

LIBERTY ALL STAR EQUITY FUND
Form N-Q
November 29, 2007

**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
(Address of principal executive offices)

80203
(Zip code)

Tané T. Tyler

Liberty All-Star Equity Fund

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: September 30, 2007

Item 1 Schedule of Investments.

LIBERTY ALL-STAR EQUITY FUND

SCHEDULE OF INVESTMENTS

as of September 30, 2007 (Unaudited)

| | SHARES | MARKET VALUE |
|--|---------|--------------|
| COMMON STOCKS (96.53%) | | |
| CONSUMER DISCRETIONARY (10.08%) | | |
| Auto Components (0.63%) | | |
| Magna International, Inc., Class A | 76,775 | \$ 7,394,200 |
| Visteon Corp. (a) | 298,075 | 1,535,086 |
| | | 8,929,286 |
| Diversified Consumer Services (0.20%) | | |
| H&R Block, Inc. | 135,000 | 2,859,300 |
| Hotels, Restaurants & Leisure (1.61%) | | |
| Carnival Corp. | 50,325 | 2,437,240 |
| Las Vegas Sands Corp. (a) | 63,490 | 8,470,836 |
| McDonald's Corp. | 217,300 | 11,836,331 |
| | | 22,744,407 |
| Household Durables (1.31%) | | |
| Centex Corp. | 222,150 | 5,902,525 |
| Pulte Homes, Inc. | 431,670 | 5,875,029 |
| Whirlpool Corp. | 76,825 | 6,845,108 |
| | | 18,622,662 |
| Internet & Catalog Retail (1.27%) | | |
| Amazon.com, Inc. (a) | 192,780 | 17,957,457 |
| Media (2.36%) | | |
| Comcast Corp., Class A (a) | 418,000 | 10,015,280 |
| Liberty Media Corp., Capital Series A (a) | 45,804 | 5,717,713 |
| Time Warner, Inc. | 582,000 | 10,685,520 |
| XM Satellite Radio Holdings, Inc., Class A (a) | 496,550 | 7,036,114 |
| | | 33,454,627 |
| Specialty Retail (2.70%) | | |
| Chico's FAS, Inc. (a) | 16,150 | 226,908 |
| The Gap, Inc. | 502,000 | 9,256,880 |
| Home Depot, Inc. | 230,175 | 7,466,877 |
| Office Depot, Inc. (a) | 262,000 | 5,402,440 |
| Staples, Inc. | 344,150 | 7,395,783 |
| TJX Companies, Inc. | 294,200 | 8,552,394 |
| | | 38,301,282 |
| CONSUMER STAPLES (3.78%) | | |
| Beverages (0.87%) | | |
| The Coca-Cola Co. | 214,700 | 12,338,809 |
| Food & Staples Retailing (2.18%) | | |
| CVS Caremark Corp. | 156,200 | 6,190,206 |
| Walgreen Co. | 51,900 | 2,451,756 |
| Wal-Mart Stores, Inc. | 510,475 | 22,282,234 |
| | | 30,924,196 |
| Food Products (0.73%) | | |
| Kraft Foods, Inc. | 174,575 | 6,024,583 |
| Sara Lee Corp. | 120,296 | 2,007,740 |

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| | | |
|----------------------------|---------|------------|
| Smithfield Foods, Inc. (a) | 14,475 | 455,962 |
| Tyson Foods, Inc., Class A | 102,150 | 1,823,378 |
| | | 10,311,663 |

