LIBERTY ALL STAR GROWTH FUND INC.
Form N-CSR
March 09, 2009

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	80203
(Address of principal executive offices)	(Zip code)

Tane T. Tyler, General Counsel
ALPS Fund Services, Inc.
1290 Broadway, Suite 1100
Denver, Colorado 80203
(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2008

Item 1. Reports to Stockholders.

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.

The views expressed in the President s Letter, Unique Fund Attributes, Fund President Q&A 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.

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LIBERTY ALL-STAR® GROWTH FUND
PRESIDENT S LETTER

Fellow Shareholders: *January 2009*

What began as a problem isolated to subprime mortgages in the U.S. in 2007 led to the bursting of a credit bubble of historic proportions and ultimately to a severe global recession. As credit conditions deteriorated the stock market began discounting the magnitude of these events and 2008 went down in history as one of the worst years on record for equity investors since the 1930s. During this period, other problems embedded in our financial system emerged to compound the difficulties, including excessive leverage and rampant use of derivative securities with little or no transparency. As confidence waned the financial crisis spread to main street, creating a negative feedback loop that taken together created what we now recognize as the perfect storm.

In terms of actual outcomes, the year ended with declines of 38.4 percent in the Russell 3000® Growth Index; 37.0 percent as measured by the S&P 500 Index; and 40.0 percent in the NASDAQ Composite Index. More than half of the annual decline in each index was registered in the brutal fourth quarter. This period was marked by hedge and mutual fund redemptions, which contributed to broad declines across all economic sectors and asset classes. It was one of those periods that offered no shelter, as commodities, corporate bonds and international securities all sold off sharply. In fact, ironically with respect to stocks, their decline was likely exacerbated by their liquidity in an environment in which the credit markets froze indiscriminate selling of stocks became one of the few ways to reduce leverage.

For the year, Liberty All-Star Growth Fund declined 40.5 percent with shares valued at net asset value (NAV), -40.0 percent with shares valued at NAV with dividends reinvested and -51.3 percent with shares valued at market price with dividends reinvested. The Fund s comparable returns for the fourth quarter were -23.5 percent, -23.2 percent and -22.9 percent, respectively. During the year, discounts for the closed-end sector widened considerably, contributing to the weak 2008 market price performance. The Fund s fourth quarter and 2008 results based on net asset value exceeded the return of its primary benchmark, the Lipper Multi-Cap Growth Mutual Fund Average, which declined 24.0 percent and 41.9 percent, respectively, for those two periods. We realize that outperforming the Fund s primary benchmark brings little comfort, given the magnitude of the Fund s decline in absolute terms.

We would also point out that it has always been the Fund s strategy to stay essentially fully invested and not attempt to time the market. Our shareholders have invested in a growth equity fund, and as such they expect us to maintain market exposure. Moreover, as we have said on numerous occasions, consistently timing moves into and out of stocks is a very difficult long-term proposition.

Finally, there is the discount, which widened dramatically during the year and weighed on the Fund s market price performance. As the discount is a subject that bears discussion in greater detail, please let me refer you to the Q&A on page 7 in which I review it and related topics. I would also like to invite shareholders to read this year s Manager Roundtable, which begins on page 8. After such a trying year, I believe it is well worthwhile hearing directly from growth investment managers who are recognized leaders in their industry and to gain their insights and perspective.

Let me close by saying that, as always, we will do our upmost to ensure that the Fund is a long-term investment vehicle in which shareholders can maintain trust and confidence. In this environment, however, there is a larger point to be made, and that is about maintaining trust and confidence in the economy and financial markets. To be certain, challenges await. There are no easy fixes. We must have the will to meet these challenges as this nation has done during past financial crises. I, for one, believe this nation and its people will ultimately prevail and that brighter days lie ahead.

Sincerely,

William R. Parmentier, Jr.

President

Liberty All-Star Growth Fund, Inc.

FUND STATISTICS AND SHORT-TERM PERFORMANCE PERIODS ENDING DECEMBER 31, 2008

FUND STATISTICS:

Net Asset Value (NAV)	$	3.24
Market Price	$	2.60
Discount		19.8%

	Quarter	2008
Distributions	$0.08	$0.47
Market Price Trading Range	$1.85 to $3.52	$1.85 to $6.01
Premium/(Discount) Range	(13.2)% to (28.2)%	0.9% to (28.2)%
PERFORMANCE:		
Shares Valued at NAV	(23.5)%	(40.5)%
Shares Valued at NAV with Dividends Reinvested	(23.2)%	(40.0)%
Shares Valued at Market Price with Dividends Reinvested	(22.9)%	(51.3)%
NASDAQ Composite Index	(24.4)%	(40.0)%
Russell 3000® Growth Index	(23.2)%	(38.4)%
S&P 500 Index	(21.9)%	(37.0)%
Lipper Multi-Cap Growth Mutual Fund Average*	(24.0)%	(41.9)%
NAV Reinvested Percentile Rank (1 = best; 100 = worst)	44th	32nd
Number of Funds in Category	548	506

