

LIBERTY ALL STAR EQUITY FUND

Form N-30B-2

November 20, 2017

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## LIBERTY ALL-STAR® EQUITY FUND

Periods Ended September 30, 2017 (Unaudited)

## Fund Statistics

Net Asset Value (NAV)	\$6.65
Market Price	\$6.03
Discount	-9.3%

	Quarter	Year-to-Date
Distributions*	\$0.13	\$0.39
Market Price Trading Range	\$5.53 to \$6.06	\$5.17 to \$6.06
Premium/(Discount) Range	-9.0% to -13.1%	-9.0% to -15.3%

## Performance

Shares Valued at NAV with Dividends Reinvested	4.35%	16.25%
Shares Valued at Market Price with Dividends Reinvested	9.00%	25.23%
Dow Jones Industrial Average	5.58%	15.45%
Lipper Large-Cap Core Mutual Fund Average	4.33%	13.49%
NASDAQ Composite Index	6.06%	21.67%
S&P 500®Index	4.48%	14.24%

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 2017.

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 19.

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.

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(Unaudited)

Fellow Shareholders: October 2017

In a placid environment in which almost nothing seemed capable of unsettling investors, stocks continued their steady advance during the third quarter. On the final trading day of the period, the S&P 500® Index and the NASDAQ Composite Index reached new record highs, while the widely followed Dow Jones Industrial Average (DJIA) ended the period only 7 plus points below its all time closing high of 22,419.59 on September 20.

An almost complete absence of volatility characterized the quarter, as the average daily move, up or down, of the S&P 500 during the period was 0.3 percent, the lowest since 1968, according to The Wall Street Journal. The S&P 500 and the DJIA have now gained ground for eight consecutive quarters.

For the quarter, the S&P 500 returned 4.48 percent; the DJIA returned 5.58 percent; and the NASDAQ Composite gained 6.06 percent. For the first nine months of 2017, these indices' respective gains are 14.24 percent, 15.45 percent and 21.67 percent.

Solid corporate earnings and good economic data served as the foundation for the third quarter's positive results. Corporations as diverse as Caterpillar, McDonald's, Facebook and Boeing reported strong second quarter earnings; overall, earnings for S&P 500 companies rose over 10 percent year over year for the second quarter, above the expectations of most analysts. Employment data continued to show steady gains, with employers adding 210,000 jobs in June (reported in July) and 138,000 jobs in July. August's addition of 169,000 jobs was in line with expectations while the unemployment rate was at 4.4 percent. In September, the Commerce Department reported that U.S. GDP grew at a rate of 3.1 percent in the second quarter (revising the 2.6 percent originally reported in July and a revised 3.0 percent reported in August); this represented a marked increase over the first quarter's 1.2 percent rate. Favorable news also emerged from the Federal Reserve's July policy making meeting; the Fed made no change in short term rates and announced that it would gradually wind down its \$4 trillion plus portfolio of assets, accumulated in the wake of the financial crisis. As the quarter closed, President Trump announced a sweeping tax reform package proposing changes that will bear watching over the near term, especially the potential reduction in the top corporate tax rate to 20 percent from the current 35 percent.

Negative news was scarce during the quarter, and what there was came mostly as a result of geopolitical tensions. In particular, North Korea's missile and nuclear bomb testing set off heated verbal exchanges between President Trump and Kim Jung Un, North Korea's supreme leader. On August 10, the S&P 500 dropped 1.41 percent—the first time in 58 sessions it had moved more than 1 percent up or down—with its decline largely attributed to escalating U.S.–North Korea tensions. An active hurricane season caused extreme personal hardships but did little to upset equity markets. While hurricane Irma was devastating parts of the Caribbean and inflicting damage on Florida—and hurricanes Jose and Maria brewed in the Atlantic—the DJIA logged its best weekly advance of 2017, rising 2.2 percent during the week of September 11. September employment (reported in early October after the quarter closed) was negatively impacted by the storms, with the Labor Department reporting a loss of 33,000 net jobs, the first monthly decline in seven years. Job losses were attributed to hurricanes Harvey and Irma, which temporarily closed thousands of businesses and shut down the travel/tourism and hospitality industry in key markets in the Southeast.

Liberty All-Star® Equity Fund      President's  
Letter

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(Unaudited)

Liberty All Star® Equity Fund

Liberty All Star® Equity Fund generally performed in line with major market indices for the third quarter and ahead of most of them for the first nine months of 2017. For the quarter, the Fund returned 4.35 percent with shares valued at net asset value (NAV) with dividends reinvested and 9.00 percent with shares valued at market price with dividends reinvested. For the nine months year to date, the Fund returned 16.25 percent with shares valued at NAV with dividends reinvested and 25.23 percent with shares valued at market price with dividends reinvested. By comparison, the Lipper Large Cap Core Mutual Fund Average returned 4.33 percent for the quarter and 13.49 percent for the nine months. The Fund's performance year to date ranks it in the top 10 percent of funds in the Lipper Large Cap Core universe.

Fund shares valued at market price were helped in the third quarter by a continuing narrowing of the discount at which Fund shares trade relative to NAV; during the period, Fund shares traded in a discount range of 9.0 percent to 13.1 percent relative to their underlying NAV. This compares to a wider range of 13.1 percent to 15.3 percent in the second quarter.

