LIBERTY ALL STAR GROWTH FUND INC /MD/
Form N-CSR
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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 811-4537

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

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

Ryan C. Larrenaga, Esq.
Columbia Management Group, Inc.
One Financial Center
Boston, MA 02111
(Name and address of agent for service)

Registrant s telephone number, including area code: 1-617-772-3743

Date of fiscal year end: December 31, 2005

Date of reporting period: December 31, 2005

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® Growth Fund

2005 Annual Report

A unique approach to investing in the growth of the world s largest and most dynamic economy

A SINGLE INVESTMENT. . .

A DIVERSIFIED GROWTH PORTFOLIO

A single fund that offers:

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

LIBERTY ALL-STAR GROWTH FUND, INC.

CONTENTS

The views expressed in the President s Letter, Editorial Feature and the 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 anytime 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.

President s Letter

Fellow Shareholders: **February 2006**

Two thousand five proved to be a year of modest gains in closely followed growth stock indices. To that point, the Russell 3000 Growth Index advanced 5.2 percent and the NASDAQ Composite Index gained 2.1 percent. The most widely followed broad market gauge, the S&P 500 Index, advanced 4.9 percent. One of the better performing growth benchmarks was Liberty All-Star Growth Fund s primary benchmark, the Lipper Multi-Cap Growth Mutual Fund Average, which gained 8.8 percent on the strength of a strong second half in which it recovered from a 1.5 percent decline during the first six months of the year.

Measured in terms of net asset value (NAV), the Fund generally performed in line with these indices, while underperforming relative to the Lipper Multi-Cap Growth Mutual Fund Average, as Fund shares valued at NAV gained 4.8 percent for the year and 4.6 percent when shares are valued at NAV with dividends reinvested.

Despite the increase in the Fund s NAV, the Fund experienced weak market price performance. Although market and NAV based returns can diverge over shorter timeframes, it was particularly acute toward the end of 2005. During the month of December, the Fund s discount widened from 2.5 percent to 8.9 percent, which created the divergence in

FUND STATISTICS AND SHORT-TERM PERFORMANCE PERIODS ENDING DECEMBER 31, 2005	**4TH QUARTER**	**2005**
LIBERTY ALL-STAR GROWTH FUND, INC.		
STATISTICS:		
Year End Net Asset Value (NAV)		$5.97
Year End Market Price		$5.44
Year End Discount		8.9%
Distributions	$0.14	$0.58
Market Price Trading Range	$5.37 to $6.04	$5.37 to $6.68
Premium/(Discount) Range	4.5% to (10.4)%	10.2% to (10.4)%
PERFORMANCE:		
Shares Valued at NAV	4.8%	4.8%
Shares Valued at NAV with Dividends Reinvested	4.7%	4.6%
Shares Valued at Market Price with Dividends Reinvested	(6.3)%	(9.3)%
NASDAQ Composite Index	2.7%	2.1%
Russell 3000 Growth Index	2.9%	5.2%
S&P 500 Index	2.1%	4.9%
Lipper Multi-Cap Growth Mutual Fund Average	3.5%	8.8%
NAV Percentile Ranking (1=best; 100=worst)	33rd	79th

Figures shown for the Fund and the Lipper Multi-Cap Growth Mutual Fund Average are total returns, which include dividends, after deducting fund expenses. 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 43.

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.

those two performance measures. It s hard to find a truly satisfactory answer for the fourth quarter action, but it appears to have been common among many closed-end funds, where discounts widened in general. In fact, many closed-end equity funds were at double-digit discounts by year-end. One factor may have been the greater number of new closed-end funds that came to market in 2005. Also, tax selling could have contributed, which is not unusual toward year-end. The table on the previous page highlights Fund and relevant market performance for the fourth quarter and full year.

The important point for shareholders to bear in mind is that while short-term differences in performance between shares valued at NAV and shares valued at market price may occur, over the long term these two performance measures have tended to track more closely. Finally, we believe that the decline in shares valued at market price during the fourth quarter reflected forces in the financial markets and not issues specific to the Fund.

As you can see in the table below, over three- and five-year periods NAV and market price returns do, in fact, track fairly closely. We are pleased that the Fund s NAV results outperformed the Russell 3000 Growth Index for the past three- and five-year periods, but are disappointed with the Fund s three-year results compared to the Lipper Multi-Cap Growth Mutual Fund Average. We would point out that for the past five years, which encompass the unprecedented post-bubble decline in growth stocks, the Fund s NAV and market price return have outperformed that benchmark.

LONG-TERM PERFORMANCE SUMMARY **PERIODS ENDING DECEMBER 31, 2005**	**ANNUALIZED RATES OF RETURN** **3 YEARS**	 **5 YEARS**
Shares Valued at NAV	14.4%	(1.5)%
Shares Valued at NAV with Dividends Reinvested	14.3%	(1.3)%
Shares Valued at Market Price with Dividends Reinvested	13.6%	(0.3)%
NASDAQ Composite Index	18.9%	(1.8)%
Russell 3000 Growth Index	13.8%	(3.2)%
S&P 500 Index	14.4%	0.5%
Lipper Multi-Cap Growth Mutual Fund Average	18.1%	(2.7)%
NAV Percentile Ranking (1=best; 100=worst)	88th	42nd

Figures shown for the Fund and the Lipper Multi-Cap Growth Mutual Fund Average are total returns, which include dividends, after deducting fund expenses. The Fund s reinvested returns assume that all of the Fund s rights offerings were fully subscribed under the terms of each offering. Figures shown for the unmanaged NASDAQ Composite Index, the Russell 3000 Growth Index and the S&P 500 Index are total returns, including income. A description of the Lipper benchmark and the market indices can be found on page 43.