LONG-TERM PERFORMANCE SUMMARY PERIODS ENDING DECEMBER 31, 2008

	ANNUALIZED RATES OF RETURN		
	3 YEARs	5 YEARs	8 YEARs
LIBERTY ALL-STAR GROWTH FUND, INC.			
Shares Valued at NAV	(9.6)%	(3.7)%	(4.6)%
Shares Valued at NAV with Dividends Reinvested	(9.1)%	(3.4)%	(4.3)%
Shares Valued at Market Price with Dividends Reinvested	(12.8)%	(8.5)%	(5.2)%
NASDAQ Composite Index	(9.8)%	(4.0)%	(4.9)%
Russell 3000® Growth Index	(9.1)%	(3.3)%	(5.4)%
S&P 500 Index	(8.3)%	(2.2)%	(2.9)%
Lipper Multi-Cap Growth Mutual Fund Average*	(10.3)%	(2.7)%	(5.1)%
NAV Reinvested Percentile Rank (1 = best; 100 = worst)	31st	61st	44th
Number of Funds in Category	386	320	226

* 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 36.

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.

LIBERTY ALL-STAR® GROWTH FUND
UNIQUE FUND ATTRIBUTES

Multi-management for Individual Investors

Large institutional investors have traditionally employed multiple investment managers. With three investment managers investing across the full capitalization range of growth stocks, the Fund brings multi-management to individual investors.

Real-time Trading and Liquidity

The Fund has a fixed number of shares that trade on the New York Stock Exchange and other exchanges. Share pricing is continuous not just end-of-day, as it is with open-end mutual funds. In addition, Fund shares offer immediate liquidity and there are no annual sales fees.

Access to Institutional Managers

The Fund s investment managers invest primarily for pension funds, endowments, foundations and other institutions. Because institutional managers are closely monitored by their clients, they tend to be more disciplined and consistent in their investment process.

Monitoring and Rebalancing

ALPS Advisors continuously monitors these investment managers to ensure that they are performing as expected and adhering to their style and strategy. Periodic rebalancing maintains the Fund s structural integrity which 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. 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 36 for a description of these indices.

PORTFOLIO CHARACTERISTICS
AS OF DECEMBER 31, 2008
(UNAUDITED)

MARKET CAPITALIZATION SPECTRUM
SMALL **LARGE**

	RUSSELL GROWTH:						
	Smallcap Index	**Midcap Index**	**Largecap Index**	**M.A. Weatherbie**	**TCW**	**Chase**	**Total Fund**
Number of Holdings	1197	504	643	58	54	31	135*
Weighted Average Market Capitalization (billions)	$ 0.9	$ 5.4	$ 55.9	$ 1.7	$ 3.9	$ 81.3	$ 29.7

Average Five-Year Earnings Per Share Growth	23%	26%	25%	24%	40%	16%	25%
Dividend Yield	0.8%	1.4%	1.9%	0.6%	0.3%	2.3%	1.1%
Price/Earnings Ratio	12x	11x	12x	14x	15x	15x	15x
Price/Book Value Ratio	3.0x	3.3x	3.5x	3.1x	3.9x	4.3x	3.7x

* Certain holdings are held by more than one manager.

The following are questions that shareholders have often asked for instance, about the discount to net asset value at which Fund shares were priced throughout 2008. In the following, Fund President William R. Parmentier, Jr., discusses the discount and other matters.

The discount to NAV at which shares of Liberty All-Star Growth Fund trade in the open market widened considerably in 2008 and peaked during the fourth quarter. Can you explain why and when discounts widen? What makes them narrow? How about when shares sell at a premium to NAV, which has happened to Fund shares from time to time? Why and when does this occur?

There are many variables that influence whether the shares of closed-end funds are priced at a premium or a discount to their underlying net asset value. Two thousand eight was an extreme example where closed-end fund discounts widened dramatically. In early 2000 Fund shares traded at a discount in excess of 20 percent, which, interestingly enough, was a period when the markets were quite euphoric, just in advance of the bursting of the tech bubble. In 2008, the discount widened in a market that declined 38.4 percent (as measured by the Russell 3000® Growth Index), so we had the reverse of 2000.

What these markets had in common is two things: 1) they were emotionally driven markets; and 2) they were narrowly focused. In other words, the discount does relate to investor sentiment. Addressing the first point, in early 2000 the market was euphoric, while in the fourth quarter of 2008 the market was in panic and stocks were being sold indiscriminately. They were polar opposites, but both were extremes of investor sentiment. As to the narrowing of the market in 1999 and early 2000, investors increasingly focused on large cap technology stocks. In 2006, 2007 and into early 2008 investors focused on commodity stocks energy, materials, industrial and precious metals, and agricultural commodities. Once again, you began to see investors flocking to a more narrow group of stocks.

