

LIBERTY ALL STAR EQUITY FUND

Form N-30B-2

November 23, 2016

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## LIBERTY ALL-STAR® EQUITY FUND

Periods Ended September 30, 2016 (Unaudited)

## Fund Statistics

Net Asset Value (NAV)	\$6.11
Market Price	\$5.18
Discount	-15.2%

	Quarter	Year-to-Date
Distributions*	\$0.12	\$0.36
Market Price Trading Range	\$4.97 to \$5.27	\$4.26 to \$5.28
Premium/(Discount) Range	-14.9% to -16.3%	-14.0% to -17.6%

## Performance

Shares Valued at NAV with Dividends Reinvested	4.89%	6.32%
Shares Valued at Market Price with Dividends Reinvested	5.57%	4.12%
Dow Jones Industrial Average	2.78%	7.21%
Lipper Large-Cap Core Mutual Fund Average	3.72%	6.03%
NASDAQ Composite Index	10.02%	7.09%
S&P 500® Index	3.85%	7.84%

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. Pursuant to Section 852 of the Internal Revenue Code, the taxability of these distributions will be reported on Form 1099-DIV for 2016.

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 Large-Cap Core 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 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 20.

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.

Secondary market support provided to the Fund by ALPS Fund Services, Inc.'s affiliate ALPS Portfolio Solutions Distributor, Inc., a FINRA member.

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(Unaudited)

Fellow Shareholders: October 2016

Stocks posted their best quarterly returns of the year in the three months ended September 30, a period punctuated by multiple record highs for the S&P 500® Index, the Dow Jones Industrial Average (DJIA) and the NASDAQ Composite Index. Respectively, the three indices returned 3.85 percent, 2.78 percent and 10.02 percent, the latter marking its best quarter since 2013. Characterizing the prevailing sentiment during the quarter, on August 11 all three indices reached new highs on the same day—an event not seen since the dot-com era, according to The Wall Street Journal.

In addition, the volatility that roiled markets during the first half—exemplified by the collapse in energy prices in the first quarter and the “Brexit” referendum in the second—was largely absent and reflecting the calm that prevailed during the quarter, the S&P 500 did not experience a move of 1 percent or more from July 11 until September 9.

The quarter was not without worry, chiefly wariness over what the Federal Reserve would do with respect to raising interest rates, and when it would do it. Yet each Fed meeting passed without action. In addition, the financial sector continued to lag the overall market in the record low interest rate environment that has prevailed in recent years.

The long-running but tepid economic recovery continued to show steady, if uninspired, progress. A surprising market bounce after the initial sell-off following the June 23 Brexit vote set the stage for the strong quarter. In mid-July, the DJIA enjoyed a nine-day streak of higher returns—its longest in three years. Although lower year-over-year, corporate earnings turned out better than expected. Stocks jumped in early August on the strength of a Labor Department report that showed U.S. employers added 221,000 jobs in July. Job growth eased to 144,000 in August, a figure that was still acceptable to investors and viewed as likely to keep the Fed at bay until the end of the year. Other sources of strength came from higher home sales, a surge in consumer confidence and firmer crude oil prices. The technology-focused NASDAQ Composite's 10.02 percent return reflected investors' greater appetite for risk, as well as tech bellwethers' prospects for growth in a growth-challenged economy.

Liberty All-Star® Equity Fund

As it did in the second quarter, Liberty All-Star® Equity Fund outperformed all key benchmarks but for the exceptional 10 percent-plus return posted by the NASDAQ Composite. For the quarter, the Fund returned 4.89 percent with shares valued at net asset value (NAV) with dividends reinvested and 5.57 percent with shares valued at market price with dividends reinvested. The Lipper Large-Cap Core Mutual Fund Average returned 3.72 percent. The discount at which Fund shares traded relative to their NAV was little changed over the quarter, ranging from -14.9 percent to -16.3 percent. Through the first nine months of the year, Fund returns were mixed, modestly trailing large-cap indices such as the S&P 500 and the DJIA, but topping the Lipper Large-Cap Core Mutual Fund Average.

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Liberty All-Star® Equity Fund      President's  
Letter

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(Unaudited)

The Fund's distribution for the third quarter was \$0.12. The Fund's distribution policy has been in place since 1988 and is a major component of the Fund's total return. These distributions add up to \$25.53 since 1987 (the Fund's first full calendar year of operations). We continue to emphasize that shareholders should include these distributions when determining the return on their investment in the Fund.

