

LIBERTY ALL STAR EQUITY FUND  
Form N-Q  
May 30, 2008

**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: March 31, 2008

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**Item 1 Schedule of Investments.**

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## LIBERTY ALL-STAR EQUITY FUND

## SCHEDULE OF INVESTMENTS

as of March 31, 2008 (unaudited)

|  | SHARES  | MARKET VALUE |
|--|---------|--------------|
| <b>COMMON STOCKS (96.64%)</b>                    |         |              |
| <b>CONSUMER DISCRETIONARY (11.15%)</b>           |         |              |
| <b>Auto Components (0.46%)</b>                   |         |              |
| Magna International, Inc., Class A               | 67,575  | \$ 4,875,536 |
| Visteon Corp.(a)                                 | 247,400 | 930,224      |
|  |         | 5,805,760    |
| <b>Home Builders (0.16%)</b>                     |         |              |
| DR Horton, Inc.                                  | 130,200 | 2,050,650    |
| <b>Hotels, Restaurants &amp; Leisure (2.12%)</b> |         |              |
| Carnival Corp.                                   | 78,275  | 3,168,572    |
| Las Vegas Sands Corp.(a)                         | 91,290  | 6,722,596    |
| McDonald's Corp.                                 | 224,300 | 12,509,211   |
| Yum! Brands, Inc.                                | 115,097 | 4,282,759    |
|  |         | 26,683,138   |
| <b>Household Durables (1.58%)</b>                |         |              |
| Centex Corp.                                     | 231,775 | 5,611,273    |
| NVR, Inc.(a)                                     | 9,475   | 5,661,313    |
| Whirlpool Corp.                                  | 99,350  | 8,621,592    |
|  |         | 19,894,178   |
| <b>Internet &amp; Catalog Retail (1.14%)</b>     |         |              |
| Amazon.com, Inc.(a)                              | 201,380 | 14,358,394   |
| <b>Media (3.01%)</b>                             |         |              |
| Comcast Corp., Class A                           | 472,000 | 8,953,841    |
| Liberty Media Corp., Capital Group, Series A(a)  | 67,779  | 1,066,841    |
| Liberty Media Corp., Entertainment Group(a)      | 199,116 | 4,507,986    |
| The McGraw-Hill Cos., Inc.                       | 218,000 | 8,055,100    |
| Omnicom Group, Inc.                              | 26,200  | 1,157,516    |
| Time Warner, Inc.                                | 625,000 | 8,762,501    |
| XM Satellite Radio Holdings, Inc., Class A(a)    | 467,800 | 5,435,836    |
|  |         | 37,939,621   |
| <b>Multi-line Retail (0.16%)</b>                 |         |              |
| J.C. Penney Co., Inc.                            | 54,075  | 2,039,168    |

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|   |         |            |
|---|---------|------------|
| <b>Specialty Retail (2.31%)</b>                     |         |            |
| Best Buy Co., Inc.                                  | 6,325   | 262,235    |
| Chico's FAS, Inc.(a)                                | 194,200 | 1,380,762  |
| The Gap, Inc.                                       | 138,000 | 2,715,840  |
| Home Depot, Inc.                                    | 308,425 | 8,626,647  |
| Office Depot, Inc.(a)                               | 277,000 | 3,060,850  |
| Staples, Inc.                                       | 384,275 | 8,496,320  |
| The TJX Companies, Inc.                             | 140,175 | 4,635,587  |
|   |         | 29,178,241 |
| <b>Textiles, Apparel &amp; Luxury Goods (0.21%)</b> |         |            |
| NIKE, Inc., Class B                                 | 38,800  | 2,638,400  |
| <b>CONSUMER STAPLES (6.04%)</b>                     |         |            |
| <b>Beverages (1.26%)</b>                            |         |            |
| The Coca-Cola Co.                                   | 194,100 | 11,814,867 |
| PepsiCo, Inc.                                       | 55,800  | 4,028,760  |
|   |         | 15,843,627 |
| <b>Food &amp; Staples Retailing (2.72%)</b>         |         |            |
| CVS Caremark Corp.                                  | 100,100 | 4,055,051  |
| Walgreen Co.  | 86,000  | 3,275,740  |
| Wal-Mart Stores, Inc.                               | 512,425 | 26,994,549 |
|   |         | 34,325,340 |
| <b>Food Products (1.28%)</b>                        |         |            |
| Archer-Daniels-Midland Co.                          | 132,200 | 5,441,351  |
| Kraft Foods, Inc.                                   | 174,575 | 5,413,571  |
| Sara Lee Corp.                                      | 197,546 | 2,761,693  |
| Smithfield Foods, Inc.(a)                           | 2,700   | 69,552     |
| Tyson Foods, Inc., Class A                          | 156,550 | 2,496,973  |
|   |         | 16,183,140 |
| <b>Household Products (0.78%)</b>                   |         |            |
| Colgate-Palmolive Co.                               | 125,700 | 9,793,287  |
| <b>ENERGY (9.51%)</b>                               |         |            |
| <b>Energy Equipment &amp; Services (1.98%)</b>      |         |            |
| Schlumberger Ltd.                                   | 203,130 | 17,672,310 |
| Transocean, Inc.(a)                                 | 53,599  | 7,246,585  |
|   |         | 24,918,895 |
| <b>Oil &amp; Gas (0.29%)</b>                        |         |            |
| XTO Energy, Inc.                                    | 59,200  | 3,662,112  |
| <b>Oil &amp; Gas Services (0.40%)</b>               |         |            |
| Weatherford International Ltd.(a)                   | 69,100  | 5,007,677  |