But, situations change and discounts can become premiums. For instance, at March 31, 2000, Fund shares sold at a 23.3 percent discount to NAV. A year later they sold at a premium. Although Fund shares continued to sell at a discount to NAV in January 2009, the discount has narrowed from the extreme levels experienced in the fourth quarter.

Why do the Fund s managers stay fully invested? Recently, the only thing that has worked has been cash. Wouldn t it be better to go to a higher cash allocation and ride out the storm?

Simply stated, Liberty All-Star Growth Fund is an equity investment. We don t make tactical asset allocation decisions such as going between stocks, bonds and cash because that is not the Fund s investment objective. That has nothing to do with being a multi-managed, all-cap, growth equity holding. So, it is the investor who decides that he or she wants equity exposure through a well-diversified, high quality fund, such as Liberty All-Star Growth Fund. In addition, we feel the multi-management model has worked well over time and through most market conditions, save the extreme circumstances that we have seen from time to time. Our managers will raise some cash, but it s not for market timing purposes. It s just cash that they hold for short periods of time when they get out of certain stocks and get into others where they see more attractive opportunities.

LIBERTY ALL-STAR® GROWTH FUND
MANAGER ROUNDTABLE

Adapting and adjusting in a terrible year, but staying true to investment disciplines

With daily media headlines and a litany of data to remind them, investors are all too well aware of what a poor year 2008 was in global financial markets. Indeed, most have felt the sting directly in their own portfolios. Yet, reason and rational thinking continue to prevail, as evidenced in the thoughts shared by the Fund s three investment managers in this year s Manager Roundtable. Through a year marked by fear and, occasionally, outright panic, they have maintained their investment disciplines and processes, while responding to constantly changing conditions but not reacting to them. There is no changing the harsh reality of what has happened. But, historically stocks have always recovered from the many financial crises of the past. And, looking ahead the managers see opportunity in quality growth stocks that in some instances are priced at historically low levels. ALPS Advisors serves as moderator of the Roundtable. Given the exceptional nature of 2008, William R. Parmentier, Jr., President of Liberty All-Star Growth Fund, Inc., joins the Roundtable this year. 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.

Since all the bad news of 2008 has been well documented, is there anything positive to take away as we start 2009? Let s start with the small-cap perspective from Matt weatherbie and go up through the capitalization range to Brendt Stallings and David Scott.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): There is a mountain of cash on the sidelines earning very little interest. According to JPMorgan Chase, as of November 15, cash in money market mutual funds was 42 percent of the total value of the Wilshire 5000 Index, the broadest index of U.S. stocks. The prior record was 30 percent right at the end of the 2000-2002 bear market. Also, the Obama administration could be a positive for the markets. With a strong economic team and a working majority in Congress, there seems to be a good chance of implementing economic policies that will stabilize the economy, while beginning to address overlooked longer-term issues.

STALLINGS (TCW MID-CAP GROWTH): The good news is that one of the two forces behind the 2008 collapse in stock prices has run its course and may reverse: First, the rapid and significant deterioration in earnings due to the recession which may remain with us for a time and, second, a contraction of valuations due to the liquidity crisis and its attendant forced liquidations of riskier assets. In short, we saw both the earnings and the price/earnings ratio fall. While the earnings may remain challenged for a while, the price/earnings ratio has room to improve. And while the general deleveraging of the economy (and the consumer in particular) will likely take years, the worst of the forced liquidations in the financial markets are likely behind us. As evidenced by narrowing credit spreads, liquidity conditions are improving, partially because of the massive injection of government capital and partially because the liquidations simply ran their course.

There is a mountain of cash on the sidelines earning very little interest.

Matt weatherbie,
M.A. Weatherbie

We feel the proverbial blood in the streets moment has likely passed. Furthermore, as is typically the case, valuations should expand well before a recovery in earnings usually six to 12 months. Such an earnings recovery, however, may still be a way into the future.

SCOTT (CHASE LARGE-CAP GROWTH): The importance of using a disciplined stock selection process was emphatically demonstrated in 2008. Chase Investment Counsel believes that its process helped us to make timely sales and, as importantly, kept us from re-entering stocks when many issues looked superficially inexpensive, but still had considerable downside risk. Finally, as we have seen in many previous stock market cycles, patience was once again rewarded. Managers who violated their processes in an effort to capture high risk returns in 2006 and 2007 were punished severely in 2008.

as is typically the case, valuations should expand well before a recovery in earnings

Brendt Stallings,
TCW

Bill Parmentier, what are your observations from the Fund s perspective?

PARMENTIER (LIBERTY ALL-STAR GROWTH FUND): One positive going into 2009 is that closed-end fund discounts are narrowing. They re not where we d like them to be, but they re not 20 plus percent anymore. We are also starting to see some narrowing of credit spreads, which could be early signs of a thaw in credit markets that essentially froze in October and November. In sum, these are early signs that the monetary easing and stimulus efforts by governments and central bankers around the globe are finally having some impact. This is not to say that we are out of the woods, but we are heading in the right direction. After a difficult period, investors likely want to see a quicker turnaround, but patience is still required.