We are gratified by the Fund's performance over the last two quarters. In the past quarter in particular, we were pleased with indications that bottom-up company fundamentals may be starting to play a larger role in investors' decision-making after a protracted period when macro factors appeared to drive markets (the presidential election notwithstanding). Should this hold, it will likely benefit astute stock pickers and active managers, and we are hopeful that the recent momentum continues through the final quarter of the year. Regardless of market direction, we will remain vigilant and in close collaboration with the Fund's five investment managers. Thank you for your continued confidence in Liberty All-Star® Equity Fund.

Sincerely,

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

The views expressed in the President's letter reflect the views of the President as of October 2016 and may not reflect his views on the date this report is first published or anytime thereafter. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the Fund disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for the Fund are based on numerous factors, may not be relied on as an indication of trading intent.

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2 [www.all-starfunds.com](http://www.all-starfunds.com)

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## Liberty All-Star® Equity Fund Table of Distributions &amp; Rights Offerings

September 30, 2016 (Unaudited)

**Rights Offerings**

Year	Per Share Distributions	Month Completed	Shares Needed to Purchase One Additional Share	Subscription Price	Tax Credits <sup>1</sup>
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 <sup>2</sup>	8.34	
2005	0.87				
2006	0.88				
2007	0.90	December	10	6.51	
2008	0.65				
2009 <sup>3</sup>	0.31				
2010	0.31				
2011	0.34				
2012	0.32				
2013	0.35				
2014	0.39				
2015 <sup>4</sup>	0.51				
2016					
1 <sup>st</sup> Quarter	0.12				
2 <sup>nd</sup> Quarter	0.12				

3 <sup>rd</sup> Quarter	0.12
Total	\$24.35

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 percent 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.

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

#### DISTRIBUTION POLICY

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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 ordinary dividends and long-term 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<sup>®</sup> Equity Fund Top 20 Holdings & Economic Sectors

September 30, 2016 (Unaudited)

Top 20 Holdings*	Percent of Net Assets
Alphabet, Inc., Class C	2.21%
Visa, Inc., Class A	1.93
Mondelez International, Inc., Class A	1.92
Salesforce.com, Inc.	1.64
Amazon.com, Inc.	1.58
The Priceline Group, Inc.	1.54
Facebook, Inc., Class A	1.53
Halliburton Co.	1.44
Lowe's Companies, Inc.	1.42
Cerner Corp.	1.36
Adobe Systems, Inc.	1.35
CVS Health Corp.	1.34
Starbucks Corp.	1.30
Chubb Ltd.	1.27
Bank of America Corp.	1.26
Equinix, Inc.	1.19
Intel Corp.	1.18
Amgen, Inc.	1.16
Chipotle Mexican Grill, Inc.	1.11
Abbott Laboratories	1.02
	28.75%

Economic Sectors*	Percent of Net Assets
Information Technology	20.81%
Financials	17.90
Health Care	15.02
Consumer Discretionary	12.05
Consumer Staples	9.68
Energy	8.99
Industrials	5.41
Materials	2.83
Real Estate	2.18
Utilities	1.29
Telecommunication Services	1.23



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<sup>®</sup> Equity Fund Major Stock Changes in the Quarter

September 30, 2016 (Unaudited)

The following are the major (\$5 million or more) stock changes - both purchases and sales - that were made in the Fund's portfolio during the third quarter of 2016.

Security Name	Shares	
	Purchases (Sales)	Held as of 9/30/16
Purchases		
Abbott Laboratories	168,500	276,425
Alliance Data Systems Corp.	27,679	27,679
Capital One Financial Corp.	83,315	83,315
EQT Corp.	74,800	74,800
PPG Industries, Inc.	51,500	51,500
Sales		
ARM Holdings PLC	(217,774)	0
Illinois Tool Works, Inc.	(47,000)	0
Johnson Controls, Inc.	(161,400)	0

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

September 30, 2016 (Unaudited)

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

ALPS Advisors, Inc., the investment advisor to the Fund, has the ultimate authority (subject to oversight by the Board of Trustees) 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 a multi-managed portfolio. The characteristics are different for each of the Fund's five investment managers. These differences are a reflection of the fact that each pursues a different investment style. The shaded column highlights the characteristics of the Fund as a whole, while the final column shows portfolio characteristics for the S&P 500® Index.

PORTFOLIO CHARACTERISTICS As of September 30, 2016 (Unaudited)

Investment Style Spectrum

	PZENA	DELAWARE	ARISTOTLE	SUSTAINABLE	TCW	TOTAL FUND	S&P 500® INDEX
Number of Holdings	40	32	42	29	30	146*	505
Percent of Holdings in Top 10	35%	33%	31%	42%	50%	17%	18%
Weighted Average Market Capitalization (billions)	\$82	\$86	\$72	\$119	\$114	\$95	\$144
Average Five-Year Earnings Per Share Growth	2%	6%	6%	14%	15%	9%	8%
Dividend Yield	2.8%	2.6%	2.0%	1.1%	0.5%	1.8%	2.1%
Price/Earnings Ratio**	14x	19x	17x	28x	42x	21x	20x
Price/Book Value Ratio	1.9x	2.4x	2.8x	5.3x	4.9x	3.1x	3.2x

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

\*\*Excludes negative earnings.

