on expectations for greater economic growth, a paring back of the regulatory oversight under Dodd-Frank and significant new infrastructure spending. While we have exposure to select energy service businesses, and they helped us, our focus on strong pricing power, predictable revenue streams and long runways of growth generally steers us away from large money center banks with a high degree of dependence on interest rate spreads as well as deep cyclical stocks, which are highly sensitive to the business cycle.

“We are confident that select businesses with superior underlying quality characteristics will attract the interest of investors as current hopes meet the realities of getting [changes dependent on the political process] enacted.”

—George Fraise

(Sustainable – Large-Cap Growth)

The Fund's investment managers are generally bottom-up, fundamentally-based in their approach to picking stocks. But it is hard to ignore one major macro factor—the so-called “Trump effect.” Are you or are you not factoring such sweeping proposals as corporate tax reform, infrastructure build, healthcare legislation and a lighter approach to regulation into your thinking, and why or why not? George Fraise, start us off please and then let's continue down the capitalization range.

Fraise (Sustainable – Large-Cap Growth): We do consider the impact of changes to regulatory and tax policy, health care legislation, and infrastructure spending on the trajectory of the earnings and cash flows of our portfolio businesses. Given the uncertainty around the magnitude of any final legislation, however, we focus the vast majority of our attention on the key drivers of secular growth, which are more critical over the long term and more predictable. While there is significant hope in the market for positive changes in the areas you note, we are very cognizant of the difficulties of trying to forecast the outcome of the political process. We believe positive changes to regulatory and tax policy will occur, and have factored an increase in infrastructure spending and a reduction in tax rates into our expectations, but we are skeptical that the eventual changes enacted will necessarily be of the magnitude currently being assumed by buoyant investors. As a result, we think there could be disappointment on the part of investors who have factored in a meaningful, sustained improvement in economic growth. While they have been largely overlooked in the recent “Trump rally,” we are confident that select businesses with superior underlying quality and growth characteristics—enabling them to generate higher revenues and earnings in a more predictable and sustainable manner—will attract the interest of investors as current hopes meet the realities of getting such changes enacted.

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Liberty All-Star® Growth Fund Manager Roundtable

(Unaudited)

Solomon (Congress – Mid-Cap Growth): We are not factoring any “Trump effect” into our decision-making. Many boasts are made on the campaign trail that have no basis in actual plans. Further, those that make it to a real agenda cannot assume to be enacted as proposed once the “campaigning” has ended and “governing” has begun. Most importantly for financial markets, the House and Senate remained in control of the GOP, which tends to be more business friendly. However, stocks trade on earnings and cash flow and they are impacted by many non-governmental forces that have longer timeframes than a congressional session or presidential term.

“We are not factoring any ‘Trump effect’ into our decision-making. Many boasts are made on the campaign trail ... [they] cannot assume to be enacted as proposed once the ‘campaigning’ has ended and ‘governing’ has begun.”

—Todd Solomon
(Congress – Mid-Cap Growth)

Weatherbie (Weatherbie – Small-Cap Growth): The potential benefits of tax reform, or more specifically a lowering of U.S. corporate tax rates, is being evaluated for each of our portfolio companies but is unambiguously positive in our view. So, yes, to some extent we are anticipating a tax benefit from the so-called “Trump effect.”

On the other hand, as a bottom-up stock research team, we are more focused on the management, performance and business outlook for each of our smaller-cap growth companies. Often small cap companies do not fit neatly into a broad sector — but for many of our holdings the early indications from the incoming administration could be positive. For example, MACOM Technology Solutions has pioneered advanced phased-array radar technology, and that segment of MACOM’s business could benefit from increased defense spending, as well as on infrastructure programs like the upgrade of the Federal Aviation Administration’s air-traffic control system.

Please tell us about a longtime holding in the portion of the Liberty All-Star Growth Fund portfolio that you manage that exemplifies your approach to investing, and tell us about a recent addition that similarly illustrates your approach. Todd Solomon, tell us about two of Congress’ holdings.

