

LIBERTY ALL STAR EQUITY FUND  
Form N-Q  
May 22, 2009

**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: January 1 March 31, 2009

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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, 2009 (Unaudited)

|  | SHARES  | MARKET VALUE |
|--|---------|--------------|
| <b>COMMON STOCKS (97.09%)</b>                    |         |              |
| <b>CONSUMER DISCRETIONARY (15.33%)</b>           |         |              |
| <b>Auto Components (1.49%)</b>                   |         |              |
| Johnson Controls, Inc.                           | 226,000 | \$ 2,712,000 |
| Magna International, Inc., Class A               | 274,700 | 7,348,225    |
|  |         | 10,060,225   |
| <b>Diversified Consumer Services (0.97%)</b>     |         |              |
| Apollo Group, Inc., Class A(a)                   | 83,100  | 6,509,223    |
|  |         |              |
| <b>Hotels, Restaurants &amp; Leisure (2.61%)</b> |         |              |
| Carnival Corp.                                   | 227,025 | 4,903,740    |
| McDonald's Corp.                                 | 86,300  | 4,709,391    |
| Starbucks Corp.(a)                               | 311,000 | 3,455,210    |
| Yum! Brands, Inc.                                | 163,200 | 4,484,736    |
|  |         | 17,553,077   |
| <b>Household Durables (1.57%)</b>                |         |              |
| Centex Corp.                                     | 446,100 | 3,345,750    |
| NVR, Inc.(a)                                     | 12,125  | 5,186,468    |
| Whirlpool Corp.                                  | 69,450  | 2,055,026    |
|  |         | 10,587,244   |
| <b>Internet &amp; Catalog Retail (1.01%)</b>     |         |              |
| Amazon.com, Inc.(a)                              | 92,980  | 6,828,451    |
|  |         |              |
| <b>Leisure Equipment &amp; Products (0.38%)</b>  |         |              |
| Mattel, Inc.                                     | 221,575 | 2,554,760    |
|  |         |              |
| <b>Media (2.90%)</b>                             |         |              |
| Comcast Corp., Class A                           | 366,000 | 4,710,420    |
| Liberty Media Corp., Capital Group, Series A(a)  | 96,179  | 671,329      |
| The McGraw-Hill Cos., Inc.                       | 236,000 | 5,397,320    |
| Omnicom Group, Inc.                              | 216,925 | 5,076,045    |
| The Walt Disney Co.                              | 203,000 | 3,686,480    |
|  |         | 19,541,594   |
| <b>Multi-line Retail (1.33%)</b>                 |         |              |
| J.C. Penney Co., Inc.                            | 446,825 | 8,967,778    |

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|  |         |            |
|--|---------|------------|
| <b>Specialty Retail (3.07%)</b>                |         |            |
| AutoZone, Inc.(a)                              | 33,950  | 5,520,949  |
| Best Buy Co., Inc.                             | 47,100  | 1,787,916  |
| Chico's FAS, Inc.(a)                           | 173,965 | 934,192    |
| Home Depot, Inc.                               | 137,150 | 3,231,254  |
| Staples, Inc.                                  | 289,000 | 5,233,790  |
| The TJX Companies, Inc.                        | 153,625 | 3,938,945  |
|  |         | 20,647,046 |
| <b>CONSUMER STAPLES (5.16%)</b>                |         |            |
| <b>Beverages (0.23%)</b>                       |         |            |
| The Coca-Cola Co.                              | 35,000  | 1,538,250  |
| <b>Food &amp; Staples Retailing (2.45%)</b>    |         |            |
| Costco Wholesale Corp.                         | 86,400  | 4,002,048  |
| SYSCO Corp.                                    | 209,200 | 4,769,760  |
| Walgreen Co.                                   | 190,500 | 4,945,380  |
| Wal-Mart Stores, Inc.                          | 52,700  | 2,745,670  |
|  |         | 16,462,858 |
| <b>Food Products (1.25%)</b>                   |         |            |
| Kraft Foods, Inc.                              | 113,500 | 2,529,915  |
| Sara Lee Corp.                                 | 240,146 | 1,940,380  |
| Tyson Foods, Inc., Class A                     | 418,725 | 3,931,827  |
|  |         | 8,402,122  |
| <b>Household Products (0.87%)</b>              |         |            |
| The Procter & Gamble Co.                       | 125,000 | 5,886,250  |
| <b>Personal Products (0.36%)</b>               |         |            |
| Avon Products, Inc.                            | 127,000 | 2,442,210  |
| <b>ENERGY (11.17%)</b>                         |         |            |
| <b>Energy Equipment &amp; Services (2.08%)</b> |         |            |
| BJ Services Co.                                | 236,275 | 2,350,936  |
| FMC Technologies, Inc.(a)                      | 46,880  | 1,470,626  |
| Oceaneering International, Inc.(a)             | 129,100 | 4,759,916  |
| Schlumberger Ltd.                              | 103,630 | 4,209,451  |
| Weatherford International Ltd.(a)              | 109,400 | 1,211,058  |
|  |         | 14,001,987 |
| <b>Oil, Gas &amp; Consumable Fuels (9.09%)</b> |         |            |
| Apache Corp.                                   | 38,400  | 2,461,056  |
| Arch Coal, Inc.                                | 483,300 | 6,461,721  |
| BP PLC(b)                                      | 85,979  | 3,447,758  |
| Chesapeake Energy Corp.                        | 593,619 | 10,127,141 |
| Chevron Corp.                                  | 76,000  | 5,110,240  |
| ConocoPhillips                                 | 129,000 | 5,051,640  |

