

LIBERTY ALL STAR EQUITY FUND  
Form N-Q  
May 26, 2011

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANY**

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)

Tané T. Tyler, 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: January 1 March 31, 2011

**Item 1 Schedule of Investments.**

## Liberty All-Star Equity Fund

## Schedule of Investments

March 31, 2011 (Unaudited)

|  | SHARES  | MARKET VALUE |
|--|---------|--------------|
| <b>COMMON STOCKS (97.87%)</b>                          |         |              |
| <b>CONSUMER DISCRETIONARY (10.04%)</b>                 |         |              |
| <b>Auto Components (0.33%)</b>                         |         |              |
| Magna International, Inc.                              | 74,325  | \$3,560,911  |
| <b>Automobiles (0.04%)</b>                             |         |              |
| General Motors Co. <sup>(a)</sup>                      | 14,455  | 448,539      |
| <b>Diversified Consumer Services (0.75%)</b>           |         |              |
| Apollo Group, Inc., Class A <sup>(a)</sup>             | 194,285 | 8,103,627    |
| <b>Hotels, Restaurants &amp; Leisure (0.90%)</b>       |         |              |
| Carnival Corp.   | 253,860 | 9,738,069    |
| <b>Household Durables (1.67%)</b>                      |         |              |
| DR Horton, Inc.  | 584,892 | 6,813,992    |
| Fortune Brands, Inc.                                   | 65,725  | 4,067,720    |
| NVR, Inc. <sup>(a)</sup>                               | 9,420   | 7,121,520    |
|  |         | 18,003,232   |
| <b>Internet &amp; Catalog Retail (1.89%)</b>           |         |              |
| Amazon.com, Inc. <sup>(a)</sup>                        | 68,191  | 12,283,245   |
| Expedia, Inc.  | 78,000  | 1,767,480    |
| priceline.com, Inc. <sup>(a)</sup>                     | 12,700  | 6,431,788    |
|  |         | 20,482,513   |
| <b>Media (1.83%)</b>                                   |         |              |
| Discovery Communications, Inc., Class A <sup>(a)</sup> | 22,212  | 886,259      |
| Discovery Communications, Inc., Class C <sup>(a)</sup> | 56,304  | 1,982,464    |
| The McGraw Hill Cos., Inc.                             | 181,000 | 7,131,400    |
| Omnicom Group, Inc.                                    | 107,825 | 5,289,894    |
| The Walt Disney Co.                                    | 104,954 | 4,522,468    |
|  |         | 19,812,485   |
| <b>Multi-Line Retail (0.82%)</b>                       |         |              |
| J.C. Penney Co., Inc.                                  | 245,525 | 8,816,803    |
| <b>Specialty Retail (1.49%)</b>                        |         |              |
| Dick's Sporting Goods, Inc. <sup>(a)</sup>             | 91,643  | 3,663,887    |
| Staples, Inc.  | 285,000 | 5,534,700    |
| Tiffany & Co.  | 21,377  | 1,313,403    |

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|   |        |            |
|---|--------|------------|
| The TJX Cos., Inc.                                  | 68,855 | 3,424,159  |
| Urban Outfitters, Inc. <sup>(a)</sup>               | 74,611 | 2,225,646  |
|   |        | 16,161,795 |
| <b>Textiles, Apparel &amp; Luxury Goods (0.32%)</b> |        |            |
| Burberry Group PLC <sup>(b)</sup>                   | 90,264 | 3,411,979  |