As the market declines deepened, particularly in the second half, what did you do consistent with your style and strategy to minimize the damage or defensively position portfolios that you manage? what is the large cap perspective, David Scott?

SCOTT (CHASE LARGE-CAP GROWTH): In order to minimize damage we became much more selective in our portfolio choices and concentrated assets in fewer stocks. Consistent with past cycles these stocks tended to be larger higher quality mega-caps such as McDonald s and Wal-Mart. We increased the position sizes to the high end of our allowable ranges and therefore did not have to hold less attractive stocks just to remain invested. We maintained high quality, low volatility, and strong defensive characteristics while maintaining our process during this difficult period.

Brendt Stallings, what are your thoughts?

STALLINGS (TCW MID-CAP GROWTH): The second half of 2008 was a particularly difficult time to manage a portfolio because of, one, the contraction of liquidity, and, two, the rapid deterioration of fundamentals. The first is almost impossible to mitigate as we are a long-only, fundamental manager who must, by mandate, remain fully invested. There were, however, steps we took to manage the second. Most importantly, we want to own companies where our conviction that they can capture market share through the recession is high. This was an important lesson of the recession and technology depression of the early 2000s. Companies that do this may emerge from the recession with greater earnings power than they entered. In our experience, these ultimately become excellent investments. Such companies typically share a number of characteristics, including strong, sustainable product differentiation; secular (as opposed to cyclical) growth drivers; and a well-capitalized balance sheet to ensure survival in rough times. Not coincidentally, those are characteristics we always look for in our investments. Today, we can buy these companies at unusually low valuations.

The importance of using a disciplined stock selection process was emphatically demonstrated in 2008.

David Scott,
Chase Investment Counsel

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): In these difficult times, the weak economy and scary headlines make it that much more important to closely monitor portfolio companies, which we are doing. In addition, the stock market has recently been marked by declining liquidity among smaller cap stocks and volatile stock price movements up and down. We are attempting to capitalize on this by trading a little more actively around position sizes.

Are stocks cheap at bargain prices right now? David Scott, let s start with you and then hear from Matt Weatherbie and Brendt Stallings.

SCOTT (CHASE LARGE-CAP GROWTH): Generally speaking, stocks are less expensive then they were a year ago. However, it is imperative to judge every issue on its own merits. In some industries, such as retailing and consumer finance, basic growth prospects have deteriorated so badly because of mismanagement and changing customer financial conditions that these companies do not present compelling values even given severe declines in their stock prices. However, other high growth firms, such as biotechnology companies that had been too highly priced for a growth at a reasonable price investor (GARP) to consider, are finally attractive.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): Are stocks cheap now? I believe they are. Our smaller cap growth portfolio continues to demonstrate superiority on every measure of quality and growth relative to a widely used small cap growth index. Yet our normalized P/E ratio of 11.5x represents a discount to the index P/E and is by far the lowest we have seen in M.A. Weatherbie s 13-year history. The prior record low was 16.3x in the third quarter of 2002, toward the end of that severe bear market.

STALLINGS (TCW MID-CAP GROWTH): As previously discussed, we believe valuations have been depressed not only for fundamental reasons, but also due to the evaporation of liquidity last fall. From a bottom-up perspective, we find our investments more attractively priced relative to their fundamentals than at any time in the past five years.

Our... portfolio continues to demonstrate superiority on every measure of quality and growth...

Matt Weatherbie,
M.A. Weatherbie

Bill Parmentier, what do you think? Are there bargains out there?

PARMENTIER (LIBERTY ALL-STAR GROWTH FUND): I recall in the late 1970s and very early 80s just before the equity and bond bull markets began in 1982 that the prime rate exceeded 20 percent and long government bonds were yielding 14 percent or more. At that time inflation was the worry, and people were saying that inflation was putting the U.S. capitalist system at risk. Some very distinguished economists at the time were saying that it would take generations to eliminate inflation from the U.S. economy. Of course, it didn t take anywhere near that amount of time to rein in inflation. Today, we have the mirror image the problem is deflation and some financial assets and commodities are priced for zero inflation for years. I can t predict the future, but I suspect we are in a situation much like that of the late 70s/early 80s and that the severe problems of today will correct more quickly than people suspect.

How has the recession impacted the growth rates of the companies in your portfolio? Let s start with Brendt Stallings, and then hear from David Scott and Matt Weatherbie.

STALLINGS (TCW MID-CAP GROWTH): Certainly, the recession has impacted the growth rates of many of our companies. Some of our companies are relatively immune, particularly certain health care companies. But these are a minority of our holdings. The bulk of our companies, however, continue to grow. Additionally, most are taking market share, which is important to us in this environment.

SCOTT (CHASE LARGE-CAP GROWTH): The recession has slowed near term growth prospects for some companies in our portfolios. However, because we place significant emphasis on longer-term return on assets, equity and capital as well as balance sheet strength and market positioning, many of our companies are enhancing their growth positions in this difficult environment and could see an acceleration of growth once a new recovery begins.