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|   |           |            |
|---|-----------|------------|
| Consol Energy, Inc.                           | 124,200   | 3,134,808  |
| Devon Energy Corp.                            | 112,000   | 5,005,280  |
| Exxon Mobil Corp.                             | 45,800    | 3,118,980  |
| Forest Oil Corp.(a)                           | 349,075   | 4,590,336  |
| Occidental Petroleum Corp.                    | 39,400    | 2,192,610  |
| Petroleo Brasileiro S.A.(b)                   | 123,100   | 3,750,857  |
| Range Resources Corp.                         | 67,700    | 2,786,532  |
| Valero Energy Corp.                           | 220,400   | 3,945,160  |
|   |           | 61,184,119 |
| <b>FINANCIALS (14.04%)</b>                    |           |            |
| <b>Capital Markets (2.15%)</b>                |           |            |
| Bank of New York Mellon Corp.                 | 160,000   | 4,520,000  |
| Morgan Stanley                                | 313,175   | 7,130,995  |
| UBS AG(a)                                     | 299,075   | 2,820,277  |
|   |           | 14,471,272 |
| <b>Commercial Banks (0.62%)</b>               |           |            |
| Comerica, Inc.                                | 128,675   | 2,356,039  |
| PNC Financial Services Group, Inc.            | 62,616    | 1,834,024  |
|   |           | 4,190,063  |
| <b>Consumer Finance (3.05%)</b>               |           |            |
| American Express Co.                          | 117,000   | 1,594,710  |
| Capital One Financial Corp.                   | 358,150   | 4,383,756  |
| Mastercard, Inc., Class A                     | 25,900    | 4,337,732  |
| Visa, Inc., Class A                           | 183,500   | 10,202,600 |
|   |           | 20,518,798 |
| <b>Diversified Financial Services (3.19%)</b> |           |            |
| Bank of America Corp.                         | 1,233,454 | 8,412,156  |
| Citigroup, Inc.                               | 595,875   | 1,507,564  |
| IntercontinentalExchange, Inc.(a)             | 48,500    | 3,611,795  |
| JPMorgan Chase & Co.                          | 299,825   | 7,969,349  |
|   |           | 21,500,864 |
| <b>Insurance (3.77%)</b>                      |           |            |
| ACE Ltd.                                      | 57,000    | 2,302,800  |
| The Allstate Corp.                            | 203,625   | 3,899,419  |
| Brown & Brown, Inc.                           | 187,850   | 3,552,244  |
| Fidelity National Financial, Inc.             | 308,325   | 6,015,420  |
| Genworth Financial, Inc., Class A             | 497,050   | 944,395    |
| The Hartford Financial Services Group, Inc.   | 32,550    | 255,518    |
| MetLife, Inc.                                 | 78,975    | 1,798,261  |
| RenaissanceRe Holdings Ltd.                   | 60,125    | 2,972,580  |
| Torchmark Corp.                               | 138,875   | 3,642,691  |
|   |           | 25,383,328 |

