LIBERTY ALL STAR GROWTH FUND INC /MD/
Form N-CSR
March 09, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number

Liberty All-Star Growth Fund, Inc.
(Exact name of registrant as specified in charter)

1625 Broadway, Suite 2200, Denver, Colorado	80202
(Address of principal executive offices)	(Zip code)

Tane T. Tyler, Secretary

Liberty All-Star Growth Fund, Inc.

1625 Broadway, Suite 2200

Denver, Colorado 80202
(Name and address of agent for service)

Registrant s telephone number, including area code: 303-623-2577

Date of fiscal year end: December 31

Date of reporting period: December 31, 2006

Item 1. Reports to Stockholders.

LIBERTY ALL-STAR® GROWTH FUND

2006 ANNUAL REPORT

A SINGLE INVESTMENT...

A DIVERSIFIED GROWTH PORTFOLIO

A single fund that offers:

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

LIBERTY ALL-STAR GROWTH FUND, INC.

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The views expressed in the President s Letter, Editorial Feature and Manager Roundtable reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions, and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for the Fund are based on numerous factors, may not be relied on as an indication of trading intent. References to specific company securities should not be construed as a recommendation or investment advice.

LIBERTY ALL-STAR® GROWTH FUND

PRESIDENT S LETTER

Fellow Shareholders:

February 2007

By just about all accounts, 2006 was a rewarding year for equity investors. It might be more accurate, however, to say that it was an especially rewarding *second half* for equity investors. You may recall that one of the most widely recognized measures of the U.S. stock market, the S&P 500 Index, was ahead just 2.7 percent through June 30 of last year, and it looked as though it was on track for another mid-single-digit gain for the second consecutive year. After drifting lower through the first two weeks of July, the market found its footing and the S&P 500 Index rose sharply to finish the year up 15.8 percent.

Growth stock indices did not fare as well, as value style stocks once again dominated leadership. The Russell 3000 Growth Index, for example, finished the year up 9.5 percent compared to 22.3 percent for the Russell 3000 Value Index. Thus, 2006 marked the seventh consecutive year in which value outperformed growth a period that is without precedent since the inception of those style benchmarks nearly three decades ago. Investors may recall the opposite trend throughout the latter half of the 1990s, when growth left value behind. While the longevity of the current trend gives pause to those of us managing growth stock funds, the fundamental underlying principles of investment management have not been repealed, and we are confident our patience will be rewarded.

There were several catalysts sparking the market s strong second half performance. Perhaps the leading one was the Federal Reserve s decision in September to leave short-term interest rates unchanged after 17 consecutive quarter-point increases. But other positive factors contributed as well. Energy prices, gasoline in particular, declined after a summer spike and crude oil prices ended the year about where they started. Corporate earnings proved surprisingly resilient. Economic growth eased, but not too dramatically. Housing experienced a significant slowdown it couldn t stay white-hot forever but did not collapse. And inflation, while a little above the Federal Reserve s target range, flashed no ominous signals.

For shareholders of Liberty All-Star Growth Fund, the biggest news of 2006 was the change in the Fund s adviser from Banc of America Investment Advisors, Inc. to ALPS Advisers, Inc. I ll say more about this momentarily. First, let me address Fund investment performance.

For the full year, the Fund returned 5.6 percent with shares valued at net asset value (NAV) and 6.4 percent with shares valued at NAV with dividends reinvested. In terms of the market price of its shares, the Fund rose 10.2 percent. The Fund s primary benchmark, the Lipper Multi-Cap Growth Mutual Fund Average, advanced 8.2 percent. Bottom line: performance was mixed. The Fund s market price return topped its Lipper benchmark and the Russell 3000 Growth Index while NAV-based results did not. As a purely growth investment vehicle, the Fund lagged broad market indices such as the S&P 500 Index.

Although we are not satisfied with the Fund s relative results, our analysis confirms that there has been a tendency during the past several years for investors to focus on short-term cyclical earnings growth and less on the quality or sustainability of those earnings. That focus has generally resulted in the underperformance of higher quality companies with more predictable and sustainable earnings growth, as the multiples on these companies forward earnings compressed. The Fund s growth managers place a good deal of emphasis on the quality and sustainability of their portfolio companies earnings as part of their process, and that has clearly negatively impacted the Fund s relative results for the past couple of years.

We assure you that we monitor the Fund s structure and manager lineup very closely and always question whether we have overlooked anything when our relative results lag. Stock prices are ultimately driven by earnings and it is our belief that as this profit cycle matures, an emphasis on quality companies with sustainable growth characteristics will be a rewarding strategy for shareholders of the Fund. I encourage you to read our investment manager roundtable beginning on page 11 for a more in-depth perspective on the dynamics impacting growth stock investors.

The following tables trace key metrics for the fourth quarter and full year of 2006, as well as longer-term three- and five-year periods:

FUND STATISTICS AND SHORT-TERM PERFORMANCE PERIODS ENDING DECEMBER 31, 2006	4TH QUARTER	2006
LIBERTY ALL-STAR GROWTH FUND, INC. **STATISTICS:**		
Year End Net Asset Value (NAV)		$5.69
Year End Market Price		$5.37
Year End Discount		5.6%
Distributions	$0.14	$0.59
Market Price Trading Range	$5.00 to $5.49	$4.75 to $5.86
Premium/(Discount) Range	(4.6)% to (9.9)%	(4.6)% to (10.8)%
PERFORMANCE:		
Shares Valued at NAV	5.6%	5.6%
Shares Valued at NAV with Dividends Reinvested	5.6%	6.4%
Shares Valued at Market Price with Dividends Reinvested	8.7%	10.2%
NASDAQ Composite Index	7.2%	10.4%
Russell 3000 Growth Index	6.2%	9.5%
S&P 500 Index	6.7%	15.8%
Lipper Multi-Cap Growth Mutual Fund Average	6.3%	8.2%
NAV Reinvested Percentile Rank (1 = best; 100 = worst)	62nd	64th
Number of Funds in Category	525	489

LONG-TERM PERFORMANCE SUMMARY PERIODS ENDING DECEMBER 31, 2006	ANNUALIZED RATES OF RETURN 3 YEARS		5 YEARS	
LIBERTY ALL-STAR GROWTH FUND, INC.				
Shares Valued at NAV	5.8	%	2.8	%
Shares Valued at NAV with Dividends Reinvested	5.9	%	3.0	%
Shares Valued at Market Price with Dividends Reinvested	2.3	%	1.7	%
NASDAQ Composite Index	7.2	%	5.0	%
Russell 3000 Growth Index	7.2	%	3.0	%
S&P 500 Index	10.5	%	6.2	%
Lipper Multi-Cap Growth Mutual Fund Average*	9.5	%	4.8	%
NAV Reinvested Percentile Rank (1 = best; 100 = worst)	85th		70th	
Number of Funds in Category	394		310	

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* Percentile ranks calculated using the Fund s NAV Reinvested results within the Lipper Mutli-Cap Growth Open-end Mutual Fund Universe.

