LIBERTY ALL STAR EQUITY FUND
Form N-CSR
March 02, 2017

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 No.: 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)

Sareena Khwaja-Dixon, 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: December 31, 2016

Item 1. Report of Shareholders.

Contents

A SINGLE INVESTMENT...
A DIVERSIFIED CORE PORTFOLIO

A single fund that offers:

- A diversified, multi-managed portfolio of growth and value stocks
- Exposure to many of the industries that make the U.S. economy one of the world's most dynamic
- Access to institutional quality investment managers
- Objective and ongoing manager evaluation
- Active portfolio rebalancing
- A quarterly fixed distribution policy
- Actively managed, exchange-traded closed-end fund listed on the New York Stock Exchange (ticker symbol: USA)

LIBERTY ALL-STAR® EQUITY FUND

The views expressed in the President's Letter, Unique Fund Attributes and Manager Roundtable reflect the current views of the respective parties. 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.

(Unaudited)

Fellow Shareholders: *February 2017*

While surprising events help to shape equity market performance every year, 2016 will be remembered as an archetype of surprise. Each of the four quarters was marked by headlines that would have been hard to anticipate in advance: the worst calendar year start for U.S. equities ever; the U.K. vote to withdraw from the European Union; record highs recorded by the S&P 500® Index, the Dow Jones Industrial Average (DJIA) and the NASDAQ Composite Index on the same day in August; and Donald Trump's upset win in the presidential election.

Sparked by the Trump victory, U.S. equities rallied in the fourth quarter, with the S&P 500® advancing 3.82 percent, the DJIA gaining 8.66 percent and the NASDAQ returning 1.66 percent. That the fourth quarter's return for the NASDAQ was substantially below the other two indices signaled the unevenness of the rally; investors moved quickly to embrace financials and industrial stocks at the expense of growth stocks, including information technology and health care/biotech. For the full year, the S&P 500® returned 11.96 percent, the DJIA returned 16.50 percent and the NASDAQ returned 8.87 percent.

That was an outcome that would have been hard to envision on February 11, when the rout that opened the year reached its nadir. At that point, U.S. stocks were down 10 percent, with the stocks of energy companies and those that supply the industry faring even worse. But if the historically poor start to the year was a surprise, the latter half of the first quarter was almost as surprising. A rally took hold that by quarter's end had driven the S&P 500® and DJIA to positive returns and left the NASDAQ only modestly negative.

The second quarter was calm by comparison until a poor jobs report for May rattled investors, only to be followed by the "Brexit" referendum in which voters in the U.K. said they favored leaving the European Union. Once again, however, a rally over the last few trading days of the quarter propelled the S&P 500® and the DJIA to modest gains, while the NASDAQ surrendered less than one percentage point.

Positive sentiment prevailed in the third quarter. At one point, the DJIA recorded gains for nine straight trading days—its longest streak in three years. This time it was the NASDAQ leading the way with a 10.02 percent return, a reflection of investors' greater appetite for risk, as well as technology companies' prospects for growth in a growth-challenged economy. Markets were also buoyed by good job growth, higher home sales, a surge in consumer confidence and firmer crude oil prices.

Equity markets got off to a poor start in the fourth quarter. October ended broadly lower, with the S&P 500® down 1.94 percent for the month. On November 4, after the same index closed lower for the ninth straight day, The Wall Street Journal declared it the longest losing streak since 2008. All that changed a few days later with the presidential election and an outcome that, with few exceptions, was not foreseen by polls or pundits. Markets that had been predicted to retrench as much as 10 percent on a Trump victory instead surprised many investors and rallied. Investors saw opportunity in Trump's calls for lower corporate taxes, investment in infrastructure, replacing the Affordable Care Act and a lighter approach to government regulation. Some of the enthusiasm abated in the final week of the year, as investors locked-in profits. Nevertheless, the DJIA advanced nearly 9 percent (after closing above 19,000 for the first time on November 22). The other main event of the quarter—one that came as no surprise—was the Federal Reserve's quarter-point increase in the fed funds rate, and the subsequent release of meeting notes indicating that the Fed would likely be more aggressive in raising short-term rates during 2017.

(Unaudited)

While these were the major events highlighting each quarter, there were underlying themes running through the year. One was a strengthening U.S. economy, marked by gains in employment, improving corporate earnings, a strong housing market and favorable consumer confidence. Another, less positive, factor was China—the world's second largest economy—where a slowing economy, a decline in the stock market and a weaker yuan held potential implications for the U.S. economy. The geopolitical situation—principally, the Middle East, South China Sea, North Korea, Russian meddling in Eastern Europe and the refugee crises—remain ongoing sources of concern that are not likely to be resolved any time soon.

Liberty All-Star® Equity Fund
For the full year, Liberty All-Star Equity Fund underperformed the key indices previously referred to in this letter. In 2016, the Fund returned 9.14 percent with shares valued at net asset value (NAV) with dividends reinvested and 6.12 percent with shares valued at market price with dividends reinvested. (Fund returns are net of expenses.) As noted, returns for the S&P 500®, the DJIA and the NASDAQ were 11.96 percent, 16.50 percent and 8.87 percent, respectively. The return on Fund shares valued at NAV narrowly trailed the Fund's principal benchmark, the Lipper Large-Cap Core Mutual Fund Average, which returned 10.04 percent for the year.

For the fourth quarter, the Fund returned 2.66 percent with shares valued at NAV with dividends reinvested and 1.93 percent with shares valued at market price with dividends reinvested. For the same period, the benchmark Lipper index returned 3.68 percent.

Looking back, the Fund—like the vast majority of actively managed funds—was hurt in the first quarter by the market's hyper-volatility. The Fund outperformed all key benchmarks in both the second and third quarters. In the fourth quarter, the Fund continued to outperform until the presidential election. The massive shift by investors to financials and cyclical stocks and their simultaneous abandonment of the type of growth stocks that the Fund's growth managers generally invest in (higher growth rates and higher valuation multiples compared to the S&P 500®) accounted for the underperformance in the final quarter and offset strong performance by the value managers. Fund shares valued at market price were also hurt in the fourth quarter by the widening of the discount at which Fund shares trade relative to NAV; during the period, Fund shares traded in a discount range of -14.8 percent to -17.4 percent relative to their underlying NAV.

In accordance with the Fund's distribution policy, the Fund declared a distribution of $0.12 per share in the fourth quarter, bringing total distributions for 2016 to $0.48 per share. As shareholders may recall, 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 $25.65 since 1987 (the Fund's first full calendar year of operations). We continue to emphasize that shareholders should include these distributions when determining the return on their investment in the Fund.

One of the key principles on which the Fund was founded is multi-management, or the practice of allocating the Fund's assets to carefully selected investment managers representing both value and growth styles of investing. Thus, we are once again offering insights into the managers' thinking through our annual roundtable question-and-answer exchange, and invite shareholders to read the managers' comments.

The market continued to rally in the early days of 2017, but much remains unsettled as the new administration and the Republican-led Congress begin the arduous task of governing. We are hopeful that the U.S. economy will continue to grow and that government policies, as they unfold, will complement and support private sector growth. A year with no surprises may be welcome, but if that turns out to be the case it would be a surprise all by itself. For our part, we at ALPS Advisors will continue to offer shareholders a consistent focus and a steady adherence to the principles that make the Fund a core equity holding for long-term investors.