**Real Estate Investment Trusts (1.91 %)**

|                                 |         |            |
|---------------------------------|---------|------------|
| Annaly Capital Management, Inc. | 738,149 | 10,238,126 |
| Redwood Trust, Inc.             | 168,425 | 2,585,324  |
|                                 |         | 12,823,450 |

**HEALTH CARE (14.31 %)**
**Biotechnology (4.47 %)**

|                          |         |            |
|--------------------------|---------|------------|
| Amgen, Inc.(a)           | 62,400  | 3,090,048  |
| Cephalon, Inc.(a)        | 69,000  | 4,698,900  |
| Genzyme Corp.(a)         | 142,000 | 8,433,380  |
| Gilead Sciences, Inc.(a) | 299,700 | 13,882,104 |
|                          |         | 30,104,432 |

**Health Care Equipment & Supplies (2.54 %)**

|                                 |         |            |
|---------------------------------|---------|------------|
| Becton, Dickinson and Co.       | 30,300  | 2,037,372  |
| Boston Scientific Corp.(a)      | 172,450 | 1,370,978  |
| Covidien Ltd.                   | 90,000  | 2,991,600  |
| Intuitive Surgical, Inc.(a)     | 29,400  | 2,803,584  |
| Medtronic, Inc.                 | 47,000  | 1,385,090  |
| St. Jude Medical, Inc.(a)       | 77,800  | 2,826,474  |
| Varian Medical Systems, Inc.(a) | 120,200 | 3,658,888  |
|                                 |         | 17,073,986 |

**Health Care Providers & Services (2.56 %)**

|                               |         |            |
|-------------------------------|---------|------------|
| AmerisourceBergen Corp.       | 134,513 | 4,393,194  |
| Brookdale Senior Living, Inc. | 259,100 | 1,308,455  |
| Cardinal Health, Inc.         | 101,675 | 3,200,729  |
| Omnicare, Inc.                | 98,050  | 2,401,245  |
| Quest Diagnostics, Inc.       | 56,100  | 2,663,628  |
| WellPoint, Inc.(a)            | 85,775  | 3,256,877  |
|                               |         | 17,224,128 |

**Health Care Technology (0.86 %)**

|                 |         |           |
|-----------------|---------|-----------|
| Cerner Corp.(a) | 131,632 | 5,787,859 |
|-----------------|---------|-----------|

**Life Sciences Tools & Services (0.25 %)**

|                            |        |           |
|----------------------------|--------|-----------|
| Life Technologies Corp.(a) | 52,200 | 1,695,456 |
|----------------------------|--------|-----------|

**Pharmaceuticals (3.63 %)**

|  |         |            |
|--|---------|------------|
| Allergan, Inc.                         | 73,800  | 3,524,688  |
| Bristol-Myers Squibb Co.               | 188,442 | 4,130,649  |
| Eli Lilly & Co.                        | 77,000  | 2,572,570  |
| Johnson & Johnson                      | 48,375  | 2,544,525  |
| Merck & Co., Inc.                      | 64,975  | 1,738,081  |
| Schering-Plough Corp.                  | 71,350  | 1,680,293  |
| Teva Pharmaceutical Industries Ltd.(b) | 182,600 | 8,226,129  |
|  |         | 24,416,935 |

**INDUSTRIALS (6.21%)**
**Aerospace & Defense (2.08%)**

|                                   |         |            |
|-----------------------------------|---------|------------|
| The Boeing Co.                    | 166,900 | 5,938,302  |
| L-3 Communications Holdings, Inc. | 37,675  | 2,554,365  |
| Northrop Grumman Corp.            | 126,425 | 5,517,187  |
|                                   |         | 14,009,854 |

**Air Freight & Logistics (1.31%)**

|  |         |           |
|--|---------|-----------|
| C.H. Robinson Worldwide, Inc.                | 131,145 | 5,981,524 |
| Expeditors International of Washington, Inc. | 101,390 | 2,868,323 |
|  |         | 8,849,847 |