Solomon (Congress – Mid-Cap Growth): Dorman Products has been in the portfolio for a year and a half. It was purchased as a replacement for O’Reilly Automotive, which was sold as it reached our capitalization limit of \$20 billion. When we removed O’Reilly, we still believed in the growth of aftermarket auto parts due to increasing miles driven and increasing car age. We originally chose O’Reilly in 2010 because it was a better investment than its peers. After reevaluating its peers again, we felt that we should search further. By taking a step back in the distribution chain, we researched and bought Dorman, which supplies O’Reilly and its peers. In effect, we were buying the “bullet maker” in the war.

Liberty All-Star® Growth Fund Manager Roundtable

(Unaudited)

Cambrex, which was added to the portfolio in the spring of 2016, is in a similar area of the distribution chain for drug manufacturing. It supplies active pharmaceutical ingredients to many different worldwide companies. By choosing a “common denominator,” our clients can benefit from expected growth of the drug market as a whole without taking undue risk.

Matt Weatherbie and George Fraise, let’s conclude with your comments.

Weatherbie (Weatherbie – Small-Cap Growth): Middleby Corporation is a longtime holding in our portfolio. A maker of commercial and residential food storage and preparation equipment, Middleby produces ovens for a wide array of chain restaurants. A superior product with significant barriers to entry and a seasoned management team combine to make the growth outlook for Middleby bright, and at its current 21 times estimated 2018 price-to-earnings valuation, the stock remains attractive.

“We are more focused on the management, performance and business outlook for each of our smaller-cap growth companies ... but for many of our holdings the early indications from the incoming administration could be positive.”

—Matt Weatherbie

(Weatherbie – Small-Cap Growth)

A recent addition to the Liberty All-Star Growth Fund portfolio is Stamps.com. This provider of online postage solutions to small businesses has been in our portfolio in the past, and was sold in 2014 due to a slowing of Amazon-related business. More recently, the company’s portfolio of solutions has matured and its exposure to diverse e-commerce merchants and shippers has risen to approximately two-thirds of revenue, leading us to reintroduce Stamps.com to the portfolio. Stamps.com is, along with Pitney Bowes, the only PC-postage vendor licensed by the U.S. Postal Service. This unique competitive position, combined with its turnkey online platform developed over many years, makes Stamps.com particularly well-positioned to enjoy robust double-digit organic revenue growth and margin expansion looking ahead.

Fraise (Sustainable – Large-Cap Growth): Mondelez, a leading global packaged foods company focused on snacking, has been a holding of SGA’s since 2014. The company’s pricing power benefits from strong brands and number one or number two market shares in every category in which it competes. Its revenues are highly recurring in nature due to the natural desire by consumers for energy and treats. Its snacks are easily packaged into a variety of configurations and distributed across a broad range of retail channels at low price points. In addition to its organic growth drivers, we expect Mondelez to continue to benefit from management’s steps to substantially improve operating margins as the company modernizes and realigns its outdated supply chain and manufacturing base and utilizes a zero-based budgeting system to efficiently manage operating expenses. This should lead to mid-teens earnings and cash flow growth over the next few years.

A recent addition to the portfolio is Novo-Nordisk, a global leader in the development and sale of therapies to treat diabetes, hemophilia, growth disorders and obesity. The company has an approximately 50 percent global market share in drugs related to the treatment of diabetes. The key areas on which the company focuses are chronic conditions that are becoming increasingly common across the globe as a result of demographic trends and changes in diet and urbanization in emerging economies.

Liberty All-Star® Growth Fund Manager Roundtable

(Unaudited)

While the company faces increased competition in the diabetes market, we see a chance for it to benefit from greater penetration in the modern insulin market, and a range of new treatments that provide patients with added benefits. Its new longer-lasting drug Tresiba for the treatment of Type 1 and Type 2 diabetes, launched in the U.S. in January, offers greater flexibility in terms of the timing of daily injections and reduces the risk of hypoglycemic events.

Many thanks to all. After a difficult start and several challenging periods, 2016 turned out to be a reasonably good year. Two thousand seventeen opened on a much more positive note, and we hope the year ends the same way. One thing is certain: Given all the forces at work in the marketplace today, it will not lack for interest.