(Unaudited)
Sincerely,

William R. Parmentier, Jr.
President and Chief Executive Officer
Liberty All-Star® Equity Fund

(Unaudited)

FUND STATISTICS AND SHORT-TERM PERFORMANCE
PERIODS ENDED DECEMBER 31, 2016

FUND STATISTICS:	
Net Asset Value (NAV)	$6.13
Market Price	$5.16
Discount	15.8%

	Quarter	2016
Distributions*	$0.12	$0.48
Market Price Trading Range	$4.76 to $5.25	$4.26 to $5.28
Premium/(Discount) Range	14.8% to 17.4%	14.0% to 17.6%

PERFORMANCE:		
Shares Valued at NAV with Dividends Reinvested	2.66%	9.14%
Shares Valued at Market Price with Dividends Reinvested	1.93%	6.12%
Dow Jones Industrial Average	8.66%	16.50%
Lipper Large Cap Core Mutual Fund Average	3.68%	10.04%
NASDAQ Composite Index	1.66%	8.87%
S&P 500® Index	3.82%	11.96%

(Unaudited)

LONG-TERM PERFORMANCE SUMMARY AND DISTRIBUTIONS	ANNUALIZED RATES OF RETURN		
PERIODS ENDED DECEMBER 31, 2016	3 YEARS	5 YEARS	10 YEARS
LIBERTY ALL-STAR® EQUITY FUND			
Distributions	$1.38	$2.05	$4.56
Shares Valued at NAV with Dividends Reinvested	5.56%	12.54%	5.20%
Shares Valued at Market Price with Dividends Reinvested	3.63%	12.44%	3.98%
Dow Jones Industrial Average	8.71%	12.92%	7.52%
Lipper Large Cap Core Mutual Fund Average	6.84%	13.14%	6.14%
NASDAQ Composite Index	10.14%	17.07%	9.53%
S&P 500® Index	8.87%	14.66%	6.95%

* All 2016 distributions consist of ordinary dividends and long-term capital gains. A breakdown of each 2016 distribution for federal income tax purposes can be found in the table on page 45.

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 60.

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)

UNIQUE ATTRIBUTES OF Liberty All-Star® Equity Fund

Several attributes help to make the Fund a core equity holding for investors seeking diversification, income and the potential for long-term appreciation.

MULTI-MANAGEMENT FOR INDIVIDUAL INVESTORS

Liberty All-Star® Equity Fund is multi-managed, an investment discipline that is followed by large institutional investors to diversify their portfolios. In 1986, Liberty All-Star® Equity Fund became the first closed-end fund to bring multi-management to individual investors.

REAL-TIME TRADING AND LIQUIDITY

The Fund has a fixed number of shares that trade on the New York Stock Exchange and other exchanges. Share pricing is continuous—not just end-of-day, as it is with open-end mutual funds. In addition, Fund shares offer immediate liquidity and there are no annual sales fees.

(Unaudited)

ACCESS TO INSTITUTIONAL MANAGERS

The Fund’s investment managers invest primarily for pension funds, endowments, foundations and other institutions. Because institutional managers are closely monitored by their clients, they tend to be more disciplined and consistent in their investment process.

MONITORING AND REBALANCING

ALPS Advisors continuously monitors these investment managers to ensure that they are performing as expected and adhering to their style and strategy, and will replace managers when warranted. Periodic rebalancing maintains the Fund’s structural integrity and is a well-recognized investment discipline.

ALIGNMENT AND OBJECTIVITY

Alignment with shareholders’ best interests and objective decision-making help to ensure that the Fund is managed openly and equitably. In addition, the Fund is governed by a Board of Trustees that is elected by and responsible to shareholders.

DISTRIBUTION POLICY

Since 1988, the Fund has followed a policy of paying annual distributions on its shares at a rate that approximates historical equity market returns. The current annual distribution rate is 8 percent of the Fund’s net asset value (paid quarterly at 2 percent per quarter), providing a systematic mechanism for distributing funds to shareholders.

(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 DECEMBER 31, 2016	INVESTMENT STYLE SPECTRUM VALUE GROWTH						
	Pzena	Delaware	Aristotle	Sustainable	TCW	Total Fund	S&P 500® Index
Number of Holdings	40	32	43	30	31	151*	505
Percent of Holdings in Top 10	35%	34%	32%	40%	52%	17%	18%
Weighted Average Market Capitalization (billions)	$87	$86	$80	$112	$113	$95	$148
Average Five-Year Earnings Per Share Growth	3%	7%	6%	12%	15%	8%	10%
Dividend Yield	2.4%	2.6%	2.0%	1.2%	0.7%	1.8%	2.1%
Price/Earnings Ratio**	17x	20x	18x	31x	37x	22x	21x
Price/Book Value Ratio	1.7x	2.6x	2.9x	5.2x	4.9x	3.0x	3.1x

*Certain holdings are held by more than one manager.
**Excludes negative earnings.

(Unaudited)

GROWTH OF A HYPOTHETICAL $10,000 INVESTMENT

The graph below illustrates the growth of a hypothetical $10,000 investment assuming the purchase of shares of beneficial interest at the closing market price (NYSE: USA) of $6.00 on December 31, 1987, and tracking its progress through December 31, 2016. For certain information, it also assumes that a shareholder exercised all primary rights in the Fund's rights offerings (see below). This graph covers the period since the Fund commenced its distribution policy in 1988.

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 $50,500 (including the December 31, 2016 value of the original investment of $8,600 plus distributions during the period of $40,783 and tax credits on retained capital gains of $1,117).

The additional value realized through reinvestment of all distributions and tax credits. The value of the investment under this scenario grew to $151,839.

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 $220,765 excluding the cost to fully participate in all the rights offerings under the terms of each offering which was $49,966.

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 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.

(Unaudited)

		RIGHTS OFFERINGS			
YEAR	PER SHARE DISTRIBUTIONS	MONTH COMPLETED	SHARES NEEDED TO PURCHASE ONE ADDITIONAL SHARE	SUBSCRIPTION PRICE	TAX CREDITS[1]
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[2]	8.34	
2005	0.87				
2006	0.88				
2007	0.90	December	10	6.51	
2008	0.65				
2009[3]	0.31				
2010	0.31				
2011	0.34				
2012	0.32				
2013	0.35				
2014	0.39				
2015[4]	0.51				
2016	0.48				
Total	$24.47				

1 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.

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

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

4 Effective with the second quarter distribution, the annual distribution rate was changed from 6 percent to 8 percent.

December 31, 2016 (Unaudited)

The following are the major ($5 million or more) stock changes - both purchases and sales - that were made in the Fund's portfolio during the fourth quarter of 2016.

SECURITY NAME	PURCHASE (SALES)	SHARES HELD AS OF 12/31/16
PURCHASES		
Cognizant Technology Solutions Corp., Class A	118,825	118,825
Equity Residential	110,000	110,000
SALES		
athenahealth, Inc.	(50,300)	0
Cerner Corp.	(108,895)	144,969
Xerox Corp.	(706,400)	0

DISTRIBUTION POLICY

The current policy is to pay distributions on its shares totaling approximately 8 percent of its net asset value per year, payable in four quarterly installments of 2 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 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 capital gains and pay income tax thereon to the extent of such excess.