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|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                |         |              |
| <b>CONSUMER STAPLES (5.49%)</b>                 |         |              |
| <b>Beverages (1.18%)</b>                        |         |              |
| The Coca-Cola Co.                               | 43,000  | \$2,853,050  |
| Diageo PLC <sup>(b)</sup>                       | 56,255  | 4,287,756    |
| Molson Coors Brewing Co., Class B               | 119,425 | 5,599,838    |
|   |         | 12,740,644   |
| <b>Food &amp; Staples Retailing (2.13%)</b>     |         |              |
| Costco Wholesale Corp.                          | 142,724 | 10,464,524   |
| CVS Caremark Corp.                              | 159,200 | 5,463,744    |
| Walgreen Co.                                    | 175,500 | 7,044,570    |
|   |         | 22,972,838   |
| <b>Food Products (1.30%)</b>                    |         |              |
| Archer-Daniels-Midland Co.                      | 128,000 | 4,609,280    |
| General Mills, Inc.                             | 113,602 | 4,152,153    |
| Mead Johnson Nutrition Co.                      | 91,200  | 5,283,216    |
|   |         | 14,044,649   |
| <b>Household Products (0.37%)</b>               |         |              |
| The Procter & Gamble Co.                        | 65,000  | 4,004,000    |
| <b>Personal Products (0.21%)</b>                |         |              |
| Avon Products, Inc.                             | 84,943  | 2,296,859    |
| <b>Tobacco (0.30%)</b>                          |         |              |
| Philip Morris International, Inc.               | 50,224  | 3,296,201    |
| <b>ENERGY (14.49%)</b>                          |         |              |
| <b>Energy Equipment &amp; Services (3.51%)</b>  |         |              |
| FMC Technologies, Inc. <sup>(a)</sup>           | 81,110  | 7,663,273    |
| Oceaneering International, Inc. <sup>(a)</sup>  | 64,600  | 5,778,470    |
| Schlumberger Ltd.                               | 94,330  | 8,797,216    |
| Tidewater, Inc.                                 | 124,000 | 7,421,400    |
| Weatherford International Ltd. <sup>(a)</sup>   | 363,505 | 8,215,213    |
|   |         | 37,875,572   |
| <b>Oil, Gas &amp; Consumable Fuels (10.98%)</b> |         |              |
| Anadarko Petroleum Corp.                        | 81,666  | 6,690,079    |
| Arch Coal, Inc.                                 | 461,735 | 16,640,929   |
| BP PLC <sup>(b)</sup>                           | 244,307 | 10,783,711   |
| Chesapeake Energy Corp.                         | 272,829 | 9,145,228    |
| Chevron Corp.                                   | 63,000  | 6,768,090    |
| ConocoPhillips                                  | 111,000 | 8,864,460    |
| Consol Energy, Inc.                             | 246,870 | 13,239,638   |
| Devon Energy Corp.                              | 89,000  | 8,167,530    |
| Exxon Mobil Corp.                               | 102,150 | 8,593,880    |
| Occidental Petroleum Corp.                      | 74,300  | 7,763,607    |

