

LIBERTY ALL STAR GROWTH FUND INC.
Form N-CSR
March 07, 2008

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 811-04537

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

1290 Broadway, Suite 1100, Denver, Colorado
(Address of principal executive offices)

80203
(Zip code)

Tane T. Tyler, Secretary

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: December 31, 2007

Item 1. Reports to Stockholders.

LIBERTY ALL-STAR® GROWTH FUND

2007 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 one of the world's most dynamic
- Access to institutional quality investment managers
- Objective and ongoing manager evaluation
- Active portfolio rebalancing
- A quarterly fixed distribution policy
- Actively managed, exchange traded 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 2008

Two thousand seven was a rewarding year for growth stock investors. After many years that favored value stocks, the change in leadership that began building in 2006 culminated in a year when the growth style of investing outperformed value for the first time since 1999.

Reflective of this rotation, the Russell 3000® Growth Index gained 11.4 percent for the year versus a 1.0 percent decline for the Russell 3000® Value Index. The widely followed S&P 500 Index returned a respectable 5.5 percent in 2007, but it, too, was topped by the growth-oriented NASDAQ Composite Index, which advanced 10.7 percent for its best showing since 2003.

There are many reasons for the shift to growth stocks: Value stocks had run up over many years, and by some were no longer perceived as compelling a value as they once represented. Investors also anticipated that corporate spending on IT would lead to a good year for growth-oriented technology stocks and as corporate earnings slowed into the single-digit range, investors sought companies with better earnings visibility in a slowing economy.

Despite a weak fourth quarter, 2007 was the fifth consecutive year of positive stock market returns. But, as investors reading this report in early 2008 are all too well aware, the market is beset with problems ranging from the subprime mortgage crisis and a moribund residential real estate market, to high energy prices and deteriorating consumer confidence. In addition, ongoing geopolitical challenges that seem to have become a permanent part of the global situation remain a concern. Although we are hopeful that the stock market can work its way through its most serious concerns and regain its footing; it is difficult to believe that sentiment will remain as negative as it has been for the past couple of months. Still, after five good years we may be in for a period of consolidation, given the uncertainties that exist.

Liberty All-Star Growth Fund enjoyed a strong 2007, as it posted excellent returns in both absolute and relative terms. For the full year, the Fund returned 17.4 percent with shares valued at net asset value (NAV) and 17.9 percent with shares valued at NAV with dividends reinvested. In terms of the market price of its shares (with dividends reinvested), the Fund gained 23.5 percent. The Fund's primary benchmark, the Lipper Multi-Cap Growth Mutual Fund Average, advanced 15.0 percent. Relative to all the funds in this benchmark, the Fund's performance ranked in the top one-third.

The Fund's NAV returns are above the Russell 3000® Growth Index for the trailing three-, five- and seven-year periods. We are gratified that the discount at which Fund shares are priced relative to their underlying NAV narrowed to just 1.2 percent at year-end, given the trend of widening discounts for most closed-end funds during the second half of the year.

For the full year, the Fund benefited from good stock selection within the consumer discretionary and financial sectors. In particular, the higher quality orientation of the Fund was finally rewarded, as investors fled riskier assets after the fallout from the subprime credit crisis.

The accompanying table traces key metrics for the fourth quarter and full year of 2007, as well as longer-term periods.

www.allstarfunds.com

ASG

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In terms of Fund news, the Board of Directors appointed Chase Investment Counsel Corporation as the Fund's large-cap growth manager to replace William Blair & Company, L.L.C., effective January 2, 2008. Chase Investment Counsel is well known to ALPS Advisers, as the firm is one of the five investment managers for

FUND STATISTICS AND SHORT-TERM PERFORMANCE PERIODS ENDING DECEMBER 31, 2007

FUND STATISTICS:

Net Asset Value (NAV)	\$6.03
Market Price	\$5.96
Discount	1.2 %

	Quarter	2007
Distributions	\$0.16	\$0.61
Market Price Trading Range	\$5.25 to \$6.10	\$4.27 to \$6.16
Premium/(Discount) Range	(1.2) to (9.6)%	0.2 to (9.6)%

PERFORMANCE:

Shares Valued at NAV	(1.0)%	17.4%
Shares Valued at NAV with Dividends Reinvested	(0.8)%	17.9%
Shares Valued at Market Price with Dividends Reinvested	5.4%	23.5%
NASDAQ Composite Index	(1.6)%	10.7%
Russell 3000® Growth Index	(0.9)%	11.4%
S&P 500 Index	(3.3)%	5.5%
Lipper Multi-Cap Growth Mutual Fund Average*	(0.7)%	15.0%
NAV Reinvested Percentile Rank (1= best; 100 = worst)	49th	33rd
Number of Funds in Category	560	542