Liberty All-Star® Equity Fund Top 20 Holdings and Economic Sectors

December 31, 2016 (Unaudited)

TOP 20 HOLDINGS*	PERCENT OF NET ASSETS
Alphabet, Inc., Class C	2.14%
Mondelez International, Inc., Class A	1.90
Visa, Inc., Class A	1.80
Salesforce.com, Inc.	1.69
Facebook, Inc., Class A	1.65
Amazon.com, Inc.	1.64
Starbucks Corp.	1.54
The Priceline Group, Inc.	1.50
Halliburton Co.	1.45
Bank of America Corp.	1.40
Adobe Systems, Inc.	1.35
Chubb Ltd.	1.34
Equinix, Inc.	1.25
Lowe's Companies, Inc.	1.25
CVS Health Corp.	1.17
Intel Corp.	1.13
Archer-Daniels-Midland Co.	1.03
State Street Corp.	1.01
Celgene Corp.	0.99
JPMorgan Chase & Co.	0.99
	28.22%

ECONOMIC SECTORS*	PERCENT OF NET ASSETS
Information Technology	20.02%
Financials	19.28
Health Care	13.59
Consumer Discretionary	12.06
Consumer Staples	9.23
Energy	8.80
Industrials	5.68
Materials	3.29
Real Estate	2.84
Utilities	1.26
Telecommunication Services	1.26

Other Net Assets	2.69
	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.

(Unaudited)

MANAGER ROUNDTABLE

Looking back and looking ahead, the Fund's managers assess 2016 and evaluate what a Trump administration may—or may not—mean for the investment environment in 2017.

Liberty All-Star Equity Fund's five investment managers represent long experience, deep knowledge, a proven track record and, given that they represent both growth and value styles of investing, a broad point of view on the stock market and equity investing generally. Thus, once again, we are grateful to be able to call upon this resource to provide Fund shareholders with commentary and insight. The Fund's Investment Advisor, ALPS Advisors, serves as moderator of the roundtable. Participating investment management firms, the portfolio manager for each, and their respective styles and strategies are:

ARISTOTLE CAPITAL MANAGEMENT, LLC
Portfolio Manager/Howard Gleicher, CFA
CEO and Chief Investment Officer
Investment Style/Value – Aristotle seeks to invest in high quality companies that it believes are selling at a significant discount to their intrinsic value and where a catalyst exists that will lead to a realization by the market of this true value. Aristotle practices a fundamental, bottom-up research-driven process and invests with a long-term perspective.

DELAWARE INVESTMENTS
Portfolio Manager/D. Tysen Nutt, Jr.
Senior Vice President, Senior Portfolio Manager, Team Leader
Investment Style/Value – Delaware uses a research-intensive approach to identify companies it believes are undervalued as indicated by multiple factors, including the earnings and cash flow potential or the assets of the company. Delaware seeks to buy companies at times of excessive pessimism and sell at times of undue optimism.

PZENA INVESTMENT MANAGEMENT, LLC
Portfolio Managers/Richard S. Pzena, Founder and Co-Chief Investment Officer
John J. Flynn, Principal and Portfolio Manager
Benjamin S. Silver, CFA, Principal and Co-Director of Research
Investment Style/Value – Pzena uses fundamental research and a disciplined process to identify good companies with a sustainable business advantage that the firm believes are undervalued on the basis of current price to an estimated normal level of earnings.

SUSTAINABLE GROWTH ADVISERS, LP
Portfolio Manager/George Fraise
Founding Principal
Investment Style/Growth – Sustainable Growth Advisers (SGA) focuses on companies that have unique characteristics that lead to a high degree of predictability, strong profitability and above-average earnings and cash flow growth over the long term.

(Unaudited)

TCW INVESTMENT MANAGEMENT COMPANY
Portfolio Manager/Craig C. Blum, CFA
Managing Director
Investment Style/Growth – TCW invests in companies that have superior sales growth, leading and/or rising market shares, and high and/or rising profit margins. TCW's concentrated growth equity strategy seeks companies with distinct advantages in their business model.

How do you assess 2016 in general and, more specifically, what industries, sectors or strategies helped and/or hurt returns in the portion of the Liberty All-Star Equity Fund that you manage? Rich, how does Pzena assess the year?

Pzena (Pzena – Value): Investor sentiment shifted mid-year toward economically sensitive sectors and away from the previous market leaders such as health care, consumer staples and utilities, with the trend accelerating after the U.S. presidential election. Our portfolio significantly outperformed in this environment as we were finding most of our opportunities in economically sensitive businesses, with holdings in the energy, technology, financial and producer durable sectors making the largest contributions. We had little exposure to consumer staples, health care and utilities (so-called bond proxies) which underperformed, also helping our relative performance as we were finding few values in those sectors. Although some consumer discretionary holdings and our lack of exposure to a recovery in materials detracted from performance, it was Pzena's strongest year from both an absolute and relative basis since 2013. Despite the strong performance, valuation spreads continue to be wide, an environment that historically has signaled good opportunity for value outperformance.

"Despite [our] strong performance [in 2016], valuation spreads continue to be wide, an environment that historically has signaled good opportunity for value outperformance."

—Rich Pzena
(Pzena – Value)

Thanks. Let's stay with the value managers and ask Aristotle Capital and Delaware Investments to comment on 2016. Howard, will you lead off for Aristotle?

Gleicher (Aristotle – Value): For 2016, the primary contributors to the portfolio were the industrials, information technology and financials sectors, and security selection was the main driver of outperformance relative to our benchmark, the Russell 1000® Value Index. The primary detractors were the consumer staples, health care and energy sectors. Security selection in consumer staples, as opposed to sector allocation in the other two sectors, contributed to the underperformance relative to the benchmark. As always, all sector over-and underweights relative to the Index resulted from bottom-up security selection rather than tactical allocation decisions.

Nutt (Delaware – Value): The year brought a number of reversals and surprises. The market pendulum swung from growth to value and from defensives to cyclicals. It even swung from fear to greed as evidenced by the S&P 500 Index posting a double-digit total return for the year following its worst yearly start ever. The U.K. vote to leave the European Union surprised the markets, as did Donald Trump's victory in the U.S. presidential election. We were surprised by the speed and magnitude of the stock market's rise following the election results. The portion of the Fund's portfolio we manage maintained a defensive tilt during the year, which ended up hurting relative performance. Our overweight allocation to health care and stock selection in the information technology sector were notable detractors from returns. Conversely, our overweight positioning in telecommunication services and stock selection in the energy sector were solid contributors to performance.

(Unaudited)

Let's turn to the growth style managers and hear from TCW and Sustainable.

Blum (TCW – Growth): We were disappointed with our results in 2016. We believe the year can be divided into three distinct periods: January –February 11 (market bottom), February 12 –November 8 (election) and election through year-end. The first period marked the worst stock market start to a calendar year in history and our underperformance was driven primarily by information technology and health care as the market favored bond proxies during the sell-off. While many of our stocks bounced back during the second period, the rebound was mostly offset by the price deterioration experienced in some of our health care holdings. In the third period, the "Trump effect" resulted in a market rally in deep cyclical stocks and a belief that Trump is going to be able to magically unleash massive debt-funded government infrastructure-spending programs. While our holdings in the financials rallied during the third period, our strategy underperformed as many information technology holdings were discarded in favor of deep cyclicals.

"The 'Trump effect' resulted in a market rally [after the election]… While our holdings in the financials rallied… our strategy underperformed as many information technology holdings were discarded in favor of deep cyclicals."

