LIBERTY ALL STAR EQUITY FUND
Form N-CSRS
September 01, 2006

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 811-4809

Liberty All-Star Equity Fund
(Exact name of registrant as specified in charter)

One Financial Center, Boston, Massachusetts	02111
(Address of principal executive offices)	(Zip code)

James R. Bordewick, Jr., Esq.
Columbia Management Advisors, LLC
One Financial Center
Boston, MA 02111
(Name and address of agent for service)

Registrant s telephone number, including area code: 1-617-426-3750

Date of fiscal year end: December 31, 2006

Date of reporting period: June 30, 2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Reports to Stockholders

LIBERTY ALL-STAR® EQUITY FUND

	2nd Quarter 2006	Year-to-Date
Fund Statistics		
Period End Net Asset Value (NAV)		$8.37
Period End Market Price		$7.54
Period End Discount		9.9%
Distributions	$0.22	$0.45
Market Price Trading Range	$7.06 to $8.44	$7.06 to $8.77
Discount Range	6.4% to 11.5%	3.4% to 11.5%
Performance Summary		
Shares Valued at NAV	(3.6)%	(0.5)%
Shares Valued at NAV with Dividends Reinvested	(3.3)%	0.0%
Shares Valued at Market Price with Dividends Reinvested	(6.8)%	(3.7)%
Lipper Large-Cap Core Mutual Fund Average	(2.5)%	1.3%
S&P 500 Index	(1.4)%	2.7%

Figures shown for the Fund and the Lipper Large-Cap Core Mutual Fund Average are total returns, which include dividends, after deducting Fund expenses. Figures shown for the unmanaged S&P 500 Index are total returns, including income. A description of the Lipper benchmark and the S&P 500 Index can be found on page 35.

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 shown 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.

President s Letter

Fellow Shareholders: **July 2006**

The S&P 500 Index was ahead 5.6 percent through April of this year before a broad reversal took the index down 2.7 percent during the May June period. The retrenchment reflected a powerful shift in investor sentiment from accepting higher risk in the pursuit of potentially higher returns to an attitude of caution and risk aversion. Investors had benefited from positions in a range of asset classes from emerging markets to industrial commodities that had delivered good to near-spectacular returns over the past couple of years. But the Federal Reserve s protracted series of increases in short-term interest rates coupled with tighter monetary policies of central banks around the world finally took their toll exacerbated by inflation fears, slowing economic growth, corporate earnings worries and geopolitical tensions. It was one of those reversals offering no safe haven, as everything from stocks and bonds to gold, emerging markets and commodities gave up ground.

For the second quarter, the S&P 500 Index declined 1.4 percent, leaving it ahead 2.7 percent year-to-date through June 30. In the first quarter, nine out of 10 S&P sectors posted gains. In the second quarter, only five did and two of those were in positive territory by a slender 0.01 percent. The best return (+5.7 percent) came from utilities the only sector to post a negative return in the first quarter. Energy and consumer staples also showed good returns. The laggards were led by information technology (-9.9 percent) and health care (-5.0 percent).

For the quarter, Liberty All-Star Equity Fund returned -3.6 percent with shares valued at net asset value (NAV), -3.3 percent with shares valued at NAV with dividends reinvested and -6.8 percent with shares valued at market price with dividends reinvested. These returns trailed the S&P 500 Index, as well as the Lipper Large-Cap Core Mutual Fund Average, which returned -2.5 percent.

From an investment return perspective, the primary difficulty for the Fund was underweights to the three best performing sectors in the S&P 500 Index as mentioned, utilities, energy and consumer staples and an overweight to the weak information technology sector.

While we are not pleased with the Fund s second quarter investment return, Fund NAV performance has been decidedly positive and ahead of its Lipper primary benchmark over all longer-term periods, i.e., three, five, 10 and 15 years and since inception. From a market price perspective, the greater concern is the current short-term poor performance.

