

LIBERTY ALL STAR EQUITY FUND

Form N-30B-2

May 22, 2014

LIBERTY ALL-STAR® EQUITY FUND**Period Ending March 31, 2014 (Unaudited)**

Fund Statistics	1st Quarter 2014
Net Asset Value (NAV)	\$6.67
Market Price	\$5.88
Discount	11.8%
Distribution*	\$0.10
Market Price Trading Range	\$5.50 to \$6.02
Discount Range	10.6% to 12.6%
Performance	
Shares Valued at NAV with Dividends Reinvested	1.11%
Shares Valued at Market Price with Dividends Reinvested	0.18%
Dow Jones Industrial Average	(0.15)%
Lipper Large-Cap Core Mutual Fund Average	1.69%
NASDAQ Composite Index	0.83%
S&P 500® Index	1.81%

*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 the remainder of 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 this distribution will be reported on Form 1099-DIV for 2014.

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

The figure shown for the Lipper Large-Cap Core Mutual Fund Average is based on open-end mutual funds' total returns, which include dividends, and are net of fund expenses. Figures 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 18.

Past performance cannot predict future results. Performance will fluctuate with market conditions. Current performance may be lower or higher than the performance data shown. Performance information does not reflect the deduction of taxes that shareholders would pay on Fund distributions or the sale of Fund shares. An investment in the Fund involves risk, including loss of principal.

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.

(Unaudited)

Fellow Shareholders:

April 2014

Measured by return, the first quarter of 2014 was subdued, especially when compared with 2013's 32.39 percent gain in the S&P 500® Index, including the fourth quarter return of 10.51 percent. For the first quarter, the S&P 500® returned 1.81 percent; the widely followed Dow Jones Industrial Average was fractionally negative, losing 0.15 percent; and the technology-focused NASDAQ Composite Index advanced 0.83 percent.

The first quarter represented the fifth straight quarterly rise for the S&P 500® and the NASDAQ Composite, although it was the smallest advance for both since the fourth quarter of 2012. While the S&P 500® rose to a record high in February, it backed off in March when it appeared that the Federal Reserve might raise short-term interest rates earlier than anticipated. As the quarter closed, remarks from the new Federal Reserve Chair, Janet Yellen, eased investor concerns about the potential for an early rate increase and the second quarter opened with the S&P 500® rising to another record – its seventh of the year. Economic news remained mixed during the quarter; on balance, however, data continued to indicate moderate, but steady improvement. Investors did find cause for concern in soft economic news out of China and heightened geopolitical tensions arising from Russia's seizure of Crimea and unrest in Ukraine.

Liberty All-Star® Equity Fund

Liberty All-Star® Equity Fund returns generally tracked broad indices over the quarter. The Fund returned 1.11 percent with shares valued at net asset value (NAV) with dividends reinvested and 0.18 percent with shares valued at market price with dividends reinvested. For the trailing 12-month period, the Fund has returned 22.83 percent with shares valued at NAV with dividends reinvested and 21.47 percent with shares valued at market price with dividends reinvested. For the quarter and trailing 12 months, the Lipper Large-Cap Core Mutual Fund Average returned 1.69 percent and 21.18 percent, respectively. For the quarter, the discount at which Fund shares traded relative to their NAV was largely unchanged from the previous quarter, ranging from a low of 10.6 percent to a high of 12.6 percent.

For the quarter, value style investing generally outperformed growth style investing, which is of interest to Fund shareholders, as the Fund's multi-management structure allocates assets between value and growth style investment managers. The Russell 1000® Value Index returned 3.02 percent for the quarter compared with 1.12 percent for the Russell 1000® Growth Index.

In keeping with policy, the Fund's distribution for the first quarter was \$0.10. 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 \$24.37 since 1987 (the Fund's first full calendar year of operations). We would emphasize that shareholders should include these distributions when determining the return on their investment in the Fund.

While markets moved sideways in the first quarter, volatility increased as the period drew to a close and the second quarter got underway. The volatility hit the NASDAQ Composite hardest

President's Letter
(Unaudited)

Liberty All-Star® Equity Fund

specifically, high-growth information technology, biotechnology and social networking stocks but showed some signs of spreading to other sectors of the market. One contributing factor was last year's strong gains, as investors became concerned valuations had become stretched. A retrenchment is to be expected and can be healthy for the long term in the wake of the 30 percent-plus returns seen in 2013, not to mention a bull market that dates back five years to March 2009. We will monitor trends as they unfold, but continue to believe that the Fund's philosophy, objectives and structure will serve long-term investors well through all market cycles.

