

LIBERTY ALL STAR EQUITY FUND  
Form N-Q  
November 26, 2014

**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 80203

(Address of principal executive offices) (Zip code)

Erin D. Nelson, 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: July 1, 2014 September 30, 2014

**Item 1 Schedule of Investments.**

|  | SHARES  | MARKET VALUE  |
|--|---------|---------------|
| <b>COMMON STOCKS (97.22%)</b>                      |         |               |
| <b>CONSUMER DISCRETIONARY (16.44%)</b>             |         |               |
| <b>Auto Components (1.47%)</b>                     |         |               |
| Johnson Controls, Inc.                             | 253,564 | \$ 11,156,816 |
| TRW Automotive Holdings Corp. <sup>(a)</sup>       | 62,325  | 6,310,406     |
|  |         | 17,467,222    |
| <b>Automobiles (0.61%)</b>                         |         |               |
| General Motors Co.                                 | 157,600 | 5,033,744     |
| Tesla Motors, Inc. <sup>(a)</sup>                  | 8,880   | 2,154,999     |
|  |         | 7,188,743     |
| <b>Hotels, Restaurants &amp; Leisure (4.52%)</b>   |         |               |
| Carnival Corp.                                     | 238,040 | 9,562,067     |
| Chipotle Mexican Grill, Inc. <sup>(a)</sup>        | 8,200   | 5,466,038     |
| Marriott International, Inc., Class A              | 200,781 | 14,034,592    |
| McDonald's Corp.                                   | 61,500  | 5,830,815     |
| Starbucks Corp.                                    | 248,849 | 18,778,145    |
|  |         | 53,671,657    |
| <b>Household Durables (2.09%)</b>                  |         |               |
| Lennar Corp., Class A                              | 195,990 | 7,610,292     |
| PulteGroup, Inc.                                   | 367,588 | 6,491,604     |
| Taylor Morrison Home Corp., Class A <sup>(a)</sup> | 71,159  | 1,154,199     |
| Toll Brothers, Inc. <sup>(a)</sup>                 | 307,516 | 9,582,198     |
|  |         | 24,838,293    |
| <b>Internet &amp; Catalog Retail (2.26%)</b>       |         |               |
| Amazon.com, Inc. <sup>(a)</sup>                    | 50,907  | 16,414,453    |
| priceline.com, Inc. <sup>(a)</sup>                 | 7,295   | 8,451,841     |
| Shutterfly, Inc. <sup>(a)</sup>                    | 40,253  | 1,961,932     |
|  |         | 26,828,226    |
| <b>Media (2.82%)</b>                               |         |               |
| CBS Corp., Class B                                 | 68,990  | 3,690,965     |
| Comcast Corp., Class A                             | 113,109 | 6,083,002     |
| The Interpublic Group of Cos., Inc.                | 128,075 | 2,346,334     |
| News Corp., Class A <sup>(a)</sup>                 | 305,600 | 4,996,560     |
| News Corp., Class B <sup>(a)</sup>                 | 112,445 | 1,813,738     |
| Omnicom Group, Inc.                                | 93,825  | 6,460,789     |
| Time Warner Cable, Inc.                            | 16,241  | 2,330,421     |
| The Walt Disney Co.                                | 64,597  | 5,751,071     |
|  |         | 33,472,880    |

| <b>Specialty Retail (1.97%)</b>   |         |           |
|-----------------------------------|---------|-----------|
| The Home Depot, Inc.              | 65,318  | 5,992,273 |
| Office Depot, Inc. <sup>(a)</sup> | 578,317 | 2,972,549 |
| Ross Stores, Inc.                 | 29,837  | 2,255,080 |
| Staples, Inc.                     | 437,175 | 5,289,818 |