As shareholders are probably aware, the share price of closed-end funds typically trade at a premium or a discount to the underlying NAV. For the most part over the years, Fund NAV and share price have tracked reasonably well. Over the past five years, for example, Fund shares have averaged a 2.7 percent premium and over the past 10 years they have averaged a 2.0 percent discount. At June 30 the discount was 9.9 percent.

We have experienced premiums or discounts outside the normal range in the past - usually for relatively brief periods of time before returning closer to the average. This particular period began in the fourth quarter of 2005, and has affected many closed-end funds. The question is why. Our belief is that it can be traced in part to sustained increases in short-term interest rates by the Federal Reserve. The Fed has raised the Fed funds rate at 17 straight meetings of the Open Market Committee. As Treasury yields rise, they eventually become a surrogate for the Fund s distribution policy and without the normal risk associated with stock market investing. Although we cannot guarantee when or if the Fund s discount will narrow, be assured that the Fund s long-term philosophy and strategy remain intact, and we continue to monitor the situation closely.

Turning to another matter, we are pleased to introduce Chase Investment Counsel Corporation as a new growth manager in the Fund, replacing Mastrapasqua Asset Management as of June 1. To learn about the Fund s new manager, I invite you to read the interview with Chase Senior Vice President and Senior Portfolio Manager David Scott beginning on page 8. Information about the investment professionals at the firm can be found on page 36.

We are grateful for your long-term support of the Fund.

Sincerely,

/s/ William R. Parmentier, Jr.
William R. Parmentier, Jr.
President and Chief Executive Officer
Liberty All-Star Equity Fund

The views expressed in the President s Letter and the Manager Interview reflect the views of the President and manager, respectively, as of July 2006 and may not reflect their views on the date this report is first published or anytime thereafter. 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.

THE FUND S ASSETS ARE EQUALLY DISTRIBUTED AMONG THREE VALUE MANAGERS AND TWO GROWTH MANAGERS:

MANAGERS DIFFERING INVESTMENT STYLES 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 a multi-managed portfolio. The characteristics are different for each of the Fund s five investment managers. These differences are a reflection of the fact that each pursues a different investment style. The shaded column highlights the characteristics of the Fund as a whole, while the final column shows portfolio characteristics for the S&P 500 Stock Index.

INVESTMENT STYLE SPECTRUM

PORTFOLIO CHARACTERISTICS AS OF JUNE 30, 2006 (UNAUDITED) **VALUE** **GROWTH**

	Schneider	Pzena	Matrix	Chase*	TCW	Total Fund	S&P 500 Index
Number of Holdings	60	33	32	39	29	**166****	500
Percent of Holdings in Top 10	42%	40%	39%	38%	58%	**18%**	19%

Weighted Average Market Capitalization (billions)	$ 23	$ 62	$ 89	$ 53	$ 48	**$ 55**	$ 86
Average Five-Year Earnings Per Share Growth	17%	11%	8%	21%	40%	**19%**	15%
Dividend Yield	1.3%	2.2%	1.8%	1.4%	0.5%	**1.4%**	1.9%
Price/Earnings Ratio	15x	15x	17x	19x	25x	**18x**	16x
Price/Book Value Ratio	2.0x	2.7x	2.7x	4.7x	6.3x	**3.7x**	3.4x

* Chase Investment Counsel Corporation replaced Mastrapasqua Asset Management, Inc. effective June 1, 2006.

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

Investment Growth as of June 30, 2006

GROWTH OF A $10,000 INVESTMENT

The graph below illustrates the growth of a $10,000 investment assuming the purchase of shares of beneficial interest at the closing market price (NYSE: USA) of $6.00 on December 31, 1987, and tracking its progress through June 30, 2006. For certain information, it also assumes full participation in rights offerings (see below). This covers the period since the Fund commenced its 10 percent distribution policy in 1988.

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 $46,150 (includes the June 30, 2006 value of the original investment of $12,567, plus distributions during the period of $32,466 and tax credits on retained capital gains of $1,117).

The additional value realized through reinvestment of all distributions and tax credits. The value of the investment under this scenario grew to $90,815.