|  | SHARES    | MARKET VALUE |
|--|-----------|--------------|
| <b>COMMON STOCKS (continued)</b>                   |           |              |
| <b>Oil, Gas &amp; Consumable Fuels (continued)</b> |           |              |
| Petrohawk Energy Corp. <sup>(a)</sup>              | 266,628   | \$6,543,051  |
| Royal Dutch Shell PLC, Class A <sup>(b)</sup>      | 57,400    | 4,182,164    |
| Royal Dutch Shell PLC, Class B <sup>(b)</sup>      | 30,325    | 2,221,003    |
| Valero Energy Corp.                                | 304,700   | 9,086,154    |
|  |           | 118,689,524  |
| <b>FINANCIALS (19.27%)</b>                         |           |              |
| <b>Capital Markets (4.26%)</b>                     |           |              |
| Bank of New York Mellon Corp.                      | 226,000   | 6,750,620    |
| The Charles Schwab Corp.                           | 234,400   | 4,226,232    |
| The Goldman Sachs Group, Inc.                      | 50,442    | 7,993,544    |
| Morgan Stanley                                     | 341,900   | 9,340,708    |
| State Street Corp.                                 | 247,450   | 11,120,403   |
| UBS AG <sup>(a)</sup>                              | 368,425   | 6,650,071    |
|  |           | 46,081,578   |
| <b>Commercial Banks (2.88%)</b>                    |           |              |
| BB&T Corp.   | 140,000   | 3,843,000    |
| PNC Financial Services Group, Inc.                 | 248,421   | 15,648,039   |
| Wells Fargo & Co.                                  | 368,180   | 11,671,306   |
|  |           | 31,162,345   |
| <b>Consumer Finance (0.54%)</b>                    |           |              |
| American Express Co.                               | 129,500   | 5,853,400    |
| <b>Diversified Financial Services (5.13%)</b>      |           |              |
| Bank of America Corp.                              | 1,481,029 | 19,742,117   |
| Citigroup, Inc. <sup>(a)</sup>                     | 2,648,943 | 11,708,328   |
| JPMorgan Chase & Co.                               | 520,065   | 23,974,996   |
|  |           | 55,425,441   |
| <b>Insurance (5.90%)</b>                           |           |              |
| ACE Ltd.   | 161,012   | 10,417,476   |
| Aflac, Inc.  | 38,782    | 2,046,914    |
| The Allstate Corp.                                 | 388,055   | 12,332,388   |
| Assured Guaranty Ltd.                              | 311,159   | 4,636,269    |
| Axis Capital Holdings Ltd.                         | 169,975   | 5,935,527    |
| Brown & Brown, Inc.                                | 6,090     | 157,122      |
| Fidelity National Financial, Inc., Class A         | 305,475   | 4,316,362    |
| The Hartford Financial Services Group, Inc.        | 78,925    | 2,125,450    |
| Lincoln National Corp.                             | 69,840    | 2,097,994    |
| MetLife, Inc.                                      | 44,400    | 1,986,012    |
| RenaissanceRe Holdings Ltd.                        | 58,560    | 4,040,054    |
| Torchmark Corp.                                    | 89,500    | 5,949,960    |
| Willis Group Holdings PLC                          | 191,160   | 7,715,218    |
|  |           | 63,756,746   |
| <b>Real Estate Investment Trusts (0.35%)</b>       |           |              |
| Annaly Capital Management, Inc.                    | 205,534   | 3,586,568    |

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|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                    |         |              |
| <b>Real Estate Investment Trusts (continued)</b>    |         |              |
| Sunstone Hotel Investors, Inc. <sup>(a)</sup>       | 17,880  | \$182,197    |
|   |         | 3,768,765    |
| <b>Thrifts &amp; Mortgage Finance (0.21%)</b>       |         |              |
| MGIC Investment Corp. <sup>(a)</sup>                | 249,637 | 2,219,273    |
| <b>HEALTH CARE (10.94%)</b>                         |         |              |
| <b>Biotechnology (1.67%)</b>                        |         |              |
| Celgene Corp. <sup>(a)</sup>                        | 133,063 | 7,655,114    |
| Gilead Sciences, Inc. <sup>(a)</sup>                | 157,839 | 6,698,687    |
| Myriad Genetics, Inc. <sup>(a)</sup>                | 181,177 | 3,650,717    |
|   |         | 18,004,518   |
| <b>Health Care Equipment &amp; Supplies (3.66%)</b> |         |              |
| Covidien Ltd.                                       | 40,000  | 2,077,600    |
| Intuitive Surgical, Inc. <sup>(a)</sup>             | 18,000  | 6,002,280    |
| NuVasive, Inc. <sup>(a)</sup>                       | 138,960 | 3,518,467    |
| St. Jude Medical, Inc.                              | 135,000 | 6,920,100    |
| Varian Medical Systems, Inc. <sup>(a)</sup>         | 107,900 | 7,298,356    |
| Volcano Corp. <sup>(a)</sup>                        | 86,779  | 2,221,543    |
| Zimmer Holdings, Inc. <sup>(a)</sup>                | 190,025 | 11,502,213   |
|   |         | 39,540,559   |
| <b>Health Care Providers &amp; Services (1.71%)</b> |         |              |
| Aetna, Inc.   | 113,350 | 4,242,691    |
| Brookdale Senior Living, Inc. <sup>(a)</sup>        | 187,974 | 5,263,272    |
| Laboratory Corp. of America Holdings <sup>(a)</sup> | 46,775  | 4,309,381    |
| WellPoint, Inc.                                     | 66,999  | 4,675,860    |
|   |         | 18,491,204   |
| <b>Health Care Technology (0.72%)</b>               |         |              |
| Cerner Corp. <sup>(a)</sup>                         | 70,032  | 7,787,558    |
| <b>Life Sciences Tools &amp; Services (0.55%)</b>   |         |              |
| Life Technologies Corp. <sup>(a)</sup>              | 112,700 | 5,907,734    |
| <b>Pharmaceuticals (2.63%)</b>                      |         |              |
| Allergan, Inc.                                      | 85,700  | 6,086,414    |
| Bristol-Myers Squibb Co.                            | 198,800 | 5,254,284    |
| Forest Laboratories, Inc. <sup>(a)</sup>            | 197,250 | 6,371,175    |
| Johnson & Johnson                                   | 89,225  | 5,286,581    |
| Teva Pharmaceutical Industries Ltd. <sup>(b)</sup>  | 108,400 | 5,438,428    |
|   |         | 28,436,882   |
| <b>INDUSTRIALS (8.25%)</b>                          |         |              |
| <b>Aerospace &amp; Defense (3.49%)</b>              |         |              |
| The Boeing Co.                                      | 57,210  | 4,229,535    |
| General Dynamics Corp.                              | 87,449  | 6,695,096    |
| Goodrich Corp.                                      | 53,710  | 4,593,816    |