|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                    |         |              |
| <b>Specialty Retail (continued)</b>                 |         |              |
| Tiffany & Co.                                       | 70,915  | \$ 6,829,824 |
|   |         | 23,339,544   |
| <b>Textiles, Apparel &amp; Luxury Goods (0.70%)</b> |         |              |
| Kate Spade & Co. <sup>(a)</sup>                     | 113,577 | 2,979,125    |
| NIKE, Inc., Class B                                 | 59,396  | 5,298,123    |
|   |         | 8,277,248    |
| <b>CONSUMER STAPLES (4.40%)</b>                     |         |              |
| <b>Beverages (1.49%)</b>                            |         |              |
| The Coca-Cola Company                               | 98,000  | 4,180,680    |
| Diageo PLC <sup>(b)</sup>                           | 23,316  | 2,690,666    |
| PepsiCo, Inc.                                       | 62,100  | 5,780,889    |
| SABMiller PLC <sup>(b)</sup>                        | 91,428  | 5,079,740    |
|   |         | 17,731,975   |
| <b>Food &amp; Staples Retailing (1.29%)</b>         |         |              |
| Costco Wholesale Corp.                              | 75,177  | 9,421,182    |
| CVS Caremark Corp.                                  | 73,500  | 5,849,865    |
|   |         | 15,271,047   |
| <b>Food Products (0.75%)</b>                        |         |              |
| Mead Johnson Nutrition Co.                          | 71,300  | 6,860,486    |
| Whitewave Foods Co. <sup>(a)</sup>                  | 56,475  | 2,051,737    |
|   |         | 8,912,223    |
| <b>Household Products (0.67%)</b>                   |         |              |
| The Procter & Gamble Co.                            | 95,000  | 7,955,300    |
| <b>Personal Products (0.20%)</b>                    |         |              |
| The Estee Lauder Cos., Inc., Class A                | 31,686  | 2,367,578    |
| <b>ENERGY (13.03%)</b>                              |         |              |
| <b>Energy Equipment &amp; Services (4.57%)</b>      |         |              |
| Baker Hughes, Inc.                                  | 66,300  | 4,313,478    |
| Dril-Quip, Inc. <sup>(a)</sup>                      | 46,520  | 4,158,888    |
| Oceaneering International, Inc.                     | 75,875  | 4,944,774    |
| Schlumberger Ltd.                                   | 248,338 | 25,253,491   |
| Weatherford International Ltd. <sup>(a)</sup>       | 747,508 | 15,548,166   |

54,218,797

**Oil, Gas & Consumable Fuels (8.46%)**

|  |           |            |
|--|-----------|------------|
| Anadarko Petroleum Corp.                         | 27,244    | 2,763,631  |
| Arch Coal, Inc.                                  | 2,149,113 | 4,556,120  |
| BP PLC <sup>(b)</sup>                            | 244,300   | 10,736,995 |
| Chesapeake Energy Corp.                          | 479,016   | 11,012,578 |
| Chevron Corp.                                    | 58,000    | 6,920,560  |
| Cobalt International Energy, Inc. <sup>(a)</sup> | 193,032   | 2,625,235  |

|  | SHARES    | MARKET VALUE |
|--|-----------|--------------|
| <b>COMMON STOCKS (continued)</b>                   |           |              |
| <b>Oil, Gas &amp; Consumable Fuels (continued)</b> |           |              |
| ConocoPhillips                                     | 86,500    | \$ 6,618,980 |
| CONSOL Energy, Inc.                                | 84,687    | 3,206,250    |
| Devon Energy Corp.                                 | 203,731   | 13,890,380   |
| Exxon Mobil Corp.                                  | 44,775    | 4,211,089    |
| Murphy Oil Corp.                                   | 81,475    | 4,636,742    |
| Occidental Petroleum Corp.                         | 85,000    | 8,172,750    |
| Peabody Energy Corp.                               | 752,006   | 9,309,834    |
| Royal Dutch Shell PLC, Class A <sup>(b)</sup>      | 154,493   | 11,761,552   |
|  |           | 100,422,696  |
| <b>FINANCIALS (27.29%)</b>                         |           |              |
| <b>Capital Markets (4.99%)</b>                     |           |              |
| Ameriprise Financial, Inc.                         | 34,980    | 4,315,832    |
| The Charles Schwab Corp.                           | 267,000   | 7,847,130    |
| Franklin Resources, Inc.                           | 85,600    | 4,674,616    |
| The Goldman Sachs Group, Inc.                      | 37,450    | 6,874,697    |
| Morgan Stanley                                     | 379,600   | 13,122,772   |
| State Street Corp.                                 | 230,100   | 16,937,661   |
| UBS AG   | 313,400   | 5,443,758    |
|  |           | 59,216,466   |
| <b>Commercial Banks (4.85%)</b>                    |           |              |
| Barclays PLC <sup>(b)</sup>                        | 258,421   | 3,827,215    |
| BB&T Corp.   | 205,000   | 7,628,050    |
| Comerica, Inc.                                     | 70,225    | 3,501,419    |
| First Republic Bank                                | 102,030   | 5,038,242    |
| Huntington Bancshares, Inc.                        | 115,822   | 1,126,948    |
| The PNC Financial Services Group, Inc.             | 70,666    | 6,047,596    |
| Regions Financial Corp.                            | 408,078   | 4,097,103    |
| SunTrust Banks, Inc.                               | 444,978   | 16,922,513   |
| Wells Fargo & Co.                                  | 181,000   | 9,388,470    |
|  |           | 57,577,556   |
| <b>Consumer Finance (2.53%)</b>                    |           |              |
| American Express Co.                               | 42,500    | 3,720,450    |
| Capital One Financial Corp.                        | 101,000   | 8,243,620    |
| Visa, Inc., Class A                                | 84,736    | 18,080,120   |
|  |           | 30,044,190   |
| <b>Diversified Financial Services (6.93%)</b>      |           |              |
| Bank of America Corp.                              | 1,274,064 | 21,722,791   |
| Citigroup, Inc.                                    | 408,754   | 21,181,632   |
| CME Group, Inc.                                    | 72,045    | 5,760,358    |