**Commercial Services & Supplies (0.46%)**

|                          |         |           |
|--------------------------|---------|-----------|
| Quanta Services, Inc.(a) | 143,360 | 3,075,072 |
|--------------------------|---------|-----------|

**Industrial Conglomerates (0.60%)**

|                         |         |           |
|-------------------------|---------|-----------|
| Tyco International Ltd. | 206,500 | 4,039,140 |
|-------------------------|---------|-----------|

**Machinery (1.22%)**

|                                 |        |           |
|---------------------------------|--------|-----------|
| Deere & Co.                     | 26,600 | 874,342   |
| Flowserve Corp.                 | 30,376 | 1,704,701 |
| Navistar International Corp.(a) | 94,883 | 3,174,785 |
| PACCAR, Inc.                    | 94,200 | 2,426,592 |
|                                 |        | 8,180,420 |

**Professional Services (0.54%)**

|                            |         |           |
|----------------------------|---------|-----------|
| Monster Worldwide, Inc.(a) | 448,100 | 3,652,015 |
|----------------------------|---------|-----------|

**INFORMATION TECHNOLOGY (26.26%)**
**Communications Equipment (5.23%)**

|                            |           |            |
|----------------------------|-----------|------------|
| Alcatel-Lucent(a)(b)       | 1,850,608 | 3,442,131  |
| Cisco Systems, Inc.(a)     | 670,400   | 11,242,607 |
| Corning, Inc.              | 391,100   | 5,189,897  |
| Motorola, Inc.             | 1,182,850 | 5,003,456  |
| Nortel Networks Corp.(a)   | 163       | 37         |
| QUALCOMM, Inc.             | 209,600   | 8,155,535  |
| Research In Motion Ltd.(a) | 50,500    | 2,175,035  |
|                            |           | 35,208,698 |

**Computers & Peripherals (5.07%)**

|                                       |           |            |
|---------------------------------------|-----------|------------|
| Apple, Inc.(a)                        | 79,700    | 8,378,064  |
| Dell, Inc.(a)                         | 1,363,450 | 12,925,506 |
| EMC Corp.(a)                          | 473,300   | 5,395,620  |
| International Business Machines Corp. | 76,900    | 7,450,841  |
|                                       |           | 34,150,031 |

|   |         |            |
|---|---------|------------|
| <b>Electronic Equipment &amp; Instruments (1.36%)</b>       |         |            |
| Avnet, Inc.(a)  | 260,025 | 4,553,038  |
| Tyco Electronics Ltd.                                       | 414,800 | 4,579,392  |
|   |         | 9,132,430  |
| <b>Internet Software &amp; Services (3.05%)</b>             |         |            |
| Akamai Technologies, Inc.(a)                                | 211,695 | 4,106,883  |
| eBay, Inc.(a)   | 246,000 | 3,089,760  |
| Google, Inc., Class A(a)                                    | 23,000  | 8,005,380  |
| VeriSign, Inc.(a)   | 108,495 | 2,047,301  |
| Yahoo!, Inc.(a)   | 255,500 | 3,272,955  |
|   |         | 20,522,279 |
| <b>IT Services (1.81%)</b>                                  |         |            |
| Automatic Data Processing, Inc.                             | 134,800 | 4,739,568  |
| Cognizant Technology Solutions Corp.(a)                     | 156,100 | 3,245,319  |
| The Western Union Co.                                       | 336,000 | 4,223,520  |
|   |         | 12,208,407 |
| <b>Semiconductors &amp; Semiconductor Equipment (4.36%)</b> |         |            |
| Analog Devices, Inc.  | 229,000 | 4,412,830  |
| ASML Holding N.V.   | 282,000 | 4,937,820  |
| Intel Corp.   | 295,000 | 4,439,750  |
| International Rectifier Corp.(a)                            | 461,953 | 6,240,985  |
| Lam Research Corp.(a)                                       | 95,000  | 2,163,150  |
| Marvell Technology Group Ltd.(a)                            | 148,900 | 1,363,924  |
| Novellus Systems, Inc.(a)                                   | 350,000 | 5,820,500  |
|   |         | 29,378,959 |
| <b>Software (4.73%)</b>                                     |         |            |
| CA, Inc.  | 360,200 | 6,343,122  |
| Intuit, Inc.(a)   | 119,500 | 3,226,500  |
| Microsoft Corp.   | 500,750 | 9,198,778  |
| Oracle Corp.(a)   | 273,800 | 4,947,566  |
| Salesforce.com, Inc.(a)                                     | 117,800 | 3,855,594  |
| Symantec Corp.(a)   | 284,700 | 4,253,418  |
|   |         | 31,824,978 |
| <b>MATERIALS (2.84%)</b>                                    |         |            |
| <b>Chemicals (1.76%)</b>                                    |         |            |
| Cytec Industries, Inc.                                      | 25,100  | 377,002    |
| Monsanto Co.  | 86,100  | 7,154,910  |
| Praxair, Inc.   | 64,000  | 4,306,560  |
|   |         | 11,838,472 |



