

LIBERTY ALL STAR GROWTH FUND INC /MD/  
Form N-CSRS  
September 03, 2003

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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

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Liberty All Star Growth Fund, Inc.

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(Exact name of registrant as specified in charter)

One Financial Center, Boston, Massachusetts 02111

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

Russell L. Kane, Esq.  
Columbia Management Group, Inc.  
One Financial Center  
Boston, MA 02111

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(Name and address of agent for service)

Registrant's telephone number, including area code: 1-617-426-3363  
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Date of fiscal year end: December 31, 2003  
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Date of reporting period: June 30, 2003  
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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,

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NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. Section 3507.

Item 1. Report to Stockholders

[GRAPHIC]

SECOND QUARTER REPORT - JUNE 30, 2003

Q2

[ALL STAR (TM) GROWTH FUND LOGO]

LIBERTY ALL - STAR GROWTH FUND

LIBERTY ALL-STAR GROWTH FUND, INC.

| FUND STATISTICS AND PERFORMANCE                            | 2ND QUARTER 2003 | YEAR-TO-DATE     |
|--|------------------|------------------|
| Period End Net Asset Value (NAV)                           | --               | \$ 6.02          |
| Period End Market Price                                    | --               | \$ 6.52          |
| Period End Premium   | --               | 8.3%             |
| Distributions  | \$ 0.14          | \$ 0.27          |
| Market Price Trading Range                                 | \$5.00 to \$6.70 | \$4.61 to \$6.70 |
| Premium/(Discount) Range                                   | 8.3% to (4.7)%   | 8.3% to (7.8)%   |
| Shares Valued at NAV                                       | 19.2%            | 16.1%            |
| Shares Valued at NAV<br>with Dividends Reinvested          | 19.1%            | 16.2%            |
| Shares Valued at Market Price<br>with Dividends Reinvested | 29.5%            | 35.5%            |
| Lipper Multi-Cap Growth<br>Mutual Fund Average             | 17.0%            | 16.3%            |
| Russell Growth Indices                                     |                  |                  |
| Largecap   | 14.3%            | 13.1%            |
| Midcap   | 18.8%            | 18.7%            |
| Smallcap   | 24.2%            | 19.3%            |
| Nasdaq Composite Index                                     | 21.1%            | 21.8%            |

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 Russell Indices and the Nasdaq Composite Index are total returns, including income. Past performance cannot predict future

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results.

ON THE COVER

THE ILLUSTRATIONS NEXT TO LADY LIBERTY SYMBOLIZE THE WELL-DEFINED AND DISCIPLINED INVESTMENT PROCESS PRACTICED BY THE FUND'S ADVISOR, LIBERTY ASSET MANAGEMENT COMPANY, THAT WAS DESCRIBED IN THE FUND'S 2002 ANNUAL REPORT. FROM TOP TO BOTTOM: PORTFOLIO REBALANCING, FUND OBJECTIVE, DISTRIBUTION POLICY, MANAGER MONITORING, FUND STRUCTURE AND MANAGER SELECTION.

PRESIDENT'S LETTER

FELLOW SHAREHOLDERS:

JULY 2003

Led by growth stocks, the stock market turned in a strong second quarter. The broad market, as measured by the S&P 500 Index, gained 15.4 percent. Reflecting the strength in growth stocks, the Nasdaq Composite advanced an even stronger 21.1 percent and the Lipper Multi-Cap Growth Mutual Fund Average - the Fund's primary benchmark - posted a 17.0 percent gain. As the table on the facing page shows, all of the Russell Growth Indices scored solid gains, led by the 24.2 percent rise in the Smallcap index. The Midcap index returned 18.8 percent and the Largecap index advanced 14.3 percent.

The various indices posted either small gains or losses in the first quarter. Factoring in those results, through the first six months of 2003, the Nasdaq Composite was ahead 21.8 percent, while the Lipper Multi-Cap Growth Mutual Fund Average was up 16.3 percent.

For both the quarter and the half, the Fund's results compare favorably. For the second quarter, shares valued at net asset value (NAV) gained 19.2 percent. Shares valued at NAV with dividends reinvested gained 19.1 percent, while shares valued at market price with dividends reinvested advanced 29.5 percent. Respectively, the same figures for the full first half are 16.1 percent, 16.2 percent and 35.5 percent.

The second quarter's rebound actually began in mid-March with the start of U.S. military operations in Iraq. Over the past half century, stocks have averaged a gain of about 15 percent in the two months following the outbreak of military action, and this rally followed that pattern. Looking ahead, there is more than enough ammunition to keep bulls and bears alike blazing away in defense of their respective positions. The bulls argue that record low interest rates, the absence of inflation, lower taxes, improving corporate profits and a gradual pickup in capital spending bode well for investors. Bears make the opposite case, basing their argument on rising unemployment, federal budget deficits, tepid consumer spending, weak economies globally and equities that are overvalued on an historical basis. Only with time will we see how events play out, but it should be an interesting second half.