LONG-TERM PERFORMANCE SUMMARY PERIODS ENDING DECEMBER 31, 2007

	ANNUALIZED RATES OF RETURN		
	3 YEARS	5 YEARS	7 YEARS
LIBERTY ALL-STAR GROWTH FUND, INC.			
Shares Valued at NAV	9.2%	13.2%	2.0%
Shares Valued at NAV with Dividends Reinvested	9.5%	13.4%	2.4%
Shares Valued at Market Price with Dividends Reinvested	7.3%	14.8%	4.3%
NASDAQ Composite Index	7.6%	15.5%	1.6%
Russell 3000® Growth Index	8.6%	12.4%	0.6%
S&P 500 Index	8.6%	12.8%	3.3%
Lipper Multi-Cap Growth Mutual Fund Average*	10.7%	15.5%	1.7%
NAV Reinvested Percentile Rank (1= best; 100 = worst)	58th	68th	46th
Number of Funds in Category	399	339	252

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

Performance shown from the first full calendar year 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 performance is calculated assuming that a shareholder exercised all primary rights in the Fund's rights offerings. 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 37.

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

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, 2007

the Liberty All-Star Equity Fund. Comments from David Scott, Chase's Chief Investment Officer, are included in our annual Manager Roundtable, which begins on page 8 of this report.

We are gratified that the Fund performed well in 2007. After several years when growth stocks in general and quality growth stocks in particular took a back seat to their value counterparts, we recognize that shareholders' patience was tested. At the same time, the worst decision we could have made during this trying period was to stray from the principles, objectives and underlying strategies of the Fund.

Two thousand seven ended weakly and that weakness accelerated into 2008. We do not know what the full year holds for the markets or the Fund specifically. However, we do believe that the Fund's quality orientation and diversified multi-cap structure offer shareholders a reasonable way to navigate through these turbulent markets.

Be assured that we remain dedicated to shareholders' best long-term interests and that we will continue to do all in our power to maintain your trust and confidence.

Sincerely,

/s/ William R. Parmentier

William R. Parmentier, Jr.

President and Chief Executive Officer

Liberty All-Star Growth Fund, Inc.

LIBERTY ALL-STAR® GROWTH FUND

CLOSED-END FUNDS AND HOW THEY RE DIFFERENT

Liberty All-Star Growth Fund is a closed-end fund, a characteristic that distinguishes it from most investment funds, which are open-end mutual funds. An open-end mutual fund creates or redeems shares continuously as money flows into or out of the fund. Closed-end funds, by contrast, have a fixed number of shares that are traded between investors on a stock exchange (the Fund is listed on the New York Stock Exchange but trades on other exchanges, as well).

Why does being a closed-end fund matter to investors? An exchange-traded, closed-end fund is bought and sold just like the shares of other publicly traded securities. Pricing is intra-day not just end-of-day, as is the case with open-end mutual funds. A transaction price is continuously available and there are no annual sales fees. From the perspective of the Fund's three investment managers, the closed-end structure allows them to focus on stock selection and investing for the long term instead of being influenced by sharp inflows or outflows of assets that can occur with open-end funds.

Closed-end funds may trade at a market price that represents a premium or discount to the underlying assets in the fund (the net asset value, or NAV). Why? The primary reason is actions in the market that determine the price of shares in general, such as supply and demand, investor sentiment, liquidity needs and other market forces.

While there are many more open-end mutual funds, closed-end funds still play a significant role in the financial markets. At present, there are some 650 closed-end funds representing about \$300 billion in assets.

Unique Attributes of Liberty
All-Star Growth Fund

Liberty All-Star Growth Fund enhances the benefits of its status as a closed-end fund through key attributes highlighted on the following pages. Together, these attributes help to make the Fund a single growth equity holding for investors seeking diversification and the potential for long-term appreciation.

LIBERTY ALL-STAR[®] GROWTH FUND

UNIQUE FUND ATTRIBUTES

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 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 the 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 of Directors 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 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 CAPITALIZATION 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 37 for a description of these indices.

PORTFOLIO CHARACTERISTICS AS OF DECEMBER 31, 2007 (UNAUDITED)	MARKET CAPITALIZATION SPECTRUM						
	Smallcap Index	Midcap Index	Largecap Index	SMALL	LARGE	TCW	Total Fund
				M.A. Weatherbie		William Blair*	
Number of Holdings	1269	546	689	60	61	38	150**
Weighted Average Market Capitalization (billions)	\$ 1.6	\$ 9.6	\$ 77.2	\$ 2.3	\$ 7.5	\$ 44.4	\$ 17.0
	31%	32%	29%	25%	47%	36%	36%

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Average Five-Year Earnings Per Share Growth							
Dividend Yield	0.6%	0.8%	1.1%	0.4%	0.2%	0.8%	0.5%
Price/Earnings Ratio	22x	20x	20x	23x	28x	23x	24x
Price/Book Value Ratio	5.2x	5.7x	6.0x	5.3x	7.9x	6.3x	6.5x

* Chase Investment Counsel Corporation replaced William Blair & Company, L.L.C. effective January 2, 2008.