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|  |           |            |
|--|-----------|------------|
| <b>Oil, Gas &amp; Consumable Fuels (6.84%)</b> |           |            |
| Apache Corp.                                   | 63,800    | 7,708,316  |
| Arch Coal, Inc.                                | 401,875   | 17,481,563 |
| BP PLC(b)                                      | 85,979    | 5,214,626  |
| Cameco Corp.                                   | 60,675    | 1,998,635  |
| Chevron Corp.                                  | 117,000   | 9,987,120  |
| ConocoPhillips                                 | 135,000   | 10,288,350 |
| Consol Energy, Inc.                            | 198,700   | 13,748,053 |
| Devon Energy Corp.                             | 170,500   | 17,788,264 |
| Massey Energy Co.                              | 57,775    | 2,108,788  |
|  |           | 86,323,715 |
| <b>FINANCIALS (22.54%)</b>                     |           |            |
| <b>Banks (0.50%)</b>                           |           |            |
| State Street Corp.                             | 79,900    | 6,312,100  |
| <b>Capital Markets (2.20%)</b>                 |           |            |
| Lehman Brothers Holdings, Inc.                 | 96,600    | 3,636,024  |
| Merrill Lynch & Co., Inc.                      | 182,000   | 7,414,680  |
| Morgan Stanley                                 | 365,375   | 16,697,638 |
|  |           | 27,748,342 |
| <b>Commercial Banks (1.74%)</b>                |           |            |
| Comerica, Inc.                                 | 128,675   | 4,513,919  |
| National City Corp.                            | 1,000,275 | 9,952,736  |
| Wachovia Corp.                                 | 276,250   | 7,458,750  |
|  |           | 21,925,405 |
| <b>Consumer Finance (1.21%)</b>                |           |            |
| Capital One Financial Corp.                    | 251,425   | 12,375,138 |
| Discover Financial Services LLC                | 178,537   | 2,922,651  |
|  |           | 15,297,789 |
| <b>Diversified Financial Services (4.55%)</b>  |           |            |
| Bank of America Corp.                          | 416,650   | 15,795,201 |
| Citigroup, Inc.                                | 842,075   | 18,037,246 |
| IntercontinentalExchange, Inc.(a)              | 78,200    | 10,205,100 |
| JPMorgan Chase & Co.                           | 312,150   | 13,406,843 |
|  |           | 57,444,390 |
| <b>Insurance (6.94%)</b>                       |           |            |
| Aflac, Inc.                                    | 154,200   | 10,015,289 |
| The Allstate Corp.                             | 249,550   | 11,993,372 |
| American International Group, Inc.             | 268,250   | 11,601,812 |
| Berkshire Hathaway, Inc., Class A(a)           | 81        | 10,805,399 |
| Fidelity National Financial, Inc.              | 448,750   | 8,225,588  |