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 April 2014 and may not reflect his views on the date this report is first published or anytime thereafter. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the Fund disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for the Fund are based on numerous factors, may not be relied on as an indication of trading intent.

Liberty All-Star® Equity Fund

Table of Distributions & Rights Offerings

March 31, 2014 (Unaudited)

Year	Per Share Distributions	Month Completed	Rights Offerings Shares Needed to Purchase One Additional Share	Subscription Price	Tax Credits*
1988	\$0.64				
1989	0.95				
1990	0.90				
1991	1.02				
1992	1.07	April	10	\$10.05	
1993	1.07	October	15	10.41	\$0.18
1994	1.00	September	15	9.14	
1995	1.04				
1996	1.18				0.13
1997	1.33				0.36
1998	1.40	April	20	12.83	
1999	1.39				
2000	1.42				
2001	1.20				
2002	0.88	May	10	8.99	
2003	0.78				
2004	0.89	July	10**	8.34	
2005	0.87				
2006	0.88				
2007	0.90	December	10	6.51	
2008	0.65				
2009***	0.31				
2010	0.31				
2011	0.34				
2012	0.32				
2013	0.35				
2014					
1 st Quarter	0.10				
Total	\$23.19				

* The Fund's net investment income and net realized capital gains exceeded the amount to be distributed under the Fund's distribution policy. In each case, the Fund elected to pay taxes on the undistributed income and passed through a proportionate tax credit to shareholders.

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

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

DISTRIBUTION POLICY

Liberty All-Star® Equity Fund's current policy is to pay distributions on its shares totaling approximately 6 percent of its net asset value per year, payable in four quarterly installments of 1.5 percent of the Fund's net asset value at the close of the New York Stock Exchange on the Friday prior to each quarterly declaration date. The fixed distributions are not related to the amount of the Fund's net investment income or net realized capital gains or losses and may be taxed as ordinary income up to the amount of the Fund's current and accumulated earnings and profits. **If, for any calendar year, the total distributions made under the distribution policy exceed the Fund's net investment income and net realized capital gains, the excess will generally be treated as a non-taxable return of capital, reducing the shareholder's adjusted basis in his or her shares.** If the Fund's net investment income and net realized capital gains for any year exceed the amount distributed under the distribution policy, the Fund may, in its discretion, retain and not distribute net realized capital gains and pay income tax thereon to the extent of such excess. The Fund retained such excess gains in 1993, 1996 and 1997.

Top 20 Holdings & Economic Sectors
 March 31, 2014 (Unaudited)

Liberty All-Star® Equity Fund

Top 20 Holdings*	Percent of Net Assets
Google, Inc., Class A	2.28%
JPMorgan Chase & Co.	2.24
Schlumberger Ltd.	2.14
Salesforce.com, Inc.	1.91
Bank of America Corp.	1.71
Hewlett-Packard Co.	1.63
Citigroup, Inc.	1.60
SunTrust Banks, Inc.	1.53
Amazon.com, Inc.	1.47
MetLife, Inc.	1.41
Starbucks Corp.	1.39
QUALCOMM, Inc.	1.38
Visa, Inc., Class A	1.34
Devon Energy Corp.	1.29
American International Group, Inc.	1.22
State Street Corp.	1.22
Microsoft Corp.	1.20
Precision Castparts Corp.	1.20
Weatherford International Ltd.	1.18
TE Connectivity Ltd.	1.13
	30.47%

Economic Sectors*	Percent of Net Assets
Financials	27.14%
Information Technology	17.35
Consumer Discretionary	14.87
Energy	14.06
Health Care	10.50
Industrials	6.48
Consumer Staples	4.44
Materials	1.55
Utilities	0.54
Other Net Assets	3.07
	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.

Liberty All-Star® Equity Fund

Major Stock Changes in the Quarter

March 31, 2014 (Unaudited)

The following are the major (\$4 million or more) stock changes - both purchases and sales - that were made in the Fund's portfolio during the first quarter of 2014.