Insofar as the Fund is concerned, we are gratified with the good performance. More rewarding, however, is the fact that the Fund's investment managers stuck by their growth disciplines during a long and trying period that tested investors' resolve. Further, we are pleased that actions in the stock market are confirming the soundness of the Fund's all-cap growth structure. We are optimistic about the outlook, but cautiously so. It is unrealistic to expect more 20 percent-type quarters; we would settle for moderate, but steady gains, enabling markets to consolidate recent

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advances. I would urge you to read the interview with largecap growth manager William Blair & Company beginning on page 8. Portfolio manager John Jostrand always offers interesting observations on the market.

Turning to Fund news, as authorized by the Board of Directors, an offering to shareholders of rights to purchase additional shares of the Fund is about to get underway. The highlights of the offering are that you will be issued non-transferable rights entitling you to subscribe for one additional share of the Fund for every eight shares you own, with the right to subscribe for additional shares not subscribed for by others in the primary subscription. At its discretion, the Fund may increase the amount of shares offered in an amount of up to 25 percent of the primary offering amount to cover over-subscription requests. The Fund is making this offer primarily to encourage long-term investors to increase their investment in the Fund by giving them the opportunity to purchase additional shares at a price below market value and without brokerage commissions. The subscription price will be 95 percent of the lower of the last reported sales price or net asset value on the business day following the expiration of the subscription period.

The rights offering is subject to the effectiveness of the Fund's registration statement as filed with the Securities and Exchange Commission and will be made only by means of a prospectus. When the registration statement becomes effective, it is anticipated that the offering will continue for approximately 30 days after commencing in August.

In closing, we are pleased to be making progress on several fronts, and I would like to thank shareholders for your continued support of the Fund. Be assured, we at Liberty Asset Management Company will continue to act with your best long-term interests first and foremost.

Sincerely,

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

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TABLE OF PER-SHARE VALUES, DISTRIBUTIONS AND REINVESTMENTS

| YEAR    | SHARES OWNED TO BEGINNING OF PERIOD | PER SHARE DISTRIBUTIONS | SHARES PURCHASED THROUGH REINVESTMENT PROGRAM | SHARES ACQUIRED THROUGH RIGHTS OFFERING | SHARES OWNED AT END OF PERIOD | NAV (2) PER SHARE AT END OF PERIOD | TOTAL OF S OW |
|---------|-------------------------------------|-------------------------|---|---|-------------------------------|------------------------------------|---------------|
| 1996(1) | 1.000                               | \$ 1.02                 | 0.107   | -                                       | 1.107                         | \$ 11.27                           | \$            |
| 1997    | 1.107                               | 1.24                    | 0.125   | -                                       | 1.232                         | 12.89                              |               |
| 1998    | 1.232                               | 1.35                    | 0.159   | 0.130 (3)                               | 1.521                         | 13.03                              |               |
| 1999    | 1.521                               | 1.23                    | 0.188   | -                                       | 1.709                         | 13.44                              |               |
| 2000    | 1.709                               | 1.34                    | 0.214   | -                                       | 1.923                         | 10.86                              |               |

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|          |       |      |       |          |       |      |
|----------|-------|------|-------|----------|-------|------|
| 2001     | 1.923 | 0.92 | 0.235 | 0.239(3) | 2.397 | 8.31 |
| 2002     | 2.397 | 0.67 | 0.271 | -        | 2.668 | 5.44 |
| 2003     |       |      |       |          |       |      |
| 1st Qtr. | 2.668 | 0.13 | 0.068 | -        | 2.736 | 5.17 |
| 2nd Qtr. | 2.736 | 0.14 | 0.063 | -        | 2.799 | 6.02 |

1. Represents the first full year that Liberty Asset Management Company assumed complete management responsibility for the Fund.
2. Net Asset Value.
3. 1998: Rights offering completed in July 1998. One share offered at \$12.41 for every 10 shares owned.  
2001: Rights offering completed in September 2001. One share offered at \$6.64 for every 8 shares owned.

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### DISTRIBUTION POLICY/DIVIDEND REINVESTMENT PLAN

#### 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.

#### DIVIDEND REINVESTMENT PLAN

Each registered shareholder of the Fund will automatically be a participant in the Fund's Automatic Dividend Reinvestment and Cash Purchase Plan unless the shareholder specifically elects otherwise by writing to the Plan Agent, EquiServe Trust Company, N.A., P.O. Box 43010, Providence, RI 02940-3010 or by calling 1-800-LIB-FUND (1-800-542-3863).

If your shares are held for you by a broker, bank or other nominee, you should contact the institution holding your shares as to whether or not you wish to participate in the Plan. Participants in the Plan have their dividends automatically reinvested in additional shares of the Fund, and are kept apprised of the status of their account through quarterly statements.

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### INVESTMENT MANAGERS/PORTFOLIO CHARACTERISTICS

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

[GRAPHIC]

### SMALL-CAP GROWTH

M.A. WEATHERBIE & CO., INC.

Companies with enduring competitive advantages and high, sustainable earnings growth.

### MID-CAP GROWTH

TCW INVESTMENT MANAGEMENT COMPANY

Companies with competitive advantages and superior business models that should result in rapidly growing sales and earnings.

### LARGE-CAP GROWTH

WILLIAM BLAIR & COMPANY, L.L.C.

Companies that have demonstrated consistently high rates of growth and profitability.

