LIBERTY ALL STAR GROWTH FUND INC /MD/
Form N-CSRS
September 01, 2006

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 811-4537

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

One Financial Center, Boston, Massachusetts 02111
(Address of principal executive offices) (Zip code)

James R. Bordewick, Jr., Esq.
Columbia Management Advisors, LLC
One Financial Center
Boston, MA 02111
(Name and address of agent for service)

Registrant s telephone number, including area code: 1-617-426-3750

Date of fiscal year end: December 31, 2006

Date of reporting period: June 30, 2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Reports to Stockholders

LIBERTY ALL-STAR® GROWTH FUND, INC.

	2nd Quarter 2006	Year-to-Date
Fund Statistics		
Period End Net Asset Value (NAV)		$5.67
Period End Market Price		$5.16
Period End Discount		9.0%
Distributions	$0.15	$0.31
Market Price Trading Range	$4.77 to $5.79	$4.77 to $5.86
Discount Range	6.7% to 10.8%	5.8% to 10.8%
Performance Summary		
Shares Valued at NAV	(6.7)%	0.0%
Shares Valued at NAV with Dividends Reinvested	(6.4)%	0.5%
Shares Valued at Market Price with Dividends Reinvested	(6.1)%	0.4%
Lipper Multi-Cap Growth Mutual Fund Average	(5.2)%	(0.1)%
NASDAQ Composite Index	(7.0)%	(1.1)%
Russell 3000 Growth Index	(4.2)%	(0.3)%
S&P 500 Index	(1.4)%	2.7%

Figures shown for the Fund and the Lipper Multi-Cap Growth Mutual Fund Average are total returns, which include dividends, after deducting fund expenses. Figures shown for the unmanaged NASDAQ Composite Index, the Russell 3000 Growth Index and the S&P 500 Index are total returns, including income. A description of the Lipper benchmark and the market indices can be found on page 34.

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 shown 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.

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.

President s Letter

Fellow Shareholders: **July 2006**

The Russell 3000 Growth Index, a widely recognized measure of growth stock performance, declined every month during the second quarter: -0.2 percent in April, -3.7 percentin May and -0.4 percent in June, for a total quarterly return of -4.2 percent. The negative return was a sharp reversal from the first quarter, when the Russell 3000 Growth Index gained 4.1 percent.

What happened? The retrenchment reflected a powerful shift in investor sentiment from accepting higher risk in the pursuit of potentially higher returns to an attitude of caution and risk aversion. Investors had benefited from positions in a range of asset classes from emerging markets to industrial commodities that had delivered good to near-spectacularreturns over the past couple of years. But the Federal Reserve s protracted series of increases in short-term interest rates coupled with tighter monetary policies of central banks around the world finally took their toll exacerbated by inflation fears, slowing economic growth, corporate earnings worries and geopolitical tensions. It was one of those reversals offering no safe haven, as everything from stocks and bonds to gold, emerging markets and commodities gave up ground.

The Russell 3000 Growth Index was just one of many indices that declined in the second quarter. The broad market S&P 500 Index declined 1.4 percent and the NASDAQ Composite Index declined 7.0 percent.

The Liberty All-Star Growth Fund returned -6.7 percent with shares valued at net asset value (NAV), -6.4 percent with shares valued at NAV with dividends reinvested and -6.1 percent with shares valued at market price with dividends reinvested. These returns trailed most relevant indices including the -5.2 percent return posted by the Fund s primary benchmark, the Lipper Multi-Cap Growth Mutual Fund Average. The Fund s NAV and market price results for the first half of the year, however, exceed both its primary benchmark and relevant growth indices.

From an investment return perspective, the Fund s results continue to be negatively impacted by the continued underperformance of growth stocks relative to their value counterparts. Year-to-date through June 30, the Russell 3000 Growth Index is down 0.3 percent while the Russell 3000 Value Index is ahead 6.9 percent. Moreover, the Russell 3000 Growth Index has not outperformed the Russell 3000 Value Index on a calendar year basis since 1999. This is highly unusual.