—Craig Blum
(TCW – Growth)

Fraise (Sustainable – Growth): We also were disappointed with our results in 2016, which were impacted late in the year by the shift in investor sentiment resulting from the November election. Driven by hope for more pro-growth fiscal and regulatory policies under a Trump administration and a Republican-controlled Congress, low quality, smaller-cap and value stocks staged a major rally, largely in stocks very different from the types on which our approach is focused. Companies with lower returns on equity, more cyclicality and higher betas, and more debt outperformed in November and December. Stocks in the energy, financial services and industrials sectors performed best on expectations for greater economic growth, a paring back of the regulatory oversight under Dodd-Frank and significant new infrastructure spending. While we have exposure to select energy service businesses, and they helped us, our focus on strong pricing power, predictable revenue streams and long runways of growth generally steers us away from large money center banks with a high degree of dependence on interest rate spreads as well as deep cyclical stocks, which are highly sensitive to the business cycle.

Let's look at the event that had a major impact on the fourth quarter of 2016 and should affect 2017 and beyond—the election of Donald Trump. The Fund's investment managers are generally bottom-up, fundamentally-based in their approach to picking stocks. But it is hard to ignore one major macro factor—the so-called "Trump effect." Are you or are you not factoring such sweeping proposals as corporate tax reform, infrastructure build, healthcare legislation and a lighter approach to regulation into your thinking, and why or why not? Let's stay with the growth managers and ask George Fraise to start us off.

Fraise (Sustainable – Growth): We do consider the impact of changes to regulatory and tax policy, health care legislation, and infrastructure spending on the trajectory of the earnings and cash flows of our portfolio businesses. Given the uncertainty around the magnitude of any final legislation, however, we focus the vast majority of our attention on the key drivers of secular growth, which are more critical over the long term and more predictable. While there is significant hope in the market for positive changes in the areas you note, we are very cognizant of the difficulties of trying to forecast the outcome of the political process. We believe positive changes to regulatory and tax policy will occur, and have factored an increase in infrastructure spending and a reduction in tax rates into our expectations, but we are skeptical that the eventual changes enacted will necessarily be of the magnitude currently being assumed by buoyant investors. As a result, we think there could be disappointment on the part of investors who have factored in a meaningful sustained improvement in economic growth. While they have been largely overlooked in the recent "Trump rally," we are confident that select businesses with superior underlying quality and growth characteristics—enabling them to generate higher revenues and earnings in a more predictable and sustainable manner—will attract the interest of investors as current hopes meet the realities of getting such changes enacted.

(Unaudited)

"We are confident that select businesses with superior underlying quality and growth characteristics will attract the interest of investors as current hopes meet the realities of getting [changes dependent on the political process] enacted."

—George Fraise
(Sustainable – Growth)

Blum (TCW – Growth): Despite experiencing the worst economic downturn since the Great Depression, the U.S. economy hasn't produced real growth higher than 3 percent since 2005. We believe Trump's surprise election and the Republican sweep could represent a sea change in policy and the end of secular stagnation. While much has been made of a potential infrastructure build, we believe corporate tax reform and reduced regulation are more likely in the near term. This would be bullish for the economy. The near-to intermediate-term is always difficult to forecast but enough is new and different that, yes, we are factoring in the potential for a steeper industrial demand curve, revived inflation expectations and a reigniting of the U.S. economy.

How do the value managers assess the "Trump effect?" Ty Nutt, please start us off.

Nutt (Delaware – Value): Our investment process includes a top-down component, what we call our macro-economic overlay. As part of this, we are certainly considering the potential consequences of the new administration's policy proposals. Stronger economic growth seems plausible to us if tax cuts and regulatory reforms are enacted. We have questions about the timing and implementation of these changes as it may be a while before their impacts are realized. Also, we wonder about any offsetting effects that could arise from restrictions on global trade. Additionally, we think it's worth noting that some of the challenges to global growth that existed prior to the election, such as high levels of indebtedness and aging populations, are still in place. In 2017 and beyond, we'll be watching policy developments in Washington, D.C., assessing their potential impact on portfolio holdings as well as the opportunities that could be created by them.

"We are certainly considering the potential consequences of the new administration's policy proposals… [but] we have questions about the timing and implementation of these changes as it may be a while before their impacts are realized."

—Ty Nutt
(Delaware – Value)

(Unaudited)

Thanks. Now let's hear from Howard Gleicher and Rich Pzena.

Gleicher (Aristotle – Value): We did not attempt to reposition our portfolio prior to the election, which, in hindsight, was wise, given the outcome that surprised many, if not most. Nor have we made investment decisions since the election based on our expectations of what the Trump administration will bring. Any tax, spending or regulatory changes are unknowable in probability, scope and timing, as are the impacts of any such changes. We do not make decisions based on so many unknown variables. Rather, we endeavor to identify and invest in a diverse but limited number of high-quality companies that we believe will outperform their peers regardless of the economic, political or regulatory environment. Historically, we have been able to add value through in-depth company research. Therefore, we choose to focus on what we know, what we can analyze and what we—and the companies in which we invest—can control. It is our belief that a diversified portfolio of investments in these companies will hold up best regardless of the environment and will optimize risk-adjusted performance for our clients.

Most quarters, we are reminded that macroeconomic events, or "the news of the day" like the Brexit vote, may cause stock prices to temporarily diverge from company fundamentals. As always, we will incorporate this new information into our investment process but will not allow it to impact our daily discipline of seeking out unique and value-creating businesses. Every once in a while something happens in the market that could be meaningful. Some may not impact the financial markets, other events may impact only the financial markets. Our analysts are researching companies that have nothing to do with what is happening on any given day, and that is a competitive advantage of ours.

"Every once in a while something happens in the market that could be meaningful. Some may not impact the financial markets, other events may impact only the financial markets. Our analysts are researching companies that have nothing to do with what is happening on any given day."

—Howard Gleicher
(Aristotle – Value)

Pzena (Pzena – Value): Our investment decisions are bottom-up research focused and based on finding good businesses where temporary conditions have led to earnings weakness and deep undervaluation. Our experience is that as long as the business franchise is sound, management finds a way to adapt to the macro environment and restore earnings to historical levels. Although we do not ignore macro factors, we are not counting on them as the only path to earnings normalization. That said, changes in macro expectations (the "Trump effect") have helped accelerate re-valuation, i.e., higher interest rates benefitting stock prices of banks, and likewise create opportunity where uncertainty has increased, i.e., health care. Uncertainty and volatility create buying opportunities and we are focused on the longer-term earnings power of businesses. Our approach is to focus on individual businesses where the franchise has the ability to evolve with the environment and where the valuation offers downside support.

Let's turn to a closer look at the Fund's portfolio. Please tell us about a longtime holding in the portion of the Liberty All-Star Equity Fund portfolio that you manage that exemplifies your approach to investing, and tell us about a recent addition that similarly illustrates your approach. Craig Blum, share TCW's insight with us, please.

Blum (TCW – Growth): We first purchased Amazon over 14 years ago. Amazon's long-term investments have created immense scale advantages and the company is one of the most disruptive forces in retail and technology. Amazon continues to take market share from offline retailers, in fact today Amazon's market capitalization exceeds that of most major brick and mortar retailers combined. Moreover, Amazon Web Services (AWS) is the leading public cloud provider and is immensely profitable. Amazon's revenues have grown at a compound annual rate averaging 20 percent over the past five years and we believe the company's long-term growth profile remains robust.

(Unaudited)

We purchased Adobe Systems in the first quarter of 2016. Adobe remains the unmatched leader in creative software and the digitalization of the global economy is only broadening the demand for Adobe's creative products. The company has successfully navigated the transition from a license software-based business model to the cloud and we believe Adobe is now at a growth inflection point with a total addressable market that continues to expand.

George Fraise, tell us about two holdings that you like.