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Liberty All-Star<sup>®</sup> Equity Fund Schedule of Investments

As of September 30, 2016 (Unaudited)

	SHARES	MARKET VALUE
COMMON STOCKS (97.39%)		
CONSUMER DISCRETIONARY (12.05%)		
Automobiles (0.40%)		
Ford Motor Co.	385,900	\$4,657,813
Hotels, Restaurants & Leisure (2.82%)		
Chipotle Mexican Grill, Inc. <sup>(a)</sup>	30,252	12,811,722
Hilton Worldwide Holdings, Inc.	200,400	4,595,172
Starbucks Corp.	276,415	14,965,108
		32,372,002
Household Durables (0.50%)		
Lennar Corp., Class A	136,000	5,758,240
Internet & Catalog Retail (3.12%)		
Amazon.com, Inc. <sup>(a)</sup>	21,657	18,133,623
The Priceline Group, Inc. <sup>(a)</sup>	12,014	17,678,481
		35,812,104
Media (1.77%)		
The Interpublic Group of Cos., Inc.	128,075	2,862,476
News Corp., Class A	305,600	4,272,288
News Corp., Class B	73,245	1,041,544
Omnicom Group, Inc.	64,775	5,505,875
Time Warner, Inc.	84,000	6,687,240
		20,369,423
Specialty Retail (2.49%)		
The Home Depot, Inc.	55,600	7,154,608
Lowe's Companies, Inc.	226,143	16,329,786
Staples, Inc.	597,507	5,108,685
		28,593,079
Textiles, Apparel & Luxury Goods (0.95%)		
NIKE, Inc., Class B	156,474	8,238,356
Under Armour, Inc., Class A <sup>(a)(b)</sup>	52,800	2,042,304
Under Armour, Inc., Class C <sup>(a)</sup>	17,713	599,762
		10,880,422
CONSUMER STAPLES (9.68%)		
Beverages (0.95%)		
Diageo PLC <sup>(c)</sup>	40,800	4,734,432
Monster Beverage Corp. <sup>(a)</sup>	42,600	6,254,106
		10,988,538
Food & Staples Retailing (3.68%)		
Costco Wholesale Corp.	39,675	6,050,834
CVS Health Corp.	173,400	15,430,866
Walgreens Boots Alliance, Inc.	83,100	6,699,522
Wal-Mart Stores, Inc.	102,925	7,422,951

See Notes to Schedule of Investments.

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## Liberty All-Star® Equity Fund Schedule of Investments

As of September 30, 2016 (Unaudited)

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Food & Staples Retailing (continued)		
Whole Foods Market, Inc.	235,294	\$6,670,585 42,274,758
Food Products (3.51%)		
Archer-Daniels-Midland Co.	261,400	11,023,238
The Kraft Heinz Co.	80,400	7,196,604
Mondelez International, Inc., Class A	503,282	22,094,080 40,313,922
Household Products (0.79%)		
Colgate-Palmolive Co.	122,620	9,091,047
Personal Products (0.75%)		
Coty, Inc., Class A <sup>(b)</sup>	119,000	2,796,500
Unilever NV	126,100	5,813,210 8,609,710
ENERGY (8.99%)		
Energy Equipment & Services (2.59%)		
Core Laboratories NV <sup>(b)</sup>	47,929	5,383,865
Halliburton Co.	369,700	16,592,136
Schlumberger Ltd.	99,130	7,795,583 29,771,584
Oil, Gas & Consumable Fuels (6.40%)		
BP PLC <sup>(b)(c)</sup>	187,451	6,590,777
Cenovus Energy, Inc.	337,675	4,852,390
Chevron Corp.	69,900	7,194,108
ConocoPhillips	156,800	6,816,096
EQT Corp.	74,800	5,431,976
Exxon Mobil Corp.	73,000	6,371,440
Marathon Oil Corp.	229,700	3,631,557
Murphy Oil Corp.	207,725	6,314,840
Occidental Petroleum Corp.	92,500	6,745,100
Phillips 66	74,500	6,000,975
Pioneer Natural Resources Co.	28,600	5,309,590
Royal Dutch Shell PLC, Class A <sup>(c)</sup>	166,157	8,319,456 73,578,305
FINANCIALS (17.90%)		
Capital Markets (4.65%)		
Ameriprise Financial, Inc.	56,100	5,597,097
Bank of New York Mellon Corp.	170,500	6,799,540