|  | SHARES    | MARKET VALUE |
|--|-----------|--------------|
| <b>COMMON STOCKS (continued)</b>                   |           |              |
| <b>Aerospace &amp; Defense (continued)</b>         |           |              |
| Huntington Ingalls Industries, Inc. <sup>(a)</sup> | 21,863    | \$907,294    |
| L-3 Communications Holdings, Inc.                  | 93,425    | 7,316,112    |
| Northrop Grumman Corp.                             | 131,175   | 8,225,984    |
| Precision Castparts Corp.                          | 38,900    | 5,725,302    |
|  |           | 37,693,139   |
| <b>Air Freight &amp; Logistics (1.41%)</b>         |           |              |
| C.H. Robinson Worldwide, Inc.                      | 136,545   | 10,122,081   |
| Expeditors International of Washington, Inc.       | 103,390   | 5,183,974    |
|  |           | 15,306,055   |
| <b>Building Products (0.39%)</b>                   |           |              |
| Masco Corp.  | 302,675   | 4,213,236    |
| <b>Construction &amp; Engineering (0.43%)</b>      |           |              |
| Fluor Corp.  | 63,114    | 4,648,977    |
| <b>Electrical Equipment (1.18%)</b>                |           |              |
| Rockwell Automation, Inc.                          | 134,841   | 12,762,701   |
| <b>Industrial Conglomerates (0.29%)</b>            |           |              |
| Textron, Inc.                                      | 113,157   | 3,099,370    |
| <b>Machinery (0.88%)</b>                           |           |              |
| Navistar International Corp. <sup>(a)</sup>        | 83,856    | 5,813,737    |
| Pentair, Inc.                                      | 98,866    | 3,736,146    |
|  |           | 9,549,883    |
| <b>Transportation Infrastructure (0.18%)</b>       |           |              |
| Aegean Marine Petroleum Network, Inc.              | 234,760   | 1,915,642    |
| <b>INFORMATION TECHNOLOGY (23.00%)</b>             |           |              |
| <b>Communications Equipment (3.50%)</b>            |           |              |
| Acme Packet, Inc. <sup>(a)</sup>                   | 70,764    | 5,021,413    |
| Cisco Systems, Inc.                                | 465,945   | 7,990,957    |
| Harris Corp.                                       | 23,500    | 1,165,600    |
| Polycom, Inc. <sup>(a)</sup>                       | 103,662   | 5,374,875    |
| QUALCOMM, Inc.                                     | 332,603   | 18,236,622   |
|  |           | 37,789,467   |
| <b>Computers &amp; Peripherals (5.44%)</b>         |           |              |
| Apple, Inc. <sup>(a)</sup>                         | 82,081    | 28,601,124   |
| Dell, Inc. <sup>(a)</sup>                          | 1,374,705 | 19,946,970   |
| Hewlett-Packard Co.                                | 249,250   | 10,211,773   |
|  |           | 58,759,867   |