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Returning to my opening point about modest returns in the domestic equity market in 2005, another widely followed index, the Dow Jones Industrial Average, increased 1.7 percent. Volatility was absent, too. The S&P 500 moved up or down 2 percent or more on 52 trading days in 2002. In 2004 and 2005, there percent move occurred.

The story of 2005 was one of sustained corporate earnings performance at this writing, U.S. corporations are on track to report their tenth straight quarter of double-digit earnings gains being offset by factors that are now all too familiar: rising short-term interest rates, significantly higher energy prices, worries over a softening in the red-hot U.S. housing market and the global geopolitical situation, chiefly the war in Iraq. In addition, there was a sufficient supply of random events to keep investors unsettled. Hurricanes Katrina and Rita (with Wilma as an exclamation mark) head the list. Terrorist bombings hit London in July. As the year wound down, several G-7 countries, including the U.S., were in a standoff with Iran over that country s nuclear ambitions.

Among investment themes in the U.S., value stocks topped growth stocks for the sixth straight year, although the gap between the two narrowed to less than 2 percent. Energy companies were stellar performers, as were gold stocks and commodity-related issues.

Officers of Liberty All-Star Growth Fund: Mark T. Haley, CFA, Vice President Investments, left; and William R. Parmentier, Jr., President and Chief Executive Officer, right.

In closing, I would like to draw your attention to two features in this annual report. One is our traditional manager roundtable, which begins on page 11. It s your chance to hear from the Fund s three investment managers, who areestablished thought leaders in growth stock investing, so I urge you to read it. Immediately following this letter, our editorialsection provides a perspective on growth stock investing: the fundamental rationale for it, a look back at the pastsix years when value has consistently outperformed growth (as well as a period when growth significantly outperformed value), and additional aspects of the Fund s structure, discipline and process.

I am disappointed that transient market forces offset the fact that the Fund s NAV-based results ranked it in the top third of peer funds in the fourth quarter of 2005. At the same time, I remain confident that the Fund is on the right path for the long term.

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

Sincerely,

William R. Parmentier, Jr.

President and Chief Executive Officer

Liberty All-Star Growth Fund, Inc.

A unique approach to investing in the growth of the world s largest and most dynamic economy

The Internet. Biotechnology. Robotics. Search engines. Wireless communication. Electronic games. Enterprise software. Services. The innovations driving a growing U.S. economy are too numerous to mention. In recent years, however, these sources of growth have not transferred to growth style investing. But, cycles turn and only the short-sighted would call the growth style forever out-of-favor. Here, two senior managers of the Liberty All-Star Growth Fund provide commentary and insight, leading to a review of fundamental characteristics of the Fund.

The fundamental case for growth style investing

by William R. Parmentier, Jr.

President and Chief Executive Officer

Liberty All-Star Growth Fund, Inc.

The fundamental case for growth style investing lies in the attractiveness of companies whose sales and earnings are growing faster than average, that participate in or lead rapidly expanding industries whose products or services are experiencing strong demand, and that frequently enjoy competitive advantages, such as a technological edge or proprietary process. Within the growth style there is a variety of sub-styles aggressive growth, for instance, or the so-called GARP, growth at a reasonable price, approach. Investing for growth does not mean that one needs to throw caution to the wind. In fact, attractive levels of growth can be found in many high quality companies. This is a hallmark of the Fund s investment managers. Our small cap manager looks for high quality companies with an enduringcompetitive advantage. Our mid-cap manager pursues companies with outstanding business models and the potential for positive earnings surprise. And our large cap manager seeks out quality growth companies that they feel can achieve long-term sustainable profit growth through a bottom-up, fundamental research process.

Growth Stock Risk Growth stocks are stocks of companies believed to have above-average potential for growth in revenue and earnings. In certain market conditions, prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may not perform as well as value stocks or the stock market in general.

A period like no other in recent history

by Mark T. Haley, CFA

Vice President Investments

Liberty All-Star Growth Fund, Inc.

Stock market leadership generally rotates between the two fundamental styles of investing: growth and value. Typically, one outperforms until market and economic conditions change and investor sentiment shifts.

The accompanying chart shows that the past six years have been unusual.

RUSSELL 3000 GROWTH VS. VALUE
10 YEARS ENDING DECEMBER 31, 2005

Cumulative Relative Performance

Beginning in 2000, value outperformed growth every year, including last year,based on a comparison of the Russell 3000Growth and Value indices. Before that,as the chart also shows, it was growththat strongly outperformed value. Thisexceptional 2000 through 2005 period forvalue style leadership resulted fromgrowth stocks having become overvalued in the latter 1990s and the strong performance of traditional value-type industries, including energy, real estate investment trusts (REIT s), materials and consumer staples, since that time. The good news for growth investors is that the gap between growth and value has been narrowing it was just 1.7 percent in 2005. While no one knows for certain when leadership will rotate, investors are well served to recognize that recent conditions are unlikely to persist.