Security Name	Purchases (Sales)	Shares Held as of 3/31/14
Purchases		
Facebook, Inc.	80,761	80,761
Pharmacyclics, Inc.	37,530	37,530
Sales		
Archer-Daniels-Midland Co.	(133,000)	0
Citrix Systems, Inc.	(129,054)	0
Joy Global, Inc.	(72,487)	0
Morgan Stanley	(143,475)	405,034
Philip Morris International, Inc.	(57,315)	0
Praxair, Inc.	(50,400)	0
Ralph Lauren Corp.	(25,726)	0

First Quarter Report (Unaudited) | March 31, 2014

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Investment Managers/

Portfolio Characteristics
March 31, 2014 (Unaudited)

Liberty All-Star® Equity Fund

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

MANAGERS' DIFFERING INVESTMENT STRATEGIES ARE REFLECTED IN PORTFOLIO CHARACTERISTICS

The portfolio characteristics table below is a regular feature of the Fund's shareholder reports. It serves as a useful tool for understanding the value of a multi-managed portfolio. The characteristics are different for each of the Fund's five investment managers. These differences are a reflection of the fact that each pursues a different investment style. The shaded column highlights the characteristics of the Fund as a whole, while the final column shows portfolio characteristics for the S&P 500® Index.

PORTFOLIO CHARACTERISTICS *As of March 31, 2014 (Unaudited)*

	Investment Style Spectrum					TOTAL FUND	S&P 500® INDEX
	Value				Growth		
	SCHNEIDER	PZENA	MATRIX	CORNERSTONE	TCW		
Number of Holdings	39	39	35	47	33	164*	500
Percent of Holdings in Top 10	55%	37%	38%	38%	44%	19%	18%
Weighted Average Market Capitalization (billions)	\$44	\$83	\$107	\$64	\$59	\$72	\$118
Average Five-Year Earnings Per Share Growth	7%	6%	13%	16%	13%	11%	10%
Dividend Yield	1.1%	1.9%	2.1%	0.8%	0.6%	1.3%	2.0%

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Price/Earnings Ratio**	16x	13x	17x	29x	34x	19x	18x
Price/Book Value Ratio	1.4x	1.8x	2.2x	3.9x	5.2x	2.5x	2.8x

* Certain holdings are held by more than one manager.

** Excludes negative earnings.

Liberty All-Star[®] Equity Fund

Schedule of Investments

As of March 31, 2014 (Unaudited)

	SHARES	MARKET VALUE
COMMON STOCKS (96.93%)		
CONSUMER DISCRETIONARY (14.87%)		
Auto Components (1.18%)		
Johnson Controls, Inc.	141,774	\$ 6,708,746
Magna International, Inc.	22,264	2,144,246
TRW Automotive Holdings Corp. ^(a)	61,625	5,029,832
		13,882,824
Automobiles (0.59%)		
General Motors Co.	157,600	5,424,592
Tesla Motors, Inc. ^(a)	6,981	1,455,189
		6,879,781
Hotels, Restaurants & Leisure (3.57%)		
Carnival Corp.	210,805	7,981,077
Marriott International, Inc., Class A	204,031	11,429,817
McDonald's Corp.	61,500	6,028,845
Orient-Express Hotels Ltd., Class A ^(a)	8,189	118,003
Starbucks Corp.	223,270	16,383,553
		41,941,295
Household Durables (2.35%)		
Lennar Corp., Class A	209,340	8,294,051
PulteGroup, Inc.	316,878	6,080,889
Taylor Morrison Home Corp., Class A ^(a)	71,159	1,672,237
Toll Brothers, Inc. ^(a)	324,226	11,639,713
		27,686,890
Internet & Catalog Retail (2.35%)		
Amazon.com, Inc. ^(a)	51,281	17,257,082
priceline.com, Inc. ^(a)	7,295	8,694,838
Shutterfly, Inc. ^(a)	40,253	1,717,998
		27,669,918
Media (2.12%)		
Comcast Corp., Class A	115,461	5,775,359
News Corp., Class A ^(a)	305,600	5,262,432
News Corp., Class B ^(a)	112,445	1,877,831

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Omnicom Group, Inc.	93,825	6,811,695
The Walt Disney Co.	65,697	5,260,359