Performance shown is since restructure to a multi-cap growth Fund. Figures shown for the Fund and the Lipper Multi-Cap Growth Mutual Fund Average are total returns, which include dividends, after deducting Fund expenses. The Fund s reinvested returns assume that all of the Fund s rights offerings were fully subscribed under the terms of each offering. Figures shown for the unmanaged NASDAQ Composite Index, the Russell 3000 Growth Index and the S&P 500 Index are total returns, including income. A description of the Lipper benchmark and the market indices can be found on page 45.

Past performance cannot predict future results. Performance will fluctuate with changes in market conditions. Current performance may be lower or higher than the performance data shown. Performance information does not reflect the deduction of taxes that shareholders would pay on Fund distributions or the sale of Fund shares. An investment in the Fund involves risk, including loss of principal.

Shares of closed-end funds frequently trade at a discount to net asset value. The price of the fund s shares is determined by a number of factors, several of which are beyond the control of the Fund. Therefore, the Fund cannot predict whether its shares will trade at, below or above net asset value.

ANNUAL REPORT DECEMBER 31, 2006

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Returning to the change in the Fund s Adviser, as shareholders know Banc of America Investment Advisors, Inc., in December concluded an agreement with ALPS Holdings, Inc. and ALPS Advisers, Inc. (ALPS) to sell to ALPS its advisory business of managing the Liberty All-Star Growth Fund, Inc. (and its companion Fund, the Liberty All-Star Equity Fund). Shareholders will find more information about ALPS in the editorial section of this report, which immediately follows this letter.

The Fund s management team and staff members continue to manage the Fund, having completed the transition to ALPS. We believe that ALPS will afford the Fund and its shareholders some distinct benefits, specifically its marketing, shareholder servicing and wholesaling capabilities, which should help support the trading of the Fund in the marketplace.

Once again, I would like to draw your attention to our traditional manager roundtable in this report. It s another chance to hear directly from the Fund s three investment managers, who are well-recognized thought leaders in growth stock investing. In addition to providing information on ALPS, this report s editorial section also features a recap of the Fund s key investment attributes.

As always, it is a pleasure and privilege to guide Liberty All-Star Growth Fund, to team with fine investment managers and to serve the best long-term interests of shareholders. Be assured that we remain dedicated to those propositions as we move into 2007, and equally committed to enhancing the Fund s investment performance. We are grateful for your ongoing support of the Fund and will do all in our power to maintain your trust and confidence.

Sincerely,

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

LIBERTY ALL-STAR® GROWTH FUND
FOUNDATION FOR THE FUTURE

In 2006, the Fund marked 11 years as a multi-managed investment vehicle. Of greater significance, it entered a new era with a new investment adviser, ALPS Advisers, Inc. In successfully completing the transition, the Fund maintained its continuity and looks to a promising future.

For shareholders of Liberty All-Star Growth Fund, the biggest news of 2006 didn t occur officially until December 18. On that date, ALPS Advisers, Inc. assumed the role of the Fund s Investment Adviser from Banc of America Investment Advisors, Inc. Shareholders paved the way by voting to approve related advisory agreements and other proposals on November 21.

As a subsidiary of one of the largest financial organizations in the world, Banc of America Investment Advisors was a familiar name to shareholders. But, what about ALPS Advisers?

Its parent, ALPS Holdings, Inc. (ALPS), was established in 1985. ALPS provides fund clients a wide array of customized services that, taken together, makes ALPS a valuable source of turnkey service and support capabilities. At its founding, ALPS provided fund administration and fund distribution services. Over time, it has expanded its range of offerings to include fund accounting, transfer agency services, shareholder services, active distribution, legal, tax and compliance services. Today, ALPS provides fund administration services to funds with assets in excess of $13 billion, and distribution services to funds with assets of more than $120 billion.

ALPS has traditionally conducted its business through two wholly-owned subsidiaries: ALPS Fund Services, Inc., a service company and SEC-registered transfer agent, and ALPS Distributors, Inc., an NASD-registered broker-dealer. The advisory agreement with Liberty All-Star Growth Fund is conducted through a third subsidiary, ALPS Advisers, Inc., which is a registered investment adviser with the Securities and Exchange Commission.

ALPS philosophy aligns well with that of the Fund. Quality is the company s hallmark. As the Fund is oriented to the interests of its shareholders, ALPS is focused on its clients needs. ALPS is a leading provider of fund services and support, and is continually enhancing its value to its clients.

Beyond the philosophical fit, however, the Fund stands to gain tangible benefits by being part of the ALPS family. The marketing, shareholder service and wholesaling capabilities of ALPS should support the trading of the Fund in the marketplace. ALPS offers in-depth fund administration, accounting, compliance and distribution experience. In addition, ALPS has made growth of its asset management operations a key component of its business plan, meaning that effective management of the Fund is a strategic priority.

Of significance to shareholders, the investment operations of the Fund remain intact. The fundamental structure of the Fund as a closed-end, multi-managed, growth equity vehicle is unchanged, and the three investment managers focused on small, mid- and large capitalization growth stocks remain in place as well (subject, as always, to ongoing review by the Fund s management team and Board of Directors). Likewise, the Fund s senior management staff including its President and Senior Vice President have transitioned to ALPS Advisers and remain Boston-based.

Bottom line: Liberty All-Star Growth Fund is well positioned to move forward on the continued strength of a solid foundation for the future.

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LIBERTY ALL-STAR® GROWTH FUND
AMID CHANGE, FUNDAMENTALS ENDURE

Amid change, fundamentals endure

Even as the Fund transitions to tomorrow, the underlying attributes that set it apart remain solidly in place.

Uniquely, Liberty All-Star Growth Fund brings together six key attributes in a single growth equity investment vehicle.

Multi-management for individual investors

Large institutional investors, such as endowments and pension plans, have traditionally employed multiple investment managers. Liberty All-Star Growth Fund brings multi-management to individual investors. With three investment managers, the Fund provides shareholders with exposure to the full capitalization range of growth style stocks small, mid- and large.

Real-time trading and liquidity

Owing to its closed-end structure, the Fund has a fixed number of shares that trade on the New York Stock Exchange and other exchanges. Share price is determined by supply and demand, and pricing is continuous not just end-of-day, as it is with open-end mutual funds. Fund shares offer immediate liquidity, there are no annual sales fees and expense ratios are often lower than many comparable open-end mutual funds.