Multi-cap growth stock investing

Perhaps the most compelling feature of the Liberty All-Star Growth Fund is that in a single growth fund it provides investors with exposure to companies of all sizes small-cap, mid-cap and large-cap. (Capitalization is determined by the number of shares a company has outstanding multiplied by the market value of each share.) Growth stocks rarely move in lock-step, i.e., during one period small-cap growth may outperform large. At another point in time, mid-cap may take the lead and so forth.

While small-cap stocks are often newer, rapidly growing companies, the astute small-cap growth manager will look for quality management, a sound business model and proprietary advantages that provide competitive strength. Mid-cap stocks, unlike many small-cap stocks, have survived the perils of youth and potentially represent the sweet spot of their growth curve. Large-cap stocks can be quality companies that typically demonstrate consistent rates of growth and profitability, and are often leaders in large and growing industries.

Multi-managed, exchange-traded structure

Multi-management is an ideal fit with the Fund s multi-cap approach to growth style investing. Multi-management is based on the concept that, in general, no single manager consistently outperforms through all market cycles. Liberty All-Star Growth Fund applies this principle to growth style investing by retaining three investment managers, one for each growth stock capitalization range small, mid- and large. This allows each investment management firm to concentrate on its best investmentideas within their targeted capitalization range, while the Fund s Investment Advisor, Banc of America Investment Advisors (BAIA), provides management oversight and coordination.

The Fund s closed-end, exchange-traded structure also complements the multi-manager approach. Shares of the Fund, which are listed on the New York Stock Exchange under the symbol ASG, are bought and sold just like those of any other publicly traded company. This is advantageous to the investment managers because they have the confidence of knowing they will not experience sharp inflows or outflows of assets as can be the case with open-end mutual funds.

Role of Banc of America

Investment Advisors

The Fund s Investment Advisor, BAIA, brings knowledge, expertise and resources to three important tasks: 1) Identifying and retaining investment managers; 2) Monitoring their performance and replacing them when warranted; and 3) Periodically rebalancing the Fund sportfolio. Performing these tasks relieves investors of time-consuming and knowledge-intensive work. Further, philosophically, the Fund s management team aligns its objectives and interests with those of shareholders.

Research and selection

BAIA retains managers who demonstrate: a consistent focus on the growth style of investing, a disciplined investment decision-making process, a record of success relative to other growth managers, management continuity and a well-managed organization with sufficient resources.

Ongoing monitoring

BAIA continually reviews the investment managers to confirm that each is performing as expected. BAIA monitors trading activity, portfolio holdings, portfolio characteristics, cash positions and other factors, as well as firm-level factors such as ownership or personnel changes. If necessary, BAIA takes action and will recommend changes to the Fund s Board of Directors.

Rebalancing

The Fund s investment managers will perform differently over time, thus unbalancing the intended composition of the Fund s portfolio. When thishappens, BAIA may redeploy gains from the outperforming manager to those whose capitalization range has lagged. In doing so, BAIA takes money from today s winners and gives it to managers who may be tomorrow s winners.

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 43 for a description of these indices.

MARKET CAPITALIZATION SPECTRUM

PORTFOLIO CHARACTERISTICS

AS OF DECEMBER 31, 2005

(UNAUDITED)

	RUSSELL GROWTH: Smallcap Index	Midcap Index	Largecap Index	M.A. Weatherbie	TCW	William Blair	Total Fund
Number of Holdings	1371	499	639	60	56	40	**148***
Weighted Average Market Capitalization (billions)	$ 1.2	$ 7.6	$ 76.7	$ 2.5	$ 16.6	$ 47.6	**$ 21.5**
Average Five-Year Earnings Per Share Growth	15%	18%	15%	17%	45%	20%	**25%**
Dividend Yield	0.5%	0.7%	1.1%	0.4%	0.1%	0.7%	**0.4%**
Price/Earnings Ratio	21x	21x	21x	26x	32x	23x	**27x**
Price/Book Value Ratio	4.2x	4.8x	5.2x	4.7x	6.4x	5.9x	**5.6x**

*Certain holdings are held by more than one manager.

Manager Roundtable

The managers look back and ahead and at prospects for market leadership to rotate to growth stocks

THE STOCK MARKET WAS HIGHLY SELECTIVE IN 2005. WIDELY FOLLOWED EQUITY INDICES WERE UP MODESTLY FOR THE YEAR, BUT CERTAIN SECTORS AND SELECTED STOCKS PERFORMED EXCEPTIONALLY WELL. ONCE AGAIN, VALUE STOCKS OUTPERFORMED GROWTH STOCKS BUT THE GAP BETWEEN THE RUSSELL 3000 GROWTH INDEX AND THE RUSSELL 3000 VALUE INDEX NARROWED TO JUST 1.7 PERCENT. THE BRIGHTEST SPOT IN THE GROWTH STOCK UNIVERSE WAS MIDCAPS, WHICH GAINED JUST OVER 12 PERCENT.

Continuing a tradition, the Fund s Investment Advisor, Banc of America Investment Advisors (BAIA), recentlyhad the opportunity to moderate another annual roundtable with the Fund s three investment managers. As would be expected, there is commonality to the managers comments because they are all growth style investors. However, there are differences, as well, chiefly reflecting the managers varying capitalization focus. Early in 2006, the outlook for growth stocks is generally optimistic, as the Fed has signaled that its series of short-term interest rate increases may be winding down; business investment in technology is expected to be strong; and housing, a stalwart among value stocks in recent years, appears to be softening. In this roundtable, the managers address a mix of short- and long-rangeissues of interest to shareholders and close by highlighting a stock that they recently added to their portion of the Liberty All-Star Growth Fund portfolio. The participating investment managers and their investment styles are:

M. A. WEATHERBIE & CO., INC.

Portfolio Manager/Matthew A. Weatherbie, CFA,

President and Founder

Investment Style/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 capitalizationgrowth indices over a full market cycle.