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|                      |         |            |
|----------------------|---------|------------|
| JPMorgan Chase & Co. | 451,000 | 27,168,240 |
| Voya Financial, Inc. | 163,575 | 6,395,783  |
|                      |         | 82,228,804 |



|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                    |         |              |
| <b>Insurance (6.56%)</b>                            |         |              |
| ACE Ltd.  | 86,700  | \$ 9,092,229 |
| The Allstate Corp.                                  | 109,067 | 6,693,442    |
| American International Group, Inc.                  | 303,891 | 16,416,192   |
| Assured Guaranty Ltd.                               | 256,286 | 5,679,298    |
| Axis Capital Holdings Ltd.                          | 156,000 | 7,383,480    |
| First American Financial Corp.                      | 102,242 | 2,772,803    |
| The Hartford Financial Services Group, Inc.         | 231,645 | 8,628,776    |
| MetLife, Inc.                                       | 304,725 | 16,369,827   |
| Willis Group Holdings PLC                           | 115,350 | 4,775,490    |
|   |         | 77,811,537   |
| <b>Real Estate Investment Trusts (1.43%)</b>        |         |              |
| American Tower Corp.                                | 120,360 | 11,269,307   |
| Columbia Property Trust, Inc.                       | 68,027  | 1,623,804    |
| NorthStar Realty Finance Corp.                      | 234,000 | 4,134,780    |
|   |         | 17,027,891   |
| <b>HEALTH CARE (10.29%)</b>                         |         |              |
| <b>Biotechnology (2.11%)</b>                        |         |              |
| Alexion Pharmaceuticals, Inc. <sup>(a)</sup>        | 22,259  | 3,690,987    |
| BioMarin Pharmaceutical, Inc. <sup>(a)</sup>        | 80,245  | 5,790,479    |
| Celgene Corp. <sup>(a)</sup>                        | 87,430  | 8,286,616    |
| Gilead Sciences, Inc. <sup>(a)</sup>                | 12,500  | 1,330,625    |
| Pharmacyclics, Inc. <sup>(a)</sup>                  | 50,927  | 5,980,358    |
|   |         | 25,079,065   |
| <b>Health Care Equipment &amp; Supplies (1.80%)</b> |         |              |
| Becton, Dickinson & Co.                             | 43,350  | 4,933,663    |
| Hologic, Inc. <sup>(a)</sup>                        | 340,000 | 8,272,200    |
| Zimmer Holdings, Inc.                               | 80,500  | 8,094,275    |
|   |         | 21,300,138   |
| <b>Health Care Providers &amp; Services (1.91%)</b> |         |              |
| Catamaran Corp. <sup>(a)</sup>                      | 248,244 | 10,463,485   |
| Cigna Corp.   | 80,500  | 7,300,545    |
| Laboratory Corp. of America Holdings <sup>(a)</sup> | 48,350  | 4,919,612    |
|   |         | 22,683,642   |
| <b>Health Care Technology (1.38%)</b>               |         |              |
| athenahealth, Inc. <sup>(a)</sup>                   | 47,600  | 6,268,444    |
| Cerner Corp. <sup>(a)</sup>                         | 170,168 | 10,136,908   |