Fraise (Sustainable – Growth): Mondelez, a leading global packaged foods company focused on snacking, has been a holding of SGA's since 2014. The company's pricing power benefits from strong brands and number one or number two market shares in every category in which it competes. Its revenues are highly recurring in nature due to the natural desire by consumers for energy and treats. Its snacks are easily packaged into a variety of configurations and distributed across a broad range of retail channels at low price points. In addition to its organic growth drivers, we expect Mondelez to continue to benefit from management's steps to substantially improve operating margins as the company modernizes and realigns its outdated supply chain and manufacturing base and utilizes a zero-based budgeting system to efficiently manage operating expenses. This should lead to mid-teens earnings and cash flow growth over the next few years.

A recent addition is UnitedHealth, the largest health insurance and health services company in the U.S. The company has the largest market share in a relatively consolidated market, where its scale and technology provide it the ability to match or underprice its competitors while still being able to offer customers greater health-related cost savings. The company earns a large percentage of its revenues from existing clients' contract renewals in their United Healthcare and OptumRX businesses. And, since 2008, the company also has greater exposure to Medicare and Medicaid, making it less sensitive to general business conditions. With over 4 million Americans becoming eligible for Medicare every year, demographic trends will bring the company more patients in the private-and government-run sectors, again making effective cost management an ever-increasing need. These factors enhance the recurring revenue model at UnitedHealth and provide more predictability in forecasting its revenues and earnings over the three-to-five-year time horizon that we focus on.

Let's close by asking the value managers to give a look at two of their portfolio holdings. Rich Pzena, please start us off.

Pzena (Pzena – Value): Long-time holding Bank of America has the largest deposit franchise in the United States, as well as a significant investment bank and mortgage business. We believe the business has multiple paths to earnings normalization that include self-help actions, higher interest rates and increased securities trading activity. Most of its businesses continue to show year-on-year growth and the bank continues to bring down expenses. We believe the upside in earnings remains substantial, making Bank of America an attractive opportunity.

(Unaudited)

We initiated a position in Seagate Technology, a leader in hard disk drives, in late 2015 then increased our position when it missed earnings in early 2016. Investors are mainly worried about solid state drives overtaking Seagate's offerings, but a 10-to-1 cost advantage over solid state should provide longevity to Seagate's hard disk franchise. We like the two-player industry structure, and see a big opportunity for Seagate to restore earnings by rationalizing its cost structure while returning capital to shareholders through its aggressive stock buy-back program.

Ty Nutt and Howard Gleicher, wrap it us for us, please.

Nutt (Delaware – Value): Marsh & McLennan is a long-term holding in our strategy. It is a leading global insurance brokerage and professional services firm. Marsh & McLennan had undergone significant turmoil and transformation in the years leading up to our purchase and represented compelling value to us. The company has good discipline around expenses and its balance sheet is solid. Against the backdrop of a sluggish global economy, the firm is capable of delivering double-digit earnings per share expansion through organic growth, acquisitions, positive operating leverage and capital management.

We recently added a position in Abbott Laboratories, a leading medical products company that we had previously owned in our strategy from 2001 to 2008. Abbott is in the process of transforming itself into a leading provider of cardiovascular products through its impending acquisition of heart-device maker St. Jude Medical. While investors, generally, have not shown much enthusiasm for the deal, we think the combination makes long-term strategic and financial sense. Both Abbott and St. Jude Medical are dominant players in the markets they serve, although the two stocks have underperformed peers over the past year. When combined, Abbott-St. Jude will have a number one or number two market share position in eight categories across its cardiovascular product portfolio.

Gleicher (Aristotle – Value): We have owned and/or followed Archer Daniels Midland—and its close competitor Bunge—for more than 12 years. We added it again to our clients' portfolios during 2015. In our view, Chicago-based Archer Daniels continues to transform itself and adapt to an ever-changing global agricultural landscape. As one of the largest integrated agricultural services companies in a consolidating industry, the company participates in all aspects of food production after farming and before cooking. While somewhat cyclical by the nature of its industry, Archer Daniels is adapting and transforming itself into a more predictable, more value-added food and agricultural services company. The company continues to satisfy all three criteria requisite for inclusion in Aristotle Capital client portfolios.

We recently added PPG Industries, the world's second-largest coatings company, to the Fund. In our view, among the high-quality characteristics PPG possesses are: a strong market position in a consolidating industry, close relationships with customers and a diverse, differentiated product set, all of which yield pricing power. PPG also has historically produced predictable financial results, including consistent free cash flow generation, with fairly low cyclicality, a trait difficult to find in the materials sector.

Many thanks to all. After a difficult start and several challenging periods, 2016 turned out to be a reasonably good year. Two thousand seventeen opened on a much more positive note, and we hope the year ends the same way. One thing is certain: Given all the forces at work in the marketplace today, it will not lack for interest.

Liberty All-Star® Equity Fund Schedule of Investments

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (97.31%)		
CONSUMER DISCRETIONARY (12.06%)		
Automobiles (0.40%)		
Ford Motor Co.	385,900	$4,680,967
Hotels, Restaurants & Leisure (2.91%)		
Chipotle Mexican Grill, Inc.[(a)(b)]	25,972	9,799,755
Hilton Worldwide Holdings, Inc.	222,500	6,052,000
Starbucks Corp.	322,464	17,903,201
		33,754,956
Household Durables (0.50%)		
Lennar Corp., Class A	136,000	5,838,480
Internet & Catalog Retail (3.15%)		
Amazon.com, Inc.[(b)]	25,419	19,060,946
The Priceline Group, Inc.[(b)]	11,907	17,456,376
		36,517,322
Media (1.83%)		
The Interpublic Group of Cos., Inc.	128,075	2,998,236
News Corp., Class A	305,600	3,502,176
News Corp., Class B	73,245	864,291
Omnicom Group, Inc.	67,575	5,751,308
Time Warner, Inc.	84,000	8,108,520
		21,224,531
Specialty Retail (2.30%)		
The Home Depot, Inc.	55,600	7,454,848
Lowe's Companies, Inc.	204,139	14,518,366
Staples, Inc.	524,632	4,747,919
		26,721,133
Textiles, Apparel & Luxury Goods (0.97%)		
NIKE, Inc., Class B	181,321	9,216,547
Under Armour, Inc., Class A[(a)(b)]	56,600	1,644,230
Under Armour, Inc., Class C[(b)]	17,713	445,836
		11,306,613
CONSUMER STAPLES (9.23%)		
Beverages (0.90%)		
The Coca Cola Co.	113,700	4,714,002
Monster Beverage Corp.[(b)]	127,800	5,666,652
		10,380,654
Food & Staples Retailing (3.48%)		
Costco Wholesale Corp.	42,575	6,816,683
CVS Health Corp.	172,345	13,599,744
Walgreens Boots Alliance, Inc.	83,100	6,877,356

See Notes to Schedule of Investments and Financial Statements.