TCW INVESTMENT MANAGEMENT COMPANY

Portfolio Manager/Brendt Stallings, CFA

Managing Director

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

WILLIAM BLAIR & COMPANY, L.L.C.

Portfolio Manager/John F. Jostrand, CFA, Principal

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

What drove 2005 performance in the growth stock capitalization range that you focus on for the Liberty All-Star Growth Fund? In particular, mid-cap stocks were strong; Brendt Stallings (TCW), what s your analysis of those good results?

STALLINGS (TCW MID-CAP GROWTH): Two thousand five continued the long-term trend of mid-cap stocks outperforming other equity asset classes. Over the very long term, mid-cap stocks have delivered better returns than both small- and large-cap stocks (if one compares either the Russell Midcap Index or the S&P MidCap

400 Index to their peers), with a better risk/reward trade-off than either. Over the long term, we believe this outperformance has been due to the attractive characteristics of the stocks in this capitalization range: less business risk than small caps and more opportunity for growth than large caps. In 2005, the mid-cap benchmarks benefited from exposure to some of the strongest sectors of the economy. In particular, the RussellMidcap Growth s exposure to the energy sector helped performance. A large number of positions in common with the value benchmark also helped in a year when value stocks did well in general.

We agree we could be seeing a fundamental redefinition of growth industries to some extent [we are] finding fewer ideas in the consumer and media sectors, and more in services, including energy services.

Matt Weatherbie,

M.A. Weatherbie

Matt Weatherbie, what s the small cap growth perspective on the year?

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): Our diversified business services and information services companies, especially our largest holdings, carried performance in 2005. These included Fastenal, UTI Worldwide, Corporate Executive Board, West Corporation and Financial Federal Corporation, which showed double digit gains for the year.

John Jostrand, how about your thoughts from the large cap growth perspective?

JOSTRAND (WILLIAM BLAIR LARGE-CAP GROWTH):

With respect to growth index returns, bigger was definitely not better. Mega-cap stocks were the runts of the litter, evidenced by the less than 1 percent gain by the Russell Top 50 Index versus the 12.1 percent gain by the strongest performing index in the Russell universe, the Russell Midcap Growth Index. Although our focus is typically at the lower end of the large capitalization space, we were able to find some compelling quality growth stocks at the high end of the large cap range, in particular UnitedHealth, Amgen and Goldman Sachs.These stocks provided significant relative outperformance against names with market capitalizations above $50 billion held in the Russell 1000 Growth benchmark. On the other end of the capitalization spectrum, the smallest stocks ($2-12 billion capitalization) in the benchmark were up significantly, contributing over half of the Russell 1000 Growth returns for the year. By policy, we do not invest in stocks below roughly $5 billion in market cap and by practice we hesitate to invest in many below $8 billion for liquidity reasons. Two portfolio stocks in this range Bed Bath & Beyond and Linear Technology experienced soft results for the year, negatively impacting our relative performance.

Although it was reasonably close, value stocks once again outperformed growth stocks in 2005. That made it six straight winning years for value over growth. From the perspective of your own capitalization level, are you seeing a turnaround that will make 2006 the year that trend reverses itself? And, do you think we could be seeing a fundamental redefinition of growth industries i.e., from IT, pharma/biotech, media, etc. to energy, resources, infrastructure, etc. John Jostrand, we ll stay with you.

For six years value stocks have outperformed growth stocks [now] the U.S. markets may be in the early stages of a multi-year rotation from value stocks back into growth

Brendt Stallings, *TCW*

JOSTRAND (WILLIAM BLAIR LARGE-CAP GROWTH): With energy surging in the early part of the year and financialsbringing the year to a strong close, it was not surprising that value edged out growth for the lead in 2005. That said, advances in the health care and technology sectors allowed growth to take the lead in the last two quarters, which combined with the outlook for capital spending bodes well for technology stocks entering 2006.

Depending on one s definition of growth, it can be found in any sector. It is true that some traditionalgrowth territories large cap pharmaceuticals and certain technology stocks have reached maturity in their cycles. With significant regulatory and legal challenges facing the former and issuances of large dividends from the latter, these traditional growth categories do not offer the investment returns they once did. That said, we are still finding significant growth opportunities in those two sectors.

Health care providers, UnitedHealth, in particular, offered strong growth in 2005 and look to proffer more in the coming quarters. Specialty pharmaceuticals, such as Allergan, also look attractive, in particular those that have less in the way of regulatory and litigation concerns. So, while large pharma may not be as attractive, other areas within the overall health care space do offer compelling growth.

While some larger technology companies are offering dividends, more interesting opportunities exist in rapidly growing subsectors where companies are strategically deploying cash to foster growth. Network and data storage companies may offer returns well in the double-digit area, and select software and business service companies also offer attractive growth opportunities.

Recently, energy and natural resources stocks have appreciated significantly, but from a longer-term perspective, we believe they are less likely to continue providingsuch levels of profitability and stock appreciation.Again, as fundamental investors, we seek attractive opportunities for growth such as Praxair in the materials sector regardless of economic sector.