|   |        |            |
|---|--------|------------|
|   |        | 16,405,352 |
| <b>Life Sciences Tools &amp; Services (1.02%)</b> |        |            |
| Illumina, Inc. <sup>(a)</sup>                     | 36,800 | 6,032,256  |
| Thermo Fisher Scientific, Inc.                    | 50,000 | 6,085,000  |
|   |        | 12,117,256 |

|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                    |         |              |
| <b>Pharmaceuticals (2.07%)</b>                      |         |              |
| Abbott Laboratories                                 | 107,925 | \$ 4,488,601 |
| Allergan, Inc.                                      | 30,955  | 5,515,871    |
| Johnson & Johnson                                   | 69,000  | 7,354,710    |
| Teva Pharmaceutical Industries Ltd. <sup>(b)</sup>  | 134,200 | 7,213,250    |
|   |         | 24,572,432   |
| <b>INDUSTRIALS (5.90%)</b>                          |         |              |
| <b>Aerospace &amp; Defense (1.97%)</b>              |         |              |
| The Boeing Co.                                      | 9,225   | 1,175,081    |
| Bombardier, Inc., Class B                           | 870,308 | 2,924,235    |
| Precision Castparts Corp.                           | 65,006  | 15,398,621   |
| Textron, Inc.                                       | 109,217 | 3,930,720    |
|   |         | 23,428,657   |
| <b>Building Products (0.48%)</b>                    |         |              |
| Masco Corp.   | 238,725 | 5,710,302    |
| <b>Electrical Equipment (0.63%)</b>                 |         |              |
| Eaton Corp. PLC                                     | 118,500 | 7,509,345    |
| <b>Machinery (1.26%)</b>                            |         |              |
| Caterpillar, Inc.                                   | 62,000  | 6,139,860    |
| Navistar International Corp. <sup>(a)</sup>         | 20,020  | 658,858      |
| Parker-Hannifin Corp.                               | 52,825  | 6,029,974    |
| Pentair PLC   | 31,548  | 2,066,078    |
|   |         | 14,894,770   |
| <b>Professional Services (0.13%)</b>                |         |              |
| Verisk Analytics, Inc., Class A <sup>(a)</sup>      | 25,928  | 1,578,756    |
| <b>Trading Companies &amp; Distributors (1.22%)</b> |         |              |
| Fastenal Co.  | 244,830 | 10,992,867   |
| United Rentals, Inc. <sup>(a)</sup>                 | 30,762  | 3,417,658    |
|   |         | 14,410,525   |
| <b>Transportation Infrastructure (0.21%)</b>        |         |              |
| Aegean Marine Petroleum Network, Inc.               | 271,629 | 2,490,838    |
| <b>INFORMATION TECHNOLOGY (19.10%)</b>              |         |              |
| <b>Communications Equipment (1.99%)</b>             |         |              |
| Cisco Systems, Inc.                                 | 321,000 | 8,079,570    |

|  |         |            |
|--|---------|------------|
| QUALCOMM, Inc.                             | 207,500 | 15,514,775 |
|  |         | 23,594,345 |
| <b>Computers &amp; Peripherals (1.88%)</b> |         |            |
| Hewlett-Packard Co.                        | 490,500 | 17,398,035 |