MANAGERS' DIFFERING INVESTMENT STYLES ARE  
REFLECTED IN PORTFOLIO CHARACTERISTICS

The portfolio characteristics table below is a regular feature of the Fund's shareholder reports. It serves as a useful tool for understanding the value of 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 pursues a different investment style. The shaded column highlights the characteristics of the Fund as a whole, while the first three columns show portfolio characteristics for the S&P/BARRA SmallCap, MidCap and LargeCap Growth indices.

PORTFOLIO CHARACTERISTICS  
AS OF JUNE 30, 2003  
(UNAUDITED)

### MARKET CAPITALIZATION SPECTRUM

[GRAPHIC]

|   | S&P/BARRA GROWTH:      |                     |                       |                    |         |                  |
|---|------------------------|---------------------|-----------------------|--------------------|---------|------------------|
|   | SMALL CAP<br>600 INDEX | MIDCAP<br>400 INDEX | LARGECAP<br>500 INDEX | M.A.<br>WEATHERBIE | TCW     | WILLIAM<br>BLAIR |
| Number of Holdings                                      | 223                    | 163                 | 160                   | 60                 | 44      | 3                |
| Weighted Average<br>Market Capitalization<br>(billions) | \$ 1.1                 | \$ 3.4              | \$ 112.5              | \$ 2.2             | \$ 12.2 | \$ 64.           |
| Average Five-Year<br>Earnings Per Share<br>Growth       | 13%                    | 18%                 | 19%                   | 22%                | 38%     | 1                |
| Dividend Yield  | 0.7%                   | 0.7%                | 1.5%                  | 0.2%               | 0.1%    | 0.               |

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|                        |      |      |      |      |      |    |
|------------------------|------|------|------|------|------|----|
| Price/Earnings Ratio   | 20x  | 23x  | 23x  | 26x  | 42x  | 2  |
| Price/Book Value Ratio | 3.2x | 3.9x | 5.6x | 4.0x | 5.3x | 5. |

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

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TOP 50 HOLDINGS

| RANK AS OF 6/30/03 | BANK OF OF 3/31/03 | SECURITY NAME                           | MARKET VALUE (\$000) | PERCENT OF NET ASSETS |
|--------------------|--------------------|---|----------------------|-----------------------|
| 1                  | 1                  | eBay, Inc.                              | \$ 4,084             | 3.2%                  |
| 2                  | 2                  | Bed Bath & Beyond, Inc.                 | 3,524                | 2.8                   |
| 3                  | 3                  | Westwood One, Inc.                      | 3,276                | 2.6                   |
| 4                  | 7                  | Family Dollar Stores, Inc.              | 2,453                | 1.9                   |
| 5                  | 8                  | EchoStar Communications Corp., Class A  | 2,420                | 1.9                   |
| 6                  | 12                 | Gilead Sciences, Inc.                   | 2,368                | 1.9                   |
| 7                  | 17                 | Getty Images, Inc.                      | 2,287                | 1.8                   |
| 8                  | 15                 | Pfizer, Inc.                            | 2,258                | 1.8                   |
| 9                  | 9                  | Xilinx, Inc.                            | 2,169                | 1.7                   |
| 10                 | 5                  | Maxim Integrated Products, Inc.         | 2,147                | 1.7                   |
| 11                 | 6                  | Microsoft Corp.                         | 2,113                | 1.7                   |
| 12                 | 21                 | Genentech, Inc.                         | 2,012                | 1.6                   |
| 13                 | 14                 | Clear Channel Communications, Inc.      | 1,937                | 1.5                   |
| 14                 | 10                 | National Instruments Corp.              | 1,927                | 1.5                   |
| 15                 | 37                 | Dollar Tree Stores, Inc.                | 1,910                | 1.5                   |
| 16                 | 26                 | Expedia, Inc.                           | 1,894                | 1.5                   |
| 17                 | 4                  | Paychex, Inc.                           | 1,803                | 1.4                   |
| 18                 | 24                 | Yahoo!, Inc.                            | 1,776                | 1.4                   |
| 19                 | 50                 | Martek Biosciences Corp.                | 1,739                | 1.4                   |
| 20                 | New                | SLM Corp.                               | 1,727                | 1.4                   |
| 21                 | 13                 | Medtronic, Inc.                         | 1,667                | 1.3                   |
| 22                 | 39                 | Education Management Corp.              | 1,601                | 1.3                   |
| 23                 | 16                 | Cox Communications, Inc., Class A       | 1,560                | 1.2                   |
| 24                 | New                | First Data Corp.                        | 1,546                | 1.2                   |
| 25                 | 23                 | Fastenal Co.                            | 1,540                | 1.2                   |
| 26                 | 28                 | Univision Communications, Inc., Class A | 1,532                | 1.2                   |
| 27                 | 20                 | Avon Products, Inc.                     | 1,505                | 1.2                   |
| 28                 | 36                 | PolyMedica Corp.                        | 1,459                | 1.1                   |
| 29                 | 40                 | ResMed, Inc.                            | 1,452                | 1.1                   |
| 30                 | 46                 | Amazon.com, Inc.                        | 1,336                | 1.0                   |
| 31                 | 25                 | UnitedHealth Group, Inc.                | 1,324                | 1.0                   |
| 32                 | 22                 | Walgreen Co.                            | 1,269                | 1.0                   |
| 33                 | 30                 | Outback Steakhouse, Inc.                | 1,266                | 1.0                   |
| 34                 | 43                 | Cisco Systems, Inc.                     | 1,263                | 1.0                   |
| 35                 | 33                 | Cognex Corp.                            | 1,262                | 1.0                   |
| 36                 | 41                 | Eli Lilly and Co.                       | 1,260                | 1.0                   |
| 37                 | 32                 | Patterson Dental Co.                    | 1,229                | 1.0                   |
| 38                 | 18                 | Zebra Technologies Corp., Class A       | 1,219                | 1.0                   |
| 39                 | 51                 | Lincare Holdings, Inc.                  | 1,211                | 1.0                   |
| 40                 | 31                 | Amgen, Inc.                             | 1,209                | 0.9                   |
| 41                 | 45                 | International Speedway Corp., Class A   | 1,189                | 0.9                   |
| 42                 | 34                 | Linear Technology Corp.                 | 1,171                | 0.9                   |