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|                                   |         |            |
|-----------------------------------|---------|------------|
| Genworth Financial, Inc., Class A | 312,000 | 7,063,680  |
| MetLife, Inc.                     | 40,225  | 2,423,959  |
| The Progressive Corp.             | 464,194 | 7,459,598  |
| RenaissanceRe Holdings Ltd.       | 73,025  | 3,790,728  |
| Torchmark Corp.                   | 138,750 | 8,340,263  |
| Unum Group                        | 63,275  | 1,392,683  |
| XL Capital Ltd., Class A          | 149,025 | 4,403,689  |
|                                   |         | 87,516,060 |

**Real Estate (0.03%)**

|                    |       |         |
|--------------------|-------|---------|
| The St. Joe Co.(a) | 8,450 | 362,759 |
|--------------------|-------|---------|

**Real Estate Investment Trusts (1.74%)**

|                                 |           |            |
|---------------------------------|-----------|------------|
| Annaly Capital Management, Inc. | 1,106,974 | 16,958,842 |
| Redwood Trust, Inc.             | 136,375   | 4,957,231  |
|                                 |           | 21,916,073 |

**Thriffs & Mortgage Finance (3.63%)**

|                             |         |            |
|-----------------------------|---------|------------|
| Countrywide Financial Corp. | 192,875 | 1,060,813  |
| Fannie Mae                  | 688,641 | 18,125,031 |
| Freddie Mac                 | 948,100 | 24,005,891 |
| The PMI Group, Inc.         | 118,850 | 691,707    |
| Washington Mutual, Inc.     | 180,500 | 1,859,150  |
|                             |         | 45,742,592 |

**HEALTH CARE (13.72%)**

**Biotechnology (4.52%)**

|                          |         |            |
|--------------------------|---------|------------|
| Amgen, Inc.(a)           | 160,025 | 6,685,845  |
| Cephalon, Inc.(a)        | 86,300  | 5,557,720  |
| Genentech, Inc.(a)       | 201,200 | 16,333,416 |
| Genzyme Corp.(a)         | 264,200 | 19,693,468 |
| Gilead Sciences, Inc.(a) | 169,700 | 8,744,641  |
|                          |         | 57,015,090 |

**Health Care Equipment & Supplies (2.89%)**

|                                 |         |            |
|---------------------------------|---------|------------|
| Baxter International, Inc.      | 161,100 | 9,314,802  |
| Becton Dickinson & Co.          | 81,400  | 6,988,190  |
| Boston Scientific Corp.(a)      | 197,775 | 2,545,364  |
| Covidien Ltd.                   | 237,850 | 10,524,863 |
| Varian Medical Systems, Inc.(a) | 150,400 | 7,044,736  |
|                                 |         | 36,417,955 |

**Health Care Providers & Services (1.08%)**

|                          |         |            |
|--------------------------|---------|------------|
| AmerisourceBergen Corp.  | 128,038 | 5,246,997  |
| Express Scripts, Inc.(a) | 66,300  | 4,264,416  |
| Omnicare, Inc.           | 225,850 | 4,101,436  |
|                          |         | 13,612,849 |