Access to institutional managers

The Fund s investment managers invest primarily for pension funds, endowments, foundations and other institutions. By itself that does not make them inherently better. But, because they are closely monitored by their institutional clients, these managers tend to be more disciplined and consistent in their investment process.

Monitoring and rebalancing

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

Alignment and objectivity

Alignment with shareholders best interests and objective decision-making help to ensure that the Fund is managed openly and equitably. A series of checks and balances and the selection of unaffiliated investment managers ensure the integrity of this key principle. In addition, the Fund is governed by a Board of Directors that is elected by, and responsible to, the shareholders.

Distribution policy

Since 1997, the Fund has followed a policy of paying annual distributions on its shares at a rate of 10 percent of the Fund s net asset value (paid quarterly at 2.5 percent per quarter), providing a systematic mechanism for distributing funds to shareholders.

LIBERTY ALL-STAR® GROWTH FUND
INVESTMENT MANAGERS/PORTFOLIO CHARACTERISTICS

THE FUND S THREE GROWTH INVESTMENT MANAGERS AND THE MARKET CAPITLIZATION ON WHICH EACH FOCUSES:

MANAGERS DIFFERING INVESTMENT STRATEGIES ARE REFLECTED IN PORTFOLIO CHARACTERISTICS

The portfolio characteristics table below is a regular feature of the Fund s shareholder reports. It serves as a useful tool for understanding the value of the Fund s multi-managed portfolio. The characteristics are different for each of the Fund s three investment managers. These differences are a reflection of the fact that each has a different capitalization focus and investment strategy. The shaded column highlights the characteristics of the Fund as a whole, while the first three columns show portfolio characteristics for the Russell Smallcap, Midcap and Largecap Growth indices. See page 45 for a description of these indices.

PORTFOLIO CHARACTERISTICS
AS OF DECEMBER 31, 2006
(UNAUDITED)

MARKET CAPITALIZATION SPECTRUM
SMALL **LARGE**

	RUSSELL GROWTH:						
	Smallcap Index	**Midcap Index**	**Largecap Index**	**M.A. Weatherbie**	**TCW**	**William Blair**	**Total Fund**
Number of Holdings	1294	539	683	60	58	36	144*
Weighted Average Market Capitalization (billions)	$ 1.2	$ 8.2	$ 71.8	$ 2.3	$ 7.3	$ 43.5	$ 17.6
Average Five-Year Earnings Per Share Growth	30%	27%	24%	28%	41%	30%	32%
Dividend Yield	0.4%	0.8%	1.1%	0.4%	0.2%	0.8%	0.5%
Price/Earnings Ratio	21x	21x	20x	25x	28x	22x	25x
Price/Book Value Ratio	4.3x	4.9x	4.8x	4.7x	6.5x	5.3x	5.5x

* Certain holdings are held by more than one manager.

LIBERTY ALL-STAR® GROWTH FUND
MANAGER ROUNDTABLE

Staying the course: the managers stick to their bottom-up approach to quality growth companies

Value stocks once again outperformed growth stocks in 2006. A rotation to growth may or may not materialize in 2007 and surely the Fund s investment managers would like to see that happen. But, they re not waiting for a rotation in leadership. Instead, they continue to implement their bottom-up growth investing disciplines and search for high quality, high growth companies.

ALPS Advisers recently had the opportunity to moderate the annual report roundtable with the Fund s three investment managers. As would be expected, there is commonality to the managers comments because they are all growth style investors. However, there are distinct differences, as well, chiefly reflecting the managers varying capitalization focus. In this roundtable, the managers address a mix of short- and long-range issues of interest to shareholders and close by highlighting a stock that they recently added to their portion of the Liberty All-Star Growth Fund portfolio. The participating investment managers and their capitalization focus are:

M. A. WEATHERBIE & CO., INC.

Portfolio Manager/Matthew A. Weatherbie, CFA

President and Founder

Capitalization Focus/Small-Cap Growth M.A. Weatherbie practices a small capitalization growth investment style focusing on high quality companies that demonstrate superior earnings growth prospects, yet are reasonably priced relative to their intrinsic value. The firm seeks to provide superior returns relative to small capitalization growth indices over a full market cycle.

TCW INVESTMENT MANAGEMENT COMPANY

Portfolio Manager/Brendt Stallings, CFA

Managing Director

Capitalization Focus/Mid-Cap Growth TCW seeks capital appreciation through investment in the securities of rapidly growing companies whose business prospects, in TCW s view, are not properly perceived by consensus research.

WILLIAM BLAIR & COMPANY, L.L.C.

Portfolio Manager/John F. Jostrand, CFA

Principal

Capitalization Focus/Large-Cap Growth William Blair emphasizes disciplined, fundamental research to identify quality growth companies with the ability to sustain their growth over long time periods. At the core of the firm is a group of analysts, who perform research aimed at identifying companies that have the opportunity to grow in a sustainable fashion for extended periods of time.

Two thousand six was a tale of two markets: a bumpy journey through the first half and then almost on cue immediately after mid-year a strong, smooth move higher through the second half. In your view, what were the drags on the first six months and what were the catalysts that propelled the market higher in the second six months? Matt Weatherbie, let s start with our small-cap growth manager.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH) Early 2006 was marked by a fear of higher inflation due to rising commodity prices as well as rising short-term interest rates due to Federal Reserve actions. Both factors stabilized around mid-year. Additionally, heightened activity in the private equity buyout market boosted stocks in the second half.

Brendt Stallings, what s your analysis of 2006?

STALLINGS (TCW MID-CAP GROWTH): In 2006 we saw the push-pull between corporate earnings growth and inflation/recession fears. The year began with a growth scare which, over the summer, morphed into concerns about a consumer-led recession. As we entered fall, the market started to discount a Goldilocks economy, characterized by continued strong corporate earnings, moderate economic growth and restrained inflation.

Corporate America has delivered several years of outstanding earnings growth [but] stock prices have not risen commensurate with this exemplary earnings performance.

Brendt Stallings,
TCW

Despite this background noise and volatility as well as respectable absolute returns, 2006 was again a year of contracting valuations. Corporate America has delivered several years of outstanding earnings growth, and has done so with less debt, little obvious speculative capital spending and cleaner accounting. Despite a world awash in liquidity, growth stock prices have not risen commensurate with this exemplary earnings performance.

John Jostrand, how does William Blair assess the year?