** Certain holdings are held by more than one manager.

LIBERTY ALL-STAR® GROWTH FUND

MANAGER ROUNDTABLE

The Fund's investment managers continue their quest for stocks with the potential to overcome volatility and a slower economy

Most growth indices posted sound returns in 2007: The Russell 3000 growth Index was up 11.4 percent and the NASDAQ Composite Index was ahead 10.7 percent. Even better, three- and five-year returns for these indices were strong as well. But, as 2007 closed, heightened risk and uncertainty were in the air. In the fourth quarter of the year, the Russell 3000 Growth Index declined 0.9 percent, while the NASDAQ Composite eased 1.6 percent. What does this mean? End of the bull market run? A correction? Merely a pause? The fund's three investment managers tackle these questions in this year's Manager Roundtable. Markets will always be uncertain. But, what is certain is that they continue to implement their bottom-up growth investing disciplines and search for high quality, high growth companies. AIPS Advisers serves as moderator of the Roundtable. The participating investment managers and their capitalization focus are:

M. A. WEATHERBIE & COMPANY, 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.

CHASE INVESTMENT COUNSEL CORPORATION*

Portfolio Manager/David Scott, CFA, CIC
Senior Vice President and Chief Investment Officer

Capitalization Focus/Large-Cap Growth Chase is a growth manager that has a valuation orientation to its investment process, seeking to invest in quality growth stocks that demonstrate consistent earnings growth but whose shares are reasonably priced.

For what kinds of stocks (i.e., sectors, industries) do you have favorable expectations in 2008 and why? Let's go up the capitalization range from small to large. Matt Weatherbie, start us off, please.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH):

In a U.S. economy that is clearly slowing we would have favorable expectations for companies not directly dependent on consumer spending, i.e., health care, business services and technology companies. Our companies, while not recession proof, are recession resilient and can grow even in a weak

With all the bad headlines, it's easy to forget that corporate America is unusually healthy excluding financials and perennial trouble spots like autos and that balance sheets remain strong.

Brendt Stallings,
TCW

* Replaced William Blair & Company, L.L.C., effective January 2, 2008.

economy through new product introductions and market share gains that are derived from the superiority of their business models.

STALLINGS (TCW MID-CAP GROWTH): We continue to prefer high-growth companies with secular, rather than cyclical growth drivers and strong balance sheets. Technology is an area we think will benefit from continued global growth and infrastructure build-out as well as the demand for better, faster, cheaper devices and components. Technology will likely continue to maintain its lead as the most dynamic sector in the market and continue to exhibit high return on investment for the foreseeable future. Energy is also a sector we view favorably, primarily due to increased incremental demand from developing countries, increased depletion rates and oil production difficulties.

SCOTT (CHASE LARGE-CAP GROWTH): Among large cap strategies, value led the market entering 2007. We believe that trend ended by mid-year and growth took over leadership and will continue to perform better. The catalyst behind the style shift was the first signs of economic weakness in housing combined with a six year plus bull market in value stocks which led to over ownership. We believe we captured this change as a result of our investment process. Currently, we favor the consumer staples and health care sectors, which score favorably under the same process. Household products, beverages and medical services are well positioned for above-average earnings growth and are reasonably priced.

Three top-down macro factors seem particularly important to the stock market outlook in 2008 the direction of interest rate changes the direction of commodity prices and the resolution of the debt crisis.

David Scott,
Chase Investment Counsel

How does a growth manager look at 2008 in general given that growth is slowing if not turning negative i.e., we re referring to inflation/stagflation concerns, recession fears, lower corporate profitability. David Scott, let s stay with you.

SCOTT (CHASE LARGE-CAP GROWTH): As a growth manager, Chase Investment Counsel Corporation views the general environment in 2008 as very difficult to analyze based on the numerous cross currents mentioned. We believe it is imperative to focus on our investment stock selection process in making buy and sell decisions. Our approach is designed to build a portfolio of strong fundamental and technically sound, consistent earnings growers. We believe this approach should result in a higher probability of finding good performers and avoiding disasters.

Brendt Stallings, what are you focused on at TCW?

STALLINGS (TCW MID-CAP GROWTH): While the range of outcomes a slowdown would have on growth stocks is impossible to handicap, it is on our minds as we search for new ideas. Stagflation is probably the worst-case scenario for us as it limits the abilities of policymakers to reduce the duration and impact of a downturn. However, our focus is on buying secular growth companies — companies likely to grow irrespective of the economic backdrop. Profitability and growth rates will be impacted by a tough environment, but the magnitude of the change should be far smaller for secular growers versus companies relying on cyclical expansion.

Matt Weatherbie, what is a small cap growth manager's perspective?

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): We look at the stock market being choppy and anxious near term as investors collectively try to determine how serious the economic slowdown will be. Inflation is not a concern (the after-inflation yield on 10-year Treasuries has declined from 2.8 percent in August to 1.6 percent today). So, the Federal Reserve should feel free to act swiftly and decisively to lower short term interest rates further. In addition, Congress and President Bush are looking at fiscal policy options to stimulate the economy. These actions will ultimately be positive for the stock market. In the meantime, as bottom-up stock pickers we are focusing on the highest

The Federal Reserve should feel free to act swiftly and decisively to lower shortterm interest rates further. In addition, congress and President bush are looking at fiscal policy options to stimulate the economy.