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|    |     |                                   |       |     |
|----|-----|-----------------------------------|-------|-----|
| 43 | 44  | Dell Computer Corp.               | 1,147 | 0.9 |
| 44 | New | Kohl's Corp.                      | 1,120 | 0.9 |
| 45 | 19  | State Street Corp.                | 1,115 | 0.9 |
| 46 | 38  | Fannie Mae                        | 1,093 | 0.9 |
| 47 | 48  | PepsiCo, Inc.                     | 1,041 | 0.8 |
| 48 | 69  | The Cheesecake Factory, Inc.      | 990   | 0.8 |
| 49 | 53  | Financial Federal Corp.           | 981   | 0.8 |
| 50 | 121 | The Corporate Executive Board Co. | 980   | 0.8 |

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MAJOR STOCK CHANGES IN THE SECOND 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 second quarter of 2003.

| SECURITY NAME                      | PURCHASES (SALES) | SHARES AS OF 6/30/03 |
|------------------------------------|-------------------|----------------------|
| PURCHASES                          |                   |                      |
| The Corporate Executive Board Co.  | 21,700            | 24,000               |
| First Data Corp.                   | 37,300            | 37,300               |
| Harley-Davidson, Inc.              | 16,900            | 16,900               |
| Kohl's Corp.                       | 21,800            | 21,800               |
| SLM Corp.                          | 14,700            | 44,100*              |
| XL Capital Ltd., Class A           | 7,000             | 7,000                |
| SALES                              |                   |                      |
| Avid Technology, Inc.              | (20,860)          | 14,256               |
| Concord EFS, Inc.                  | (119,250)         | 0                    |
| Cytoc Corp.                        | (95,845)          | 0                    |
| Genentech, Inc.                    | (11,200)          | 27,900               |
| Investors Financial Services Corp. | (22,970)          | 17,891               |
| Microchip Technology, Inc.         | (70,810)          | 19,977               |
| 99 Cents Only Stores               | (21,800)          | 26,018               |
| Omnicom Group, Inc.                | (17,360)          | 0                    |
| Paychex, Inc.                      | (47,000)          | 61,500               |
| State Street Corp.                 | (16,700)          | 28,300               |

\* Adjusted for stock split.



MANAGER INTERVIEW

[PHOTO OF JOHN F. JOSTRAND]  
JOHN F. JOSTRAND, CFA  
WILLIAM BLAIR & COMPANY, L.L.C.

In a mixed environment, William Blair & Company likes improving corporate profitability and believes quality companies will be rewarded in the long run

WILLIAM BLAIR IS ONE OF LIBERTY ALL-STAR GROWTH FUND'S THREE INVESTMENT MANAGERS. CHICAGO-BASED WILLIAM BLAIR IS A GROWTH STYLE MANAGER EMPHASIZING DISCIPLINED, FUNDAMENTAL RESEARCH TO IDENTIFY QUALITY GROWTH COMPANIES WITH THE ABILITY TO SUSTAIN THEIR GROWTH OVER A LONG PERIOD OF TIME. AT THE CORE OF THE FIRM IS A TEAM OF ANALYSTS WHO PERFORM RESEARCH AIMED AT IDENTIFYING COMPANIES THAT HAVE THE OPPORTUNITY TO GROW IN A SUSTAINABLE MANNER. RECENTLY, WE HAD THE OPPORTUNITY TO TALK WITH PRINCIPAL AND PORTFOLIO MANAGER JOHN F. JOSTRAND.

The views expressed in this interview represent the portfolio manager's position at the time of the discussion (July 2003) and are subject to change.

LAMCO: Investors have the same set of facts, but how they are interpreting those facts is very different insofar as prospects for the economy, corporate profits, the consumer, geopolitical affairs and, hence, the stock market are concerned. What is your own interpretation of all these mixed signals?

JOSTRAND: I think that the U.S. economy and the corporate sector within it are proving to be remarkably durable, given the extensive profit issues. The consumer has been steady throughout, helped by mortgage refinancing opportunities. But, I think the recovery is definitely more modest and drawn out than people are accustomed to. There's a feeling of relief right now, and that is reflected in the stock market's strong second quarter results. But, at the same time, there's a little frustration in that the temperature of the recovery is lukewarm.