JOSTRAND (WILLIAM BLAIR LARGE-CAP GROWTH):U.S. equity markets ultimately turned in strong results for 2006, despite interim push-me-pull-you behavior. Actually, market activity during the year can be segmented into trimesters. In the first trimester, stocks were pushed higher by optimism in the first four months of the year, driven primarily by stronger-than-expected earnings reports from the fourth quarter of 2005. Smaller capitalization companies and emerging markets were among the top performers during this period. We got the second trimester when that trend reversed swiftly in the wake of hawkish language from the Federal Reserve in May, which raised the specter of recession. This factor, combined with rising commodity prices and increasing concerns about instability in the Middle East, caused investors to flee from higher risk stocks. This cautious posture remained until July, when oil prices peaked at just over $77 per barrel. From that point forward, most news was positive and we moved into the third trimester. Oil prices receded significantly and other commodities followed suit. Benign information on the inflation front led the Federal Reserve to pause in its series of interest rate increases. In addition, third quarter earnings for the S&P 500 Index came in up 22 percent, nearly double expectations.

Looking at the market-moving factors that you cited in your response to the first question, do you expect them to remain in place during 2007 or do you anticipate the emergence of a new set of drivers? John Jostrand, let s stay with you.

JOSTRAND (WILLIAM BLAIR LARGE-CAP GROWTH): We believe it is likely that several of the drivers in the second half of 2006 will persist in 2007. Earnings growth continues to look healthy, although it will likely be at much more modest levels than those of the previous three years. Given the amount of liquidity in the market, merger and acquisition activity is likely to continue, as well as share buy-backs on the part of corporations which should continue to bolster stock prices. With unemployment remaining low and the housing market tentatively holding steady, consumer spending should remain relatively sound. Given the outcome of the November election, it is generally anticipated that gridlock will be the driver of decisions in Washington for the foreseeable future, which would limit political impact. The issues that would be most likely to reverse this scenario

over the last 16 years, the highest quality quartile [stocks] significantly outperformed However, over the last three years the lowest quality growth companies are up 112 percent cumulatively, while the highest quality companies are up a mere 43 percent.

John Jostrand,
William Blair

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would be rising commodity prices and higher inflation. Inflation would become an increasing concern if the overall economy continues to be very strong and wage pressures become more prevalent. If the Federal Reserve interprets economic data to be taking an inflationary turn and resumes rate hikes, this would have negative implications for the financial markets.

Brendt Stallings, what s the perspective from TCW?

STALLINGS (TCW MID-CAP GROWTH): We expect the drivers to be similar in 2007. The key questions for the market entering 2007 remain: 1) The direction of corporate earnings; 2) Whether or not the economy will follow its current trajectory of moderate growth with constrained inflation, or tip to recession or inflationary growth; and 3) The Fed s next move what and when. Entering 2007, the market seems complacent that the Fed is done raising rates, leaving the timing of the first Fed cut the key unanswered question. Further evidence of inflation could destroy those expectations, leading to short-term declines in the market.

Matt Weatherbie, what s
your outlook?

I expect the primary factors that drove 2006 to remain in place during 2007. Commodity prices seem to have plateaued and the Fed is on hold.

Matt Weatherbie,
M.A. Weatherbie

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): I expect the primary factors that drove 2006 to remain in place during 2007. Commodity prices seem to have plateaued and the Fed is on hold. Merger and acquisition activity should remain robust, given the excess liquidity that we see around the world.

The question on the minds of many investors going into 2007 is the impact of a slowing economy on corporate earnings that may challenge the 15 straight quarters of double-digit growth (for S&P 500 companies through Q3 06). What are your expectations and how do growth style stocks play into this scenario? Let s go in capitalization order, small to large. Matt Weatherbie, lead off please.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): I expect S&P 500 profit growth to slow to the high single digits. Growth stocks, whose earnings are less economically sensitive, should show strong relative earnings growth.

STALLINGS (TCW MID-CAP GROWTH): Certainly, it would be unrealistic to expect the rapid rate of earnings growth to continue. But we think moderating earnings growth and a strong market can happily coexist, as they did in the 1995 mid-cycle slowdown. We think this is the most likely outcome, but until the Fed gets out of the way, we probably won t see this. We are quite optimistic about U.S. equities, but unsure of the timing of an expansion in price/earnings (P/E) multiples.

JOSTRAND (WILLIAM BLAIR LARGE-CAP GROWTH): In 2007, it is possible that markets will be less focused on absolute earnings growth as long as it is flat to modestly positive and will turn to looking at earnings multiples. P/E ratios have compressed significantly over the last few years, resulting in a lack of differentiation between companies with absolute high short-term earnings and ones with truly sustainable ones. This factor can be most easily viewed by the difference in returns of higher quality stocks versus those of lower quality over the last three years. Using the Russell 1000 Growth Index as a base, we evaluated the component companies based on three quality metrics: S&P ratings, return on equity and free cash flow. Our analysis showed that over the last 16 years, the highest quality quartile significantly outperformed the other quartiles. However, over the last three years the lowest quality growth companies are up 112 percent cumulatively, while the highest quality companies are up a mere 43 percent.

Although it sounds paradoxical, high quality growth stocks tend to perform well in a slowing growth economy, as investors will commonly pay a premium for companies that can sustain earnings in this type of environment. We think that as overall earnings

The key to turning the tide [from value to growth] is to see the relative earnings growth rates of healthcare and technology stocks take the lead.

John Jostrand,
William Blair

growth decelerates, investors will reward stocks with more sustainable earnings trends.

Now, we ll put you on the spot: Growth lagged value again in 2006. Two questions: Why? And, what has to happen to turn things around? John Jostrand, start us off on this one.

JOSTRAND (WILLIAM BLAIR LARGE-CAP GROWTH): As you say, the value over growth mantra continued in 2006. Despite relatively attractive valuations for growth stocks, the discrepancy in returns between value and growth benchmarks was due to stronger absolute earnings growth in the value sectors, particularly energy and financials. Telecommunication stocks, as well as materials and utilities, which have minimal representation in the growth indices, were extremely strong as well. The key to turning the tide is to see the relative earnings growth rates of healthcare and technology stocks take the lead. Falling energy prices should certainly help slow earnings in that sector after four strong years.

With the economy slowing, we believe earnings leadership will shift to those industries that are more dependent on secular forces to grow earnings. The technology industry is a prime example of this.

Brendt Stallings,
TCW

Matt Weatherbie, what are your thoughts on the growth/value question?

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): Rising commodity prices helped commodity growth sectors outperform. In addition, certain financial areas did well. For example, mortgage REITs had another strong year as investors searched for yield. Insurance companies did well due to an absence of hurricanes. As to a turnaround, investors who seem very short-term oriented, need to develop greater confidence in the future to allow incremental investment flows into growth-oriented companies.