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Liberty All-Star® Growth Fund Schedule of Investments

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (97.79%)		
CONSUMER DISCRETIONARY (16.49%)		
Auto Components (1.05%)		
Dorman Products, Inc. ^(a)	18,130	\$ 1,324,578
Diversified Consumer Services (0.77%)		
2U, Inc. ^{(a)(b)}	11,861	357,609
Nord Anglia Education, Inc. ^{(a)(b)}	26,433	615,889
		973,498
Hotels, Restaurants & Leisure (4.20%)		
Chipotle Mexican Grill, Inc. ^(a)	3,498	1,319,865
Chuy's Holdings, Inc. ^(a)	20,312	659,125
Planet Fitness, Inc., Class A	44,848	901,445
Starbucks Corp.	26,389	1,465,117
Texas Roadhouse, Inc.	20,000	964,800
		5,310,352
Household Durables (0.30%)		
GoPro, Inc., Class A ^{(a)(b)}	44,161	384,642
Internet & Catalog Retail (3.40%)		
Amazon.com, Inc. ^(a)	2,158	1,618,219
The Priceline Group, Inc. ^(a)	1,000	1,466,060
Wayfair, Inc., Class A ^{(a)(b)}	34,535	1,210,452
		4,294,731
Leisure Products (0.61%)		
Hasbro, Inc.	10,000	777,900
Media (0.85%)		
Scripps Networks Interactive, Inc., Class A	15,000	1,070,550
Multiline Retail (0.55%)		
Ollie's Bargain Outlet Holdings, Inc. ^{(a)(b)}	24,449	695,574
Specialty Retail (2.24%)		
Foot Locker, Inc.	15,000	1,063,350
Francesca's Holdings Corp. ^(a)	16,959	305,771
Lowe's Companies, Inc.	20,650	1,468,628
		2,837,749
Textiles, Apparel & Luxury Goods (2.52%)		
Carter's, Inc.	9,500	820,705
G-III Apparel Group Ltd. ^(a)	23,000	679,880
NIKE, Inc., Class B	33,231	1,689,132
		3,189,717

See Notes to Schedule of Investments and Financial Statements.

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Liberty All-Star® Growth Fund Schedule of
Investments

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
CONSUMER STAPLES (4.80%)		
Food & Staples Retailing (0.98%)		
Whole Foods Market, Inc.	40,389	\$1,242,366
Food Products (1.95%)		
The Hain Celestial Group, Inc. ^(a)	20,000	780,600
Mondelez International, Inc., Class A	37,889	1,679,619
		2,460,219
Household Products (1.87%)		
Church & Dwight Co., Inc.	20,000	883,800
Colgate-Palmolive Co.	22,673	1,483,721
		2,367,521
ENERGY (2.48%)		
Energy Equipment & Services (2.48%)		
Core Laboratories NV ^(b)	19,159	2,299,846
Schlumberger Ltd.	9,990	838,661
		3,138,507
FINANCIALS (9.01%)		
Banks (0.47%)		
Independent Bank Group, Inc.	9,439	588,993
Capital Markets (2.55%)		
Financial Engines, Inc. ^(b)	4,655	171,071
Raymond James Financial, Inc.	18,500	1,281,495
State Street Corp.	13,422	1,043,158
Virtus Investment Partners, Inc.	6,238	736,396
		3,232,120
Commercial Banks (1.88%)		
Signature Bank ^(a)	15,823	2,376,615
Consumer Finance (1.34%)		
Visa, Inc., Class A	21,793	1,700,290
Diversified Financial Services (0.84%)		
FactSet Research Systems, Inc.	6,500	1,062,295
Insurance (0.52%)		
Greenlight Capital Re Ltd., Class A ^(a)	28,763	655,796
United Insurance Holdings Corp.	139	2,105
		657,901

See Notes to Schedule of Investments and Financial Statements.