|   |                      |             |
|---|----------------------|-------------|
| <b>Metals &amp; Mining (1.08%)</b>                                    |                      |             |
| Alcoa, Inc.   | 390,000              | 2,862,600   |
| Barrick Gold Corp.  | 136,100              | 4,412,362   |
|   |                      | 7,274,962   |
| <b>UTILITIES (1.77%)</b>  |                      |             |
| <b>Electric Utilities (0.36%)</b>                                     |                      |             |
| Allegheny Energy, Inc.  | 105,575              | 2,446,173   |
| <b>Gas Utilities (0.08%)</b>  |                      |             |
| EQT Corp.   | 17,600               | 551,408     |
| <b>Independent Power Producers &amp; Energy Traders (0.58%)</b>       |                      |             |
| Reliant Energy, Inc.(a)   | 1,224,175            | 3,905,118   |
| <b>Multi-Utilities (0.75%)</b>  |                      |             |
| Sempra Energy   | 81,250               | 3,757,000   |
| Wisconsin Energy Corp., Series C                                      | 30,728               | 1,265,072   |
|   |                      | 5,022,072   |
| <b>TOTAL COMMON STOCKS (COST OF \$979,450,586)</b>                    |                      | 653,628,100 |
| <b>EXCHANGE TRADED FUND (0.19%)</b>                                   |                      |             |
| iShares Russell 1000 Value Index Fund<br>(COST OF \$1,540,840)        | 32,375               | 1,314,101   |
| <b>PREFERRED STOCKS (0.21%)</b>                                       |                      |             |
| <b>CONSUMER DISCRETIONARY (0.10%)</b>                                 |                      |             |
| <b>Automobiles (0.10%)</b>  |                      |             |
| General Motors Corp., Series C, 6.250%                                | 276,925              | 703,390     |
| <b>FINANCIALS (0.11%)</b>   |                      |             |
| <b>Diversified Financial Services (0.11%)</b>                         |                      |             |
| Citigroup, Inc., Series AA, 8.125%                                    | 46,660               | 712,964     |
| <b>TOTAL PREFERRED STOCKS (COST OF \$5,362,772)</b>                   |                      | 1,416,354   |
|   | <b>PAR<br/>VALUE</b> |             |
| <b>CORPORATE BOND (0.01%)</b>   |                      |             |
| <b>INDUSTRIALS (0.01%)</b>  |                      |             |
| <b>Airlines (0.01%)</b>   |                      |             |
| Continental Airlines, Inc.<br>5.000%, 6/15/2023<br>(COST OF \$54,041) | \$ 60,000            | 49,050      |

**SHORT TERM INVESTMENT (3.38%)****REPURCHASE AGREEMENT (3.38%)**

Repurchase agreement with State Street Bank & Trust Co., dated 03/31/09, due 04/01/09 at 0.01%, collateralized by several Fannie Mae and Freddie Mac Instruments with various maturity dates, market value of \$23,209,566 (Repurchase proceeds of \$22,747,006)  
(Cost of \$22,747,000)

|            |            |
|------------|------------|
| 22,747,000 | 22,747,000 |
|------------|------------|

|   |                    |
|---|--------------------|
| <b>TOTAL INVESTMENTS (100.88%) (COST OF 1,009,155,239)(c)</b> | <b>679,154,605</b> |
|---|--------------------|

|   |                    |
|---|--------------------|
| <b>LIABILITIES IN EXCESS OF OTHER ASSETS (-0.88%)</b> | <b>(5,938,564)</b> |
|---|--------------------|

|                             |                       |
|-----------------------------|-----------------------|
| <b>NET ASSETS (100.00%)</b> | <b>\$ 673,216,041</b> |
|-----------------------------|-----------------------|

|   |                |
|---|----------------|
| <b>NET ASSET VALUE PER SHARE (181,404,824 SHARES OUTSTANDING)</b> | <b>\$ 3.71</b> |
|---|----------------|