Brendt Stallings, share your perspective, please.

STALLINGS (TCW MID-CAP GROWTH): In retrospect, it is obvious the value benchmarks have outperformed the growth benchmarks because they delivered better earnings growth! Putting aside the vagaries of benchmark construction, this better growth coupled with the decline in multiples explains why we have been in a value market for so long. We believe this will change. Many of the industries that make up the value benchmarks have likely already seen their greatest increase in earnings this cycle. With the economy slowing, we believe earnings leadership will shift to those industries that are more dependent on secular forces to grow earnings. The technology industry, which is arguably the most important sector for growth investors, is a prime example of this and the industry we expect to lead the way as growth stocks come back into favor.

What s the risk that you are keeping your eye on for 2007? And what s the pleasant surprise that you hope to see emerge during the year? Let s go in capitalization order again, this time starting with large-cap growth.

JOSTRAND (WILLIAM BLAIR LARGE-CAP GROWTH): One of the bigger concerns is the possibility of the stronger for longer scenario that cyclical stocks continue to provide nosebleed levels of earnings growth and continue to outpace their growth counterparts. Conversely, there is the possibility that if economic data begin to point to inflationary concerns, the threat of higher interest rates will weigh on growth stocks. The pleasant surprise is that tech regains its leadership role in the market after six long years of drought.

STALLINGS (TCW MID-CAP GROWTH): It is very difficult for us as bottom-up stock pickers to define a single risk that could occur in the year since our process requires that we spend most of our time monitoring company-specific risk. If pressed, we believe evidence that the economy is tipping either to uncontrolled inflation or

As to a turnaround [from value to growth] investors, who seem very short-term oriented, need to develop greater confidence in the future to allow incremental investment flows into growth-oriented companies.

Matt Weatherbie,
M.A. Weatherbie

recession would probably top the list of risks for growth stocks. That said, we believe that the portion of the Fund that we manage is positioned neutrally. In other words, performance is not dependent on a single economic outcome. As for a pleasant surprise, we do not see growth slowing meaningfully, which further builds the case that equity multiples are indeed too low.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): A major risk is unanticipated inflation forcing further Fed rate increases. A pleasant surprise would be P/E expansion in growth stocks as the current high risk premium for long duration assets begins to abate due to continued low baseline inflation and greater confidence in the future.

To conclude, please tell us about a stock that you have added recently to the portion of the Liberty All-Star Growth Fund portfolio that you manage and your rationale for buying it. Matt Weatherbie, we ll stay with you.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): Keystone Automotive, the nation s leading distributor of after-market collision replacement parts, is a recent purchase. Its parts are substantially cheaper than the OEM replacement parts from the large auto manufacturers and are preferred by insurance companies for that reason. Keystone s new product availability and fulfillment expertise are allowing it to consistently take market share. This and management s focus on improving operating margins should permit 20 percent-plus annual EPS growth.

John Jostrand and Brendt Stallings, wrap it up, please.

JOSTRAND (WILLIAM BLAIR LARGE-CAP GROWTH) Franklin Resources is a stock that piqued our interest early in 2006. The company has done an excellent job of building a broad investment platform that offers a wide array of options to investors. The build-out was conducted primarily through acquisitions of well-established and well-branded investment management firms. We liked the company s global franchise in terms of both asset management and distribution which has been established through both the Franklin and Templeton divisions over a long period of time. Further research on the company yielded its potential for asset growth and the possibility of additional growth through penetration of institutional markets. In July, the sizeable market correction provided us with a great entry point, as investors became overly negative with respect to asset managers due to the uncertainty overhanging the equity markets. The company has grown its assets significantly over the subsequent quarters, and we believe it continues to be poised for growth in the coming quarters. Thus, we recently took the opportunity to increase our position size.

STALLINGS (TCW MID-CAP GROWTH): A recent purchase is Linear Technologies, which designs and manufactures analog semiconductors used in a great many electronic devices. Its products enable electronic devices to be more mobile and include greater functionality. This is a classic case where we believe that Wall Street expectations are far too conservative and myopic given the company s long-term growth prospects. Essentially, we believe that Linear Technologies is being valued on next year s sales and earnings growth and the market is not accounting for the potential of long-term sustainable cash flow growth.

Many thanks for the interesting and insightful comments. It will be very interesting to see how 2007 plays out.

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LIBERTY ALL-STAR® GROWTH FUND
INVESTMENT GROWTH

December 31, 2006

GROWTH OF A $10,000 INVESTMENT

The graph below illustrates the growth of a $10,000 investment assuming the purchase of shares of common stock at the closing market price (NYSE: ASG) of $9.25 on December 31, 1996, and tracking its progress through December 31, 2006. For certain information, it also assumes full participation in rights offerings (see below). This graph covers the period since the Fund commenced its 10 percent distribution policy in 1997.

The growth of the investment assuming all distributions were received in cash and not reinvested back into the Fund. The value of the investment under this scenario grew to $15,676 (includes the December 31, 2006 value of the original investment of $5,806, plus distributions during the period of $9,870).

The additional value realized through reinvestment of all distributions. The value of the investment under this scenario grew to $17,101.

The additional value realized through full participation in all the rights offerings under the terms of each offering. The value of the investment under this scenario grew to $18,616 excluding the cost to fully participate in all the rights offerings under the terms of each offering which was $5,299.

Past performance cannot predict future results. Performance will fluctuate with changes in market conditions. Current performance may be lower or higher than the performance data shown. Performance information does not reflect the deduction of taxes that shareholders would pay on Fund distributions or the sale of Fund shares. An investment in the Fund involves risk, including loss of principal.

LIBERTY ALL-STAR® GROWTH FUND
TABLE OF DISTRIBUTIONS AND RIGHTS OFFERINGS

		RIGHTS OFFERINGS			
YEAR	**PER SHARE DISTRIBUTIONS**	**MONTH COMPLETED**	**SHARES NEEDED TO PURCHASE ONE ADDITIONAL SHARE**		**SUBSCRIPTION PRICE**
1997	$ 1.24				
1998	1.35	July	10		$ 12.41
1999	1.23				
2000	1.34				
2001	0.92	September	8		6.64
2002	0.67				
2003	0.58	September	8	*	5.72
2004	0.63				
2005	0.58				
2006	0.59				

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

DISTRIBUTION POLICY

Liberty All-Star Growth Fund, Inc. s current policy, in effect since 1997, is to pay distributions on its shares totaling approximately 10 percent of its net asset value per year, payable in four quarterly installments of 2.5 percent of the Fund s net asset value at the close of the New York Stock Exchange on the Friday prior to each quarterly declaration date. **The fixed distributions are not related to the amount of the Fund s net investment income or net realized capital gains or losses and may be taxed as ordinary income up to the amount of the Fund s current and accumulated earnings and profits.** If, for any calendar year, the total distributions made under the 10 percent pay-out policy exceed the Fund s net investment income and net realized capital gains, the excess will generally be treated as a non-taxable return of capital, reducing the shareholder s adjusted basis in his or her shares. If the Fund s net investment income and net realized capital gains for any year exceed the amount distributed under the 10 percent pay-out policy, the Fund may, in its discretion, retain and not distribute net realized capital gains and pay income tax thereon to the extent of such excess.