Matt Weatherbie, share your thoughts, please.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): In our small-cap sector, growth actually outperformedvalue in the fourth quarter of 2005. I believethere is a very good chance this will continue in 2006 because some of the value sectors energy, cyclicals and financials will probably not have the wind so substantially at their back this year. For example, a flat orinverted yield curve hurts financial stocks, and while oil and gas prices may remain high, they probably won t rise 40 to 60 percent again this year. We agree we could be seeing a fundamental redefinition of growth industries to some extent. We are bottom-up stock pickers and are finding fewer ideas in the consumer and media sectors, and more in services, including energy services.

Depending on one s definition of growth, it can be found in any sector. It is true that some traditional growth territories large cap pharmaceuticals and certain technology stocks have reached maturity in their cycles.

John Jostrand, ***William Blair***

Brendt Stallings, comment from the mid-cap perspective, please.

STALLINGS (TCW MID-CAP GROWTH): For six years value stocks have outperformed growth stocks, with value stocks beating growth even off the trough for growth stocks in mid-2002. We believe this is changing, and the U.S. markets may be in the early stages of a multi-year rotation from value stocks back into growth for the following reasons:

First, earnings momentum may be shifting to growth: Value stocks have outperformed growth in recent years for the simple reason that the industries that dominate the value benchmarks, such as financial services, industrials, energy and basic materials, have delivered earnings growth superior to that of traditional growth industries, such as technology. With the exception of energy, value stock fundamentals seem to be weakening relative to growth. We find fundamentals in mostgrowth segments of the economy to be quite strong today with favorable prospects for the coming year.

Second, the growth premium is at historic lows: Even though fundamentals seem increasingly to be favoring growth stocks, the premium one currently pays for growth over value stocks is at a relatively low level. For instance, the price-to-earnings (P/E) multiple premium one pays today for the Russell 2000 Growth versus the Russell 2000 Value approximately 24 percent toward year-end is at a low level that has been seen only twice in the last quarter century: mid-2002, which was the trough for growth stocks, and briefly in the late 1980s. Third is the increasingnumber of promising growth stocks: As emerging growth investors, we are finding many more interesting new growth companies in which to invest than in recent years. We believe this is an important leading indicator for growth stock performance, as such rapidly growing young companies are key to wealth creation in growth industries.

My greatest hope for a positive surprise would be for President Bush to rebuild his political capital so as to be able to make permanent the current low 15 percent tax rate on dividends and capital gains.

Matt Weatherbie,

M.A. Weatherbie

Going into 2006, what s your biggest worry the thing that keeps you up at night? And, what s your greatest hope for a positive surprise that would move markets higher? Let s go in capitalization order, small to large.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): My biggest worry going into 2006 is a significantnegative geopolitical development. That would crush household confidence and investor sentiment. These could include a crisis in the Middle East and another significant terrorist attack on Western targets. My greatest hope for a positive surprise would be for President Bush to rebuild his political capital so as to be able to make permanent the current low 15 percent tax rate on dividends and capital gains.

STALLINGS (TCW MID-CAP GROWTH): Our biggest concern relates to the consumer s ability to continue to drive economic growth. Real estate values have begun to soften, albeit in an orderly fashion; however, if a rapid decline were to ensue, consumption would likely suffer, presenting the possibility of recession. This would not bode well for the market as a whole, particularly growth equities.

For growth stocks, predictable interest rates are paramount to assigning valuations and, typically, rapidly growing companies benefit the most from an environmentof stable or falling interest rates. A potential positive surprise could occur if the Fed were to end its interest rate hike cycle sooner than expected or signal to the market that it is considering cutting rates. Another potential positive surprise would be a strengtheninglabor market with the absence of inflation. This would alleviate some of the pressure on the consumer that has been created from higher energy prices and reduced investment gains from a slowing real estate market.

JOSTRAND (WILLIAM BLAIR LARGE-CAP GROWTH): We worry that long bond yields could rise to 6 percent, stock prices contract to 14 times earnings and energy issues become more serious and pervasive, which would be quite damaging to equity market returns. Also, our position in the profit cycle could be of concern; prices pressured by capacityconstraints coupled with rising interest expense could squeeze margins. In terms of sector exposure, a concern specific to the portfolio s positioningwould be if technology spending doesn t pan out the way we expect it to. Additionally, we are concernedthat health care companies might experience product delays or slowdowns in innovation, and that regulatory and legal issues seen in the large pharma space expand more broadly in the health care sector. On the positive

For growth stocks, predictable interest rates are paramount to assigning valuations and, typically, rapidly growing companies benefit the most from an environment of stable or falling interest rates.

Brendt Stallings, *TCW*

surprise side, we would like to see emerging market countries such as China and India buy more in the U.S. market than just U.S. Treasuries.

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 tell us why you invested in it. This time, let s reverse the order and hear about a large-cap pick to start.

JOSTRAND (WILLIAM BLAIR LARGE-CAP GROWTH): Network Appliance (NTAP) is a player in the enterprisenetwork storage and data management space, which is a rapidly growing segment of the technology sector. This company should benefit from the capital spending cycle, as companies need to update outmoded storage methods, particularly firms that have large volumes of data. We anticipate the company will grow its market share through a broadening of its product portfolio and enhanced technology vis-à-vis competitors. The outlook for EPS growth and margin expansion is extremely strong, even prior to opportunities afforded by the recently signed reseller relationship with IBM.