Liberty All-Star® Growth Fund	Schedule of Investments		
December 31, 2016			
		SHARES	MARKET VALUE
COMMON STOCKS (continued)			
Thriffs & Mortgage Finance (1.41%)			
BofI Holding, Inc. ^{(a)(b)}		62,411	\$1,781,834
HEALTH CARE (15.75%)			
Biotechnology (3.79%)			
ACADIA Pharmaceuticals, Inc. ^{(a)(b)}		31,818	917,631
Amgen, Inc.		5,642	824,917
Portola Pharmaceuticals, Inc. ^(a)		34,033	763,701
Puma Biotechnology, Inc. ^(a)		14,272	438,150
Regeneron Pharmaceuticals, Inc. ^(a)		3,336	1,224,612
Ultragenyx Pharmaceutical, Inc. ^{(a)(b)}		8,961	630,048
			4,799,059
Health Care Equipment & Supplies (3.02%)			
The Cooper Cos., Inc.		6,000	1,049,580
Insulet Corp. ^(a)		45,682	1,721,298
ResMed, Inc.		17,000	1,054,850
			3,825,728
Health Care Providers & Services (3.22%)			
Adeptus Health, Inc., Class A ^{(a)(b)}		4,278	32,684
Diplomat Pharmacy, Inc. ^{(a)(b)}		31,600	398,160
Henry Schein, Inc. ^(a)		6,000	910,260
U.S. Physical Therapy, Inc.		12,176	854,755
UnitedHealth Group, Inc.		5,254	840,850
VCA, Inc. ^(a)		15,000	1,029,750
			4,066,459
Health Care Technology (1.93%)			
Cerner Corp. ^(a)		26,482	1,254,452
Cotiviti Holdings, Inc. ^(a)		34,439	1,184,702
			2,439,154
Life Sciences Tools & Services (2.58%)			
Cambrex Corp. ^(a)		20,000	1,079,000
Medpace Holdings, Inc. ^(a)		1,315	47,432
Mettler-Toledo International, Inc. ^(a)		2,500	1,046,400
PAREXEL International Corp. ^(a)		16,500	1,084,380
			3,257,212
Pharmaceuticals (1.21%)			
Aerie Pharmaceuticals, Inc. ^(a)		6,304	238,606
Novo Nordisk AS ^(c)		35,906	1,287,589
			1,526,195
INDUSTRIALS (15.61%)			
Aerospace & Defense (1.90%)			
B/E Aerospace, Inc.		20,000	1,203,800

See Notes to Schedule of Investments and Financial Statements.

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Liberty All-Star® Growth Fund Schedule of Investments

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Aerospace & Defense (continued)		
HEICO Corp.	15,460	\$ 1,192,739
		2,396,539
Air Freight & Logistics (0.76%)		
XPO Logistics, Inc. ^(a)	22,186	957,548
Building Products (1.62%)		
Lennox International, Inc.	7,000	1,072,190
Masco Corp.	31,000	980,220
		2,052,410
Commercial Services & Supplies (1.43%)		
The Advisory Board Co. ^(a)	21,270	707,227
Cintas Corp.	9,500	1,097,820
		1,805,047
Electrical Equipment (0.73%)		
Acuity Brands, Inc.	4,000	923,440
Machinery (3.24%)		
Middleby Corp. ^(a)	20,886	2,690,326
Proto Labs, Inc. ^{(a)(b)}	5,720	293,722
Snap-on, Inc.	6,500	1,113,255
		4,097,303
Professional Services (3.35%)		
Equifax, Inc.	7,500	886,725
Paylocity Holding Corp. ^{(a)(b)}	36,158	1,085,102
Robert Half International, Inc.	24,000	1,170,720
WageWorks, Inc. ^(a)	15,058	1,091,705
		4,234,252
Road & Rail (1.58%)		
J.B. Hunt Transport Services, Inc.	12,000	1,164,840
Kansas City Southern	9,843	835,178
		2,000,018
Trading Companies & Distribution (1.00%)		
H&E Equipment Services, Inc.	20,697	481,205
SiteOne Landscape Supply, Inc. ^(a)	22,672	787,399
		1,268,604
INFORMATION TECHNOLOGY (28.18%)		
Communications Equipment (1.03%)		
F5 Networks, Inc. ^(a)	9,000	1,302,480
Electronic Equipment & Instruments (2.84%)		
Cognex Corp.	23,000	1,463,260

See Notes to Schedule of Investments and Financial Statements.