While we are not pleased with the Fund s lagging second quarter NAV results, the Fund s year-to-date investment performance is above average compared to the Lipper peer group. What we do find disappointing, however, is the Fund s current poor market price performance in part due to a wider discount so let us examine this situation.

As shareholders are probably aware, shares of closed-end funds typically trades at a premium or a discount to the underlying NAV. For the most part over the years, Fund NAV

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and share price have tracked reasonably well. Over the past five years, for example, Fund shares have averaged a 1.8 percent premium. For the past 10 years, they have averaged a 4.5 percent discount. The discount at June 30 was 9.0 percent.

We have experienced premiums or discounts outside the normal range in the past usually for relatively brief periods of time before returning closer to the average. This particular period began in the fourth quarter of 2005, and has affected many closed-end funds. The question is why. Our belief is that it can be traced in part to sustained increases in short-term interest rates by the Federal Reserve. The Fed has raised the Fed funds rate at 17 straight meetings of the Open Market Committee. As Treasury yields rise, they eventually become a surrogate for the Fund s distribution policy and without the normal risk associated with stock market investing. Although we cannot guarantee when or if the Fund s discount will narrow, be assured that the Fund s long-term philosophy and strategy remain intact, and we continue to monitor the situation closely.

For our manager interview this quarter, we are pleased to speak again with John Jostrand, Principal and Portfolio Manager of William Blair & Co., the Fund s large cap growth manager. He has some particularly interesting comments about the stock market, the economy and recent activity in the portion of the Fund managed by William Blair.

We were pleased that the Fund got off to a strong start in the first quarter of 2006 and disappointed that it along with most of the stock market reversed direction in the second quarter. We are hopeful that the forces behind the second quarter sell-off will ease and that investor confidence returns. Meanwhile, be assured that we are grateful for your long-term support of the Fund.

Sincerely,

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

The views expressed in the President s Letter and the Manager Interview reflect the views of the President and Manager, respectively, as of July 2006 and may not reflect their views on the date this report is first published or anytime thereafter. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the 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.

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

MANAGERS DIFFERING INVESTMENT STYLES 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 34 for a description of these indices.

MARKET CAPITALIZATION SPECTRUM
SMALL **LARGE**

PORTFOLIO CHARACTERISTICS
AS OF JUNE 30, 2006 (UNAUDITED)

	RUSSELL GROWTH: Smallcap Index	Midcap Index	Largecap Index	M.A. Weatherbie	TCW	William Blair	Total Fund
Number of Holdings	1291	540	682	61	57	39	**151***
Weighted Average Market Capitalization (billions)	$ 1.1	$ 7.5	$ 62.0	$ 2.3	$ 9.9	$ 37.8	**$ 16.4**
Average Five-Year Earnings Per Share Growth	18%	20%	17%	19%	34%	24%	**25**%
Dividend Yield	0.4%	0.8%	1.2%	0.5%	0.2%	0.9%	**0.5**%
Price/Earnings Ratio	21x	21x	20x	26x	28x	21x	**25x**
Price/Book Value Ratio	4.3x	4.7x	4.6x	4.8x	6.3x	4.9x	**5.3x**

*Certain holdings are held by more than one manager.

Investment Growth as of June 30, 2006

GROWTH OF A $10,000 INVESTMENT

The graph below illustrates the growth of a $10,000 investment assuming the purchase of common stock at the closing market price (NYSE: ASG) of $9.25 on December 31, 1996, and tracking its progress through June 30, 2006. For certain information, it also assumes full participation in rights offerings (see below). This covers the period since the Fund commenced its 10 percent 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 $15,146 (includes the June 30, 2006 value of the original investment of $5,578 plus distributions during the period of $9,568).

The additional value realized through reinvestment of all distributions. The value of the investment under this scenario grew to $15,582.