Matt Weatherbie,
M.A. Weatherbie

quality investments. We also have low direct exposure to consumer spending.

In general, investment managers for Liberty All-Star Growth Fund take a bottom-up approach to buying stocks. But, top-down macro factors play a role, too. Given the worries that beset the market as 2007 went on chiefly, the subprime mortgage situation, high oil prices, the weak dollar and inflation fears what macro factors (both positive and negative) are you keeping your eye on for 2008? Brendt Stallings, lead off, please.

STALLINGS (TCW MID-CAP GROWTH): The U.S. economy looks increasingly shaky. The Fed seems somewhat boxed-in, with persistent inflation limiting its freedom to aggressively cut rates and inject liquidity. It remains to be seen whether emerging economies can continue growing amidst U.S. weakness. With all the bad headlines, it's easy to forget that corporate America is unusually healthy excluding financials and perennial trouble spots like autos and that balance sheets remain strong. The big risk is to earnings. The bad news in financial stock earnings is well known. More uncertain is whether non-financial earnings will follow the same path down.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): The most important macro factors are the policy responses, both monetary and fiscal, on the part of the U.S. government to the weakening economy. The magnitude and timing of such actions will determine whether they are positive or negative. The second macro factor is the 2008 elections and whether Democratic majorities in both the House and Senate along with a Democratic president could raise taxes on dividends and capital gains, a clear negative for the market.

For us, volatility can be positive, as it creates more of a stockpickers environment. We take advantage of market volatility in order to upgrade the portfolio

Brendt Stallings,
TCW

SCOTT (CHASE LARGE-CAP GROWTH): Three topdown macro factors seem particularly important to the stock market outlook in 2008. First, the direction of interest rate changes as directed by Federal Reserve policy will be very important. In the near term short interest rates should move lower given the current economic weakness. This should be positive for stock prices. Second, the direction of change in commodity prices will be important. If commodity prices continue to ease, world monetary authorities will have more latitude in lowering interest rates. However, many of the more attractive stocks in our work suggest that commodity prices will hold or even rise. If this analysis proves correct it could hamper monetary policies. Third, the resolution of the debt crisis will dominate the outlook for the financial sector of the stock market. Since the financial sector is a relatively large weighting in many of the most widely followed indices, such as the S&P 500, its performance will significantly influence overall returns.

We view high volatility as a negative for stock prices. It increases the equity risk premium with all other factors held constant. However, it does provide opportunity for our stock selection process.

David Scott,
Chase Investment Counsel

As a way of informing the individual shareholder, how does your firm respond to the heightened volatility that we saw in 2007 volatility that became extreme in the second half of the year? It is unnerving to individuals. So, from a professional's perspective 1) what is your overall philosophy about high volatility; and 2) how do you generally play it do nothing, hunker down, see it as an opportunity or take it on a case-by-case basis? Matt Weatherbie, what approach do you take?

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): Our overall philosophy about high volatility is that it is an unpleasant fact of life in today's financial markets. We do not have a general game plan to play it, as our clients expect us to be fully invested. We do try to take advantage of volatility on an individual stock basis by trimming positions that have run up a lot and adding to positions that are weak for no fundamental reason.

How does TCW approach it, Brendt Stallings?

STALLINGS (TCW MID-CAP GROWTH): For us, volatility can be positive, as it creates more of a stockpickers environment. We take advantage of market volatility in order to upgrade the portfolio by buying names we have been following but didn't have the opportunity to purchase. While volatility levels rose in 2007 and many of the more successful strategies of recent years (such as leveraged fixed income and quantitative equity strategies) struggled, successful traditional stock selection could steer an investor clear of the most troubled areas of the market by uncovering investments that could perform well despite market turmoil.

David Scott, share Chase's thinking, please.

SCOTT (CHASE LARGE-CAP GROWTH): We view high volatility as a negative for stock prices. It increases the equity risk premium with all other factors held constant. However, it does provide opportunity for our stock selection process. We can benefit from exaggerated short term movements to buy or sell stocks at more favorable prices. We can also assess the changing volatility of individual issues to reevaluate their attractiveness. In 2007, volatility played a key role in reducing our exposure to financial stocks and increasing our exposure to multinational mega-caps.

We do try to take advantage of volatility on an individual stock basis by trimming positions that have run up a lot and adding to positions that are weak for no fundamental reason.

**Matt Weatherbie,
M.A. Weatherbie**

Very interesting, and different views on volatility. 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.