LIBERTY ALL-STAR® GROWTH FUND
TOP 20 HOLDINGS AND ECONOMIC SECTORS

December 31, 2006

TOP 20 HOLDINGS*	PERCENT OF NET ASSETS	
Genentech, Inc.	2.10	%
Affiliated Managers Group, Inc.	1.94	
The Corporate Executive Board Co.	1.87	
ResMed, Inc.	1.72	
Resources Connection, Inc.	1.58	
Fastenal Co.	1.50	
Cisco Systems, Inc.	1.47	
NIKE, Inc., Class B	1.45	
Paychex, Inc.	1.37	
The Goldman Sachs Group, Inc.	1.35	
Danaher Corp.	1.34	
Marriott International, Inc., Class A	1.33	
Walgreen Co.	1.25	
Cognizant Technology Solutions Corp., Class A	1.24	
Amgen, Inc.	1.15	
UTI Worldwide Inc.	1.13	
GFI Group, Inc.	1.13	
Adobe Systems, Inc.	1.10	
Rockwell Collins, Inc.	1.10	
Taiwan Semiconductor Manufacturing Co., Ltd.	1.07	
	28.19	%

ECONOMIC SECTORS*	PERCENT OF NET ASSETS	
Information Technology	23.53	%
Industrials	18.99	
Consumer Discretionary	16.88	
Health Care	16.68	
Financials	10.79	
Energy	6.55	
Consumer Staples	3.05	
Materials	0.96	
Telecommunication Services	0.84	
Other Net Assets	1.73	
	100.00	%

* Because the Fund is actively managed, there can be no guarantee that the Fund will continue to hold securities of the indicated issuers and sectors in the future.

LIBERTY ALL-STAR® GROWTH FUND
MAJOR STOCK CHANGES IN THE FOURTH QUARTER

The following are the major ($750,000 or more) stock changes both purchases and sales that were made in the Fund s portfolio during the fourth quarter of 2006.

SECURITY NAME	PURCHASES (SALES)	SHARES AS OF 12/31/06
PURCHASES		
Genentech, Inc.	13,245	40,475
Jabil Circuit, Inc.	26,210	62,410
Walgreen Co.	42,755	42,755
Wal-Mart de Mexico SA	22,110	22,110
SALES		
Caremark Rx, Inc.	(30,595)	
Eli Lilly and Co.	(16,210)	
Network Appliance, Inc.	(30,830)	28,505
Research In Motion Ltd.	(12,200)	7,400
SLM Corp.	(22,585)	
UnitedHealth Group, Inc.	(20,610)	

LIBERTY ALL-STAR® GROWTH FUND

SCHEDULE OF INVESTMENTS

as of December 31, 2006

	SHARES	MARKET VALUE
COMMON STOCKS (98.27%)		
CONSUMER DISCRETIONARY (16.88%)		
Auto Components (1.58%)		
Johnson Controls, Inc	13,745	$ 1,180,970
LKQ Corp. (a)	56,427	1,297,257
		2,478,227
Automobiles (1.06%)		
Thor Industries, Inc.	37,679	1,657,499
Distributors (0.19%)		
Keystone Automotive Industries, Inc. (a)	8,755	297,582
Diversified Consumer Services (1.89%)		
Bright Horizons Family Solutions, Inc. (a)	36,303	1,403,474
Capella Education Co. (a)	10,908	264,519
Jackson Hewitt Tax Service, Inc.	9,190	312,184
Strayer Education, Inc.	9,300	986,265
		2,966,442
Hotels, Restaurants & Leisure (5.55%)		
The Cheesecake Factory (a)	22,600	555,960
Chipotle Mexican Grill, Inc., Class A (a)	7,100	404,700
Chipotle Mexican Grill, Inc., Class B (a)	7,500	390,000
Ctrip.com International Ltd. (b)	20,510	1,281,465
Life Time Fitness, Inc. (a)	17,585	853,048
Marriott International, Inc., Class A	43,572	2,079,256
Melco PBL Entertainment Ltd. (a) (b)	13,800	293,388
P.F. Chang s China Bistro, Inc. (a)	26,988	1,035,800
Texas Roadhouse, Inc., Class A (a)	39,540	524,300
Wynn Resorts Ltd. (a)	13,600	1,276,360
		8,694,277
Internet & Catalog Retail (1.04%)		
Netflix, Inc. (a)	36,000	930,960
VistaPrint Ltd. (a)	21,142	700,012
		1,630,972
Media (0.58%)		
Focus Media Holding Ltd. (a) (b)	11,800	783,402
Westwood One, Inc.	17,434	123,084
		906,486

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Multi-line Retail (1.29%)		
Dollar Tree Stores, Inc. (a)	29,578	$ 890,298
Kohl s Corp. (a)	16,532	1,131,285
		2,021,583
Specialty Retail (2.25%)		
Guitar Center, Inc. (a)	17,349	788,685
Staples, Inc.	52,330	1,397,211
Urban Outfitters, Inc. (a)	40,400	930,412
Zumiez, Inc. (a)	13,700	404,698
		3,521,006
Textiles, Apparel & Luxury Goods (1.45%)		
NIKE, Inc., Class B	22,990	2,276,700
CONSUMER STAPLES (3.05%)		
Beverages (1.06%)		
PepsiCo, Inc.	26,485	1,656,637
Food & Staples Retailing (1.99%)		
Walgreen Co.	42,755	1,962,027
Wal-Mart de Mexico SA (b)	22,110	969,523
Whole Foods Market, Inc.	4,100	192,413
		3,123,963
ENERGY (6.55%)		
Energy Equipment & Services (5.61%)		
Atwood Oceanics, Inc. (a)	12,401	607,277
CARBO Ceramics, Inc.	18,363	686,225
FMC Technologies, Inc. (a)	19,000	1,170,970
Hydril (a)	10,918	820,924
Patterson-UTI Energy, Inc.	35,642	827,964
Schlumberger Ltd.	22,550	1,424,258
Smith International, Inc.	39,700	1,630,479
Veritas DGC, Inc. (a)	18,900	1,618,407
		8,786,504
Oil, Gas & Consumable Fuels (0.94%)		
Golar LNG Ltd. (a)	22,238	284,647
Suncor Energy, Inc.	15,055	1,187,990
		1,472,637