On three occasions, the Fund has conducted rights offerings that allow shareholders to purchase additional shares at a discount. The cost to fully participate in all the rights offerings under the terms of each offering totaled $5,299.

The additional value realized through full participation in all the rights offerings under the terms of each offering. The value of the investment under this scenario grew to $21,791 (includes the cost of the rights of $5,299).

Table of Distributions and Rights Offerings

YEAR	PER SHARE DISTRIBUTIONS	MONTH COMPLETED	RIGHTS OFFERINGS 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*	5.72
2004	0.63			
2005	0.58			
2006				
1st Quarter	0.16			
2nd Quarter	0.15			

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

DISTRIBUTION POLICY

Liberty All-Star Growth Fund, Inc. s current policy, in effect since 1997, is to pay distributions on its shares totaling approximately 10 percent of its net asset value per year, payable in four quarterly installments of 2.5 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 10 percent pay-out 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 10 percent pay-out 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.

Top 20 Holdings and Economic Sectors as of June 30, 2006

TOP 20 HOLDINGS*	PERCENT OF NET ASSETS
Yahoo!, Inc.	2.1%
The Corporate Executive Board Co.	1.8
Danaher Corp.	1.8
ResMed, Inc.	1.7
Fastenal Co.	1.7
Medtronic, Inc.	1.6
Network Appliance, Inc.	1.4
PepsiCo, Inc.	1.2
NIKE, Inc., Class B	1.2
Resources Connection, Inc.	1.2
Praxair, Inc.	1.2
UTI Worldwide, Inc.	1.2
eBay, Inc.	1.2
Thor Industries, Inc.	1.1
Marriott International, Inc., Class A	1.1
Affiliated Managers Group, Inc.	1.1
Bright Horizons Family Solutions, Inc.	1.1
Microchip Technology, Inc.	1.1
The Goldman Sachs Group, Inc.	1.1
Paychex, Inc.	1.0
	26.9%

ECONOMIC SECTORS*	PERCENT OF NET ASSETS
Information Technology	25.4%
Health Care	19.1
Industrials	18.1
Consumer Discretionary	13.9
Financials	9.6
Energy	8.2
Consumer Staples	1.2
Materials	1.2
Telecommunication Services	0.7
Other Net Assets	2.6
	100.0%

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* 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.

Major Stock Changes in the Second Quarter

The following are the major ($750,000 or more) stock changes both purchases and sales that were made in the Fund s portfolio during the second quarter of 2006.

SECURITY NAME	PURCHASES (SALES)	SHARES AS OF JUNE 30, 2006
PURCHASES		
GFI Group, Inc.	18,900	18,900
Rockwell Collins, Inc.	27,590	27,590
SALES		
The Cheesecake Factory, Inc.	(27,001)	22,110
Commerce Bancorp, Inc.	(29,800)	0
Dell, Inc.	(50,980)	0
First Data Corp.	(30,540)	0
NAVTEQ Corp.	(22,900)	0
Plains Exploration & Production Co.	(24,500)	0
Red Hat, Inc.	(40,400)	0
Sanofi-Aventis	(17,650)	16,960
SRA International, Inc., Class A	(34,693)	15,631
Walgreen Co.	(20,340)	0
West Corp.	(20,000)	22,935
Yahoo!, Inc.	(27,030)	97,250

Manager Interview

John F. Jostrand, CFA
William Blair & Company, L.L.C.

William Blair looks for sustainable earnings growth and uses its research skills to find it

William Blair is one of Liberty All-Star Growth Fund s three investment managers. Chicago-based William Blair is a growth style manager emphasizing disciplined, fundamental research to identify quality growth companies with the ability to sustain their growth over a long period of time. At the core of the firm is a team of analysts who perform research aimed at identifying companies that have the opportunity to grow in a sustainable manner. Recently, we had the opportunity to talk with Principal and Portfolio Manager John F. Jostrand, CFA.