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Food & Staples Retailing (continued)		
Wal Mart Stores, Inc.	84,200	$5,819,904
Whole Foods Market, Inc.	235,294	7,237,644
		40,351,331
Food Products (3.53%)		
Archer Daniels Midland Co.	261,400	11,932,910
The Kraft Heinz Co.	80,400	7,020,528
Mondelez International, Inc., Class A	497,216	22,041,585
		40,995,023
Household Products (0.69%)		
Colgate Palmolive Co.	122,620	8,024,253
Personal Products (0.63%)		
Coty, Inc., Class A	119,000	2,178,890
Unilever NV	126,100	5,177,666
		7,356,556
ENERGY (8.80%)		
Energy Equipment & Services (2.54%)		
Core Laboratories NV[(a)]	67,685	8,124,908
Halliburton Co.	311,200	16,832,808
Schlumberger Ltd.	54,519	4,576,870
		29,534,586
Oil, Gas & Consumable Fuels (6.26%)		
BP PLC[(c)]	126,501	4,728,607
Cenovus Energy, Inc.	337,675	5,109,023
Chevron Corp.	64,200	7,556,340
Concho Resources, Inc.[(b)]	16,975	2,250,885
ConocoPhillips	147,700	7,405,678
EQT Corp.	74,800	4,891,920
Exxon Mobil Corp.	64,675	5,837,565
Marathon Oil Corp.	229,700	3,976,107
Murphy Oil Corp.[(a)]	143,075	4,453,925
Occidental Petroleum Corp.	92,500	6,588,775
Phillips 66	74,500	6,437,545
Pioneer Natural Resources Co.	28,600	5,150,002
Royal Dutch Shell PLC, Class A[(c)]	151,229	8,223,833
		72,610,205
FINANCIALS (19.28%)		
Capital Markets (5.37%)		
Ameriprise Financial, Inc.	56,100	6,223,734
Bank of New York Mellon Corp.	170,500	8,078,290
The Charles Schwab Corp.	165,300	6,524,391

See Notes to Schedule of Investments and Financial Statements.

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Capital Markets (continued)		
Franklin Resources, Inc.	174,700	$6,914,626
The Goldman Sachs Group, Inc.	36,925	8,841,691
Morgan Stanley	212,300	8,969,675
State Street Corp.	150,726	11,714,425
UBS Group AG	325,600	5,102,152
		62,368,984
Commercial Banks (3.46%)		
Banco Bilbao Vizcaya Argentaria SA[(a)(c)]	826,463	5,595,155
BB&T Corp.	159,600	7,504,392
BOK Financial Corp.[(a)]	44,400	3,686,976
Cullen/Frost Bankers, Inc.	38,000	3,352,740
First Republic Bank	52,530	4,840,114
M&T Bank Corp.	33,000	5,162,190
Mitsubishi UFJ Financial Group, Inc.[(c)]	682,100	4,201,736
Regions Financial Corp.	400,825	5,755,847
		40,099,150
Consumer Finance (2.39%)		
Capital One Financial Corp.	78,440	6,843,106
Visa, Inc., Class A	268,458	20,945,093
		27,788,199
Diversified Financial Services (3.91%)		
Bank of America Corp.	737,300	16,294,330
Citigroup, Inc.	146,006	8,677,137
JPMorgan Chase & Co.	132,825	11,461,469
Voya Financial, Inc.	227,275	8,913,725
		45,346,661
Insurance (4.15%)		
The Allstate Corp.	104,100	7,715,892
American International Group, Inc.	87,975	5,745,647
Axis Capital Holdings Ltd.	89,225	5,823,716
Chubb Ltd.	117,600	15,537,312
Marsh & McLennan Cos., Inc.	105,800	7,151,022
Metlife, Inc.	115,850	6,243,156
		48,216,745
HEALTH CARE (13.59%)		
Biotechnology (3.85%)		
AbbVie, Inc.	101,300	6,343,406
Alexion Pharmaceuticals, Inc.[(b)]	52,800	6,460,080
Amgen, Inc.	62,732	9,172,046
BioMarin Pharmaceutical, Inc.[(b)]	53,073	4,396,567
Celgene Corp.[(b)]	99,621	11,531,131

See Notes to Schedule of Investments and Financial Statements.

Liberty All-Star® Equity Fund Schedule of Investments

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Biotechnology (continued)		
Regeneron Pharmaceuticals, Inc.[(b)]	18,636	$6,841,089
		44,744,319
Health Care Equipment & Supplies (1.52%)		
Baxter International, Inc.	149,000	6,606,660
Danaher Corp.	63,500	4,942,840
Medtronic PLC	86,200	6,140,026
		17,689,526
Health Care Providers & Services (3.07%)		
Acadia Healthcare Co., Inc.[(a)(b)]	112,050	3,708,855
Cardinal Health, Inc.	89,300	6,426,921
Cigna Corp.	48,775	6,506,097
Express Scripts Holding Co.[(b)]	96,800	6,658,872
Quest Diagnostics, Inc.	84,700	7,783,930
UnitedHealth Group, Inc.	28,090	4,495,524
		35,580,199
Health Care Technology (0.59%)		
Cerner Corp.[(b)]	144,969	6,867,182
Life Sciences Tools & Services (0.19%)		
Illumina, Inc.[(b)]	16,895	2,163,236
Pharmaceuticals (4.37%)		
Abbott Laboratories	276,425	10,617,484
Allergan PLC[(b)]	35,362	7,426,374
Johnson & Johnson	60,200	6,935,642
Merck & Co., Inc.	113,300	6,669,971
Novartis AG[(c)]	73,000	5,317,320
Novo Nordisk AS[(c)]	196,018	7,029,205
Pfizer, Inc.	207,400	6,736,352
		50,732,348
INDUSTRIALS (5.68%)		
Aerospace & Defense (1.90%)		
General Dynamics Corp.	41,000	7,079,060
Northrop Grumman Corp.	33,100	7,698,398
Raytheon Co.	51,100	7,256,200
		22,033,658
Commercial Services & Supplies (0.68%)		
Waste Management, Inc.	111,600	7,913,556
Machinery (2.41%)		
Deere & Co.	43,000	4,430,720

See Notes to Schedule of Investments and Financial Statements.

Liberty All-Star® Equity Fund Schedule of Investments

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Machinery (continued)		
Dover Corp.	92,275	$6,914,166
Oshkosh Corp.	97,000	6,267,170
Parker Hannifin Corp.	40,950	5,733,000
Stanley Black & Decker, Inc.	40,300	4,622,007
		27,967,063
Road & Rail (0.40%)		
Kansas City Southern	54,385	4,614,567
Trading Companies & Distributors (0.29%)		
Fastenal Co.	71,700	3,368,466
INFORMATION TECHNOLOGY (20.02%)		
Communications Equipment (0.59%)		
Cisco Systems, Inc.	226,300	6,838,786
Computers & Peripherals (0.30%)		
HP, Inc.	234,400	3,478,496
Electronic Equipment & Instruments (0.20%)		
Corning, Inc.	94,115	2,284,171
Internet Software & Services (3.79%)		
Alphabet, Inc., Class C[(b)]	32,257	24,896,598
Facebook, Inc., Class A[(b)]	166,445	19,149,497
		44,046,095
IT Services (3.53%)		
Alliance Data Systems Corp.	31,157	7,119,375
Automatic Data Processing, Inc.	83,862	8,619,336
Cognizant Technology Solutions Corp., Class A[(b)]	118,825	6,657,765
FleetCor Technologies, Inc.[(b)]	64,893	9,183,657
PayPal Holdings, Inc.[(b)]	239,490	9,452,670
		41,032,803
Semiconductors & Semiconductor Equipment (2.03%)		
Intel Corp.	360,266	13,066,848
Microchip Technology, Inc.	105,000	6,735,750
Texas Instruments, Inc.	51,846	3,783,203
		23,585,801
Software (8.02%)		
Adobe Systems, Inc.[(b)]	152,306	15,679,903
ANSYS, Inc.[(b)]	21,219	1,962,545
CA, Inc.	211,600	6,722,532

See Notes to Schedule of Investments and Financial Statements.