...[in 2008] we became much more selective in our portfolio choice and concentrated ted assets in fewer stocks.

David Scott,

Chase Investment Counsel

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): Our companies are somewhat recession resilient but earnings growth has slowed significantly. We currently expect our portfolio company earnings to be roughly flat in 2009 versus 2008, in the context of S&P 500 operating earnings declining 20 to 25 percent.

PARMENTIER (LIBERTY ALL-STAR GROWTH FUND): One characteristic of the Fund s holdings that should help in a weak economy is strong balance sheets. In recent years, investors tended to look at companies income statements, forgetting about the desirability of clean balance sheets with low debt and good cash positions. The credit crisis changed that dramatically. Now, there s growing attention to balance sheets and the ability to access the credit markets. Our high quality companies tend to have superior business models that should permit them to perform even in rough economic times. They have more visibility in earnings, solid balance sheets and ample free cash flow.

Investors portfolios have taken a substantial hit, so there is a lot of skepticism about diversification, long-term horizon, the outlook for equities and other foundational thoughts. what would you say to investors as they look ahead? David Scott, let s ask you to begin.

SCOTT (CHASE LARGE-CAP GROWTH): First, we are moving through a period of substantial change. The consumer debt cycle that has powered many parts of our domestic economy for the last several years has peaked and a retrenchment has begun. Second, this new environment will breed both winners and losers in the stock market. It is imperative to pick companies carefully during this period. Third, we believe it is important to use a disciplined process that has demonstrated the ability to realize value during times of significant change in the past. Importantly, because the macroeconomic changes are likely to be sweeping and very difficult to analyze and time, focus should be on choosing individual stocks and not broad themes. Fourth, this disciplined process should consider both fundamental and technical research inputs even as we focus on the growth segment of the market to ensure that reasonable values are in place. Fifth, we believe the process we use at Chase Investment Counsel meets these criteria.

I think this is a great time to be a fundamental, bottom-up investor.

Brendt Stallings,

TCW

Brendt Stallings, what are your thoughts?

STALLINGS (TCW MID-CAP GROWTH): I think this is a great time to be a fundamental, bottom-up investor. In the past 10 years, the return on U.S. stocks has been roughly zero since the early 19th century this has happened only five times. For those looking in the rear view mirror, this makes stocks look unattractive. Looking forward, it indicates an unusual opportunity to buy stakes in real businesses which should, over the next five years, grow in revenues and profitability. We ve never depended upon leverage to generate returns, nor have we promised the mirage of high returns with low volatility. There is no free lunch. With the fads of the last decade discredited or liquidating, we believe it s a great time for investors to return to the common sense strategy of buying good, growing businesses with attractive valuations.

How about you, Matt Weatherbie?

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): Have patience and have faith. Look at the last 200 years of U.S. financial history and observe how many panics and crises our country has dealt with and overcome, with the outcome seeing the stock market advancing to new highs. The current crisis, while severe, is not unprecedented. An important positive is that credit markets are starting to heal. Also, P/E valuations are dirt cheap, cash on the sidelines is plentiful and investors are fearful. As Warren Buffett says, Be greedy when others are fearful.

How about the Fund s thoughts?

PARMENTIER (LIBERTY ALL-STAR GROWTH FUND): Human psychology being what it is, frequently when investors feel that there s the least risk in markets, that s when there can be the most risk. And when investors feel that there s the most risk in the markets, like today, historically it has proven to be the moment when investors should not give up on the fundamental precepts of investing.

Coming off the worst decade for stocks since the 1930s, the tendency is to write-off the ability of stocks to outperform most asset classes over long periods of time. But, if you put the period into perspective, there have also been long periods when stocks have provided excellent returns. Beginning in 1982 with the exception of the 1987 crash stocks did very well. Unfortunately it ended with the tech bubble before Y2K and the tragic events of 9/11. In hindsight credit became too cheap for too long, which led to excess leverage and speculation. Now, I believe, we are seeing a lot of the excesses purged from the system and over the long term that may be beneficial as investors return to the fundamental reason for investing, and that is owning quality companies with good-long term fundamentals.

All great answers, thank you. A final question: Most of the All-Star managers take a bottom-up approach. but with macroeconomic factors such as GDP, unemployment, corporate earnings and so forth at such extremes, they can t be ignored. How are you working the national (and global) economic picture into your decision-making? we started the roundtable going up the capitalization range, so let s end it by going in the reverse order and asking David Scott to lead off.