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**Electronic Equipment & Instruments (1.91%)**

|                            |         |           |
|----------------------------|---------|-----------|
| Avnet, Inc. <sup>(a)</sup> | 114,550 | 3,905,010 |
| Corning, Inc.              | 345,000 | 7,117,350 |

|  | SHARES  | MARKET VALUE |
|--|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                             |         |              |
| <b>Electronic Equipment &amp; Instruments (continued)</b>    |         |              |
| Tyco Electronics Ltd.  | 276,125 | \$9,614,672  |
|  |         | 20,637,032   |
| <b>Internet Software &amp; Services (4.40%)</b>              |         |              |
| Baidu, Inc. <sup>(a)(b)</sup>                                | 74,549  | 10,273,597   |
| eBay, Inc. <sup>(a)</sup>                                    | 258,000 | 8,008,320    |
| Google, Inc., Class A <sup>(a)</sup>                         | 26,318  | 15,427,875   |
| Monster Worldwide, Inc. <sup>(a)</sup>                       | 602,700 | 9,582,930    |
| VistaPrint Ltd. <sup>(a)</sup>                               | 81,903  | 4,250,766    |
|  |         | 47,543,488   |
| <b>IT Services (3.14%)</b>                                   |         |              |
| Cognizant Technology Solutions Corp., Class A <sup>(a)</sup> | 96,100  | 7,822,540    |
| International Business Machines Corp.                        | 3,500   | 570,745      |
| Visa, Inc., Class A  | 194,341 | 14,307,384   |
| The Western Union Co.  | 543,122 | 11,280,644   |
|  |         | 33,981,313   |
| <b>Semiconductors &amp; Semiconductor Equipment (1.78%)</b>  |         |              |
| Analog Devices, Inc.   | 172,000 | 6,773,360    |
| ARM Holdings PLC <sup>(b)</sup>                              | 95,455  | 2,688,968    |
| Broadcom Corp., Class A                                      | 111,606 | 4,395,044    |
| MEMC Electronic Materials, Inc. <sup>(a)</sup>               | 417,895 | 5,415,919    |
|  |         | 19,273,291   |
| <b>Software (2.83%)</b>                                      |         |              |
| CA, Inc.   | 272,250 | 6,583,005    |
| Microsoft Corp.  | 346,225 | 8,780,266    |
| Oracle Corp.   | 248,761 | 8,301,155    |
| Salesforce.com, Inc. <sup>(a)</sup>                          | 51,800  | 6,919,444    |
|  |         | 30,583,870   |
| <b>MATERIALS (3.49%)</b>                                     |         |              |
| <b>Chemicals (2.22%)</b>                                     |         |              |
| The Dow Chemical Co.   | 60,410  | 2,280,477    |
| Ecolab, Inc.   | 85,334  | 4,353,741    |
| PPG Industries, Inc.   | 64,125  | 6,105,341    |
| Praxair, Inc.  | 70,700  | 7,183,120    |
| The Sherwin-Williams Co.                                     | 48,400  | 4,065,116    |
|  |         | 23,987,795   |
| <b>Metals &amp; Mining (1.27%)</b>                           |         |              |
| Alcoa, Inc.  | 410,000 | 7,236,500    |
| Freeport-McMoRan Copper & Gold, Inc.                         | 61,541  | 3,418,603    |
| Silver Wheaton Corp.   | 70,400  | 3,052,544    |
|  |         | 13,707,647   |
| <b>TELECOMMUNICATION SERVICES (0.87%)</b>                    |         |              |
| <b>Wireless Telecommunication Services (0.87%)</b>           |         |              |
| American Tower Corp., Class A <sup>(a)</sup>                 | 165,460 | 8,574,137    |