On six occasions, the Fund has conducted rights offerings that allow shareholders to purchase additional shares at a discount. The cost to fully participate in all the rights offerings under the terms of each offering totaled $35,416.

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 $147,601 (includes the cost of the rights of $35,416).

Table of Distributions and Rights Offerings

YEAR	PER SHARE DISTRIBUTIONS	RIGHTS OFFERINGS MONTH COMPLETED	SHARES NEEDED TO PURCHASE ONE ADDITIONAL SHARE	SUBSCRIPTION PRICE	TAX CREDITS*
1988	$ 0.64				
1989	0.95				
1990	0.90				
1991	1.02				
1992	1.07	April	10	$ 10.05	
1993	1.07	October	15	10.41	$ 0.18
1994	1.00	September	15	9.14	
1995	1.04				
1996	1.18				0.13
1997	1.33				0.36
1998	1.40	April	20	12.83	
1999	1.39				
2000	1.42				
2001	1.20				
2002	0.88	May	10	8.99	
2003	0.78				
2004	0.89	July	10**	8.34	
2005	0.87				
2006					
1st Quarter	0.23				
2nd Quarter	0.22				

* The Fund s net investment income and net realized capital gains exceeded the amount to be distributed under the Fund s 10 percent distribution policy. In each case, the Fund elected to pay taxes on the undistributed income and passed through a proportionate tax credit to shareholders.

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

Top 20 Holdings and Economic Sectors as of June 30, 2006

TOP 20 HOLDINGS*	PERCENT OF NET ASSETS
JPMorgan Chase & Co.	2.1%
Countrywide Financial Corp.	2.0
Wal-Mart Stores, Inc.	1.9
Schlumberger Ltd.	1.9
Fannie Mae	1.8
The Progressive Corp.	1.6
Citigroup, Inc.	1.5
Morgan Stanley	1.5
MetLife, Inc.	1.4
Microsoft Corp.	1.4
Pfizer, Inc.	1.3
Tyco International Ltd.	1.3
Reliant Energy, Inc.	1.3
Network Appliance, Inc.	1.2
Google, Inc., Class A	1.2
Dell, Inc.	1.1
General Electric Co.	1.1
eBay, Inc.	1.1
Freddie Mac	0.9
American International Group, Inc.	0.9
	28.5%

ECONOMIC SECTORS*	PERCENT OF NET ASSETS
Financials	26.2%
Consumer Discretionary	18.1
Information Technology	16.2
Industrials	13.2
Health Care	9.7
Energy	5.3
Consumer Staples	4.0
Utilities	2.8
Materials	1.8
Telecommunication Services	0.2
Other Net Assets	2.5
	100.0%

* 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.

Major Stock Changes in the Second Quarter

The following are the major ($5.0 million or more) stock changes both purchases and sales that were made in the Fund s portfolio during the second quarter of 2006.

SECURITY NAME	PURCHASES (SALES)	SHARES AS OF JUNE 30, 2006
PURCHASES		
D.R. Horton, Inc.	221,700	221,700
Dell, Inc.	335,500	595,800
Dollar General Corp.	510,000	510,000
Wal-Mart Stores, Inc.	127,225	515,725
SALES		
Accenture Ltd., Class A	(175,000)	0
Ace Ltd.	(105,000)	0
Avnet, Inc.	(236,175)	0
Eli Lilly and Co.	(100,000)	0
Johnson Controls, Inc.	(98,525)	0
Morgan Stanley	(78,850)	305,075
St. Jude Medical, Inc.	(147,300)	0
The Walt Disney Co.	(235,300)	164,840*
Yahoo!, Inc.	(271,900)	236,900

*Adjusted for acquisition of Pixar, Inc.