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Liberty All-Star® Growth Fund Schedule of
Investments

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Electronic Equipment & Instruments (continued)		
IPG Photonics Corp. ^(a)	21,621	\$2,134,209
		3,597,469
Internet Software & Services (6.50%)		
Alphabet, Inc., Class C ^(a)	2,155	1,663,272
Facebook, Inc., Class A ^(a)	10,870	1,250,593
GTT Communications, Inc. ^(a)	77,529	2,228,959
SPS Commerce, Inc. ^(a)	10,433	729,162
Stamps.com, Inc. ^{(a)(b)}	20,157	2,311,000
The Trade Desk, Inc., Class A ^(a)	1,216	33,647
		8,216,633
IT Services (5.64%)		
Alliance Data Systems Corp.	5,618	1,283,713
Automatic Data Processing, Inc.	15,169	1,559,070
EPAM Systems, Inc. ^(a)	10,869	698,985
FleetCor Technologies, Inc. ^(a)	11,846	1,676,446
Genpact Ltd. ^(a)	37,000	900,580
Jack Henry & Associates, Inc.	11,500	1,020,970
		7,139,764
Semiconductors & Semiconductor Equipment (2.25%)		
MACOM Technology Solutions Holdings, Inc. ^(a)	38,484	1,781,040
Monolithic Power Systems, Inc.	13,000	1,065,090
		2,846,130
Software (8.44%)		
Ebix, Inc. ^(b)	16,269	928,147
Everbridge, Inc. ^{(a)(b)}	57,294	1,057,074
Globant SA ^{(a)(b)}	16,663	555,711
Manhattan Associates, Inc. ^(a)	15,000	795,450
RealPage, Inc. ^(a)	7,348	220,440
Red Hat, Inc. ^(a)	21,216	1,478,755
Salesforce.com, Inc. ^(a)	24,564	1,681,651
SAP SE ^(c)	14,890	1,286,943
Synopsys, Inc. ^(a)	18,000	1,059,480
The Ultimate Software Group, Inc. ^(a)	8,821	1,608,509
		10,672,160
Technology Hardware Storage & Equipment (1.48%)		
Apple, Inc.	14,467	1,675,568
Stratasys Ltd. ^{(a)(b)}	11,681	193,204
		1,868,772
MATERIALS (2.02%)		
Chemicals (2.02%)		
Ecolab, Inc.	14,290	1,675,074

See Notes to Schedule of Investments and Financial Statements.

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Liberty All-Star® Growth Fund Schedule of Investments

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Chemicals (continued)		
International Flavors & Fragrances, Inc.	7,500	\$883,725
		2,558,799
REAL ESTATE (3.45%)		
Real Estate Investment Trusts (1.82%)		
Camden Property Trust	12,000	1,008,840
Equinix, Inc.	3,595	1,284,889
		2,293,729
Real Estate Management & Development (1.63%)		
FirstService Corp.	43,463	2,063,623
TOTAL COMMON STOCKS (COST OF \$100,497,518)		123,676,479
SHORT TERM INVESTMENTS (10.03%)		
MONEY MARKET FUND (2.70%)		
State Street Institutional U.S. Government Money Market Fund, 0.42% ^(d) (COST OF \$3,415,383)	3,415,383	3,415,383
INVESTMENTS PURCHASED WITH COLLATERAL FROM SECURITIES LOANED (7.33%)		
State Street Navigator Securities Lending Government Money Market Portfolio, 0.50% (COST OF \$9,271,647)	9,271,647	9,271,647
TOTAL SHORT TERM INVESTMENTS (COST OF \$12,687,030)		12,687,030
TOTAL INVESTMENTS (107.82%) (COST OF \$113,184,548) ^(e)		136,363,509
LIABILITIES IN EXCESS OF OTHER ASSETS (-7.82%)		(9,896,778)
NET ASSETS (100.00%)		\$ 126,466,731
NET ASSET VALUE PER SHARE (26,336,506 SHARES OUTSTANDING)		\$4.80

See Notes to Schedule of Investments and Financial Statements.

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Liberty All-Star® Growth Fund Schedule of
Investments

December 31, 2016

Notes to Schedule of Investments:

(a) Non-income producing security.

(b) Security, or a portion of the security position, is currently on loan. The total market value of securities on loan is \$11,977,118.

(c) American Depositary Receipt.

(d) Rate reflects seven-day effective yield on December 31, 2016.

(e) Cost of investments for federal income tax purposes is \$114,420,353.