|  | SHARES           | MARKET VALUE        |
|--|------------------|---------------------|
| <b>COMMON STOCKS (continued)</b>   |                  |                     |
| <b>Wireless Telecommunication Services (continued)</b>   |                  |                     |
| Sprint Nextel Corp. <sup>(a)</sup>   | 176,830          | \$820,491           |
|  |                  | 9,394,628           |
| <b>UTILITIES (2.03%)</b>   |                  |                     |
| <b>Electric Utilities (0.96%)</b>  |                  |                     |
| Edison International   | 112,175          | 4,104,483           |
| FirstEnergy Corp.  | 168,912          | 6,264,946           |
|  |                  | 10,369,429          |
| <b>Gas Utilities (0.58%)</b>   |                  |                     |
| EQT Corp.  | 125,341          | 6,254,516           |
| <b>Independent Power Producers &amp; Energy Traders (0.49%)</b>  |                  |                     |
| GenOn Energy, Inc. <sup>(a)</sup>  | 1,404,270        | 5,350,269           |
| <b>TOTAL COMMON STOCKS</b>   |                  |                     |
| (COST OF \$952,092,359)  |                  | 1,057,717,858       |
| <b>EXCHANGE TRADED FUND (0.07%)</b>  |                  |                     |
| iShares Russell 1000 Value Index Fund  | 10,540           | 723,782             |
| <b>TOTAL EXCHANGE TRADED FUND</b>  |                  |                     |
| (COST OF \$659,799)  |                  | 723,782             |
|  | <b>PRINCIPAL</b> |                     |
|  | <b>AMOUNT</b>    |                     |
| <b>CORPORATE BOND (0.06%)</b>  |                  |                     |
| <b>INDUSTRIALS (0.06%)</b>   |                  |                     |
| <b>Airlines (0.06%)</b>  |                  |                     |
| United Continental Holdings, Inc.<br>6.00%, 10/15/2029   | \$250,000        | 707,500             |
| <b>TOTAL CORPORATE BOND</b>  |                  |                     |
| (COST OF \$548,849)  |                  | 707,500             |
|  | <b>PAR VALUE</b> | <b>MARKET VALUE</b> |
| <b>SHORT TERM INVESTMENT (2.33%)</b>   |                  |                     |
| <b>REPURCHASE AGREEMENT (2.33%)</b>  |                  |                     |
| Repurchase agreement with State Street Bank & Trust Co., dated 03/31/11, due 04/01/11 at 0.01%, collateralized by several Fannie Mae and Freddie Mac instruments with various maturity dates, market value of \$25,652,923 (Repurchase proceeds of \$25,142,007) | \$25,142,000     | \$25,142,000        |

**TOTAL SHORT TERM INVESTMENT**

|                        |            |
|------------------------|------------|
| (COST OF \$25,142,000) | 25,142,000 |
|------------------------|------------|

**TOTAL INVESTMENTS (100.33%)**

|  |               |
|--|---------------|
| (COST OF \$978,443,007) <sup>(c)</sup> | 1,084,291,140 |
|--|---------------|

|   |             |
|---|-------------|
| <b>LIABILITIES IN EXCESS OF OTHER ASSETS (-0.33%)</b> | (3,606,655) |
|---|-------------|

|                             |                        |
|-----------------------------|------------------------|
| <b>NET ASSETS (100.00%)</b> | <b>\$1,080,684,485</b> |
|-----------------------------|------------------------|

**NET ASSET VALUE PER SHARE**

|                                  |        |
|----------------------------------|--------|
| (182,678,079 SHARES OUTSTANDING) | \$5.92 |
|----------------------------------|--------|

- (a) Non-income producing security.
- (b) American Depositary Receipt.
- (c) Cost of investments for federal income tax purposes is \$989,049,957.

Gross unrealized appreciation and depreciation at March 31, 2011 based on cost of investments for federal income tax purposes is as follows:

|                               |               |
|-------------------------------|---------------|
| Gross unrealized appreciation | \$182,370,373 |
| Gross unrealized depreciation | (87,129,190)  |
| Net unrealized appreciation   | \$95,241,183  |

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.