LAMCO: One of the nagging worries is over continued increases in unemployment claims.

JOSTRAND: We treat unemployment claims as a lagging indicator, but I think if you look at current or leading indicators, those have backed off some since last year. Even as we get past the issues of the first quarter - primarily war in Iraq and the SARS outbreak - labor markets are still deteriorating slightly. The last unemployment report rate showed a jump to 6.4 percent from 6.1 percent, reflecting further deterioration. Other indicators, such as industrial production and capacity utilization, have shown little strength.

[SIDENOTE]  
"...THE RECOVERY IS DEFINITELY MORE MODEST AND DRAWN OUT THAN PEOPLE ARE ACCUSTOMED TO...THERE'S A LITTLE FRUSTRATION IN THAT THE TEMPERATURE OF THE RECOVERY IS LUKEWARM."

LAMCO: What do you see that's positive?

JOSTRAND: Improved corporate earnings. The second quarter that ended June 30 and the third quarter that we're now in will mark the fifth and sixth consecutive quarters of positive change in corporate profits.

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I think one factor that's getting us through and why we at William Blair ultimately feel good about the stock market going forward is productivity. Since the peak of the stock market bubble, output has grown an average of 4 percent annually. But, hours worked are down. So, when you think in terms of real output per hour - the general definition of productivity - the U.S. has shown good, solid gains.

Another factor is corporate CEOs beginning to feel as though it's safe to get back into the water - not in terms of expanding their sales forces or investing in new plant and equipment, but in terms of merger and acquisition activity. We've seen Oracle bid for PeopleSoft, EMC make an offer for Legato Systems, Nike for Converse and so forth. I think that indicates a higher level of confidence than has prevailed in the recent past.

Still, CEOs are not so ebullient that they're investing in new capacity. Texas Instruments announced a new plant recently, but by and large activity is still pretty tepid. We're hopeful that stronger demand will squeeze supply next year and lead to a pick up in production spending.

LAMCO: Which camp are you in on the inflation-versus-deflation question?

JOSTRAND: We believe it's a case of fairly severe disinflation, but not deflation. Clearly, there are pockets of absolute price decline and there are pockets of absolute price increase, such as health care and energy. But, I'm okay on deflation, mainly because the Federal Reserve has lubed the economy with a pretty hefty monetary stimulus policy and we're getting a second round of tax cuts on the fiscal policy side. We might have a little too much debt, something that is associated with traditional deflationary scenarios. And, there's a little too much foreign trade acrimony between U.S. and our trading partners. But, I see the resumption of this M&A activity that I just mentioned as marking the mid- to late innings of a protracted recovery process. I think the M&A activity will continue to accelerate the integration/consolidation of the overcapacity that is contributing to the deflationary mindset. The weaker dollar will help also because instead of importing deflation, we're going to stabilize the trade deficit or maybe bring some production back to North America and address the significant price imbalance between North America and the rest of the world.

LAMCO: If corporate America decides to bring some manufacturing back onshore, that would suggest management sees the decline of the dollar as being a fairly long-run event.

JOSTRAND: It could be a secular decline, but at this point I think it's a retrenchment back to what I'll call pre-bubble levels. The trade-weighted dollar is back to 1997-98 levels now, and I think that's okay because it helps address the differences in production cost differentials that exist around the world. Currencies should equilibrate; however, they were out of line based on the significant trade deficit here in the U.S. relative to the rest of the world. That needs to get back closer

[SIDENOTE]

"THE SECOND QUARTER THAT ENDED JUNE 30 AND THE THIRD QUARTER THAT WE'RE NOW IN WILL MARK THE FIFTH AND SIXTH CONSECUTIVE QUARTERS OF POSITIVE CHANGE IN CORPORATE PROFITS."

toward zero from where it is, and the 30 percent price decline vis-a-vis the 2000 and '01 trade-weighted dollar levels will help do that.

LAMCO: Where are you in regard to the Federal Reserve and its aggressive

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lowering of short-term interest rates? Can the Fed reflate the economy?

JOSTRAND: We made an early call on the Fed's actions. Nine months ago we were looking at two quarters of improving earnings and made the judgment that it was sustainable in the interest rate environment the Fed was creating. The Iraq war and SARS got in the way, but we've been in the camp of "don't fight the Fed" for several quarters and we're still there.

LAMCO: The stocks of lower quality companies have done better than higher quality ones so far this year. To what do you attribute that?

JOSTRAND: When you're coming out of a market decline and you've got strong monetary stimulus, it's those companies that were closest to the edge of disaster that are dragged furthest back towards prosperity, especially in the first phase of recovery. Over the long haul, what matters to us is genuine competitive advantage. But in the short run, those near-death companies are seeing a glimmer of hope and their stock prices are reflecting it.

LAMCO: Now they've got to justify their stock price on a more fundamental basis, don't they?

JOSTRAND: Yes, my cliché response is that K-Mart may have come out of bankruptcy but there's no way it's going to be threatening Wal-Mart. K-Mart closed 350 stores and will have to close 350 more. So, K-Mart may become solvent and remain that way for a period of time, at least until Wal-Mart deals another blow.

LAMCO: It's easier to register a hefty percentage gain when one's share price has been severely battered.