SCOTT (CHASE LARGE-CAP GROWTH): We recently purchased Genzyme Corp. for our clients. Genzyme was founded in 1981. Based in Cambridge Massachusetts, the company is a biotechnology conglomerate. Bolstering its strong long term growth record, the company has reported six consecutive positive earnings surprises; has a strong technical profile as evidenced by rising relative stock price strength; and is still reasonably priced. Fundamentally, the company has several catalysts in place to continue its good performance, including a strong drug pipeline, the recent approval of Synvisc One for orthopedic applications and numerous cost cutting opportunities to bolster earnings.

STALLINGS (TCW MID-CAP GROWTH): A recent addition is Bankrate, which is a leading online consumer site dedicated to financial information. We purchased Bankrate because we believe the stock does not discount the free

cash flow potential of the business. Specifically, our research leads us to believe the company has significant opportunities to raise prices with little incremental cost, significantly expanding margins and increasing distributable free cash flow. Additionally, if falling interest rates and the wave of adjustable-rate- mortgage resets in the U.S. leads to a wave of mortgage refinancing, Bankrate will be a beneficiary.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): SRA International is a leading provider of technology and strategic consulting solutions, primarily for the federal government. We had owned this stock previously but sold it when it appeared their growth would slow because U.S. government resources were being diverted to the war in Iraq. We are now in the early stages of the reversal of that process and funds will again flow to much needed technology upgrades across many federal government departments and agencies. SRA with a dynamic and accomplished new CEO, and an excellent corporate reputation, is poised to show accelerating revenue and earnings growth.

As always, many thanks for the comments and analysis. We hope shareholders find your insights helpful and enlightening.

LIBERTY ALL-STAR® GROWTH FUND

INVESTMENT GROWTH

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, 2007. For certain information, it also assumes that a shareholder exercised all primary rights in the Fund's rights offerings (see below). This graph covers the period since the Fund commenced its 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 \$16,973 (includes the December 31, 2007 value of the original investment of \$6,443, plus distributions during the period of \$10,530).

The additional value realized through reinvestment of all distributions. The value of the investment under this scenario grew to \$21,120.

The additional value realized by exercising all primary rights in the Fund's rights offerings. The value of the investment under this scenario grew to \$24,237 excluding the cost to exercise all primary rights in the rights offerings 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**

YEAR	PER SHARE DISTRIBUTIONS	MONTH COMPLETED	RIGHTS OFFERINGS 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			
2007	0.61			

* 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**

TOP 20 HOLDINGS*	PERCENT OF NET ASSETS
Danaher Corp.	2.01%
Cisco Systems, Inc.	1.53
Affiliated Managers Group, Inc.	1.50
ANSYS, Inc.	1.42
Praxair, Inc.	1.35
Core Laboratories N.V.	1.30
Smith International, Inc.	1.28
Rockwell Collins, Inc.	1.24
Research In Motion Ltd.	1.23
Schlumberger Ltd.	1.22
Apache Corp.	1.17
LKQ Corp.	1.15
FMC Technologies, Inc.	1.13
Resources Connection, Inc.	1.10
Gilead Sciences, Inc.	1.09
GFI Group, Inc.	1.01
The Charles Schwab Corp.	1.01
Thor Industries, Inc.	1.01
C.R. Bard, Inc.	1.01
Johnson Controls, Inc.	1.00
	24.76%

ECONOMIC SECTORS*	PERCENT OF NET ASSETS
Information Technology	23.77%
Industrials	17.33
Health Care	16.18
Consumer Discretionary	12.24
Financials	10.91
Energy	9.86
Consumer Staples	2.65
Materials	2.25
Telecommunication Services	2.16
Other Net Assets	2.65
100.00%	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 2007.

SECURITY NAME	PURCHASES (SALES)	SHARES AS OF 12/31/07
PURCHASES		
Clean Harbors, Inc.	21,500	21,500
CME Group, Inc.	1,240	1,240
SEI Investments Co.	37,700	37,700
SALES		
Brocade Communications Systems, Inc.	(127,200)	
Focus Media Holding Ltd.	(21,900)	
Intuitive Surgical, Inc.	(4,700)	3,700
Joy Global, Inc.	(22,700)	
Netflix, Inc.	(33,200)	
Network Appliance, Inc.	(40,745)	
Precision Castparts Corp.	(8,500)	
Texas Instruments, Inc.	(27,800)	
Walgreen Co.	(58,275)	
Zebra Technologies Corp., Class A	(25,330)	