Gross unrealized appreciation and depreciation at December 31, 2016 based on cost of investments for federal income tax purposes is as follows:

Gross unrealized appreciation	\$24,803,628
Gross unrealized depreciation	(2,860,472)
Net unrealized appreciation	\$21,943,156

See Notes to Financial Statements.

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Liberty All-Star® Growth Fund Statement of Assets and Liabilities

December 31, 2016

ASSETS:

Investments at market value (Cost \$113,184,548)	\$ 136,363,509
Receivable for investment securities sold	3,759,136
Dividends and interest receivable	72,886
Prepaid and other assets	249
TOTAL ASSETS	140,195,780

LIABILITIES:

Payable for investments purchased	2,683,368
Distributions payable to shareholders	1,572,606
Investment advisory fee payable	85,854
Payable for administration, pricing and bookkeeping fees	29,159
Payable for collateral upon return of securities loaned	9,271,647
Accrued expenses	86,415
TOTAL LIABILITIES	13,729,049
NET ASSETS	\$ 126,466,731

NET ASSETS REPRESENTED BY:

Paid-in capital	\$96,029,459
Accumulated net realized gain on investments	7,258,311
Net unrealized appreciation on investments	23,178,961
NET ASSETS	\$ 126,466,731

Shares of common stock outstanding (authorized 60,000,000 shares at \$0.10 Par)	26,336,506
NET ASSET VALUE PER SHARE	\$4.80

See Notes to Financial Statements.

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Liberty All-Star® Growth Fund Statement of Operations

 For the Year Ended December 31, 2016

INVESTMENT INCOME:

Dividends (Net of foreign taxes withheld at source which amounted to \$10,630)	\$925,431
Securities lending income	287,419
Interest	190
TOTAL INVESTMENT INCOME	1,213,040

EXPENSES:

Investment advisory fee	959,280
Administration fee	239,865
Pricing and bookkeeping fees	77,358
Audit fee	28,186
Custodian fee	35,927
Directors' fees and expenses	58,163
Insurance expense	6,588
Legal fees	55,225
NYSE fee	24,103
Shareholder communication expenses	30,636
Transfer agent fees	69,620
Miscellaneous expenses	34,265
TOTAL EXPENSES	1,619,216
NET INVESTMENT LOSS	(406,176)

REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:

Net realized gain on investments	11,357,943
Net change in unrealized depreciation on investments	(5,126,386)
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	6,231,557
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$5,825,381

See Notes to Financial Statements.

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Liberty All-Star® Growth Fund Statements of Changes in Net Assets

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015	
			Common Stock of Plan Sponsor and Subsidiary \$928,138
Bank Common Trusts	(185,000)		
Mutual Funds	(10,692,489)		
	(9,949,351)		
Interest and dividends	8,532,134		
Net investment loss	\$(1,417,217)		

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the 2015 Statement of Net Assets Available for Benefits.

Telephone and Data Systems, Inc.

Tax-Deferred Savings Plan

December 31, 2015 and 2014

Notes to Financial Statements

Note 5 PARTIES-IN-INTEREST

Northern Trust sponsors plan investments in the Northern Institutional Funds U.S. Government Select Portfolio. Northern Trust is the directed trustee of the Plan and, therefore, these transactions qualify as party-in-interest transactions.

Notes receivable from participants also qualify as party-in-interest transactions.

The Plan invests in common stock of U.S. Cellular and TDS. Transactions in shares of U.S. Cellular and TDS common stock qualify as party-in-interest transactions under the provisions of ERISA. During the year ended December 31, 2015, the Plan made purchases of \$3,796,980 and sales of \$10,649,656 of TDS and U.S. Cellular common stock.

Note 6 TAX STATUS

The Plan obtained its latest determination letter on February 25, 2015 in which the Internal Revenue Service stated that the Plan, as designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC), and the related trust was exempt from taxation. The Plan has been amended since the receipt of the determination letter. The Plan administrator believes that the Plan is designed and being operated in material compliance with the applicable requirements of the IRC. Therefore, the Plan administrator believes that the Plan was qualified and the related trust was tax-exempt at December 31, 2015.

Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements at December 31, 2015 or 2014. With few exceptions, the Plan is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2012.