SCOTT (CHASE LARGE- CAP GROWTH): Even though we take a bottom-up approach to selecting stocks, macroeconomics has always played a role in our process. We start our process by identifying attractive companies based on individual characteristics. Once the in-depth research begins, all aspects regarding the company are considered. For example, we did not purchase McDonald s in 2008 because of the federal stimulus program. However, once we identified the company as attractive based on its strong fundamental and technical profile, our analyst noted that the company would benefit from individuals receiving rebate checks. If a rebate program occurs once again in 2009, some retailers and restaurants, such as McDonald s, could benefit further. This will likely be the case once again in 2009. The key is we began with our analysis focused on the individual company and not macroeconomic issues.

...Investors [are returning] to the fundamental reason for investing, and that is owning quality companies with good long-term fundamentals.

William Parmentier,
Liberty All-Star Growth Fund

STALLINGS (TCW MID-CAP GROWTH): As bottom-up managers, we strive to outperform through our stock picks, not by market timing, sector rotation or any other top-down approaches that we doubt work consistently. That said, we do pay attention to the economy. The macroeconomic picture influences our decisions through the impact on our cash flow estimates for our companies. For example, for a company for which our worst-case estimate for cash flows two years ago may have incorporated a flat economy, today we would incorporate a deep, extended recession into our estimates.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): We realize that the economy continues to weaken and the outlook is uncertain. The trend in corporate earnings is very poor and analysts are forecasting steep declines in S&P 500 operating earnings in 2009. We believe that the massive monetary and fiscal stimulus currently being undertaken will stabilize and eventually improve the economy. However, over the next several years, real GDP growth maybe slower than it has been over the last several years as households reduce their spending and debt levels and increase their savings. So, while we always focus on companies that can grow in good times and bad, we will intensify our scrutiny to make sure that we own companies that can grow even in what is likely to be a low growth world.

Many thanks for your thoughtful comments. we will look forward to a more positive environment a year hence.

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

YEAR	PER SHARE DISTRIBUTIONS	RIGHTS OFFERINGS 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			
2007	0.61			
2008	0.47			

* 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, 2008

TOP 20 HOLDINGS*	PERCENT OF NET ASSETS
McDonald s Corp.	2.28%
Wal-Mart Stores, Inc.	2.15
Teva Pharmaceutical Industries Ltd.	1.73
ANSYS, Inc.	1.72
Johnson & Johnson	1.65
Amgen, Inc.	1.64
Genzyme Corp.	1.60
LKQ Corp.	1.60
The Procter & Gamble Co.	1.52
Accenture Ltd., Class A	1.46
Resources Connection, Inc.	1.46
Strayer Education, Inc.	1.44
Stantec, Inc.	1.43
Core Laboratories N.V.	1.39
Exxon Mobil Corp.	1.37
Waste Management, Inc.	1.35
Lowe s Cos., Inc.	1.24
Wells Fargo & Co.	1.23
Affiliated Managers Group, Inc.	1.23
Clean Harbors, Inc.	1.23
	30.72%

ECONOMIC SECTORS*	PERCENT OF NET ASSETS
Health Care	23.25%
Information Technology	19.10
Industrials	14.76
Consumer Discretionary	13.94
Financials	9.15
Consumer Staples	7.55
Energy	7.12
Telecommunication Services	2.19
Materials	0.88
Utilities	0.26
Other Net Assets	1.80
	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 2008.

SECURITY NAME	PURCHASES (SALES)	SHARES AS OF 12/31/08
PURCHASES		
3M Co.	13,300	13,300
Apollo Group, Inc., Class A	12,200	12,200
Automatic Data Processing, Inc.	29,500	29,500
Exxon Mobil Corp.	16,400	16,400
Gilead Sciences, Inc.	22,600	22,600
Lowe s Cos., Inc.	55,100	55,100
U.S. Bancorp	37,700	37,700
SALES		
Adobe Systems, Inc.	(37,800)	
Burlington Northern Santa Fe Corp.	(13,700)	
General Dynamics Corp.	(19,000)	
Lockheed Martin Corp.	(11,300)	5,100
Schlumberger Ltd.	(20,700)	
Union Pacific Corp.	(23,400)	