LIBERTY ALL-STAR® GROWTH FUND**SCHEDULE OF INVESTMENTS***as of December 31, 2007*

COMMON STOCKS (97.35%)	SHARES	MARKET VALUE
CONSUMER DISCRETIONARY (12.24%)		
Auto Components (1.00%)		
Johnson Controls, Inc.	47,715	\$ 1,719,649
Automobiles (1.01%)		
Thor Industries, Inc.	45,517	1,730,101
Distributors (1.15%)		
LKQ Corp. (a)	93,820	1,972,096
Diversified Consumer Services (1.23%)		
Bright Horizons Family Solutions, Inc. (a)	15,814	546,216
K12, Inc. (a)	5,200	134,576
Strayer Education, Inc.	8,400	1,432,872
		2,113,664
Hotels, Restaurants & Leisure (4.63%)		
BJ's Restaurants, Inc. (a)	23,660	384,712
Chipotle Mexican Grill, Inc., Class B (a)	9,300	1,144,365
Ctrip.com International Ltd. (b)	29,720	1,708,008
Home Inns & Hotels Management, Inc. (a) (b)	19,700	702,108
International Game Technology	15,471	679,641
Life Time Fitness, Inc. (a)	30,963	1,538,242
P.F. Chang's China Bistro, Inc. (a)	35,000	799,400
Texas Roadhouse, Inc., Class A (a)	35,257	389,942
Wynn Resorts Ltd.	5,400	605,502
		7,951,920
Media (0.42%)		
Omnicom Group, Inc.	15,200	722,456
Multi-line Retail (0.54%)		
Dollar Tree Stores, Inc. (a)	35,866	929,647
Specialty Retail (1.93%)		
Dick's Sporting Goods, Inc. (a)	20,300	563,528
Hibbett Sports, Inc. (a)	49,049	979,999
PetSmart, Inc.	22,900	538,837
Urban Outfitters, Inc. (a)	25,800	703,308
Zumiez, Inc. (a)	21,200	516,432
		3,302,104
Textiles, Apparel & Luxury Goods (0.33%)		
Coach, Inc. (a)	18,630	569,705

See Notes to Schedule of Investments and Financial Statements

COMMON STOCKS (continued)	SHARES	MARKET VALUE
CONSUMER STAPLES (2.65%)		
Beverages (1.70%)		
Hansen Natural Corp. (a)	27,700	1,226,833
PepsiCo, Inc.	22,345	1,695,986
		2,922,819
Food & Staples Retailing (0.42%)		
Wal-Mart de Mexico SA (b)	20,790	717,255
Personal Products (0.53%)		
Bare Escentuals, Inc. (a)	37,700	914,225
ENERGY (9.86%)		
Energy Equipment & Services (7.45%)		
CARBO Ceramics, Inc.	18,839	700,811
CGG Veritas (a)(b)	24,383	1,366,667
Core Laboratories N.V. (a)	17,913	2,234,109
FMC Technologies, Inc. (a)	34,300	1,944,810
Oceaneering International, Inc. (a)	20,500	1,380,675
Patterson-UTI Energy, Inc.	45,442	887,028
Schlumberger Ltd.	21,220	2,087,411
Smith International, Inc.	29,700	2,193,345
		12,794,856
Oil, Gas & Consumable Fuels (2.41%)		
Apache Corp.	18,710	2,012,073
Golar LNG Ltd.	37,963	839,742
Suncor Energy, Inc.	11,795	1,282,470
		4,134,285
FINANCIALS (10.91%)		
Capital Markets (6.22%)		
Affiliated Managers Group, Inc. (a)	21,945	2,577,660
The Charles Schwab Corp.	68,060	1,738,933
Franklin Resources, Inc.	9,140	1,045,890
GFI Group, Inc. (a)	18,179	1,740,094
MF Global Ltd. (a)	18,300	575,901
optionsXpress Holdings, Inc.	33,044	1,117,548
SEI Investments Co.	37,700	1,212,809
T. Rowe Price Group, Inc.	11,000	669,680
		10,678,515
Diversified Financial Services (2.34%)		
CME Group, Inc.	1,240	850,640
Financial Federal Corp.	36,446	812,381
IntercontinentalExchange, Inc. (a)	7,790	1,499,575
MSCI, Inc. (a)	22,344	858,010
		4,020,606

See Notes to Schedule of Investments and Financial Statements

COMMON STOCKS (continued)	SHARES	MARKET VALUE
Insurance (2.06%)		
Brown & Brown, Inc.	57,972	1,362,342
eHealth, Inc. (a)	37,700	1,210,547
National Interstate Corp.	29,150	964,865
		3,537,754
Real Estate Management & Development (0.29%)		
Brookfield Asset Management, Inc., Class A	13,950	497,596
HEALTH CARE (16.18%)		
Biotechnology (3.32%)		
BioMarin Pharmaceutical Inc. (a)	19,633	695,008
CV Therapeutics, Inc. (a)	24,300	219,915
Enzon Pharmaceuticals, Inc. (a)	42,301	403,129
Genentech, Inc. (a)	19,095	1,280,702
Gilead Sciences, Inc. (a)	40,690	1,872,147
Isis Pharmaceuticals, Inc. (a)	22,900	360,675
Martek Biosciences Corp. (a)	15,452	457,070
Vertex Pharmaceuticals, Inc. (a)	18,100	420,463
		5,709,109
Health Care Equipment & Supplies (6.30%)		
Accuray, Inc. (a)	46,739	711,368
C.R. Bard, Inc.	18,250	1,730,100
Hologic, Inc. (a)	16,640	1,142,170
I-Flow Corp. (a)	33,533	529,151
Intuitive Surgical, Inc. (a)	3,700	1,200,650
Orthofix International N.V. (a)	14,065	815,348
ResMed, Inc. (a)	21,727	1,141,319
Stryker Corp.	9,260	691,907
SurModics, Inc. (a)	25,762	1,398,104
Thoratec Corp. (a)	27,800	505,682
Wright Medical Group, Inc. (a)	32,439	946,246
		10,812,045
Health Care Providers & Services (2.57%)		
athenahealth, Inc. (a)	1,200	43,200
Lincare Holdings, Inc. (a)	24,969	877,910
Nighthawk Radiology Holdings, Inc. (a)	42,721	899,277
PSS World Medical, Inc. (a)	45,726	894,858
VCA Antech, Inc. (a)	38,282	1,693,213
		4,408,458
Health Care Technology (0.61%)		
Cerner Corp. (a)	18,700	1,054,680