STALLINGS (TCW MID-CAP GROWTH): Silicon Labs (SLAB) designs semiconductor chipsets for products in wireless handset, broadband communications (DSL and Voice over IP), consumer electronics and industrial applications. In our view, some of SLAB s products competitive advantages lie in their ability to produce end products with superior technical functionalities at a lower cost and smaller size versus their competition.These attributes have enabled the company to take market share from their competition over the past five-plus years, and we believe a company s ability to take market share is pivotal to technology investing. More importantly, we feel the consensus estimates for SLAB s revenue,cash flow and earnings projections for the next 18 to 24 months are significantly underestimated by Wall Street. Based on our fundamental research, we believe the potential for some of SLAB s newer product lines is misjudged by the market.

WEATHERBIE (M.A. WEATHERBIE SMALL-CAP GROWTH): We recently added Resources Connection(RECN) to our small-cap growth portfolio. Resources Connection is a unique, high-end staffing firm that provides high quality consultants in accounting, IT, human resources and supply chain management at rates significantly below those charged by the Big Four public accounting firms. RECN has an excellentreputation, high retention among its clients and a collaborative culture with low employee turnover. Due to the shrinking number of large accounting firms as well as governmentregulations such as Sarbanes Oxley, we foreseestrong growth over a several-year period. With a high return on invested capital and a focused and committed senior management, we anticipate 20 to 25 percent revenue and earnings per share growth. Our stock valuation work indicates the stock is quite attractive at under 21 times projected calendar 2006 earnings.

On the positive surprise side, we would like to see emerging market countries such as China and India buy more in U.S. markets than just U.S. Treasuries.

John Jostrand, ***William Blair***

Thank you very much for some interesting insights.

Let s look forward to a good year.

Investment Growth as of December 31, 2005

GROWTH OF A $10,000 INVESTMENT

The graph below illustrates the growth of a $10,000 investment assuming the purchase of common stock at the closing market price (NYSE: ASG) of $9.25 on December 31, 1996, and tracking its progress through December 31, 2005. This 9-year period covers the calendar years since the Fund commenced its 10 percent distribution policy in 1997.

The growth of the investment assuming all distributions were received in cash and not reinvested back into the Fund. The value of the investment under this scenario grew to $15,114 (includes the 2005 year end value of the original investment of $5,881 plus distributions during the period of $9,233).

The additional value realized through reinvestment of all distributions. The value of the investment under this scenario grew to $15,519.

On three 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 $5,299.

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 $21,702 (includes the cost of the rights of $5,299).

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			

*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.

Top 20 Holdings and Economic Sectors as of December 31, 2005

TOP 20 HOLDINGS*	PERCENT OF NET ASSETS
Yahoo!, Inc.	3.7%
eBay, Inc.	2.3
The Corporate Executive Board Co.	2.1
Medtronic, Inc.	1.9
Fastenal Co.	1.8
UTI Worldwide, Inc.	1.5
Danaher Corp.	1.5
ResMed, Inc.	1.5
The Cheesecake Factory, Inc.	1.4
UnitedHealth Group, Inc.	1.4
Dell, Inc.	1.3
Affiliated Managers Group, Inc.	1.2
Amgen, Inc.	1.2
Praxair, Inc.	1.2
West Corp.	1.1
Resources Connection, Inc.	1.1
Education Management Corp.	1.1
Genentech, Inc.	1.1
Taiwan Semiconductor Manufacturing Co., Ltd.	1.1
Bright Horizons Family Solutions, Inc.	1.1
	30.6%

ECONOMIC SECTORS*	PERCENT OF NET ASSETS
Information Technology	30.2%
Health Care	19.2
Consumer Discretionary	17.6
Industrials	15.1
Financials	7.3
Energy	5.6
Consumer Staples	1.8
Materials	1.1
Telecommunication Services	0.6
Other Net Assets	1.5
	100.0%

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* 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 Fourth Quarter

The following are the major ($500,000 or more) stock changes both purchases and sales that were made in the Fund s portfolio during the fourth quarter of 2005.

SECURITY NAME	PURCHASES (SALES)	SHARES AS OF 12/31/05
PURCHASES		
Capital One Financial Corp.	6,255	6,255
The Charles Schwab Corp.	40,280	40,280
Infosys Technologies Ltd.	8,550	8,550
Johnson Controls, Inc.	10,995	10,995
National Interstate Corp.	28,900	28,900
Network Appliance, Inc.	21,985	63,485
Resources Connection, Inc.	30,733	71,033
Silicon Laboratories, Inc.	13,300	13,300
Staples, Inc.	23,445	23,445
SALES		
3M Co.	(7,240)	13,290
Accenture Ltd., Class A	(33,480)	32,675
Four Seasons Hotels, Inc.	(12,000)	0
Foxhollow Technologies, Inc.	(16,300)	0
General Electric Co.	(20,080)	22,495
Getty Images, Inc.	(11,336)	0
Xilinx, Inc.	(36,400)	0