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| | | |
|--|-----------|--------------|
| ENERGY (9.07%) | | |
| Energy Equipment & Services (2.67%) | | |
| National Oilwell Varco, Inc. (a) | 26,600 | \$ 3,843,700 |
| Schlumberger Ltd. | 323,430 | 33,960,150 |
| | | 37,803,850 |
| Oil, Gas & Consumable Fuels (6.40%) | | |
| Arch Coal, Inc. | 352,750 | 11,901,785 |
| BP PLC (b) | 88,200 | 6,116,670 |
| Cameco Corp. | 67,150 | 3,105,016 |
| Chevron Corp. | 120,000 | 11,229,600 |
| ConocoPhillips | 140,000 | 12,287,800 |
| Consol Energy, Inc. | 332,200 | 15,480,520 |
| Devon Energy Corp. | 113,000 | 9,401,600 |
| Exxon Mobil Corp. | 119,500 | 11,060,920 |
| Massey Energy Co. | 181,825 | 3,967,421 |
| Transocean, Inc. (a) | 54,300 | 6,138,615 |
| | | 90,689,947 |
| FINANCIALS (21.57%) | | |
| Capital Markets (2.16%) | | |
| Lehman Brothers Holdings, Inc. | 96,600 | 5,963,118 |
| Merrill Lynch & Co., Inc. | 138,000 | 9,836,640 |
| Morgan Stanley | 236,075 | 14,872,725 |
| | | 30,672,483 |
| Commercial Banks (1.25%) | | |
| Comerica, Inc. | 93,825 | 4,811,346 |
| Commerce Bancorp, Inc. | 332,210 | 12,883,104 |
| | | 17,694,450 |
| Consumer Finance (0.76%) | | |
| Capital One Financial Corp. | 103,200 | 6,855,576 |
| Discover Financial Services LLC (a) | 188,537 | 3,921,570 |
| | | 10,777,146 |
| Diversified Financial Services (4.69%) | | |
| Bank of America Corp. | 397,075 | 19,960,960 |
| Citigroup, Inc. | 705,975 | 32,947,853 |
| IntercontinentalExchange, Inc. (a) | 31,490 | 4,783,331 |
| JPMorgan Chase & Co. | 191,000 | 8,751,620 |
| | | 66,443,764 |
| Insurance (6.15%) | | |
| The Allstate Corp. | 182,500 | 10,437,175 |
| American International Group, Inc. | 196,750 | 13,310,137 |
| Fidelity National Financial, Inc. | 252,825 | 4,419,381 |
| First American Corp. | 110,375 | 4,041,932 |
| Genworth Financial, Inc., Class A | 211,000 | 6,484,030 |
| MBIA, Inc. | 42,475 | 2,593,099 |
| MetLife, Inc. | 89,475 | 6,239,092 |
| The Progressive Corp. | 641,370 | 12,448,992 |
| RenaissanceRe Holdings Ltd. | 52,525 | 3,435,660 |
| Torchmark Corp. | 166,300 | 10,363,816 |
| Unum Group | 61,050 | 1,493,894 |
| XL Capital Ltd., Class A | 149,025 | 11,802,780 |
| | | 87,069,988 |
| Real Estate Investment Trusts (1.36%) | | |
| Annaly Capital Management, Inc. | 1,073,525 | 17,101,253 |
| iStar Financial, Inc. | 31,400 | 1,067,286 |
| Redwood Trust, Inc. | 31,800 | 1,056,396 |
| | | 19,224,935 |

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| | | |
|---|---------|---------------|
| Thriffs & Mortgage Finance (5.20%) | | |
| Countrywide Financial Corp. | 723,230 | \$ 13,748,602 |
| Fannie Mae | 409,591 | 24,907,229 |
| Freddie Mac | 378,200 | 22,317,582 |
| Radian Group, Inc. | 248,425 | 5,783,334 |
| Washington Mutual, Inc. | 196,650 | 6,943,712 |
| | | 73,700,459 |
| HEALTH CARE (12.28%) | | |
| Biotechnology (2.08%) | | |
| Amgen, Inc. (a) | 82,350 | 4,658,540 |
| Cephalon, Inc. (a) | 82,600 | 6,034,756 |
| Genentech, Inc. (a) | 114,600 | 8,941,092 |
| Genzyme Corp. (a) | 159,170 | 9,862,173 |
| | | 29,496,561 |
| Health Care Equipment & Supplies (3.11%) | | |
| Baxter International, Inc. | 181,900 | 10,237,332 |
| Becton Dickinson & Co. | 37,400 | 3,068,670 |
| Boston Scientific Corp. (a) | 166,925 | 2,328,604 |
| Covidien Ltd. (a) | 286,400 | 11,885,600 |
| St. Jude Medical, Inc. (a) | 99,500 | 4,384,965 |
| Stryker Corp. | 87,700 | 6,030,252 |
| Varian Medical Systems, Inc. (a) | 145,700 | 6,103,373 |
| | | 44,038,796 |
| Health Care Providers & Services (1.66%) | | |
| AmerisourceBergen Corp. | 104,625 | 4,742,651 |
| Express Scripts, Inc. (a) | 110,400 | 6,162,528 |
| Omnicare, Inc. | 201,850 | 6,687,291 |
| PharMerica Corp. (a) | 8,723 | 130,147 |
| WellPoint, Inc. (a) | 74,300 | 5,863,756 |
| | | 23,586,373 |
| Health Care Technology (0.36%) | | |
| Cerner Corp. (a) | 84,732 | 5,067,821 |
| Pharmaceuticals (5.07%) | | |
| Bristol-Myers Squibb Co. | 198,775 | 5,728,695 |
| Johnson & Johnson | 290,250 | 19,069,425 |
| Pfizer, Inc. | 768,200 | 18,767,126 |
| Teva Pharmaceutical Industries Ltd. (b) | 425,500 | 18,921,985 |
| Wyeth | 208,500 | 9,288,675 |
| | | 71,775,906 |
| INDUSTRIALS (12.33%) | | |
| Aerospace & Defense (5.09%) | | |
| The Boeing Co. | 48,050 | 5,044,769 |
| Bombardier, Inc., Class B (a) | 922,225 | 5,479,666 |
| General Dynamics Corp. | 72,200 | 6,098,734 |
| Goodrich Corp. | 58,700 | 4,005,101 |
| Honeywell International, Inc. | 145,500 | 8,652,885 |
| L-3 Communications Holdings, Inc. | 25,300 | 2,584,142 |
| Lockheed Martin Corp. | 73,700 | 7,995,713 |
| Northrop Grumman Corp. | 64,675 | 5,044,650 |
| Precision Castparts Corp. | 40,300 | 5,963,594 |
| Rockwell Collins, Inc. | 113,900 | 8,319,256 |
| United Technologies Corp. | 159,900 | 12,868,752 |
| | | 72,057,262 |
| Air Freight & Logistics (1.05%) | | |
| C.H. Robinson Worldwide, Inc. | 149,845 | 8,135,085 |
| Expeditors International of Washington, Inc. | 141,245 | 6,680,889 |
| | | 14,815,974 |