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Software (continued)		
Microsoft Corp.	118,600	$7,369,804
Mobileye NV[(b)]	166,250	6,337,450
Oracle Corp.	181,400	6,974,830
Red Hat, Inc.[(b)]	116,005	8,085,548
Salesforce.com, Inc.[(b)]	286,891	19,640,558
SAP SE[(c)]	86,000	7,432,980
ServiceNow, Inc.[(b)]	87,781	6,525,640
Splunk, Inc.[(b)]	123,629	6,323,623
		93,055,413
Technology Hardware, Storage & Equipment (1.56%)		
Apple, Inc.	77,149	8,935,397
Hewlett Packard Enterprise Co.	247,196	5,720,116
Seagate Technology	89,400	3,412,398
		18,067,911
MATERIALS (3.29%)		
Chemicals (2.64%)		
Air Products & Chemicals, Inc.	23,400	3,365,388
The Dow Chemical Co.	99,100	5,670,502
Ecolab, Inc.	78,105	9,155,468
EI du Pont de Nemours & Co.	103,500	7,596,900
PPG Industries, Inc.	51,500	4,880,140
		30,668,398
Construction Materials (0.65%)		
Martin Marietta Materials, Inc.	34,100	7,554,173
REAL ESTATE (2.84%)		
Equity Real Estate Investment (0.61%)		
Equity Residential	110,000	7,079,600
Real Estate Investment Trusts (2.23%)		
American Tower Corp.	107,850	11,397,588
Equinix, Inc.	40,652	14,529,431
		25,927,019
TELECOMMUNICATION SERVICES (1.26%)		
Diversified Telecommunication (1.26%)		
AT&T, Inc.	174,900	7,438,497
Verizon Communications, Inc.	134,800	7,195,624
		14,634,121

See Notes to Schedule of Investments and Financial Statements.

December 31, 2016

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
UTILITIES (1.26%)		
Electric Utilities (0.60%)		
Edison International	97,300	$7,004,627
Gas Utilities (0.35%)		
National Fuel Gas Co.	72,000	4,078,080
Independent Power and Renewable Energy Producers (0.31%)		
AES Corp.	307,000	3,567,340
TOTAL COMMON STOCKS (COST OF $994,169,904)		1,129,693,303
SHORT TERM INVESTMENTS (4.64%)		
MONEY MARKET FUND (3.83%)		
State Street Institutional U.S. Government Money Market Fund, 0.42%[d] (COST OF $44,508,132)	44,508,132	44,508,132
INVESTMENTS PURCHASED WITH COLLATERAL FROM SECURITIES LOANED (0.81%)		
State Street Navigator Securities Lending Government Money Market Portfolio, 0.50% (COST OF $9,369,253)	9,369,253	9,369,253
TOTAL SHORT TERM INVESTMENTS (COST OF $53,877,385)		53,877,385
TOTAL INVESTMENTS (101.95%) (COST OF $1,048,047,289)[e]		1,183,570,688
LIABILITIES IN EXCESS OF OTHER ASSETS (1.95%)		(22,581,108)
NET ASSETS (100.00%)		$1,160,989,580
NET ASSET VALUE PER SHARE (189,439,556 SHARES OUTSTANDING)		$6.13

See Notes to Schedule of Investments and Financial Statements.

December 31, 2016

Notes to Schedule of Investments:

(a) Security, or a portion of the security position, is currently on loan. The total market value of securities on loan is $13,402,360.
(b) Non-income producing security.
(c) American Depositary Receipt.
(d) Rate reflects seven-day effective yield on December 31, 2016.
(e) Cost of investments for federal income tax purposes is $1,049,556,972.

Gross unrealized appreciation and depreciation at December 31, 2016 based on cost of investments for federal income tax purposes is as follows:

Gross unrealized appreciation	$190,832,585
Gross unrealized depreciation	(56,818,869)
Net unrealized appreciation	$134,013,716

See Notes to Financial Statements.

Liberty All-Star® Equity Fund Statement of Assets and Liabilities

December 31, 2016

ASSETS:	
Investments at market value (Cost $1,048,047,289)	$1,183,570,688
Cash	10,712
Receivable for investment securities sold	24,900,142
Dividends and interest receivable	1,409,942
Tax reclaim receivable	2,043
Prepaid and other assets	2,124
TOTAL ASSETS	1,209,895,651
LIABILITIES:	
Payable for investments purchased	22,740,544
Distributions payable to shareholders	15,631,700
Investment advisory fee payable	714,125
Payable for administration, pricing and bookkeeping fees	184,666
Payable for collateral upon return of securities loaned	9,369,253
Accrued expenses	265,783
TOTAL LIABILITIES	48,906,071
NET ASSETS	$1,160,989,580
NET ASSETS REPRESENTED BY:	
Paid in capital	$1,038,226,750
Distributions in excess of net investment income	(11,250,886)
Accumulated net realized loss on investments	(1,509,683)
Net unrealized appreciation on investments	135,523,399
NET ASSETS	$1,160,989,580
Shares of common stock outstanding (unlimited number of shares of beneficial interest without par value authorized)	189,439,556
NET ASSET VALUE PER SHARE	$6.13

See Notes to Financial Statements.

For the Year Ended December 31, 2016

INVESTMENT INCOME:	
Dividends (Net of foreign taxes withheld at source which amounted to $126,328)	$19,799,680
Securities lending income	424,229
Interest	1,324
TOTAL INVESTMENT INCOME	20,225,233
EXPENSES:	
Investment advisory fee	8,056,249
Administration fee	2,014,315
Pricing and bookkeeping fees	199,452
Audit fee	48,244
Custodian fee	95,528
Insurance expense	57,420
Legal fees	468,461
NYSE fee	183,017
Shareholder communication expenses	99,538
Transfer agent fees	108,452
Trustees' fees and expenses	193,487
Miscellaneous expenses	347,609
TOTAL EXPENSES	11,871,772
NET INVESTMENT INCOME	8,353,461
REALIZED AND UNREALIZED GAIN ON INVESTMENTS:	
Net realized gain on investment transactions	77,621,557
Net realized gain on foreign currency transactions	11,345
Net change in unrealized appreciation on investments	987,445
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS	78,620,347
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$86,973,808

See Notes to Financial Statements.

Liberty All-Star® Equity Fund Statements of Changes in Net Assets

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
FROM OPERATIONS:		
Net investment income	$8,353,461	$7,048,764
Net realized gain on investment transactions	77,632,902	99,752,650
Net change in unrealized appreciation/(depreciation) on investments	987,445	(130,429,134)
Net Increase/(Decrease) in Net Assets From Operations	86,973,808	(23,627,720)
DISTRIBUTIONS TO SHAREHOLDERS:		
From net investment income	(8,327,978)	–
From net realized gains on investments	(71,261,720)	(92,237,880)
Tax return of capital	(9,746,264)	–
Total Distributions	(89,335,962)	(92,237,880)
CAPITAL SHARE TRANSACTIONS:		
Dividend reinvestments	26,759,969	27,755,527
Net Increase/(Decrease) in Net Assets	24,397,815	(88,110,073)
NET ASSETS:		
Beginning of period	1,136,591,765	1,224,701,838
End of period (Includes distributions in excess of net investment income of $(11,250,886) and $(1,541,450), respectively)	$1,160,989,580	$1,136,591,765

See Notes to Financial Statements.