JOSTRAND: That's right. The market is recognizing that and ascribing some hopes to these companies; some will fail, some will make it. But from this point on, I think the winners over the next three years will be those companies with the most durable competitive advantage: good strategy, good execution, good management, good culture.

LAMCO: Tell us about a couple of stocks that have fared well for William Blair so far this year.

JOSTRAND: A big winner in our portion of the All-Star Growth Fund portfolio is Genentech. We've owned Genentech for quite a while and we've stuck with it through some mediocre quarters. The stock has been in favor or out of favor depending on short-term news. But, we've believed in the strength of its pipeline and this past quarter the company had some breakaway news in announcing novel therapies for treating cancer.

Earlier, Genentech had done breast cancer studies with the class of product that it announced earlier this year, but it did not meet the prescribed definition for success. However, the company set a really high bar for themselves. But, Genentech was conducting multiple studies, and one produced dramatic results in colorectal cancer patients that were announced prior to the big annual

[SIDENOTE]

"THE IRAQ WAR AND SARS GOT IN THE WAY, BUT WE'VE BEEN IN THE CAMP OF 'DON'T FIGHT THE FED' FOR SEVERAL QUARTERS AND WE'RE STILL THERE."

meeting of the American Society of Clinical Oncologists. There was breakthrough data showing this novel therapy starves tumors of their blood supply. Now, the therapy - called Avastin - has received fast-track designation from the Food and

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Drug Administration (FDA), and once approved it could easily generate revenues exceeding \$1 billion annually. The real news and why the stock reacted so well is that this is not just another me-too product, it's a whole new class in the treatment of cancer.

Genentech also had some other good news, for example, getting Xolair approved by the FDA for the treatment of moderate-to-severe persistent asthma. That should generate revenues in the \$300 to \$400 million range, but it is more of a niche product. Once again, the real news was in oncology and it said to us that Genentech has a highly capable, broad-based research platform that can sustain new product development beyond just getting lucky with a couple of therapies, as has been the case with a few other biotechs.

LAMCO: Genentech is one of the "senior citizens" of the biotech world. Do you think there are any larger implications for the entire industry in its discoveries ... in other words, that the promise of biotech is really coming to fruition?

JOSTRAND: Actually, biotech has stolen the march from the traditional big pharmaceuticals over the last few years. Eli Lilly is the only big company in that industry that really stands out among the old line pharmaceutical companies with a good, strong pipeline. Amgen is another very successful biotech company that we own. It was a winner, too, this past quarter, just not to the extent of Genentech.

LAMCO: What about one other stock that's done well for the All-Star portfolio?

JOSTRAND: EMC, the big data storage company, was a very good stock for us in the quarter. We didn't own a big position as we believed there was some risk involved, but we viewed it as a quality company whose earnings had been under pressure. Those types of companies can do very well in an improving environment, and that was the case this past quarter. EMC is a big company with strong market shares. Frankly, the only reason its earnings were under significant duress was that it had chosen to sustain R&D spending at very high levels. EMC has also emerged as a force in the move to consolidate vendors in the technology sector, and that is reflected in the recent tender offer for Legato Systems. It's a friendly deal and it was not outside EMC's competency, which we like. EMC also has a strategy of partnering to develop distribution in areas outside of its core customer base. An example is a partnership with Dell. This enables EMC to leverage its R&D spending and manufacturing skills. EMC is a very different company than Genentech, but it has worked out nicely for us.

LAMCO: John, thank you very much. We look forward to next time.

[SIDENOTE]

"...FROM THIS POINT ON, I THINK THE WINNERS OVER THE NEXT THREE YEARS WILL BE THOSE COMPANIES WITH THE MOST DURABLE COMPETITIVE ADVANTAGE..."

11

### SCHEDULE OF INVESTMENTS AS OF JUNE 30, 2003 (UNAUDITED)

| COMMON STOCKS (97.9%)          | SHARES | MARKET VALUE |
|--------------------------------|--------|--------------|
| CONSUMER DISCRETIONARY (28.6%) |        |              |
| AUTOMOBILES (0.5%)             |        |              |
| Harley-Davidson, Inc.          | 16,900 | \$ 673,634   |
|                                |        | -----        |