Manager Interview

David B. Scott, CFA, CIC

Chase Investment Counsel Corporation

Companies with consistent growth and prudently priced stocks make the shopping list at Chase

The newest of Liberty All-Star Equity Fund s five investment managers is Chase Investment Counsel Corp., which was retained beginning June 1, 2006. Located in Charlottesville, Virginia, Chase is a growth manager that has a valuation orientation to its investment process, seeking to invest in quality growth stocks selling at reasonable prices. The firm s investment process is characterized by a disciplined combination of fundamental, technical and quantitative research. We recently had the chance to speak with David Scott, Chase s Senior Vice President and Senior Portfolio Manager.

Introduce us to Chase Investment Counsel, please, in terms of history, size, types of clients, ownership and any interesting facts or insights that distinguish the firm.

Chase Investment Counsel was founded in 1957 and is an independent organization, unaffiliated with any bank, brokerage or other type of financial firm. We re actually the oldest independent investment adviser in the Commonwealth of Virginia. We re independent in the sense that we re entirely owned by our investment professionals and two additional officers of the company. We have a total of 17 employees, eight of whom are directly involved in the investment process. In terms of assets under management, we manage approximately $5.8 billion with about 200 clients. Some three-quarters of our clients are institutions, with the remainder being high net worth individuals and families.

What makes us a little different from other firms? One is our client population. Our clients are fairly limited in number, mostly concentrated in institutions and fairly good-sized in terms of the amount of money we manage for them. And that s something that isn t accidental we ve purposefully steered the firm in that direction. That leads to another distinguishing factor high quality client service. Having fewer, larger clients has allowed us to concentrate our client service efforts. All our investment professionals are involved in client service, so there s no wall between the clients and investment decision-makers. We also take a team approach to client relations, and that gives our clients an opportunity to have multiple contacts with people in the firm.

Among other distinguishing characteristics, we have an active board of directors that advises us on business decisions not on investment decisions, but business decisions. That frees the investment professionals to spend more time on investments.

Can you describe the firm s investment philosophy?

In terms of philosophy it s pretty straightforward we re a growth stock manager seeking to purchase stocks at reasonable prices, which is traditionally known as GARP, or growth at a reasonable price.

You actually use the term prudent price instead of reasonable price, don t you?

Yes, and I think the word prudent is important because while we believe long-term consistency of growth is a strong predictor of equity performance one has to be conscious of not paying unreasonable or imprudent prices. Growth at any price is what I would call a flawed investment strategy.

By the same token, it s important to point out that we don t focus exclusively on cheap stocks. We look for prudent pricing. We think the market, for the most part, gets its pricing just about right but, still, we want to be sure that we re paying a reasonable price. Most often, this comes up as a risk control mechanism, particularly at major pops in the market when some stocks, even though they have very good characteristics, trade at outrageous prices. Those are the stocks that we want to avoid.

While we believe long-term consistency of growth is a strong predictor of equity performance one has to be conscious of not paying unreasonable or imprudent prices.

What is your chief metric for determining valuation?

Primarily the PEG ratio, or price to earnings growth (a stock s P/E ratio divided by the annual growth rate of the company s earnings). We try to keep our PEG ratios at or below the market. Just to give you an idea, as of June 30, our stocks had a PEG ratio of .85 versus the S&P 500 Index average of 1.69. As a general rule, a stock is often considered underpriced if its PEG ratio is much below 1 and overpriced if it is much greater than 1. We also look at the PEG ratio to the reinvestment rate, which is a balance sheet measure of a company s sustainable growth, that is, the growth that it can sustain without taking on additional debt or issuing new equity. We were at 1.02 as of June 30 while the S&P 500 Index was at 1.54.

Can you walk us through highlights of your investment process and sell discipline?

Once again, it s a team approach and all the team members are involved in the investment decision-making and play critical roles in that process. That said, it s done in a very disciplined manner. We believe that you have to have a disciplined, repeatable approach to selecting stocks as opposed to one that is subjective. So, our discipline is to manage information in a way that we can use it effectively and then utilize senior, experienced investment professionals to focus on a select group of stocks to put in the portfolio.