|   | SHARES  | MARKET VALUE |
|---|---------|--------------|
| <b>COMMON STOCKS (continued)</b>                            |         |              |
| <b>Computers &amp; Peripherals (continued)</b>              |         |              |
| Stratasys Ltd.(a)   | 40,642  | \$ 4,908,741 |
|   |         | 22,306,776   |
| <b>Electronic Equipment &amp; Instruments (1.36%)</b>       |         |              |
| Corning, Inc.   | 229,200 | 4,432,728    |
| TE Connectivity Ltd.  | 150,475 | 8,319,763    |
| Trimble Navigation Ltd.(a)                                  | 111,215 | 3,392,057    |
|   |         | 16,144,548   |
| <b>Internet Software &amp; Services (6.03%)</b>             |         |              |
| Alibaba Group Holding Ltd.(a)(b)                            | 32,166  | 2,857,949    |
| CoStar Group, Inc.(a)                                       | 23,783  | 3,699,208    |
| eBay, Inc.(a)   | 59,928  | 3,393,723    |
| Equinix, Inc.(a)  | 32,545  | 6,915,161    |
| Facebook, Inc., Class A(a)                                  | 123,026 | 9,723,975    |
| Google, Inc., Class A(a)                                    | 13,981  | 8,226,560    |
| Google, Inc., Class C(a)                                    | 31,353  | 18,101,968   |
| LinkedIn Corp., Class A(a)                                  | 33,820  | 7,027,458    |
| Mercadolibre, Inc.  | 32,920  | 3,576,758    |
| Rackspace Hosting, Inc.(a)                                  | 249,540 | 8,122,527    |
|   |         | 71,645,287   |
| <b>IT Services (0.27%)</b>                                  |         |              |
| Teradata Corp.(a)   | 76,500  | 3,206,880    |
| <b>Semiconductors &amp; Semiconductor Equipment (1.76%)</b> |         |              |
| ARM Holdings PLC(b)   | 139,420 | 6,091,260    |
| Intel Corp.   | 218,275 | 7,600,335    |
| Micron Technology, Inc.(a)                                  | 210,577 | 7,214,368    |
|   |         | 20,905,963   |
| <b>Software (5.81%)</b>                                     |         |              |
| Microsoft Corp.   | 317,775 | 14,732,049   |
| Oracle Corp.  | 191,025 | 7,312,437    |
| Salesforce.com, Inc.(a)                                     | 416,122 | 23,939,499   |
| ServiceNow, Inc.(a)   | 97,400  | 5,725,172    |
| Splunk, Inc.(a)   | 101,300 | 5,607,968    |
| Symantec Corp.  | 265,482 | 6,241,482    |
| VMware, Inc., Class A(a)                                    | 57,600  | 5,405,184    |
|   |         | 68,963,791   |

**MATERIALS (0.69%)**

**Chemicals (0.59%)**

|                             |        |           |
|-----------------------------|--------|-----------|
| El du Pont de Nemours & Co. | 97,500 | 6,996,600 |
|-----------------------------|--------|-----------|

|   | SHARES        | MARKET VALUE     |
|---|---------------|------------------|
| <b>COMMON STOCKS (continued)</b>                      |               |                  |
| <b>Metals &amp; Mining (0.10%)</b>                    |               |                  |
| Alcoa, Inc.   | 72,225        | \$ 1,162,100     |
| <b>UTILITIES (0.08%)</b>                              |               |                  |
| <b>Electric Utilities (0.08%)</b>                     |               |                  |
| FirstEnergy Corp.                                     | 27,905        | 936,771          |
| <b>TOTAL COMMON STOCKS</b>                            |               |                  |
| (COST OF \$932,007,424)                               |               | 1,153,914,012    |
| <b>EXCHANGE TRADED FUND (0.09%)</b>                   |               |                  |
| <b>Exchange Traded Fund (0.09%)</b>                   |               |                  |
| iShares® Russell 1000 Value                           | 10,000        | 1,000,900        |
| <b>TOTAL EXCHANGE TRADED FUND</b>                     |               |                  |
| (COST OF \$1,023,103)                                 |               | 1,000,900        |
| <b>PAR VALUE</b>                                      |               |                  |
| <b>SHORT TERM INVESTMENT (2.92%)</b>                  |               |                  |
| <b>REPURCHASE AGREEMENT (2.92%)</b>                   |               |                  |
| Repurchase agreement with State Street Bank & Trust   |               |                  |
| Co., dated 9/30/14, due 10/01/14 at 0.01%,            |               |                  |
| collateralized by Federal Home Loan Mortgage Corp.,   |               |                  |
| 3.00%, 03/15/43, market value of \$35,375,812 and par |               |                  |
| value of \$42,525,000. (Repurchase proceeds of        |               |                  |
| \$34,668,010).  |               |                  |
| (COST OF \$34,668,000)                                | \$ 34,668,000 | \$ 34,668,000    |
| <b>TOTAL INVESTMENTS (100.23%)</b>                    |               |                  |
| (COST OF \$967,698,527) <sup>(c)</sup>                |               | 1,189,582,912    |
| <b>LIABILITIES IN EXCESS OF OTHER ASSETS (-0.23%)</b> |               |                  |
|   |               | (2,680,626)      |
| <b>NET ASSETS (100.00%)</b>                           |               |                  |
|   |               | \$ 1,186,902,286 |
| <b>NET ASSET VALUE PER SHARE</b>                      |               |                  |
| (178,172,356 SHARES OUTSTANDING)                      |               | \$ 6.66          |

- (a) Non-income producing security.
- (b) American Depositary Receipt.
- (c) Cost of investments for federal income tax purposes is \$974,610,233.