Turning to Fund news, the Board of Trustees announced a 25 percent increase in the annual distribution rate, raising it from approximately 8 percent of NAV to approximately 10 percent of NAV. The increase will be effective with the Fund's fourth quarter distribution, which will be declared on November 6, 2017. The Board indicated that the increase in the distribution rate may enhance long term shareholder value by providing a method of distributing the Fund's assets at NAV while increasing liquidity and reducing the discount at which Fund shares trade relative to their underlying NAV.

In additional Fund news, shareholders overwhelmingly defeated a shareholder proposal at the Annual Meeting of Shareholders. About two thirds of the votes cast, either for or against the proposal, were in favor of the Board of Trustees recommendation, which opposed the proposal on the basis that it was not in the best long term interests of shareholders. This position was supported by a leading independent proxy advisory firm, Institutional Shareholder Services (ISS).

In accordance with the Fund's distribution policy, the Fund paid a distribution of \$0.13 per share in the third quarter. 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 \$26.04 per share for a total of more than \$2.7 billion since 1987 (the Fund's first full calendar year of operations). As noted, the distribution rate will increase by 25 percent to 10 percent of NAV, effective with the fourth quarter 2017 distribution. We continue to emphasize that shareholders should include these distributions when determining the return on their investment in the Fund.

The Fund continued to perform well in the third quarter, and investors benefited from strong market price performance for both the quarter and the first nine months of the year; indeed, for the latter period, the Fund's return based on share price exceeds that of the S&P 500, the DJIA and the NASDAQ Composite by a range of 3.6 percent to 11.0 percent. We are hopeful that the positive environment for stocks will continue through the fourth quarter, setting the stage for the Fund to close out a highly rewarding 2017. As always, we will remain vigilant and be guided in our decisions by the Fund's long term objectives, philosophy and strategy.

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Liberty All-Star® Equity Fund      President's  
Letter

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(Unaudited)

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 2017 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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Third Quarter Report (Unaudited) | September 30, 2017 3

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

September 30, 2017 (Unaudited)

Year	Per Share Distributions	Rights Offerings		Subscription Price	Tax Credits <sup>1</sup>
		Month Completed	Shares Needed to Purchase One Additional Share		
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	0.31				
2010	0.31				
2011	0.34				
2012	0.32				
2013	0.35				
2014	0.39				
2015	0.51				
2016	0.48				
2017 <sup>3</sup>					
1 <sup>st</sup> Quarter	0.13				
2 <sup>nd</sup> Quarter	0.13				

3<sup>rd</sup> Quarter 0.13  
Total \$24.86

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 September 18, 2017 the Fund's distribution policy increased from an annual rate of approximately 8 percent (2 percent quarterly) of net asset value to approximately 10 percent (2.5 percent quarterly) of net asset value.

#### DISTRIBUTION POLICY

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The current policy 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. 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® Equity Fund Investment Managers/  
Portfolio Characteristics

September 30, 2017 (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, 2017 (Unaudited)

	Investment Style Spectrum					TOTAL FUND	S&P 500® INDEX
	PZENA	MACQUARIE	ARISTOTLE	SUSTAINABLE	TCW		
Number of Holdings	40	33	42	29	33	151*	505
Percent of Holdings in Top 10	36%	32%	33%	40%	51%	17%	19%
Weighted Average Market Capitalization (billions)	\$96	\$93	\$93	\$113	\$146	\$108	\$176
Average Five Year Per Share Growth	2%	8%	5%	14%	23%	10%	10%
Dividend Yield	2.2%	2.5%	1.8%	0.9%	0.6%	1.6%	2.0%
Price/Earnings Ratio**	16x	20x	24x	33x	37x	24x	22x
Price/Book Value Ratio	2.0x	2.7x	2.8x	6.1x	5.7x	3.3x	3.3x

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

\*\*Excludes negative earnings.



## Liberty All-Star® Equity Fund Top 20 Holdings &amp; Economic Sectors

September 30, 2017 (Unaudited)

Top 20 Holdings*	Percent of Net Assets
Alphabet, Inc., Class C	2.12%
Facebook, Inc., Class A	2.06
Visa, Inc., Class A	2.03
Salesforce.com, Inc.	1.80
Mondelez International, Inc., Class A	1.67
Adobe Systems, Inc.	1.59
Amazon.com, Inc.	1.51
The Priceline Group, Inc.	1.47
Halliburton Co.	1.39
Bank of America Corp.	1.33
Equinix, Inc.	1.28
State Street Corp.	1.28
Lowe's Companies, Inc.	1.28
Oracle Corp.	1.22
Chubb Ltd.	1.22
Starbucks Corp.	1.20
PayPal Holdings, Inc.	1.16
DowDuPont, Inc.	1.11
Celgene Corp.	1.03
American Tower Corp.	0.99
	28.74%

Economic Sectors*	Percent of Net Assets
Information Technology	22.98%
Financials	17.23
Health Care	15.97
Consumer Discretionary	11.83
Energy	8.77
Consumer Staples	6.70
Industrials	5.73
Materials	3.29
Real Estate	2.83
Utilities	