We start by using computer screens to take a very large universe of stocks over 6,000   and initially screen for companies with earnings per share growth of 10 percent or greater over the last five years, with seven of the last 10 years or at least four of the past five rising. While that reduces the universe to about 600 names, it s still too large a list. So, we run more screens delving into companies fundamental and technical factors. The focus of the fundamental analysis is short- and intermediate-term earnings growth. We also look at return on equity, debt to equity, the reinvestment rate and the P/E ratio. On the technical side the focus is primarily on relative price strength versus the universe, but the technical screens also look at unusual volume moves, momentum, insider transactions and price volatility. These screens are designed to take out the stocks that are not performing well currently. We don t buy fallen angels and we don t buy stocks that are out of favor because of fundamental or technical problems. We believe that the best growth stocks come from a universe of good performers in both the fundamental and technical areas.

[Our investment process] is a team approach and all the team members are involved in the investment decision-making and play critical roles in that process.

Finally, we get down to about 40 to 60 stocks every week. These stocks have the characteristics that I described, and they become the buy candidates. At this point, we do further research in order to pick the best of the best. We already own many of these stocks, so we are usually putting five to 10 stocks under the microscope and we may end up with one or two that are excellent portfolio candidates. At this point, we re into the more subjective part of our process in which those five to 10 names are turned over to our analysts. They will conduct extensive research, utilize Wall Street contacts and independent research sources, and try to dig up any negative insights or analysis. They ll do everything they can to flesh out the story and find something unique that makes the stock attractive.

The final part of the process is valuation, for which we use the PEG ratio. A stock might be very attractive in all the other analyses, but if it s not reasonably priced we won t buy it. When we do buy a stock, we establish a weighting we think it should have in the portfolio and we also set a sell target. Then, we begin the process of putting it in the portfolio and we ll monitor it for new information that we get on an ongoing basis.

A stock can be sold for any of four reasons. One, it reaches the price target we set when we bought it and it can t be upgraded. Two, we ll sell if the fundamentals deteriorate; three, if the technicals deteriorate; and four, if we need to make room for other stocks that are simply more attractive and compelling.

What guidelines do you follow at the portfolio level?

Our portfolios generally contain 35 to 45 stocks. We think 15 to 20 is too risky, and that 75 to 100 dilutes our best ideas. We further diversify the portfolio by making sure that no more than 12 percent is in any single industry. We buy the stocks of the largest capitalization companies as well as those that are in the mid-cap range, but on average the larger companies are more heavily weighted. We don t constrain our sectors, either. Probably the best examples of that would be energy, which is about 4 to 5 percent of the Russell 1000 Growth Index but recently 12 to 15 percent for us, and technology, which is a little more than 20 percent in the index but about 10 percent for us.

What are two stocks in the portion of the Liberty All-Star Equity Fund portfolio that you manage that serve as good examples of the Chase approach?

One is Pepsico, currently about 4 percent of our portion of the Liberty All-Star Equity Fund portfolio. Pepsi is a consistent long-term grower, it fits the quantitative profile and the short- and intermediate-term outlook for the company is strong. It has the added advantage of maintaining stability in what has become a very uneven earnings climate. Pepsi has relatively low earnings volatility, low stock price volatility and we think it s trading at a reasonable price. It s an international company that actually has a higher growth rate abroad than its competitor, Coca-Cola, and it s more diversified than Coca-Cola as a large portion of its earnings come from the snack food business. The company has also diversified away from carbonated soft drinks into water and sports drinks. So, it s a company with $100 billion market cap selling at around $60 a share that we think has the potential to reach $70 a share in the next 12 to 18 months.

Our portfolios generally contain 35 to 45 stocks. We think 15 to 20 is too risky, and that 75 to 100 dilutes our best ideas.