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| | | |
|---|-----------|---------------|
| Industrial Conglomerates (3.34%) | | |
| 3M Co. | 179,100 | \$ 16,760,178 |
| General Electric Co. | 501,000 | 20,741,400 |
| Tyco International Ltd. | 222,000 | 9,843,480 |
| | | 47,345,058 |
| Machinery (2.66%) | | |
| AGCO Corp. (a) | 73,000 | 3,706,210 |
| Danaher Corp. | 59,800 | 4,946,058 |
| Deere & Co. | 84,800 | 12,586,016 |
| Navistar International Corp. (a) | 266,933 | 16,469,766 |
| | | 37,708,050 |
| Road & Rail (0.19%) | | |
| CSX Corp. | 63,625 | 2,718,696 |
| INFORMATION TECHNOLOGY (21.90%) | | |
| Communications Equipment (4.50%) | | |
| Alcatel-Lucent (b) | 1,159,223 | 11,800,890 |
| Cisco Systems, Inc. (a) | 664,600 | 22,004,906 |
| Motorola, Inc. | 129,125 | 2,392,686 |
| Nokia Corp. (b) | 203,700 | 7,726,341 |
| QUALCOMM, Inc. | 470,500 | 19,883,330 |
| | | 63,808,153 |
| Computers & Peripherals (4.34%) | | |
| Dell, Inc. (a) | 697,425 | 19,248,930 |
| EMC Corp. (a) | 585,900 | 12,186,720 |
| Hewlett-Packard Co. | 253,500 | 12,621,765 |
| International Business Machines Corp. | 101,400 | 11,944,920 |
| Network Appliance, Inc. (a) | 206,615 | 5,560,010 |
| | | 61,562,345 |
| Electronic Equipment & Instruments (1.03%) | | |
| AU Optronics Corp. (b) | 541,519 | 9,162,496 |
| Celestica, Inc. (a) | 294,225 | 1,797,715 |
| Tyco Electronics Ltd. | 103,250 | 3,658,147 |
| | | 14,618,358 |
| Internet Software & Services (2.75%) | | |
| eBay, Inc. (a) | 316,000 | 12,330,320 |
| Google, Inc., Class A (a) | 35,300 | 20,024,631 |
| VeriSign, Inc. (a) | 197,795 | 6,673,603 |
| | | 39,028,554 |
| IT Services (1.83%) | | |
| Accenture Ltd., Class A | 112,400 | 4,524,100 |
| Affiliated Computer Services, Inc., Class A (a) | 131,375 | 6,600,280 |
| BearingPoint, Inc. (a) | 581,130 | 2,353,577 |
| Computer Sciences Corp. (a) | 20,000 | 1,118,000 |
| The Western Union Co. | 540,000 | 11,323,800 |
| | | 25,919,757 |
| Semiconductors & Semiconductor Equipment (2.01%) | | |
| Analog Devices, Inc. | 121,000 | 4,375,360 |
| Intel Corp. | 385,000 | 9,956,100 |
| International Rectifier Corp. (a) | 117,203 | 3,866,527 |
| Novellus Systems, Inc. (a) | 189,000 | 5,152,140 |
| NVIDIA Corp. (a) | 99,450 | 3,604,068 |
| Qimonda (a)(b) | 128,550 | 1,452,615 |
| | | 28,406,810 |