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (contined)		
FINANCIALS (10.79%)		
Capital Markets (7.53%)		
Affiliated Managers Group, Inc. (a)	28,947	$ 3,043,198
The Charles Schwab Corp.	75,720	1,464,425
Franklin Resources, Inc.	8,070	889,072
GFI Group, Inc. (a)	28,365	1,766,005
The Goldman Sachs Group, Inc.	10,620	2,117,097
optionsXpress Holdings, Inc.	22,520	510,978
SEI Investments Co.	24,700	1,471,132
T. Rowe Price Group, Inc.	12,200	533,994
		11,795,901
Consumer Finance (0.61%)		
Capital One Financial Corp.	12,535	962,939
Diversified Financial Services (1.00%)		
Financial Federal Corp.	53,513	1,573,817
Insurance (1.65%)		
Brown & Brown, Inc.	34,653	977,561
Health, Inc(a)	13,600	273,496
Hub International Ltd.	12,860	403,676
National Interstate Corp.	38,200	928,260
		2,582,993
HEALTH CARE (16.68%)		
Biotechnology (6.25%)		
Amgen, Inc. (a)	26,280	1,795,187
CV Therapeutics, Inc. (a)	26,700	372,732
Enzon Pharmaceuticals, Inc. (a)	50,325	428,266
Genentech, Inc. (a)	40,475	3,283,737
Gilead Sciences, Inc. (a)	17,710	1,149,910
Martek Biosciences Corp. (a)	34,873	813,936
MedImmune, Inc. (a)	44,925	1,454,222
Vertex Pharmaceuticals, Inc. (a)	13,300	497,686
		9,795,676
Health Care Equipment & Supplies (6.60%)		
Abaxis, Inc. (a)	23,000	442,750
C.R. Bard, Inc.	12,740	1,057,038
IntraLase Corp. (a)	45,963	1,028,652
Intuitive Surgical, Inc. (a)	9,800	939,820
Kinetic Concepts, Inc. (a)	21,900	866,145
Medtronic, Inc.	22,825	1,221,366
Palomar Medical Technologies, Inc. (a)	10,900	552,303
PolyMedica Corp.	24,112	974,366
ResMed, Inc. (a)	54,819	2,698,191
SurModics, Inc. (a)	17,942	558,355
		10,338,986

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Health Care Providers & Services (3.08%)		
Express Scripts, Inc., Class A (a)	11,600	$ 830,560
Lincare Holdings, Inc. (a)	37,717	1502,645
Nighthawk Radiology Holdings, Inc. (a)	28,819	734,885
PSS World Medical, Inc. (a)	21,861	426,945
VCA Antech, Inc. (a)	41,484	1,335,370
		4,830,405
Health Care Technology (0.33%)		
Cerner Corp. (a)	11,500	523,250
Pharmaceuticals (0.42%)		
Auxilium Pharmaceuticals, Inc. (a)	19,018	279,374
Salix Pharmaceuticals Ltd. (a)	31,600	384,572
		663,946
INDUSTRIALS (18.99%)		
Aerospace & Defense (1.09%)		
Rockwell Collins, Inc.	27,120	1716,425
Air Freight & Logistics (1.13%)		
UTI Worldwide, Inc.	59,432	1,777,017
Commercial Services & Supplies (8.69%)		
The Advisory Board Co. (a)	17,600	942,304
American Reprographics Co. (a)	41,487	1,381,932
The Corporate Executive Board Co.	.33,445	2,933,127
CRA International, Inc. (a)	8,804	461,330
IHS, Inc. (a)	21,911	865,046
Monster Worldwide, Inc. (a)	23,200	1,082,048
Resources Connection, Inc. (a)	77,791	2,476,865
Robert Half International, Inc.	22,800	846,336
Stericycle, Inc. (a)	18,604	1,404,602
Waste Connections, Inc. (a)	29,539	1,227,345
		13,620,935
Construction & Engineering (0.77%)		
Foster Wheeler Ltd. (a)	21,800	1,202,052
Electrical Equipment (0.89%)		
Energy Conversion Devices, Inc. (a)	19,700	669,406
Rockwell Automation, Inc.	11,860	724,409
		1,393,815
Industrial Conglomerates (0.80%)		
3M Co.	16,000	1,246,880

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Machinery (2.55%)		
Danaher Corp.	28,900	$ 2,093,516
Joy Global, Inc.	21,800	1,053,812
Wabtec Corp.	28,014	851,065
		3,998,393
Trading Companies & Distributors (3.07%)		
Fastenal Co.	65,309	2,343,287
GATX Corp	20,558	890,778
Interline Brands, Inc. (a)	21,894	491,958
TransDigm Group, Inc. (a)	25,364	672,400
Williams Scotsman International, Inc. (a)	21,346	418,808
		4,817,231
INFORMATION TECHNOLOGY (23.53%)		
Communications Equipment (4.24%)		
Avocent Corp. (a)	18,073	611,771
Cisco Systems, Inc. (a)	84,458	2,308,237
Corning, Inc. (a)	43,925	821,837
Polycom, Inc. (a)	33,987	1,050,538
QUALCOMM, Inc.	23,825	900,347
Research In Motion Ltd. (a)	7,400	945,572
		6,638,302
Computers & Peripherals (1.51%)		
EMC Corp. (a)	94,480	1,247,136
Network Appliance, Inc. (a)	28,505	1,119,676
		2,366,812
Electronic Equipment & Instruments (2.82%)		
Cognex Corp.	18,000	428,760
Daktronics, Inc	14,507	534,583
FLIR Systems, Inc. (a)	27,786	884,428
Jabil Circuit, Inc.	62,410	1,532,166
National Instruments Corp.	38,211	1,040,868
		4,420,805
Internet Software & Services (2.43%)		
Akamai Technologies, Inc. (a)	24,200	1,285,504
Equinix, Inc. (a)	8,000	604,960
WebEx Communications, Inc. (a)	20,084	700,731
Yahoo!, Inc. (a)	47,420	1,211,107
		3,802,302
IT Services (4.37%)		
Alliance Data Systems Corp. (a)	16,000	999,520
CheckFree Corp. (a)	13,400	538,144
Cognizant Technology Solutions Corp., Class A (a)	25,200	1,944,432