Intentionally Left Blank

Financial Highlights

PER SHARE OPERATING PERFORMANCE:
Net asset value at beginning of period
INCOME FROM INVESTMENT OPERATIONS:
Net investment income[(a)]
Net realized and unrealized gain/(loss) on investments
Total from Investment Operations

LESS DISTRIBUTIONS TO SHAREHOLDERS:
Net investment income
Net realized gain on investments
Tax return of capital
Total Distributions
Change due to tender offer[(b)]
Net asset value at end of period
Market price at end of period

TOTAL INVESTMENT RETURN FOR SHAREHOLDERS:[(c)]
Based on net asset value
Based on market price

RATIOS AND SUPPLEMENTAL DATA:
Net assets at end of period (millions)
Ratio of expenses to average net assets after reimbursement
Ratio of expenses to average net assets before reimbursement
Ratio of net investment income to average net assets
Portfolio turnover rate

(a) Calculated using average shares outstanding during the period.
(b) Effect of Fund's tender offer for shares at a price below net asset value, net of costs.
(c) Calculated assuming all distributions are reinvested at actual reinvestment prices. The net asset value and market price returns will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares traded during the period. Past performance is not a guarantee of future results.

See Notes to Financial Statements.

Financial Highlights

For the Year Ended December 31,				
2016	2015	2014	2013	2012
$6.18	$6.84	$6.71	$5.35	$4.99
0.04	0.04	0.02	0.03	0.04
0.39	(0.19)	0.50	1.66	0.64
0.43	(0.15)	0.52	1.69	0.68
(0.05)	–	(0.08)	(0.31)	(0.32)
(0.38)	(0.51)	(0.30)	(0.04)	–
(0.05)	–	(0.01)	–	–
(0.48)	(0.51)	(0.39)	(0.35)	(0.32)
–	–	–	0.02	–
$6.13	$6.18	$6.84	$6.71	$5.35
$5.16	$5.35	$5.98	$5.97	$4.77
9.1 %	(1.0 %)	8.9 %	33.8 %	14.7 %
6.1 %	(2.0 %)	7.0 %	33.5 %	20.9 %
$1,161	$1,137	$1,225	$1,177	$991
N/A	N/A	N/A	N/A	1.07 %
1.07 %	1.04 %	1.03 %	1.05 %	1.08 %
0.76 %	0.60 %	0.32 %	0.44 %	0.72 %
46 %	76 %	36 %	41 %	45 %

December 31, 2016

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 long term 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

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board Accounting Standards Codification Topic 946.

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 and disclosures in the financial statements. Actual results could differ from these estimates.

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 Stock Market LLC ("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.

Cash collateral from securities lending activity is reinvested in the State Street Navigator Securities Lending Government Money Market Portfolio, registered investment company under the 1940 Act, which operates as a money market fund in compliance with Rule 2a 7 under the 1940 Act. Shares of registered investment companies are valued daily at that investment company's net asset value per share. Repurchase agreements are valued at cost, which approximates fair value.

The Fund's investments are valued at market value or, in the absence of market value with respect to any portfolio securities, at fair value according to procedures adopted by the Fund's Board of Trustees (the "Board"). When market quotations are not readily available, or in management's judgment they do not accurately reflect fair value of a security, or an event occurs after the market close but before the Fund is priced that materially affects the value of a security, the securities will be valued by the Fund's Fair Valuation Committee using fair valuation procedures established by the Board. Examples of potentially significant events that could materially impact the value of a security include, but are not limited to: single issuer events such as corporate actions, reorganizations, mergers, spin offs, liquidations, acquisitions and buyouts; corporate announcements on earnings or product offerings; regulatory news; and litigation and multiple issuer events such as governmental actions; natural disasters or armed conflicts that affect a country or a region; or significant market fluctuations. Potential significant events are monitored by the

Advisor ALPS Advisors Inc. (the “Advisor”), Sub Advisers and/or the Valuation Committee through independent reviews of market indicators, general news sources and communications from the Fund’s custodian. As of December 31, 2016, the Fund held no securities that were fair valued.

Security Transactions

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

Income Recognition

Interest income is recorded on the accrual basis. 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.

Lending of Portfolio Securities

The Fund may lend its portfolio securities only to borrowers that are approved by the Fund’s securities lending agent, State Street Bank & Trust Co. (“SSB”). The Fund will limit such lending to not more than 30% of the value of its total assets. The borrower pledges and maintains with the Fund collateral consisting of cash (U.S. Dollar only), securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, or by irrevocable bank letters of credit issued by a person other than the Borrower or an affiliate of the Borrower. The initial collateral received by the Fund is required to have a value of no less than 102% of the market value of the loaned securities for securities traded on U.S. exchanges and a value of no less than 105% of the market value for all other securities. The collateral is maintained thereafter, at a market value equal to no less than 100% of the current value of the securities on loan. The market value of the loaned securities is determined at the close of each business day and any additional required collateral is delivered to the Fund on the next business day. During the term of the loan, the Fund is entitled to all distributions made on or in respect of the loaned securities. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within the standard time period for settlement of securities transactions.

Any cash collateral received is reinvested in a money market fund managed by SSB as disclosed in the Fund’s Schedule of Investments and is reflected in the Statement of Assets and Liabilities as a payable for collateral upon return of securities loaned. Non cash collateral, in the form of securities issued or guaranteed by the U.S. government or its agencies or instrumentalities, is not disclosed in the Fund’s Statements of Assets and Liabilities as it is held by the lending agent on behalf of the Fund and the Fund does not have the ability to re hypothecate these securities. Income earned by the Fund from securities lending activity is disclosed in the Statement of Operations.

December 31, 2016

The following is a summary of the Fund's securities lending agreement and related cash and non cash collateral received as of December 31, 2016:

	Market Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received	Total Collateral Received
Liberty All Star® Equity Fund	$13,402,360	$9,369,253	$4,357,823	$13,727,076

The risks of securities lending include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate these risks, the Fund benefits from a borrower default indemnity provided by SSB. SSB's indemnity allows for full replacement of securities lent wherein SSB will purchase the unreturned loaned securities on the open market by applying the proceeds of the collateral, or to the extent such proceeds are insufficient or the collateral is unavailable, SSB will purchase the unreturned loan securities at SSB's expense. However, the Fund could suffer a loss if the value of the investments purchased with cash collateral falls below the value of the cash collateral received.

The following table reflects a breakdown of transactions accounted for as secured borrowings, the gross obligation by the type of collateral pledged or securities loaned, and the remaining contractual maturity of those transactions as of December 31, 2016:

Liberty All Star® Equity Fund	Remaining contractual maturity of the agreement				
Securities Lending Transactions	Overnight & Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Common Stocks	$9,369,253	$ –	$ –	$ –	$9,369,253
Total Borrowings					9,369,253
Gross amount of recognized liabilities for securities lending (collateral received)					$9,369,253

Fair Value Measurements

The Fund discloses the classification of its fair value measurements following a 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.

Valuation techniques used to value the Fund's investments by major category are as follows:

Equity securities that are value based on unadjusted quoted prices in active markets are categorized as Level 1 in the hierarchy. In the event there were no sales during the day or closing prices are not available, securities are valued at the mean of the most recent quoted bid and ask prices on such day and are generally categorized as Level 2 in the hierarchy. Investments in open end mutual funds are valued at their closing NAV each business day and are categorized as Level 1 in the hierarchy.

December 31, 2016

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 which 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:

Level 1 – Unadjusted quoted prices in active markets for identical investments, unrestricted assets or liabilities that a Fund has the ability to access at the measurement date;

Level 2 – Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

Level 3 – Significant unobservable prices or inputs (including the Fund's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2016:

	Valuation Inputs	
Investments in Securities at Value*	Level 1	Level 2