Gross unrealized appreciation and depreciation at September 30, 2014 based on cost of investments for federal income tax purposes is as follows:

|                               |                |
|-------------------------------|----------------|
| Gross unrealized appreciation | \$ 282,104,956 |
| Gross unrealized depreciation | (67,132,277)   |
| Net unrealized appreciation   | \$ 214,972,679 |

See Notes to Schedule of Investments.

### **Security Valuation**

Equity securities including common stocks and exchange traded funds 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.

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. Repurchase agreements are valued at cost, which approximates fair 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 Fund's Board of Trustees.

### **Foreign Securities**

The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible reevaluation of currencies, the inability to repatriate foreign currency, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers. For the period ended September 30, 2014, the Fund only held American Depositary Receipts and did not hold any securities denominated in foreign currencies.

### **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.

### **Repurchase Agreements**

The Fund engages in repurchase agreement transactions with institutions that the Fund's investment advisor 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. These collateral agreements mitigate the counterparty credit risk by providing for a single net settlement with a counterparty of all financial transactions covered by the agreement in an event of default as defined under such agreement.

Repurchase agreements are entered into by the Fund under a Master Repurchase Agreement ( MRA ) which permits the Fund, under certain circumstances, including an event of default (such as bankruptcy or insolvency), to offset payables and/or receivables under the MRA with collateral held and/or posted to the counterparty and create one single net payment due or from the Fund.

### **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.

### **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 and exchange traded funds, for which market quotations are readily available, are valued at the last reported sale price or official closing price as reported by a third party pricing vendor on the primary market or exchange on which they are traded and 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. Repurchase agreements are valued at cost, which approximates fair value, and are categorized as Level 2 in the hierarchy.

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 September 30, 2014:

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**Valuation Inputs**
**Investments in Securities at**

| <b>Value*</b>         | <b>Level 1</b>          | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>            |
|-----------------------|-------------------------|----------------------|----------------|-------------------------|
| Common Stocks         | \$ 1,153,914,012        | \$                   | \$             | \$ 1,153,914,012        |
| Exchange Traded Fund  | 1,000,900               |                      |                | 1,000,900               |
| Short Term Investment |                         | 34,668,000           |                | 34,668,000              |
| <b>Total</b>          | <b>\$ 1,154,914,912</b> | <b>\$ 34,668,000</b> | <b>\$</b>      | <b>\$ 1,189,582,912</b> |

\* See Schedule of Investments for industry classifications.

The Fund recognizes transfers between levels as of the end of the period. For the period ended September 30, 2014, the Fund did not have any transfers between Level 1 and Level 2 securities. The Fund did not have any securities which used significant unobservable inputs (Level 3) in determining fair value during the period.

**Indemnification**

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnities. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims against the Fund. Also, under the Fund's organizational documents and by contract, the Trustees and Officers of the Fund are indemnified against certain liabilities that may arise out of their duties to the Fund. However, based on experience, the Fund expects the risk of loss due to these warranties and indemnities to be minimal.

**Item 2 - Controls and Procedures.**

- (a) The registrant's Principal Executive Officer and Principal Financial Officer have evaluated the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) within 90 days of this filing and have concluded that the registrant's disclosure controls and procedures were effective, as of that date.
  
- (b) There was no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) during registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3 Exhibits.**

Separate certifications for the registrant's Principal Executive Officer and Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the Investment Company Act of 1940, are attached as Ex99.CERT.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIBERTY ALL-STAR EQUITY FUND

By: /s/ William Parmentier  
**William Parmentier**  
**President (principal executive officer)**

Date: November 26, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ William Parmentier  
**William Parmentier**  
**President (principal executive officer)**

Date: November 26, 2014

By: /s/ Kimberly Storms  
**Kimberly Storms**  
**Treasurer (principal financial officer)**

Date: November 26, 2014