Schedule of Investments as of December 31, 2005

	SHARES		MARKET VALUE
COMMON STOCKS (98.5%)			
CONSUMER DISCRETIONARY (17.6%)			
Auto Components (1.1%)			
Johnson Controls, Inc.	10,995	$	801,645
LKQ Corp. (a)	29,617		1,025,341
			1,826,986
Automobiles (0.7%)			
Thor Industries, Inc.	29,239		1,171,607
Diversified Consumer Services (3.7%)			
Apollo Group, Inc., Class A (a)	13,635		824,372
Bright Horizons Family Solutions, Inc. (a)	48,533		1,798,148
Education Management Corp. (a)	55,127		1,847,306
Strayer Education, Inc.	7,125		667,612
Universal Technical Institute, Inc. (a)	30,246		935,811
			6,073,249
Hotels, Restaurants & Leisure (3.9%)			
The Cheesecake Factory, Inc. (a)	60,975		2,279,855
Life Time Fitness, Inc. (a)	26,141		995,711
P.F. Chang s China Bistro, Inc. (a)	27,133		1,346,611
Texas Roadhouse, Inc., Class A (a)	38,740		602,407
Wynn Resorts Ltd. (a)	18,600		1,020,210
			6,244,794
Internet & Catalog Retail (3.2%)			
Amazon.com, Inc. (a)	29,700		1,400,355
eBay, Inc. (a)	86,600		3,745,450
			5,145,805
Media (0.5%)			
Carmike Cinemas, Inc.	12,569		318,750
Westwood One, Inc.	27,851		453,971
			772,721

See Notes to Schedule of Investments.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Multi-line Retail (1.6%)			
Dollar Tree Stores, Inc. (a)	36,171	$	865,934
Kohl s Corp. (a)	35,382		1,719,565
			2,585,499
Specialty Retail (2.0%)			
Bed Bath & Beyond, Inc. (a)	35,880		1,297,062
Chico s FAS, Inc. (a)	16,900		742,417
Guitar Center, Inc. (a)	14,592		729,746
Staples, Inc.	23,445		532,436
			3,301,661
Textiles, Apparel & Luxury Goods (0.9%)			
NIKE, Inc., Class B	17,500		1,518,825
CONSUMER STAPLES (1.8%)			
Beverages (0.8%)			
PepsiCo, Inc.	23,465		1,386,312
Food & Staples Retailing (1.0%)			
United Natural Foods, Inc. (a)	23,837		629,297
Walgreen Co.	20,970		928,132
			1,557,429
ENERGY (5.6%)			
Energy Equipment & Services (3.3%)			
Atwood Oceanics, Inc. (a)	3,883		302,990
CARBO Ceramics, Inc.	9,419		532,362
Hydril (a)	8,207		513,758
National-Oilwell Varco, Inc. (a)	20,100		1,260,270
Patterson-UTI Energy, Inc.	19,428		640,153
Schlumberger Ltd.	10,195		990,444
Smith International, Inc.	29,600		1,098,456
			5,338,433

See Notes to Schedule of Investments.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Oil, Gas & Consumable Fuels (2.3%)			
Golar LNG Ltd. (a)	37,800	$	500,850
Plains Exploration & Production Co. (a)	25,000		993,250
Suncor Energy, Inc.	15,875		1,002,189
Ultra Petroleum Corp. (a)	9,400		524,520
Whiting Petroleum Corp. (a)	18,000		720,000
			3,740,809
FINANCIALS (7.3%)			
Capital Markets (2.9%)			
Affiliated Managers Group, Inc. (a)	24,990		2,005,448
The Charles Schwab Corp.	40,280		590,908
The Goldman Sachs Group, Inc.	12,920		1,650,013
SEI Investments Co.	13,700		506,900
			4,753,269
Commercial Banks (1.1%)			
Commerce Bancorp, Inc.	30,300		1,042,623
Signature Bank (a)	28,600		802,802
			1,845,425
Consumer Finance (1.2%)			
Capital One Financial Corp.	6,255		540,432
SLM Corp.	24,055		1,325,190
			1,865,622
Diversified Financial Services (1.0%)			
Financial Federal Corp.	36,485		1,621,758
Insurance (1.1%)			
Brown & Brown, Inc.	39,928		1,219,401
National Interstate Corp.	28,900		551,123
			1,770,524

See Notes to Schedule of Investments.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
HEALTH CARE (19.2%)			
Biotechnology (5.5%)			
Abgenix, Inc. (a)	9,600	$	206,496
Affymetrix, Inc. (a)	16,100		768,775
Amgen, Inc. (a)	24,000		1,892,640
Charles River Laboratories International, Inc. (a)	12,900		546,573
Cubist Pharmaceuticals, Inc. (a)	22,400		476,000
Encysive Pharmaceuticals, Inc. (a)	25,200		198,828
Enzon Pharmaceuticals, Inc. (a)	35,758		264,609
Genentech, Inc. (a)	19,800		1,831,500
Martek Biosciences Corp. (a)	35,863		882,588
MedImmune, Inc. (a)	19,875		696,023
Neurocrine Biosciences, Inc. (a)	6,000		376,380
Onyx Pharmaceuticals, Inc. (a)	27,300		785,148
			8,925,560
Health Care Equipment & Supplies (5.6%)			
Adeza Biomedical Corp. (a)	25,252		531,555
IntraLase Corp. (a)	53,400		952,122
Kyphon, Inc. (a)	11,800		481,794
Medtronic, Inc.	53,325		3,069,920
PolyMedica Corp.	41,171		1,377,993
ResMed, Inc. (a)	63,148		2,419,200
SurModics, Inc. (a)	7,001		258,967
			9,091,551
Health Care Providers & Services (5.8%)			
The Advisory Board Co. (a)	19,700		939,099
Caremark Rx, Inc. (a)	20,030		1,037,354
Chemed Corp.	15,419		766,016
Express Scripts, Inc., Class A (a)	13,000		1,089,400

See Notes to Schedule of Investments.