## Notes to Schedule of Investments

### Security Valuation

Equity securities including common stocks and exchange traded funds are valued at the last sale price at the close of the principal exchange on which they trade, except for securities listed on the National Association of Securities Dealers Automated Quotations ( NASDAQ ) exchange, which are valued at the NASDAQ official closing price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Debt securities generally are valued by pricing services approved by the Liberty All-Star® Equity Fund s (the Fund ) Board of Trustees (the Board ). The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available are valued at an over-the-counter or exchange bid quotation.

Short-term debt obligations maturing in more than 60 days for which market quotations are readily available are valued at current market value. Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value.

Investments for which market quotations are not readily available are valued at fair value as determined in good faith under consistently applied procedures approved by and under the general supervision of the Board.

### Foreign Securities

The Fund invests in foreign securities including American Depositary Receipts, which may involve a number of risk factors and special considerations not present with investments in securities of U.S. corporations.

### Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains/(losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

### Repurchase Agreements

The Fund may engage in repurchase agreement transactions with institutions that the Fund s investment advisor has determined are creditworthy. The Fund, through its custodian, receives delivery of underlying securities collateralizing a repurchase agreement. Collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays or restrictions upon a Fund s ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

### Income Recognition

Interest income is recorded on the accrual basis. Premium and discount are amortized and accreted, respectively, on all debt securities. Corporate actions and dividend income are recorded on the ex-date.

The Fund estimates components of distributions from real estate investment trusts ( REITs ). Distributions received in excess of income are recorded as a reduction of the cost of the related investments. Once the REIT reports annually the tax character of its distributions, the Fund revises its estimates. If the Fund no longer owns the applicable securities, any distributions received in excess of income are recorded as realized gains.

### Fair Value Measurements

The Fund discloses the classification of its fair value measurements following the three-tier hierarchy based on the inputs used to measure fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity s own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available.

Various inputs are used in determining the value of the Fund s investments as of the end of the reporting period. When inputs used fall into different levels of the fair value hierarchy, the level in the hierarchy within the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The designated input levels are not necessarily an indication of the risk or liquidity associated with these investments. These inputs are categorized in the following hierarchy under applicable financial accounting standards:

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**Level 1** Unadjusted quoted prices in active markets for identical investments

**Level 2** Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

**Level 3** Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used to value the Fund's investments as of March 31, 2011:

|                                     | <b>Valuation Inputs</b> |                      |                |                         |
|-------------------------------------|-------------------------|----------------------|----------------|-------------------------|
| <b>Investments in Securities at</b> |                         |                      |                |                         |
| <b>Value*</b>                       | <b>Level 1</b>          | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>            |
| Common Stocks                       | \$ 1,057,717,858        | \$                   | \$             | \$ 1,057,717,858        |
| Exchange Traded Fund                | 723,782                 |                      |                | 723,782                 |
| Corporate Bond                      |                         | 707,500              |                | 707,500                 |
| Short Term Investment               |                         | 25,142,000           |                | 25,142,000              |
| <b>Total</b>                        | <b>\$ 1,058,441,640</b> | <b>\$ 25,849,500</b> | <b>\$</b>      | <b>\$ 1,084,291,140</b> |

*\*See Schedule of Investments for industry classifications*

For the three months ended March 31, 2011, the Fund did not have any significant transfers between Level 1 and Level 2 securities. The Fund did not have any securities which used significant unobservable inputs (Level 3) in determining fair value.

### **Indemnification**

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

**Item 2 - Controls and Procedures.**

- (a) The registrant's Principal Executive Officer and Principal Financial Officer have evaluated the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) within 90 days of this filing and have concluded that the registrant's disclosure controls and procedures were effective, as of that date.
  
- (b) There was no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) during registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3 Exhibits.**

Separate certifications for the registrant's Principal Executive Officer and Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the Investment Company Act of 1940, are attached as Ex99.CERT.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIBERTY ALL-STAR EQUITY FUND

By: /s/ William Parmentier  
**William Parmentier**  
**President (principal executive officer)**

Date: May 26, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ William Parmentier  
**William Parmentier**  
**President (principal executive officer)**

Date: May 26, 2011

By: /s/ Jeremy O. May  
**Jeremy O. May**  
**Treasurer (principal financial officer)**

Date: May 26, 2011