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|---|---------|------------|
| <b>Health Care Services (0.02%)</b>               |         |            |
| Brookdale Senior Living, Inc.                     | 13,150  | 314,285    |
| <b>Health Care Technology (0.43%)</b>             |         |            |
| Cerner Corp.(a)                                   | 144,332 | 5,380,697  |
| <b>Pharmaceuticals (4.78%)</b>                    |         |            |
| Bristol-Myers Squibb Co.                          | 331,050 | 7,051,365  |
| Johnson & Johnson                                 | 270,450 | 17,544,091 |
| Pfizer, Inc.                                      | 752,900 | 15,758,197 |
| Schering-Plough Corp.                             | 167,800 | 2,417,998  |
| Teva Pharmaceutical Industries Ltd.(b)            | 187,400 | 8,656,006  |
| Wyeth   | 211,500 | 8,832,240  |
|   |         | 60,259,897 |
| <b>INDUSTRIALS (12.08%)</b>                       |         |            |
| <b>Aerospace &amp; Defense (3.63%)</b>            |         |            |
| The Boeing Co.                                    | 54,375  | 4,043,869  |
| Bombardier, Inc., Class B(a)                      | 893,250 | 4,760,171  |
| General Dynamics Corp.                            | 94,500  | 7,878,465  |
| Honeywell International, Inc.                     | 92,800  | 5,235,776  |
| L-3 Communications Holdings, Inc.                 | 25,300  | 2,766,302  |
| Lockheed Martin Corp.                             | 99,700  | 9,900,209  |
| Northrop Grumman Corp.                            | 72,750  | 5,660,678  |
| United Technologies Corp.                         | 81,100  | 5,581,302  |
|   |         | 45,826,772 |
| <b>Air Freight &amp; Logistics (1.26%)</b>        |         |            |
| C.H. Robinson Worldwide, Inc.                     | 187,445 | 10,197,008 |
| Expeditors International of Washington, Inc.      | 126,390 | 5,710,300  |
|   |         | 15,907,308 |
| <b>Commercial Services &amp; Supplies (0.35%)</b> |         |            |
| Monster Worldwide, Inc.(a)                        | 181,000 | 4,382,010  |
| <b>Industrial Conglomerates (3.11%)</b>           |         |            |
| 3M Co.  | 112,400 | 8,896,460  |
| General Electric Co.                              | 562,200 | 20,807,022 |
| Tyco International Ltd.                           | 216,500 | 9,536,825  |
|   |         | 39,240,307 |
| <b>Machinery (2.08%)</b>                          |         |            |
| Deere & Co.                                       | 148,400 | 11,937,296 |
| Navistar International Corp.(a)                   | 237,158 | 14,265,054 |
|   |         | 26,202,350 |

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|   |           |            |
|---|-----------|------------|
| <b>Road &amp; Rail (1.07%)</b>                        |           |            |
| CSX Corp.   | 190,750   | 10,695,352 |
| J.B. Hunt Transport Services, Inc.                    | 89,025    | 2,798,056  |
|   |           | 13,493,408 |
| <b>Trading Companies &amp; Distributors (0.03%)</b>   |           |            |
| Wolseley PLC(b)                                       | 32,550    | 341,775    |
| <b>Transportation (0.55%)</b>                         |           |            |
| Burlington Northern Santa Fe Corp.                    | 75,700    | 6,981,054  |
| <b>INFORMATION TECHNOLOGY (16.89%)</b>                |           |            |
| <b>Communications Equipment (3.45%)</b>               |           |            |
| Alcatel-Lucent(b)                                     | 2,145,198 | 12,356,340 |
| Cisco Systems, Inc.(a)                                | 352,000   | 8,479,680  |
| Motorola, Inc.  | 165,100   | 1,535,430  |
| QUALCOMM, Inc.  | 362,600   | 14,866,600 |
| Research In Motion Ltd.(a)                            | 56,100    | 6,296,103  |
|   |           | 43,534,153 |
| <b>Computers (0.49%)</b>                              |           |            |
| Apple, Inc.(a)  | 40,100    | 5,754,350  |
| SanDisk Corp.(a)                                      | 20,575    | 464,378    |
|   |           | 6,218,728  |
| <b>Computers &amp; Peripherals (1.99%)</b>            |           |            |
| Dell, Inc.(a)   | 868,725   | 17,305,002 |
| International Business Machines Corp.                 | 47,000    | 5,411,580  |
| NetApp, Inc.(a)                                       | 117,415   | 2,354,171  |
|   |           | 25,070,753 |
| <b>Electronic Equipment &amp; Instruments (0.93%)</b> |           |            |
| AU Optronics Corp.(b)                                 | 358,318   | 6,159,480  |
| Celestica, Inc.(a)                                    | 254,925   | 1,713,096  |
| Tyco Electronics Ltd.                                 | 113,250   | 3,886,740  |
|   |           | 11,759,316 |
| <b>Internet Software &amp; Services (2.52%)</b>       |           |            |
| eBay, Inc.(a)   | 327,200   | 9,763,648  |
| Google, Inc., Class A(a)                              | 34,700    | 15,284,309 |
| VeriSign, Inc.(a)                                     | 204,095   | 6,784,118  |
|   |           | 31,832,075 |