The other stock is in a different area and that s General Dynamics. Once again, it s a strong company, a dominant player in the defense industry and also in small business jets. Its businesses continue to be very strong in fact, they ve just informed analysts that the business jet division is doing better than expected. So, we have a company that has consistent longer-term growth, once again in excess of our requirements. It passed all the quantitative screens, and we like its very strong balance sheet. Trading at between 15 to 16 times earnings, General Dynamics is reasonably priced, and it s in an industry that we think will hold up against almost all economic conditions. General Dynamics is a large cap company, but at a $27 billion market cap it s not as large as Pepsi. The point there is that we buy stocks across the capitalization range, rather than being constrained to just the largest growth stocks.

Many thanks for a great interview, and welcome to the Liberty All-Star Equity Fund team.

Schedule of Investments as of June 30, 2006 (Unaudited)

	SHARES		MARKET VALUE
COMMON STOCKS (97.0%)			
CONSUMER DISCRETIONARY (17.8%)			
Auto Components (1.0%)			
Magna International, Inc., Class A	127,650	$	9,186,971
Visteon Corp. (a)	526,625		3,796,966
			12,983,937
Automobiles (0.4%)			
Honda Motor Co., Ltd. (b)	149,000		4,741,180
Hotels, Restaurants & Leisure (2.4%)			
Carnival Corp.	132,000		5,509,680
GTECH Holdings Corp.	35,075		1,219,909
Harrah s Entertainment, Inc.	27,500		1,957,450
Hilton Hotels Corp.	331,125		9,364,215
Marriott International, Inc., Class A	175,600		6,693,872
Starbucks Corp. (a)	179,220		6,767,347
			31,512,473
Household Durables (1.5%)			
D.R. Horton, Inc.	221,700		5,280,894
Newell Rubbermaid, Inc.	103,125		2,663,719
Whirlpool Corp.	131,025		10,829,216
			18,773,829
Internet & Catalog Retail (2.3%)			
Amazon.com, Inc. (a)	312,900		12,102,972
eBay, Inc. (a)	465,400		13,631,566
Liberty Media Holding Corp., Interactive Series A (a)	199,871		3,449,773
			29,184,311
Media (3.5%)			
Comcast Corp., Class A (a)	307,000		10,063,460
Getty Images, Inc. (a)	59,300		3,766,143
Liberty Global, Inc., Class A (a)	129,582		2,786,013
Liberty Global, Inc., Series C (a)	139,105		2,861,390
Liberty Media Holding Corp., Capital Series A (a)	39,979		3,349,041
Omnicom Group, Inc.	27,700		2,467,793
Time Warner, Inc.	590,000		10,207,000
The Walt Disney Co.	164,840		4,945,200
XM Satellite Radio Holdings, Inc., Class A (a)	216,500		3,171,725
Yell Group PLC	230,000		2,172,593
			45,790,358

See Notes to Schedule of Investments and Financial Statements.

Schedule of Investments

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Multi-line Retail (3.9%)			
Dollar General Corp.	510,000	$	7,129,800
J.C. Penney Co., Inc.	120,300		8,121,453
Kohl s Corp. (a)	180,825		10,690,374
Wal-Mart Stores, Inc.	515,725		24,842,473
			50,784,100
Specialty Retail (2.8%)			
AutoZone, Inc. (a)	49,600		4,374,720
GameStop Corp., Class A (a)	70,825		2,974,650
The Gap, Inc.	490,000		8,526,000
Ross Stores, Inc.	292,000		8,190,600
Staples, Inc.	190,900		4,642,688
TJX Companies, Inc.	357,075		8,162,734
			36,871,392
CONSUMER STAPLES (4.0%)			
Beverages (0.8%)			
PepsiCo, Inc.	172,600		10,362,904
Food & Staples Retailing (0.7%)			
Costco Wholesale Corp.	69,300		3,959,109
Walgreen Co.	127,900		5,735,036
			9,694,145
Food Products (2.1%)			
Archer-Daniels-Midland Co.	154,200		6,365,376
Dean Foods Co. (a)	38,800		1,442,972
Kellogg Co.	107,500		5,206,225
Sara Lee Corp.	491,650		7,876,233
Tate & Lyle PLC (b)	120,500		5,397,954