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| Software (5.44%) | | |
| Autodesk, Inc. (a) | 241,660 | \$ 12,075,750 |
| CA, Inc. | 274,050 | 7,048,566 |
| Microsoft Corp. | 632,875 | 18,644,498 |
| Oracle Corp. (a) | 781,225 | 16,913,521 |
| Salesforce.com, Inc. (a) | 331,700 | 17,022,844 |
| Symantec Corp. (a) | 275,000 | 5,329,500 |
| | | 77,034,679 |
| MATERIALS (1.73%) | | |
| Chemicals (0.96%) | | |
| Cytec Industries, Inc. | 29,475 | 2,015,795 |
| Potash Corp. of Saskatchewan, Inc. | 43,500 | 4,597,950 |
| Praxair, Inc. | 84,700 | 7,094,472 |
| | | 13,708,217 |
| Metals & Mining (0.77%) | | |
| Allegheny Technologies, Inc. | 98,917 | 10,875,924 |
| TELECOMMUNICATION SERVICES (2.11%) | | |
| Wireless Telecommunication Services (2.11%) | | |
| America Movil, S.A. de C.V. (b) | 232,300 | 14,867,200 |
| China Mobile Ltd. (b) | 57,100 | 4,684,484 |
| Mobile TeleSystems (b) | 115,300 | 7,991,443 |
| Sprint Nextel Corp. | 126,925 | 2,411,575 |
| | | 29,954,702 |
| UTILITIES (1.68%) | | |
| Electric Utilities (0.91%) | | |
| Reliant Energy, Inc. (a) | 504,525 | 12,915,840 |
| Multi-Utilities (0.77%) | | |
| Sempra Energy | 101,925 | 5,923,881 |
| Wisconsin Energy Corp., Series C | 110,200 | 4,962,306 |
| | | 10,886,187 |
| TOTAL COMMON STOCKS | | |
| (COST OF \$1,221,847,171) | | 1,367,850,734 |
| EXCHANGE TRADED FUNDS (0.27%) | | |
| EXCHANGE TRADED FUNDS (0.27%) | | |
| iShares Russell 1000 Value Index Fund | | |
| (COST OF \$3,605,565) | 43,800 | 3,765,486 |
| | PAR VALUE | MARKET VALUE |
| SHORT TERM INVESTMENTS (2.83%) | | |
| REPURCHASE AGREEMENT (2.83%) | | |
| Repurchase agreement with State Street Bank & Trust Co., dated 09/28/07, due 10/01/07 at 4.05%, collateralized by several U.S. Treasury Bonds with various maturity dates, market value of \$40,850,133 (repurchase proceeds of \$40,061,019) (COST OF \$40,043,000) | \$ 40,043,000 | \$ 40,043,000 |
| TOTAL INVESTMENTS (99.63%) | | |
| (COST OF \$1,265,495,736)(c) | | 1,411,659,220 |
| OTHER ASSETS IN EXCESS OF LIABILITIES (0.37%) | | |
| | | 5,282,625 |
| NET ASSETS (100.00%) | | \$ 1,416,941,845 |
| NET ASSET VALUE PER SHARE (160,681,907 SHARES OUTSTANDING) | | \$ 8.82 |

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-
- (a) Non-income producing security
 - (b) American Depository Receipt
 - (c) Cost of investments for federal income tax purposes is \$1,273,394,092

Gross unrealized appreciation and depreciation at September 30, 2007 based on cost of investments for federal income tax purposes is as follows:

| | | |
|-------------------------------|----|--------------|
| Gross unrealized appreciation | \$ | 214,296,869 |
| Gross unrealized depreciation | | (76,031,741) |
| Net unrealized appreciation | \$ | 138,265,128 |

NOTES TO STATEMENTS OF INVESTMENTS (unaudited)

NOTE 1. ORGANIZATION

Liberty All-Star Equity Fund (the Fund) is a Massachusetts business trust registered under the Investment Company Act of 1940 (the Act), as amended, as a diversified, closed-end management investment company.

Investment Goal

The Fund seeks total investment return comprised of longterm capital appreciation and current income through investing primarily in a diversified portfolio of equity securities.

Fund Shares

The Fund may issue an unlimited number of shares of beneficial interest.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

Equity securities are valued at the last sale price at the close of the principal exchange on which they trade, except for securities listed on the NASDAQ, 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 Fund's Board of Trustees (the Board), based upon market transactions for normal, institutional-size trading units of similar securities. 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.

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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.

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 adviser 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. If the Fund no longer owns the applicable securities, any distributions received in excess of income are recorded as realized gains.

Federal Income Tax Status

Consistent with the Fund's policy to qualify as a regulated investment company and to distribute all of its taxable income to shareholders, no federal income tax has been accrued.

Distributions to Shareholders

The Fund currently has a policy of paying distributions on its shares of beneficial interest totaling approximately 10% of its net asset value per year. The distributions are payable in four quarterly distributions of 2.5% 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. Distributions to shareholders are recorded on ex-date.

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: November 29, 2007

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: November 29, 2007

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

Date: November 29, 2007