See Notes to Schedule of Investments and Financial Statements

Life Sciences Tools & Services (2.03%)		
PharmaNet Development Group, Inc. (a)	24,814	\$ 972,957
Thermo Fisher Scientific, Inc. (a)	14,250	821,940
WuXi PharmaTech Cayman, Inc. (a)(b)	57,712	1,687,499
		3,482,396
Pharmaceuticals (1.35%)		
Allergan, Inc.	19,710	1,266,170
Auxilium Pharmaceuticals, Inc. (a)	35,185	1,055,198
		2,321,368
INDUSTRIALS (17.33%)		
Aerospace & Defense (1.93%)		
Rockwell Collins, Inc.	29,590	2,129,592
Spirit AeroSystems Holdings, Inc. (a)	34,400	1,186,800
		3,316,392
Air Freight & Logistics (0.94%)		
Expeditors International of Washington, Inc.	17,270	771,624
UTI Worldwide, Inc.	43,283	848,347
		1,619,971
Commercial Services & Supplies (6.19%)		
The Advisory Board Co. (a)	15,900	1,020,621
American Reprographics Co. (a)	58,029	956,318
Clean Harbors, Inc. (a)	21,500	1,111,550
The Corporate Executive Board Co.	26,699	1,604,610
IHS, Inc. (a)	14,495	877,817
Resources Connection, Inc.	103,874	1,886,352
Stericycle, Inc. (a)	27,569	1,637,599
Waste Connections, Inc. (a)	49,905	1,542,065
		10,636,932
Construction & Engineering (0.91%)		
Foster Wheeler Ltd. (a)	8,008	1,241,400
Stantec, Inc. (a)	8,253	322,032
		1,563,432
Electrical Equipment (1.47%)		
ABB Ltd. (b)	51,420	1,480,896
Rockwell Automation, Inc.	15,110	1,041,986
		2,522,882

COMMON STOCKS (continued)	SHARES	MARKET VALUE
Machinery (3.56%)		
Cummins, Inc.	4,900	\$ 624,113
Danaher Corp.	39,330	3,450,814
Flowserve Corp.	13,500	1,298,700
Kaydon Corp.	13,553	739,181
		6,112,808
Trading Companies & Distributors (2.33%)		
Fastenal Co.	39,591	1,600,268
GATX Corp.	15,249	559,333
Interline Brands, Inc. (a)	32,170	704,845
TransDigm Group, Inc. (a)	24,996	1,129,069
		3,993,515
INFORMATION TECHNOLOGY (23.77%)		
Communications Equipment (5.44%)		
Cisco Systems, Inc. (a)	96,768	2,619,510
Corning, Inc.	48,175	1,155,718
Infinera Corp. (a)	55,300	820,652
Polycom, Inc. (a)	56,780	1,577,348
QUALCOMM, Inc.	26,605	1,046,907
Research In Motion Ltd. (a)	18,700	2,120,580
		9,340,715
Computers & Peripherals (1.24%)		
Electronics for Imaging, Inc. (a)	20,779	467,112
EMC Corp. (a)	89,200	1,652,876
		2,119,988
Electronic Equipment & Instruments (2.37%)		
Daktronics, Inc.	35,393	798,820
FLIR Systems, Inc. (a)	50,629	1,584,688
National Instruments Corp.	50,419	1,680,465
		4,063,973
Internet Software & Services (4.75%)		
Akamai Technologies, Inc. (a)	38,900	1,345,940
Baidu.com (a)(b)	3,300	1,288,287
Bankrate, Inc. (a)	12,512	601,702
Google, Inc., Class A (a)	1,040	719,139
Mercadolibre, Inc. (a)	17,839	1,317,945
TechTarget, Inc. (a)	35,712	527,823
VeriSign, Inc. (a)	26,110	981,997
VistaPrint Ltd. (a)	32,000	1,371,200
		8,154,033