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|  |        |            |
|--|--------|------------|
| HOTELS, RESTAURANTS & LEISURE (3.5%)         |        |            |
| The Cheesecake Factory, Inc. (a)             | 27,580 | 989,846    |
| International Speedway Corp., Class A        | 30,090 | 1,188,856  |
| Outback Steakhouse, Inc. (a)                 | 32,470 | 1,266,330  |
| Panera Bread Co., Class A (a)                | 6,930  | 277,200    |
| Sonic Corp. (a)                              | 29,600 | 752,728    |
|  |        | -----      |
|  |        | 4,474,960  |
|  |        | -----      |
| INTERNET & CATALOG RETAIL (4.3%)             |        |            |
| Amazon.com, Inc. (a)                         | 36,600 | 1,335,534  |
| eBay, Inc. (a)                               | 39,200 | 4,083,856  |
|  |        | -----      |
|  |        | 5,419,390  |
|  |        | -----      |
| MEDIA (12.3%)                                |        |            |
| Cablevision Systems Corp., Class A (a)       | 29,951 | 621,783    |
| Clear Channel Communications, Inc. (a)       | 45,700 | 1,937,223  |
| Cox Communications, Inc., Class A (a)        | 48,900 | 1,559,910  |
| Cox Radio, Inc., Class A (a)                 | 31,300 | 723,343    |
| EchoStar Communications Corp., Class A (a)   | 69,900 | 2,419,938  |
| Getty Images, Inc. (a)                       | 55,380 | 2,287,194  |
| Hispanic Broadcasting Corp. (a)              | 17,600 | 447,920    |
| Mediacom Communications Corp. (a)            | 85,100 | 839,937    |
| Univision Communications, Inc., Class A (a)  | 50,400 | 1,532,160  |
| Westwood One, Inc. (a)                       | 96,560 | 3,276,281  |
|  |        | -----      |
|  |        | 15,645,689 |
|  |        | -----      |
| MULTI-LINE RETAIL (5.0%)                     |        |            |
| Dollar Tree Stores, Inc. (a)                 | 60,205 | 1,910,305  |
| Family Dollar Stores, Inc.                   | 64,305 | 2,453,235  |
| Kohl's Corp. (a)                             | 21,800 | 1,120,084  |
| 99 Cents Only Stores (a)                     | 26,018 | 892,938    |
|  |        | -----      |
|  |        | 6,376,562  |
|  |        | -----      |
| SPECIALTY RETAIL (3.0%)                      |        |            |
| Bed Bath & Beyond, Inc. (a)                  | 90,800 | 3,523,948  |
| The Children's Place Retail Stores, Inc. (a) | 16,220 | 322,129    |
|  |        | -----      |
|  |        | 3,846,077  |
|  |        | -----      |

See Notes to Schedule of Investments.

12

| COMMON STOCKS (CONTINUED) | SHARES | MARKET VALUE |
|---------------------------|--------|--------------|
| CONSUMER STAPLES (4.0%)   |        |              |
| BEVERAGES (0.8%)          |        |              |

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|                                       |         |              |
|---------------------------------------|---------|--------------|
| PepsiCo, Inc.                         | 23,400  | \$ 1,041,300 |
|                                       |         | -----        |
| FOOD & DRUG RETAILING (1.4%)          |         |              |
| Rite Aid Corp. (a)                    | 116,540 | 518,603      |
| Walgreen Co.                          | 42,150  | 1,268,715    |
|                                       |         | -----        |
|                                       |         | 1,787,318    |
|                                       |         | -----        |
| HOUSEHOLD PRODUCTS (0.6%)             |         |              |
| The Yankee Candle Co., Inc. (a)       | 30,508  | 708,396      |
|                                       |         | -----        |
| PERSONAL PRODUCTS (1.2%)              |         |              |
| Avon Products, Inc.                   | 24,200  | 1,505,240    |
|                                       |         | -----        |
| ENERGY (1.6%)                         |         |              |
| ENERGY EQUIPMENT & SERVICES (1.1%)    |         |              |
| Patterson - UTI Energy, Inc. (a)      | 21,830  | 707,292      |
| Pride International, Inc. (a)         | 36,365  | 684,389      |
|                                       |         | -----        |
|                                       |         | 1,391,681    |
|                                       |         | -----        |
| OIL & GAS (0.5%)                      |         |              |
| Tidewater, Inc.                       | 21,560  | 633,216      |
|                                       |         | -----        |
| FINANCIALS (8.2%)                     |         |              |
| BANKS (0.4%)                          |         |              |
| Investors Financial Services Corp.    | 17,891  | 519,018      |
|                                       |         | -----        |
| DIVERSIFIED FINANCIALS (6.5%)         |         |              |
| Affiliated Managers Group, Inc. (a)   | 8,820   | 537,579      |
| The Chicago Mercantile Exchange       | 800     | 55,704       |
| Fannie Mae                            | 16,200  | 1,092,528    |
| Financial Federal Corp. (a)           | 40,202  | 980,929      |
| Investment Technology Group, Inc. (a) | 35,262  | 655,873      |
| MBNA Corp.                            | 34,175  | 712,207      |
| SEI Investment Co.                    | 18,300  | 585,600      |
| SLM Corp.                             | 44,100  | 1,727,397    |
| State Street Corp.                    | 28,300  | 1,115,020    |
| T. Rowe Price Group, Inc.             | 21,900  | 826,725      |
|                                       |         | -----        |
|                                       |         | 8,289,562    |
|                                       |         | -----        |

See Notes to Schedule of Investments.

| COMMON STOCKS (CONTINUED) | SHARES | MARKET VALUE |
|---------------------------|--------|--------------|
|---------------------------|--------|--------------|