	SHARES	MARKET VALUE
COMMON STOCKS (CONTINUED)		
Health Care Providers & Services (continued)		
Lincare Holdings, Inc. (a)	38,236	$ 1,602,471
Patterson Companies, Inc. (a)	11,136	371,942
UnitedHealth Group, Inc.	35,740	2,220,883
VCA Antech, Inc. (a)	47,779	1,347,368
		9,374,533
Pharmaceuticals (2.3%)		
Allergan, Inc.	9,670	1,043,974
Nektar Therapeutics (a)	13,400	220,564
Sanofi-Aventis (b)	35,680	1,566,352
Schering-Plough Corp.	47,180	983,703
		3,814,593
INDUSTRIALS (15.1%)		
Air Freight & Logistics (1.5%)		
UTI Worldwide, Inc.	26,847	2,492,475
Commercial Services & Supplies (8.5%)		
Alliance Data Systems Corp. (a)	28,700	1,021,720
ChoicePoint, Inc. (a)	11,700	520,767
Cintas Corp.	20,648	850,285
The Corporate Executive Board Co.	37,829	3,393,261
CRA International, Inc. (a)	6,322	301,496
Monster Worldwide, Inc. (a)	18,800	767,416
Resources Connection, Inc. (a)	71,033	1,851,120
Robert Half International, Inc.	32,700	1,239,003
Stericycle, Inc. (a)	14,677	864,182
VistaPrint Ltd. (a)	15,294	348,000
Waste Connections, Inc. (a)	20,575	709,014
West Corp. (a)	43,985	1,853,968
		13,720,232

See Notes to Schedule of Investments.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Construction & Engineering (0.3%)			
Chicago Bridge & Iron Co., N.V.	17,039	$	429,553
Electrical Equipment (0.4%)			
Energy Conversion Devices, Inc. (a)	17,400		709,050
Industrial Conglomerates (1.1%)			
3M Co.	13,290		1,029,975
General Electric Co.	22,495		788,450
			1,818,425
Machinery (1.5%)			
Danaher Corp.	44,610		2,488,346
Trading Companies & Distributors (1.8%)			
Fastenal Co.	74,980		2,938,466
INFORMATION TECHNOLOGY (30.2%)			
Communications Equipment (4.7%)			
Avocent Corp. (a)	16,945		460,735
Corning, Inc. (a)	59,830		1,176,258
F5 Networks, Inc. (a)	11,600		663,404
Ixia (a)	36,540		540,061
Juniper Networks, Inc. (a)	72,100		1,607,830
Polycom, Inc. (a)	56,795		868,963
QUALCOMM, Inc.	25,035		1,078,508
Research In Motion Ltd. (a)	19,600		1,293,796
			7,689,555
Computers & Peripherals (3.2%)			
Dell, Inc. (a)	70,610		2,117,594
EMC Corp. (a)	102,300		1,393,326
Network Appliance, Inc. (a)	63,485		1,714,095
			5,225,015

See Notes to Schedule of Investments.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Electronic Equipment & Instruments (1.8%)			
Cogent, Inc. (a)	26,900	$	610,092
Cognex Corp.	28,208		848,779
Hittite Microwave Corp. (a)	18,435		426,586
National Instruments Corp.	34,303		1,099,411
			2,984,868
Internet Software & Services (5.3%)			
Akamai Technologies, Inc. (a)	26,589		529,919
Ctrip.com International Ltd. (a)(b)	9,505		548,914
SINA Corp. (a)	10,000		241,600
WebEx Communications, Inc. (a)	32,231		697,156
Websense, Inc. (a)	8,900		584,196
Yahoo!, Inc. (a)	152,320		5,967,898
			8,569,683
IT Services (5.2%)			
Accenture Ltd., Class A (a)	32,675		943,327
CheckFree Corp. (a)	16,100		738,990
Cognizant Technology Solutions Corp., Class A (a)	21,000		1,057,350
First Data Corp.	31,490		1,354,385
Forrester Research, Inc. (a)	28,022		525,413
IHS, Inc., Class A (a)	18,111		371,638
Infosys Technologies Ltd. (b)	8,550		691,353
Paychex, Inc.	35,510		1,353,641
SRA International, Inc., Class A (a)	46,691		1,425,943
			8,462,040
Office Electronics (0.6%)			
Zebra Technologies Corp., Class A (a)	22,210		951,698
Semiconductors & Semiconductor Equipment (5.0%)			
Broadcom Corp., Class A (a)	19,600		924,140
Linear Technology Corp.	33,935		1,224,035

See Notes to Schedule of Investments.

	SHARES		MARKET VALUE
COMMON STOCKS (CONTINUED)			
Semiconductors & Semiconductor Equipment (continued)			
Marvell Technology Group Ltd. (a)	18,800	$	1,054,492
Microchip Technology, Inc.	55,733		1,791,816
Semtech Corp. (a)	40,442		738,471
Silicon Laboratories, Inc. (a)	13,300		487,578
Taiwan Semiconductor Manufacturing Co., Ltd. (b)	183,856		1,822,013
			8,042,545
Software (4.4%)			
Adobe Systems, Inc.	36,190		1,337,582
American Reprographics Co. (a)	46,449		1,180,269
Interwoven, Inc. (a)	18,335		155,297
NAVTEQ Corp. (a)	23,700		1,039,719
Opsware, Inc. (a)	105,100		713,629
Red Hat, Inc. (a)	42,400		