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
IT Services (continued)		
Infosys Technologies Ltd. (b)	12,810	$ 698,913
Paychex, Inc.	54,140	2,140,696
SRA International, Inc., Class A (a)	19,962	533,784
		6,855,489
Office Electronics (0.51%)		
Zebra Technologies Corp., Class A (a)	23,047	801,805
Semiconductors & Semiconductor Equipment (4.79%)		
Broadcom Corp., Class A (a)	32,300	1,043,613
FormFactor, Inc. (a)	14,890	554,653
Hittite Microwave Corp. (a)	39,551	1,278,288
Linear Technology Corp.	16,100	488,152
Marvell Technology Group Ltd. (a)	58,100	1,114,939
Microchip Technology, Inc.	41,232	1,348,286
Taiwan Semiconductor Manufacturing Co., Ltd. (b)	153,402	1,676,684
		7,504,615
Software (2.86%)		
Adobe Systems, Inc. (a)	41,845	1,720,666
ANSYS, Inc.(a)	21,200	921,988
Opsware, Inc. (a)	93,500	824,670
Salesforce.com, Inc. (a)	28,000	1,020,600
		4,487,924
MATERIALS (0.96%)		
Chemicals (0.96%)	25,340	1,503,422
Praxair, Inc.		
TELECOMMUNICATION SERVICES (0.84%)		
Diversified Telecommunication Services (0.84%)	40,769	1,322,547
NeuStar, Inc., Class A (a)		
TOTAL COMMON STOCKS (COST $125,898,522)		
		154,035,199

See Notes to Schedule of Investments and Financial Statements

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	PAR VALUE	MARKET VALUE
SHORT TERM INVESTMENT (3.20%)		
REPURCHASE AGREEMENTS (3.20%)		
Repurchase agreement with State Street Bank & Trust Co., dated 12/29/06, due 01/02/07 at 4.65%, collateralized by several U.S. Treasury Bonds with various maturity dates, market value of $5,119,348 (repurchase proceeds of $5,009,587) (Cost $5,007,000)	$ 5,007,000	$ 5,007,000
TOTAL INVESTMENTS (101.47%) (COST $130,905,522) (C)		159,042,199
LIABILITIES IN EXCESS OF OTHER ASSETS (-1.47%)		(2,301,921)
NET ASSETS (100.00%)		$ 156,740,278
NET ASSET VALUE PER SHARE (27,534,315 SHARES OUTSTANDING)		$ 5.69

Notes to Schedule of Investments:

(a) Non-income producing security

(b) American Depositary Receipt

(c) Cost of investments for federal income tax purposes is $130,979,357.

Gross unrealized appreciation and depreciation at December 31, 2006 based on cost of investments for federal income tax purposes is as follows:

Gross unrealized appreciation	$ 32,958,100
Gross unrealized depreciation	(4,895,258)
Net unrealized appreciation	$ 28,062,842

See Notes to Financial Statements

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LIBERTY ALL-STAR® GROWTH FUND

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2006

ASSETS:	
Investments at market value (identified cost $130,905,522)	$ 159,042,199
Cash	2,034
Receivable for investment securities sold	1,117,197
Dividends and interest receivable	58,610
Foreign tax reclaim	4,348
TOTAL ASSETS	160,224,388
LIABILITIES:	
Payable for investment securities purchased	619,412
Distributions payable to shareholders	2,281,518
Investment advisory fees payable	316,148
Payable for administration, pricing and bookkeeping fees	88,523
Accrued expenses	178,509
TOTAL LIABILITIES	3,484,110
NET ASSETS	$ 156,740,278
NET ASSETS REPRESENTED BY:	
Paid-in capital (authorized 60,000,000 shares at $0.10 Par; 27,534,315 shares outstanding)	$ 128,677,436
Accumulated net realized loss on investments	(73,835)
Net unrealized appreciation on investments	28,136,677
TOTAL NET ASSETS APPLICABLE TO OUTSTANDING SHARES OF COMMON STOCK ($5.69 PER SHARE)	$ 156,740,278

See Notes to Financial Statements

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LIBERTY ALL-STAR® GROWTH FUND

STATEMENT OF OPERATIONS

Year Ended December 31, 2006

INVESTMENT INCOME:		
Dividends		$ 875,006
Interest		186,365
Miscellaneous income		892
TOTAL INVESTMENT INCOME (NET OF FOREIGN TAXES WITHHELD AT SOURCE WHICH AMOUNTED TO $13,547)		1,062,263
EXPENSES:		
Investment advisory fee		$ 1,264,126
Administrative fee		315,967
Pricing and bookkeeping fees		87,734
Audit fees		37,287
Custodian fee		31,684
Directors fees and expenses		60,930
Legal fees		145,826
NYSE fee		31,347
Shareholder communication expenses		128,288
Transfer agent fees		80,210
Miscellaneous expenses		26,398
TOTAL EXPENSES		2,209,797
CUSTODY EARNINGS CREDITS		(614)
NET EXPENSES		2,209,183
NET INVESTMENT LOSS		(1,146,920)
REALIZED AND UNREALIZED GAIN ON INVESTMENTS:		
Net realized gain on investment transactions:		
Proceeds from sales	96,994,509	
Cost of investments sold	84,114,664	
Net realized gain on investment transactions		12,879,845
Net unrealized appreciation on investments:		
Beginning of year	31,167,704	
End of year	28,136,677	
Net change in unrealized appreciation		(3,031,027)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		$ 8,701,898

See Notes to Financial Statements

LIBERTY ALL-STAR® GROWTH FUND

STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended December 31, 2006	2005
OPERATIONS:		
Net investment loss	$ (1,146,920)	$ (1,213,731)
Net realized gain on investment transactions	12,879,845	3,153,352
Net change in unrealized appreciation	(3,031,027)	5,095,728
Net increase in net assets resulting from operations	8,701,898	7,035,349
DISTRIBUTIONS DECLARED FROM:		
Paid-in capital	(3,162,729)	(12,448,359)
Net realized gain on investments	(12,914,964)	(2,965,536)
Total distributions	(16,077,693)	(15,413,895)
CAPITAL TRANSACTIONS:		
Dividend reinvestments	1,533,706	6,316,229
Total decrease in net assets	(5,842,089)	(2,062,317)
NET ASSETS:		
Beginning of year	162,582,367	164,644,684
End of year	$ 156,740,278	$ 162,582,367

See Notes to Financial Statements

LIBERTY ALL-STAR® GROWTH FUND

FINANCIAL HIGHLIGHTS

	Year Ended December 31,				
	2006	**2005**	**2004**	**2003**	**2002**