Although you make investment decisions on a bottom-up basis, you do give some consideration to macro factors, and right now the macro factor that appears to have caught investors attention is rising interest rates. Related factors include energy costs and inflation in general, the trade and budget deficits, and unsettled geopolitical conditions. All of that appears to have combined to sharply increase volatility mostly to the downside during May and June. Investors are probably wondering about this. What s your perspective?

Whenever volatility increases in the market, we will take a little time to reflect on whether the volatility signals a change in the market or an underlying fundamental economic change. One thing that is apparent is that in volatile environments investors get defensive, seeking refuge until a clear direction is apparent. During May and June, you could see that in the portion of the Liberty All-Star Growth Fund portfolio that we manage. For instance, Pepsi, a consumer staple, was rock steady while some of the technology stocks were off more than the overall market.

Additionally, we feel investors showed their new defensive mindset by how they reacted to the change in direction in the housing market, which has been precipitated by rising interest rates against the backdrop of a very strong rise in home prices over the past few years. Consumers still seem to be doing okay in general, and the labor market has been steady. To us, this marks the transition from a recovering economy to what we hope is a stable, steady mode for some period of time. Economic growth was good in the first quarter, but now there s pretty uniform agreement on GDP heading down towards the 3 to $3^1/_2$ percent range in the second quarter.

...in volatile environments investors get defensive... we think that the volatility was a recognition of the changing underlying fundamentals.

So, we think that the volatility was both investor psychology and recognition of the changing underlying fundamentals. The sell-off in May and June re-priced the market, and I think stocks will remain in the new valuation band for the next nine months to a year until we have new or different information.

This is the year that investor sentiment was due to rotate finally to large cap growth stocks and large cap stocks in general from small cap stocks, in the opinions of many. Yet, year-to-date small caps have outperformed large caps. How do you read the situation? What about the quality issue that is, lower quality stocks continuing to outperform higher quality ones?

We have not been in the camp subscribing to the belief that large cap is due to outperform because it is relatively cheap or, expressed another way, that because large cap valuations versus small and mid-caps had fallen over the prior three to four years they are automatically due to rise. We don t believe that anybody is due anything what has to happen is fundamentals have to change and people have to recognize that they ve changed. In that sense, large cap and quality issues are underpriced for a transition to a stable or even a decelerating economic environment, especially the latter.

Based on roughly 30 years worth of comparisons, on the basis of trailing P/E ratios the average premium of large caps over mid-caps is 15 percent to 20 percent. Around early April of last year we broke into unusual territory wherein large caps went to a discount. I think investors had begun to price in the prior two years experience, which was expectations of high growth when, in fact, we are finding that growth is decelerating.

Now that doesn t say things will change, it just asks that if we are experiencing a fundamental change, how would stock prices react? And if it s true that the volatility during the second quarter is actually a valid marker for change from recovery to a period of stable GDP growth, then large caps should perform unusually well.

You can say the same sort of thing about quality. Segmenting the world into some simple buckets based on S&P quality ratings, we find that A-rated stocks should trade at premium to the average company of about 10 percent, occasionally up to 30 percent of the average company. In periods of economic recovery, however, lower quality stocks will break outside that range and trade better. An example can be found in the early 1990s following the recession in 1991. During the recovery, lower quality stocks outperformed. Then, as the economy settled into its Goldilocks mode in the mid- to late 90s, higher quality stocks led the way by a significant margin.

If it s true that the volatility during the second quarter is actually a valid marker for change from recovery to a period of stable GDP growth, then large caps should perform unusually well.

So, a couple of conclusions: There is some correlation between capitalization and quality albeit imperfect but the interesting thing is that the common factor in the environments I cited is that the economy was in transition from recovery, in which people were taking risks, to a more stable, steady growth environment. So, when people say it s time for large caps to catch up, I say it s not until the world slows down and catches its breath that people appreciate the benefits that higher quality, large cap companies can offer.

Through time and regardless of the stock market environment for instance, positive in the first quarter but nervous during the second what is the core strength in William Blair s investment process?