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Notes to Schedule of Investments:

- (a) Non-income producing security.
- (b) American Depositary Receipt.
- (c) Cost of investments for federal income tax purposes is \$1,025,430,967.

Gross unrealized appreciation and depreciation at March 31, 2009, based on cost of investments for federal income tax purposes is as follows:

|                               |                  |
|-------------------------------|------------------|
| Gross unrealized appreciation | \$ 5,478,799     |
| Gross unrealized depreciation | (351,755,161)    |
| Net unrealized depreciation   | \$ (346,276,362) |

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**NOTES TO QUARTERLY SCHEDULE 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 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**

**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.

### **Foreign Securities**

The Fund invests in foreign securities which may involve a number of risk factors and special considerations not present with investments in securities of U.S. corporations.

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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.

### **Foreign Currency Translation**

The books and records of the Fund are maintained in U.S. dollars. Investment valuations and other assets and liabilities initially expressed in foreign currencies are converted each business day into U.S. dollars based upon current exchange rates. Prevailing foreign exchange rates may generally be obtained at the close of the NYSE, normally 4:00 p.m. Eastern Time. As available and as provided by an appropriate pricing service, translation of foreign security and currency market values may also occur with the use of foreign exchange rates obtained at approximately 11:00 a.m. Eastern Time, which approximates the close of the London Exchange. The portion of unrealized and realized gains or losses on investments due to fluctuations in foreign currency exchange rates is not separately disclosed.

### **Repurchase Agreements**

The Fund may engage 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.

### **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.

### **Fair Value Measurements**

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The Fund discloses classification of its fair value measurements following the three-tier hierarchy established by the Financial Accounting Standards Board. 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

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investments)

The following is a summary of the inputs used to value the Fund's investments as of March 31, 2009.

| Valuation Inputs                                | Investments<br>in Securities | Other Financial<br>Instruments* |
|---|------------------------------|---------------------------------|
| Level 1- Quoted Prices                          | \$ 656,358,555               |                                 |
| Level 2- Other Significant Observable<br>Inputs | \$ 22,796,050                |                                 |
| Level 3- Significant Unobservable<br>Inputs     | \$ 0                         |                                 |
| Total   | \$ 679,154,605               |                                 |

\* 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 March 31, 2009, 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.

### Federal Income Tax Status

For federal income tax purposes, the Fund currently qualifies, and intends to remain qualified, as a regulated investment company under the provisions of the Internal Revenue Code by distributing substantially all of its investment company taxable net income including realized gain, not offset by capital loss carryforwards, if any, to its shareholders. Accordingly, no provision for federal income or excise taxes has been made.

In accordance with FASB Interpretation No. 48 (FIN 48) Accounting for Uncertainty in Income Taxes, the financial statement effects of a tax position taken or expected to be taken in a tax return are to be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Management has concluded that the Fund has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of FIN 48. The Fund files income tax returns in the U.S. federal jurisdiction and Colorado. For the years ended December 31, 2005 through December 31, 2008 for the federal jurisdiction and for the years ended December 31, 2006 through December 31, 2008 for Colorado, the Fund's returns are still open to examination by the appropriate taxing authority.

### Distributions to Shareholders

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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.

### **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

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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.

#### **Recent Accounting Pronouncements**

In March 2008, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 161 ( FAS 161 ), Disclosures about Derivative Instruments and Hedging Activities . FAS 161 is intended to improve financial reporting about derivative instruments and hedging activities. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Management has begun to evaluate the impact the adoption of FAS 161 will have on the Fund 's financial statement disclosures.

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**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 22, 2009

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 22, 2009

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

Date: May 22, 2009