LIBERTY ALL-STAR® GROWTH FUND

SCHEDULE OF INVESTMENTS

as of December 31, 2008

	SHARES		MARKET VALUE
COMMON STOCKS (98.20%)			
CONSUMER DISCRETIONARY (13.94%)			
Automobiles (0.55%)			
Thor Industries, Inc.	40,062	$	528,017
Distributors (1.60%)			
LKQ Corp.(a)	131,278		1,530,701
Diversified consumer services (3.12%)			
Apollo Group, Inc., Class A(a)	12,200		934,764
K12, Inc.(a)	35,737		670,069
Strayer Education, Inc.	6,400		1,372,224
			2,977,057
Hotels, Restaurants & Leisure (4.61%)			
BJ s Restaurants, Inc.(a)	44,758		482,044
Chipotle Mexican Grill, Inc., Class B(a)	6,700		383,843
Ctrip.com International Ltd.(b)	23,820		566,916
Life Time Fitness, Inc.(a)	20,373		263,830
McDonald s Corp.	35,000		2,176,650
Starwood Hotels & Resorts Worldwide, Inc.	13,000		232,700
Texas Roadhouse, Inc., Class A(a)	37,917		293,857
			4,399,840
Multi-line Retail (1.11%)			
Dollar Tree, Inc.(a)	25,272		1,056,370
Specialty Retail (2.35%)			
Hibbett Sports, Inc.(a)	37,825		594,231
Lowe s Cos., Inc.	55,100		1,185,752
Staples, Inc.	13,600		243,712
Ulta Salon, Cosmetics & Fragrance, Inc.(a)	27,212		225,315
			2,249,010
Textiles, Apparel & Luxury Goods (0.60%)			
Phillips-Van Heusen Corp.	28,595		575,617
CONSUMER STAPLES (7.55%)			
Beverages (2.19%)			
Hansen Natural Corp.(a)	30,427		1,020,217
PepsiCo, Inc.	19,600		1,073,492
			2,093,709
Food & Staples Retailing (3.22%)			
SYSCO Corp.	44,600		1,023,124
Wal-Mart Stores, Inc.	36,700		2,057,402
			3,080,526
Food products (0.62%)			
Kellogg Co.	13,500		591,975

Household products (1.52%)		
The Procter & Gamble Co.	23,500	1,452,770

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
ENERGY (7.12%)		
Energy Equipment & Services (4.98%)		
CARBO Ceramics, Inc.	6,403	$ 227,499
Core Laboratories N.V.	22,125	1,324,402
IHS, Inc.(a)	26,368	986,691
NATCO Group, Inc.(a)	23,789	361,117
National Oilwell Varco, Inc.(a)	12,900	315,276
Oceaneering International, Inc.(a)	19,600	571,144
Patterson-UTI Energy, Inc.	34,077	392,226
Smith International, Inc.	25,300	579,117
		4,757,472
Oil, Gas & Consumable Fuels (2.14%)		
Exxon Mobil Corp.	16,400	1,309,212
Ultra Petroleum Corp.(a)	10,200	352,002
Whiting Petroleum Corp.(a)	11,500	384,790
		2,046,004
FINANCIALS (9.15%)		
capital Markets (2.85%)		
Affiliated Managers Group, Inc.(a)	28,041	1,175,478
The Charles Schwab Corp.	34,400	556,248
GFI Group, Inc.	133,322	471,960
optionsXpress Holdings, Inc.	38,507	514,454
		2,718,140
Commercial Banks (2.85%)		
Signature Bank(a)	20,970	601,629
U.S. Bancorp	37,700	942,877
Wells Fargo & Co.	40,000	1,179,200
		2,723,706
Diversified Financial Services (1.86%)		
Financial Federal Corp.	29,941	696,727
Intercontinental Exchange, Inc.(a)	9,900	816,156
MSCI, Inc.(a)	14,789	262,653
		1,775,536
Insurance (1.59%)		
ACE Ltd.	14,900	788,508
Brown & Brown, Inc.	12,023	251,281
eHealth, Inc.(a)	35,800	475,424
		1,515,213
HEALTH cARE (23.25%)		
Biotechnology (7.11%)		
Amgen, Inc.(a)	27,100	1,565,025
BioMarin Pharmaceutical, Inc.(a)	31,022	552,192
CV Therapeutics, Inc.(a)	49,100	452,211
Genzyme Corp.(a)	23,100	1,533,147
Gilead Sciences, Inc.(a)	22,600	1,155,764
Isis Pharmaceuticals, Inc.(a)	30,800	436,744
Martek Biosciences Corp.	10,189	308,829
United Therapeutics Corp.(a)	4,319	270,153
Vertex Pharmaceuticals, Inc.(a)	17,300	525,574
		6,799,639