Note 7 RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

A reconciliation between the financial statements and Form 5500 at December 31, 2015 and 2014, and for the year ended December 31, 2015 is as follows:

	2015	2014
Total net assets per Form 5500, Schedule	\$ 791,342,607	\$ 784,203,694

H

Adjustment from fair value to contract value for fully benefit-responsive	(1,331,093)	(2,466,971)
---	-------------	-------------

investment contracts

Deemed distributions of notes receivable from participants	41,856	49,274
--	--------	--------

Net Assets

Available

for

Benefits	\$ 790,053,370	\$ 781,785,997
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Per

Financial

Statements

Change in net assets per Form 5500, Schedule H	\$7,138,913	
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Change in fair value to contract value for fully benefit-responsive	1,135,878	
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investment contracts

Change in deemed distributions of notes receivable from participants	(7,418)	
--	---------	--

Change in

Net Assets

Available

for

Benefits	\$8,267,373	
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Per

Financial

Statements

Note 8 SUBSEQUENT EVENTS

The Plan's management evaluated subsequent events from December 31, 2015 through May 24, 2016, the date these financial statements were issued. There have been no significant subsequent events during this period that require adjustments to or disclosure in the financial statements as of December 31, 2015 and for the year then ended.

Telephone and Data Systems, Inc.
Tax-Deferred Savings Plan

Schedule H, line 4i - Schedule of Assets (Held at End of Year)
Plan 003 EIN 36-2669023
December 31, 2015

(b) Identity of Issue, Borrower, Lessor, (a) or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
Bank Common Trusts			
Vanguard Retirement Savings Trust II	78,768,302 Shares	**	\$ 80,099,395
Vanguard Target Retirement Income Trust II	185,778 Shares	**	5,521,314
Vanguard Target 2010 Retirement Trust II	54,340 Shares	**	1,491,638
Vanguard Target 2015 Retirement Trust II	267,794 Shares	**	7,329,518
Vanguard Target 2020 Retirement Trust II	757,812 Shares	**	20,415,454
Vanguard Target 2025 Retirement Trust II	873,528 Shares	**	23,043,677
Vanguard Target 2030 Retirement Trust II	919,661 Shares	**	23,672,084
Vanguard Target 2035 Retirement Trust II	1,077,763 Shares	**	27,687,722
Vanguard Target 2040 Retirement Trust II	1,064,591 Shares	**	27,743,244
Vanguard Target 2045 Retirement Trust II	1,011,393 Shares	**	26,336,684
Vanguard Target 2050 Retirement Trust II	973,849 Shares	**	25,466,157
Vanguard Target 2055 Retirement Trust II	229,747 Shares	**	8,045,729
BlackRock Intermediate Government/Credit Bond Index Fund F	2,502,779 Shares	**	63,784,083
Common Stock of Plan Sponsor and Subsidiary			
* Telephone and Data Systems, Inc.	564,143 Shares	**	14,605,662
* United States Cellular Corporation	380,657 Shares	**	15,534,612
Mutual Funds			
Vanguard Institutional Index Fund	513,878 Shares	**	95,899,996
Vanguard Small Cap Value Index Fund	1,674,901 Shares	**	39,745,399
Vanguard Value Index Fund	1,708,140 Shares	**	54,353,029
Vanguard Small Cap Growth Index Fund	1,369,098 Shares	**	46,850,537
Vanguard Growth Index Fund	1,729,470 Shares	**	94,723,051
Vanguard Total International Stock Index Fund	746,961 Shares	**	72,417,841
* Northern Institutional Funds U.S. Government Select Portfolio	292,868 Shares	**	292,868
* Participants	Participant loans (interest rates range		13,450,632

from 3.25% to 10.25%,
maturing January 2016
to March 2034)

\$ 788,510,326

* Represents a party in interest

** Cost omitted for participant directed investments

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, Telephone and Data Systems, Inc., the Plan Administrator, has duly caused this Annual Report on Form 11-K to be signed on its behalf by the undersigned hereunto duly authorized.

TELEPHONE AND DATA
SYSTEMS, INC.
TAX-DEFERRED SAVINGS
PLAN

By: /s/ C. Theodore
Herbert
C. Theodore
Herbert, Vice
President-Human
Resources

By: /s/ Douglas W.
Chambers
Douglas W.
Chambers, Vice
President and
Controller

May
Dated: 24,
2016