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|   |         |            |
|---|---------|------------|
| <b>IT Services (1.87%)</b>                                  |         |            |
| Affiliated Computer Services, Inc., Class A(a)              | 176,350 | 8,836,899  |
| BearingPoint, Inc.(a)                                       | 698,605 | 1,173,656  |
| Computer Sciences Corp.(a)                                  | 20,000  | 815,800    |
| Visa, Inc.(a)   | 45,295  | 2,824,596  |
| The Western Union Co.                                       | 467,000 | 9,933,090  |
|   |         | 23,584,041 |
| <b>Semiconductors &amp; Semiconductor Equipment (2.41%)</b> |         |            |
| Analog Devices, Inc.  | 292,000 | 8,619,840  |
| Intel Corp.   | 325,000 | 6,883,500  |
| International Rectifier Corp.(a)                            | 166,028 | 3,569,602  |
| Novellus Systems, Inc.(a)                                   | 393,000 | 8,272,650  |
| Qimonda AG(a)(b)  | 311,100 | 1,340,841  |
| Taiwan Semiconductor Manufacturing Co. Ltd.(b)              | 170,000 | 1,745,900  |
|   |         | 30,432,333 |
| <b>Software (3.23%)</b>                                     |         |            |
| CA, Inc.  | 256,675 | 5,775,188  |
| Microsoft Corp.   | 486,025 | 13,793,389 |
| Oracle Corp.(a)   | 130,825 | 2,558,937  |
| Salesforce.com, Inc.(a)                                     | 213,500 | 12,355,245 |
| Symantec Corp.(a)   | 371,000 | 6,166,020  |
|   |         | 40,648,779 |
| <b>MATERIALS (1.94%)</b>                                    |         |            |
| <b>Chemicals (1.62%)</b>                                    |         |            |
| Cytec Industries, Inc.                                      | 31,475  | 1,694,929  |
| Potash Corp. of Saskatchewan, Inc.                          | 76,700  | 11,904,607 |
| Praxair, Inc.   | 80,300  | 6,763,669  |
|   |         | 20,363,205 |
| <b>Metals &amp; Mining (0.32%)</b>                          |         |            |
| Allegheny Technologies, Inc.                                | 56,600  | 4,038,976  |
| <b>TELECOMMUNICATION SERVICES (1.05%)</b>                   |         |            |
| <b>Wireless Telecommunication Services (1.05%)</b>          |         |            |
| America Movil SA de CV(b)                                   | 64,300  | 4,095,267  |
| Mobile TeleSystems OJSC(b)                                  | 102,700 | 7,789,795  |
| NII Holdings, Inc.(a)                                       | 21,150  | 672,147    |
| Sprint Nextel Corp.(a)                                      | 93,950  | 628,526    |
|   |         | 13,185,735 |
| <b>UTILITIES (1.72%)</b>                                    |         |            |
| <b>Electric Utilities (0.99%)</b>                           |         |            |
| Reliant Energy, Inc.(a)                                     | 529,225 | 12,516,171 |

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|                                  |         |           |
|----------------------------------|---------|-----------|
| <b>Multi-Utilities (0.73%)</b>   |         |           |
| Sempra Energy                    | 81,250  | 4,329,000 |
| Wisconsin Energy Corp., Series C | 110,200 | 4,847,698 |
|                                  |         | 9,176,698 |

**TOTAL COMMON STOCKS (Cost of \$1,290,426,167)** 1,218,647,573

|  | SHARES | MARKET VALUE |
|--|--------|--------------|
| <b>EXCHANGE TRADED FUNDS (0.25%)</b>                     |        |              |
| iShares Russell 1000 Value Index Fund                    | 43,950 | 3,214,503    |
| <b>TOTAL EXCHANGE TRADED FUNDS (Cost of \$3,617,547)</b> |        | 3,214,503    |

|                                 | SHARES | MARKET VALUE |
|---------------------------------|--------|--------------|
| <b>PREFERRED STOCKS (0.64%)</b> |        |              |

|                                       |        |         |
|---------------------------------------|--------|---------|
| <b>CONSUMER DISCRETIONARY (0.08%)</b> |        |         |
| <b>Automobiles (0.08%)</b>            |        |         |
| General Motors Corp., Series C, 6.25% | 59,300 | 978,450 |

|  |        |           |
|--|--------|-----------|
| <b>FINANCIALS (0.56%)</b>                |        |           |
| <b>Savings &amp; Loans (0.56%)</b>       |        |           |
| Washington Mutual, Inc., Series R, 7.75% | 10,000 | 7,100,000 |