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Health Care Equipment & Supplies (4.28%)		
Accuray, Inc.(a)	31,503	$ 162,555
Baxter International, Inc.	18,000	964,620
I-Flow Corp.(a)	40,949	196,555
Intuitive Surgical, Inc.(a)	3,500	444,465
Masimo Corp.(a)	8,980	267,873
ResMed, Inc.(a)	27,203	1,019,569
SurModics, Inc.(a)	16,717	422,439
Thoratec Corp.(a)	18,900	614,061
		4,092,137
Health Care Providers & Services (4.52%)		
athenahealth, Inc.(a)	1,200	45,144
Catalyst Health Solutions, Inc.(a)	28,800	701,280
Express Scripts, Inc.(a)	15,600	857,688
Lincare Holdings, Inc.(a)	37,095	998,968
PSS World Medical, Inc.(a)	16,290	306,578
Psychiatric Solutions, Inc.(a)	16,400	456,740
VCA Antech, Inc.(a)	47,783	949,926
		4,316,324
Life sciences Tools & services (0.63%)		
WuXi PharmaTech Cayman, Inc.(a)(b)	75,365	602,166
Pharmaceuticals (6.71%)		
Abbott Laboratories	15,300	816,561
Auxilium Pharmaceuticals, Inc.(a)	23,130	657,817
Eli Lilly & Co.	16,700	672,509
Johnson & Johnson	26,400	1,579,512
Mylan, Inc.(a)	103,900	1,027,571
Teva Pharmaceutical Industries Ltd.(b)	38,900	1,655,973
		6,409,943
INDUSTRIALS (14.76%)		
Aerospace & Defense (1.68%)		
Lockheed Martin Corp.	5,100	428,808
Spirit AeroSystems Holdings, Inc.(a)	49,700	505,449
TransDigm Group, Inc.(a)	19,972	670,460
		1,604,717
Air Freight & Logistics (1.18%)		
C.H. Robinson Worldwide, Inc.	9,100	500,773
Expeditors International of Washington, Inc.	9,200	306,084
UTI Worldwide, Inc.	22,504	322,707
		1,129,564
Commercial Services & Supplies (8.63%)		
American Reprographics Co.(a)	48,073	331,704
Clean Harbors, Inc.(a)	18,500	1,173,640
The Corporate Executive Board Co.	8,785	193,797
Quanta Services, Inc.(a)	39,300	778,140
Resources Connection, Inc.(a)	84,977	1,391,924
Ritchie Bros. Auctioneers, Inc.	12,278	262,995
Stantec, Inc.(a)	55,174	1,362,798
Stericycle, Inc.(a)	15,704	817,864
Waste Connections, Inc.(a)	20,493	646,964
Waste Management, Inc.	38,800	1,285,832
		8,245,658

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Construction & Engineering (0.33%)		
The Shaw Group, Inc.(a)	15,200	$ 311,144
Industrial Conglomerates (0.80%)		
3M Co.	13,300	765,282
Machinery (1.56%)		
Flowserve Corp.	9,800	504,700
Kaydon Corp.	18,461	634,135
SPX Corp.	8,600	348,730
		1,487,565
Trading Companies & Distributors (0.58%)		
Fastenal Co.	15,921	554,847
INFORMATION TECHNOLOGY (19.10%)		
Communications Equipment (1.79%)		
Infinera Corp.(a)	59,494	533,066
Polycom, Inc.(a)	50,228	678,581
Research In Motion Ltd.(a)	12,200	495,076
		1,706,723
Computers & Peripherals (0.98%)		
International Business Machines Corp.	11,100	934,176
Electronic Equipment & Instruments (2.00%)		
FLIR Systems, Inc.(a)	31,633	970,500
National Instruments Corp.	38,764	944,291
		1,914,791
Internet Software & Services (3.11%)		
Baidu.com(a)(b)	5,600	731,191
Bankrate, Inc.(a)	17,800	676,400
comScore, Inc.(a)	22,121	282,043
Equinix, Inc.(a)	4,100	218,079
Mercadolibre, Inc.(a)	33,337	547,060
VistaPrint Ltd.(a)	27,737	516,186
		2,970,959
iT services (4.07%)		
Accenture Ltd., Class A	42,600	1,396,854
Automatic Data Processing, Inc.	29,500	1,160,530
Cognizant Technology Solutions Corp., Class A(a)	43,600	787,416
SRA International, Inc.(a)	31,495	543,289
		3,888,089
Semiconductors & Semiconductor Equipment (1.59%)		
Broadcom Corp., Class A(a)	17,100	290,187
Cavium Networks, Inc.(a)	33,888	356,163
FormFactor, Inc.(a)	16,975	247,835
Hittite Microwave Corp.(a)	21,134	622,608
		1,516,793

See Notes to Schedule of Investments and Financial Statements

	SHARES		MARKET VALUE
COMMON STOCKS (continued)			
Software (5.56%)			
ANSYS, Inc.(a)	58,900	$	1,642,721
CA, Inc.	18,100		335,393
Electronic Arts, Inc.(a)	23,300		373,732
Monotype Imaging Holdings, Inc.(a)	30,141		174,818
Nuance Communications, Inc.(a)	30,600		317,016
Salesforce.com, Inc.(a)	21,000		672,210
Solera Holdings, Inc.(a)	27,973		674,149
Symantec Corp.(a)	29,100		393,432
VMware, Inc.(a)	30,860		731,073
			5,314,544
MATERIALS (0.88%)			
Chemicals (0.88%)			
Praxair, Inc.	14,095		836,679
TELECOMMUNICATION SERVICES (2.19%)			
Diversified Telecommunication (0.58%)			
Cbeyond, Inc.(a)	34,374		549,297
IT Services (1.10%)			
NeuStar, Inc., Class A(a)	55,226		1,056,473
Wireless Telecommunication Services (0.51%)			
Clearwire Corp.(a)	98,800		487,084
UTILITIES (0.26%)			
Electric Utilities (0.26%)			
ITC Holdings Corp.	5,657		247,098
TOTAL COMMON STOCKS (COST OF $120,806,588)			93,813,355

See Notes to Schedule of Investments and Financial Statements

	PAR VALUE	MARKET VALUE