COMMON STOCKS (continued)	SHARES	MARKET VALUE
IT Services (1.86%)		
Cognizant Technology Solutions Corp., Class A (a)	40,100	\$ 1,360,994
Paychex, Inc.	38,910	1,409,320
SRA International, Inc. (a)	14,491	426,760
		3,197,074
Semiconductors & Semiconductor Equipment (3.35%)		
Cavium Networks, Inc. (a)	22,100	508,742
FormFactor, Inc. (a)	13,122	434,338
Hittite Microwave Corp. (a)	32,823	1,567,626
Marvell Technology Group Ltd. (a)	61,700	862,566
Maxim Integrated Products, Inc.	30,860	817,173
Taiwan Semiconductor Manufacturing Co., Ltd (b).	157,573	1,569,430
		5,759,875
Software (4.76%)		
Adobe Systems, Inc. (a)	29,800	1,273,354
ANSYS, Inc. (a)	58,895	2,441,787
Autodesk, Inc. (a)	22,910	1,140,002
Monotype Imaging Holdings, Inc. (a)	33,974	515,386
Salesforce.com, Inc. (a)	25,000	1,567,250
Take-Two Interactive Software, Inc. (a)	39,300	725,085
VMware, Inc. (a)	5,960	506,540
		8,169,404
MATERIALS (2.25%)		
Chemicals (1.64%)		
Cytec Industries, Inc.	8,200	504,956
Praxair, Inc.	26,095	2,314,887
		2,819,843
Metals & Mining (0.61%)		
Allegheny Technologies, Inc.	12,100	1,045,440
TELECOMMUNICATION SERVICES (2.16%)		
Diversified Telecommunication (1.62%)		
Cbeyond, Inc. (a)	22,673	884,020
Cogent Communications Group, Inc. (a)	37,200	882,012
NeuStar, Inc., Class A (a)	35,219	1,010,081
		2,776,113
Wireless Telecommunication Services (0.54%)		
Clearwire Corp. (a)	67,800	929,538
TOTAL COMMON STOCK (Cost of \$133,274,044)		167,159,237

See Notes to Schedule of Investments and Financial Statements

SHORT TERM INVESTMENT (2.33%)	PAR VALUE	MARKET VALUE
REPURCHASE AGREEMENT (2.33%)		
Repurchase agreement with State Street Bank & Trust Co., dated 12/31/07, due 01/02/08 at 3.00%, collateralized by several U.S. Treasury Bonds with various maturity dates, market value of \$4,095,082 (Repurchase proceeds of \$4,009,002) (COST OF \$4,008,000)	\$ 4,008,000	\$ 4,008,000
TOTAL INVESTMENTS (99.68%) (Cost \$137,282,044) (C)		171,167,237
OTHER ASSETS IN EXCESS OF LIABILITIES (0.32%)		542,110
NET ASSETS (100.00%)		\$ 171,709,347
NET ASSET VALUE PER SHARE (28,486,607 SHARES OUTSTANDING)		\$ 6.03

Notes to Schedule of Investments:

- (a) Non-Income producing security.
- (b) American Depositary Receipt.
- (c) Cost of investments for federal income tax purposes is \$137,385,721.

Gross unrealized appreciation and depreciation at December 31, 2007 based on cost of investments for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 41,716,858
Gross unrealized depreciation	(7,935,342)
Net unrealized appreciation	\$ 33,781,516

For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets. These industry classifications are unaudited.

LIBERTY ALL-STAR® GROWTH FUND**STATEMENT OF ASSETS AND LIABILITIES****ASSETS:**

Investments at market value (cost \$137,282,044)	\$	171,167,237
Cash		1,386
Receivable for investment securities sold		3,843,527
Dividends and interest receivable		67,956
Foreign tax reclaim		4,348
Prepaid and other assets		39
TOTAL ASSETS		175,084,493

LIABILITIES:

Payable for investment securities purchased		382,246
Distributions payable to shareholders		2,715,499
Investment advisory fee payable		116,034
Payable for administrative, pricing and bookkeeping		29,008
Accrued Expenses		132,359
TOTAL LIABILITIES		3,375,146

NET ASSETS	\$	171,709,347
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NET ASSETS REPRESENTED BY:

Paid-in capital (authorized 60,000,000 shares at \$0.10 Par; 28,486,607 shares outstanding)	\$	137,897,855
Accumulated net realized loss on investments		(73,701)
Net unrealized appreciation on investments		33,885,193

**TOTAL NET ASSETS APPLICABLE TO OUTSTANDING SHARES
OF COMMON STOCK**

(\$6.03 PER SHARE)	\$	171,709,347
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LIBERTY ALL-STAR® GROWTH FUND

STATEMENT OF OPERATIONS

INVESTMENT INCOME:

Dividends	\$	1,097,786
Interest		175,037

**TOTAL INVESTMENT INCOME (NET OF FOREIGN TAXES
WITHHELD AT SOURCE WHICH AMOUNTED TO \$11,957)**

1,272,823

EXPENSES:

Investment advisory fee	\$	1,326,106
Administrative fee		329,754
Pricing and bookkeeping fees		74,267
Audit fees		40,483
Custodian fee		40,234
Directors fees and expenses		48,266