We consistently seek out companies whose longer-term growth rates are believable. We have a skill set that enables us to evaluate the factors that generate confidence in a sustainable growth rate. In other words, we are skilled at finding companies that will be growing at a rate that s very believable two to three years into the future and maybe two to three years beyond that.

Many investment managers focus on the current quarter, and insights based on the current quarter get priced into stocks very quickly. As you extend out the next few quarters to a year or maybe a year and a half, there s moderate efficiency in pricing. Beyond that, there s considerably less efficiency. We think we are able to find companies that can continue to grow over the coming 18 months and longer with some reasonable precision. And, it stands to reason, if you can do that you should be pretty good at deciding what their stocks are worth.

So, determining sustainability and durability is our core strength, and a related strength is knowing what to pay, which ups the odds that we can earn an above-average return. Stocks go in and out of favor, of course sometimes people take a lot of risk and they pay too much for companies that are doing well in the present but are not able to sustain it. We know the failure rate in small caps can be fairly high, less so in mid-caps and even less so for the quality companies that we invest in. Consistency, high returns on equity, proven business models, customer loyalty, repeat transactions, recurring revenues, stable management, solid track records those are the sorts of things that make companies performance durable and sustainable.

Tell us about a stock you recently added to the portion of the Liberty All-Star Growth Fund that you manage and your rationale for buying it and the same thing from the sell side.

We recently bought shares of Rockwell Collins. This company has two businesses, a commercial systems business and a government systems business. The commercial systems business supplies aircraft manufacturers of all sizes with electronic systems, avionics, navigation and guidance systems, radio and communications systems, electronics and displays. The thing we like is the presence of many of the elements of sustainability and durability that I just discussed. Right now we especially like the fact that the company is gaining market share across all segments of its commercial systems business, particularly with Boeing. And we like the fact that for the first time Boeing has decided to outsource virtually the entire avionics system for its 787 Dreamliner. That means that, on average, Rockwell Collins per-plane content is going to be more than twice what it was on prior Boeing aircraft.

It s not until the world slows down and catches its breath that people appreciate the benefits that higher quality, large cap companies can offer.

The government systems business is equally interesting. Rockwell Collins has entered into contracts with the government for radios that are sold across all the military services, the most important being the JTRS, or Joint Tactical Radio System. It s a satellite-based radio system that could potentially integrate all the services. Think about the Air Force providing close air ground support to troops in the field, who can be in direct contact with the pilots overhead whereas now you have many hops to the back lines, changing over to the other service and then back out to the air support. This is an example of the kind of technology that Rockwell Collins is developing that s allowing this concept of jointness that is being propagated in the military now. The interesting thing about Rockwell Collins is the profitability that the U.S. Department of Defense (DoD) allows it because it has been able to convince the government rightly so, I think that it has the ability to develop and manufacture the JTRS more cheaply than if the DoD were to go outside and bid it separately.

So, we really think we ve got four to five years of very good visibility on above-average growth with Rockwell Collins. And we like the fact that as managers Rockwell Collins people are extremely methodical. You expect that out of a company doing something in which so many lives depend on a high quality product, but deep down they are just very solid engineers and very careful and extremely proud of the products that they put together.

Determining sustainability and durability is our core strength, and a related strength is knowing what to pay, which ups the odds that we can earn an above-average return.

Lastly, Rockwell Collins has a business development group that has been able to make selective acquisitions. They ve not done any big deals and we would be surprised and concerned if they did. But, the company has the knack for small to medium-sized acquisitions, either technology or product, that are adjacent to its core skills and that has given Rockwell Collins growth rate a nice boost.

How about on the sell side?

Rather than a specific decision as we might normally talk about, let me address something we did in April that has worked pretty well for us. We didn t predict the downside volatility that hit the market in May and June, but we did recognize that there was too much risk in the market and there were companies that needed to perform at extraordinarily good levels for extraordinarily long periods of time to justify then-current prices. Some of these were in areas that are traditionally a little more volatile, like semiconductors. So, we trimmed back some of those stocks as a group. Taiwan Semiconductor was one. We know that company very well and it s got good long-term prospects, but the valuation was a little frothy so we reduced our position. We also sold Dell and SAP, and trimmed our Qualcomm position.