**TOTAL PREFERRED STOCKS (Cost of \$10,254,710)** 8,078,450

|                                | PRINCIPAL AMOUNT | MARKET VALUE |
|--------------------------------|------------------|--------------|
| <b>CORPORATE BONDS (0.12%)</b> |                  |              |

|   |            |         |
|---|------------|---------|
| <b>FINANCIALS (0.02%)</b>                                 |            |         |
| <b>Real Estate Investment Trusts (0.02%)</b>              |            |         |
| iStar Financial, Inc., Convertible<br>5.229%, 10/01/12(c) | \$ 320,000 | 226,720 |

|   |           |           |
|---|-----------|-----------|
| <b>INFORMATION TECHNOLOGY (0.10%)</b>                           |           |           |
| <b>Semiconductors (0.10%)</b>                                   |           |           |
| Qimonda Finance LLC, Convertible, Series ADS<br>6.75%, 03/22/13 | 1,383,000 | 1,261,988 |

**TOTAL CORPORATE BONDS (Amortized Cost of \$1,621,822)** 1,488,708

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|  | PAR VALUE     | MARKET VALUE     |
|--|---------------|------------------|
| <b>SHORT TERM INVESTMENT (2.30%)</b>   |               |                  |
| <b>REPURCHASE AGREEMENT (2.30%)</b>  |               |                  |
| Repurchase agreement with State Street Bank & Trust Co., dated 03/31/08, due 04/01/08 at 1.40%, collateralized by several U.S. Treasury Bonds with various maturity dates, market value of \$29,564,090 (Repurchase proceeds of \$28,975,127) (Cost of \$28,974,000) | \$ 28,974,000 | 28,974,000       |
| <b>TOTAL INVESTMENTS (99.95%) (Cost of 1,334,913,906)(d)</b>   |               | 1,260,403,234    |
| <b>OTHER ASSETS IN EXCESS OF LIABILITIES (0.05%)</b>   |               | 635,710          |
| <b>NET ASSETS (100.00%)</b>  |               | \$ 1,261,038,944 |
| <b>NET ASSET VALUE PER SHARE (178,677,459 SHARES OUTSTANDING)</b>  |               | \$ 7.06          |

(a) Non-income producing security.

(b) ADR - American Depositary Receipt.

(c) Floating or variable rate security. Interest rate disclosed is that which is in effect at March 31, 2008.

(d) Cost of investments for federal income tax purposes is \$1,347,382,847

Gross unrealized appreciation and depreciation at March 31, 2008

based on cost of investments for federal income tax purposes is as follows:

|                               |                 |
|-------------------------------|-----------------|
| Gross unrealized appreciation | \$ 112,919,602  |
| Gross unrealized depreciation | (199,899,215)   |
| Net unrealized depreciation   | \$ (86,979,613) |

**FAIR VALUE REPORTING**

The Fund adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157 ( FAS 157 ), Fair Value Measurements, on January 1, 2008. FAS 157 established a three-tier hierarchy to establish classification of fair value measurements for disclosure purposes. 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.

Various inputs are used in determining the value of the Fund's investments as of the end of the reporting period. These inputs are categorized in the following hierarchy under applicable financial accounting standards:

Level 1 Quoted prices in active markets for identical investments

Level 2 Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used to value the Fund's investments as of March 31, 2008.

| Valuation Inputs                            | Investments in Securities | Other Financial Instruments* |
|---|---------------------------|------------------------------|
| Level 1-Quoted Prices                       | \$ 1,231,429,234          |                              |
| Level 2-Other Significant Observable Inputs | \$ 28,974,000             |                              |
| Level 3-Significant Unobservable Inputs     |                           |                              |
| <b>Total</b>                                | <b>\$ 1,260,403,234</b>   |                              |

\* Other financial instruments are derivative investments not reflected in the Schedule of Investments such as futures, forwards and swap contracts, which are valued at the unrealized appreciation/depreciation on the investment.

For the three months ended March 31, 2008, the Fund did not have significant unobservable inputs (Level 3) used in determining fair value. Therefore, a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value is not applicable.

**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.

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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.

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.

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#### 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: May 30, 2008

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: May 30, 2008

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

Date: May 30, 2008