They sound like timely moves and thank you for your time today.

Schedule of Investments as of June 30, 2006 (Unaudited)

	SHARES	MARKET VALUE
COMMON STOCKS (97.4%)		
CONSUMER DISCRETIONARY (13.9%)		
Auto Components (1.4%)		
Johnson Controls, Inc.	13,645	$ 1,121,892
LKQ Corp. (a)	53,554	1,017,526
		2,139,418
Automobiles (1.1%)		
Thor Industries, Inc.	36,029	1,745,605
Diversified Consumer Services (1.5%)		
Bright Horizons Family Solutions, Inc. (a)	45,963	1,732,345
Strayer Education, Inc.	5,300	514,736
		2,247,081
Hotels, Restaurants & Leisure (3.4%)		
The Cheesecake Factory, Inc. (a)	22,110	595,864
Life Time Fitness, Inc. (a)	18,311	847,250
Marriott International, Inc., Class A	45,682	1,741,398
P.F. Chang s China Bistro, Inc. (a)	14,785	562,126
Texas Roadhouse, Inc., Class A (a)	35,040	473,741
Wynn Resorts Ltd. (a)	13,700	1,004,210
		5,224,589
Internet & Catalog Retail (1.8%)		
eBay, Inc. (a)	62,600	1,833,554
Netflix, Inc. (a)	34,800	946,908
		2,780,462
Media (0.3%)		
Carmike Cinemas, Inc.	12,936	272,691
Westwood One, Inc.	18,178	136,335
		409,026
Multi-line Retail (1.3%)		
Dollar Tree Stores, Inc. (a)	27,002	715,553
Kohl s Corp. (a)	22,992	1,359,287
		2,074,840

See Notes to Schedule of Investments and Financial Statements.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Specialty Retail (1.9%)			
Bed Bath & Beyond, Inc. (a)	34,800	$	1,154,316
Guitar Center, Inc. (a)	14,619		650,107
J. Crew Group, Inc. (a)	1,800		49,410
Staples, Inc.	43,480		1,057,434
			2,911,267
Textiles, Apparel & Luxury Goods (1.2%)			
NIKE, Inc., Class B	23,400		1,895,400
CONSUMER STAPLES (1.2%)			
Beverages (1.2%)			
PepsiCo, Inc.	31,865		1,913,175
ENERGY (8.2%)			
Energy Equipment & Services (5.6%)			
Atwood Oceanics, Inc. (a)	12,102		600,259
CARBO Ceramics, Inc.	17,347		852,258
FMC Technologies, Inc. (a)	19,300		1,301,978
Hydril (a)	11,947		938,078
National-Oilwell Varco, Inc. (a)	11,000		696,520
Patterson-UTI Energy, Inc.	34,357		972,647
Schlumberger Ltd.	19,770		1,287,225
Smith International, Inc.	28,000		1,245,160
Veritas DGC, Inc. (a)	14,500		747,910
			8,642,035
Oil, Gas & Consumable Fuels (2.6%)			
Frontier Oil Corp.	18,200		589,680
Golar LNG Ltd. (a)	44,998		599,823
Suncor Energy, Inc.	15,395		1,247,149
Ultra Petroleum Corp. (a)	14,300		847,561
Whiting Petroleum Corp. (a)	18,900		791,343
			4,075,556

See Notes to Schedule of Investments and Financial Statements.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
FINANCIALS (9.6%)			
Capital Markets (4.8%)			
Affiliated Managers Group, Inc. (a)	19,946	$	1,733,108
The Charles Schwab Corp.	47,840		764,483
Franklin Resources, Inc.	5,890		511,311
GFI Group, Inc. (a)	18,900		1,019,655
The Goldman Sachs Group, Inc.			