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|  |        |            |
|--|--------|------------|
| INSURANCE (1.3%)                                   |        |            |
| Brown & Brown, Inc.                                | 13,080 | \$ 425,100 |
| Cincinnati Financial Corp.                         | 4,600  | 170,614    |
| Montpelier Re Holdings Ltd. (a)                    | 6,930  | 218,988    |
| Platinum Underwriters Holdings, Ltd.               | 9,332  | 253,270    |
| XL Capital Ltd., Class A                           | 7,000  | 581,000    |
|  |        | -----      |
|  |        | 1,648,972  |
|  |        | -----      |
| HEALTH CARE (18.6%)                                |        |            |
| BIOTECHNOLOGY (7.6%)                               |        |            |
| Amgen, Inc. (a)                                    | 18,200 | 1,209,208  |
| Charles River Laboratories International, Inc. (a) | 21,972 | 707,059    |
| Enzon Pharmaceuticals, Inc. (a)                    | 18,760 | 234,875    |
| Genentech, Inc. (a)                                | 27,900 | 2,012,148  |
| Gilead Sciences, Inc. (a)                          | 42,600 | 2,367,708  |
| Martek Biosciences Corp. (a)                       | 40,498 | 1,738,984  |
| MedImmune, Inc. (a)                                | 22,600 | 821,962    |
| QLT, Inc. (a)                                      | 50,237 | 637,960    |
|  |        | -----      |
|  |        | 9,729,904  |
|  |        | -----      |
| HEALTH CARE EQUIPMENT & SUPPLIES (4.3%)            |        |            |
| Alcon, Inc. (a)                                    | 17,600 | 804,320    |
| Medtronic, Inc.                                    | 34,750 | 1,666,958  |
| PolyMedica Corp. (a)                               | 31,858 | 1,458,778  |
| ResMed, Inc. (a)                                   | 37,035 | 1,451,772  |
|  |        | -----      |
|  |        | 5,381,828  |
|  |        | -----      |
| HEALTH CARE PROVIDERS & SERVICES (3.8%)            |        |            |
| Express Scripts, Inc., Class A (a)                 | 11,800 | 806,176    |
| Inveresk Research Group, Inc. (a)                  | 14,400 | 260,640    |
| Lincare Holdings, Inc. (a)                         | 38,420 | 1,210,614  |
| Patterson Dental Co. (a)                           | 27,090 | 1,229,344  |
| UnitedHealth Group, Inc.                           | 26,340 | 1,323,585  |
|  |        | -----      |
|  |        | 4,830,359  |
|  |        | -----      |
| PHARMACEUTICALS (2.9%)                             |        |            |
| Eli Lilly and Co.                                  | 18,275 | 1,260,427  |
| InterMune, Inc. (a)                                | 10,025 | 161,503    |
| Pfizer, Inc.                                       | 66,130 | 2,258,340  |
|  |        | -----      |
|  |        | 3,680,270  |
|  |        | -----      |

See Notes to Schedule of Investments.

COMMON STOCKS (CONTINUED) SHARES MARKET VALUE

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### INDUSTRIALS (9.7%)

|                                |        |            |
|--------------------------------|--------|------------|
| AIR FREIGHT & LOGISTICS (0.5%) |        |            |
| UTI Worldwide, Inc.            | 22,673 | \$ 707,171 |
|                                |        | -----      |

### COMMERCIAL SERVICES & SUPPLIES (7.3%)

|                                       |        |           |
|---------------------------------------|--------|-----------|
| CheckFree Corp. (a)                   | 23,100 | 643,104   |
| Cintas Corp.                          | 24,220 | 858,357   |
| The Corporate Executive Board Co. (a) | 24,000 | 979,680   |
| Education Management Corp. (a)        | 30,100 | 1,600,718 |
| First Data Corp.                      | 37,300 | 1,545,712 |
| Paychex, Inc.                         | 61,500 | 1,802,565 |
| Pegasus Solutions, Inc. (a)           | 15,820 | 257,075   |
| Polycom, Inc. (a)                     | 23,990 | 332,501   |
| Robert Half International, Inc. (a)   | 13,300 | 251,902   |
| West Corp. (a)                        | 36,726 | 978,748   |
|                                       |        | -----     |
|                                       |        | 9,250,362 |
|                                       |        | -----     |

### MACHINERY (0.7%)

|               |        |         |
|---------------|--------|---------|
| Danaher Corp. | 12,600 | 857,430 |
|               |        | -----   |

### TRADING COMPANIES & DISTRIBUTORS (1.2%)

|              |        |           |
|--------------|--------|-----------|
| Fastenal Co. | 45,380 | 1,540,197 |
|              |        | -----     |

### INFORMATION TECHNOLOGY (26.3%)

#### COMMUNICATIONS EQUIPMENT (2.7%)

|                            |        |           |
|----------------------------|--------|-----------|
| Black Box Corp.            | 6,010  | 217,562   |
| Cisco Systems, Inc. (a)    | 75,700 | 1,263,433 |
| Juniper Networks, Inc. (a) | 73,500 | 909,195   |
| Nokia Oyj (b)              | 19,700 | 323,671   |
| Packeteer, Inc. (a)        | 43,253 | 673,449   |
|                            |        | -----     |
|                            |        | 3,387,310 |
|                            |        | -----     |

#### COMPUTERS & PERIPHERALS (2.1%)

|                             |        |           |
|-----------------------------|--------|-----------|
| Avid Technology, Inc. (a)   | 14,256 | 499,958   |
| Dell Computer Corp. (a)     | 35,900 | 1,147,364 |
| EMC Corp. (a)               | 26,100 | 273,267   |
| Network Appliance, Inc. (a) | 43,400 | 703,514   |
|                             |        | -----     |
|                             |        | 2,624,103 |
|                             |        | -----     |

### ELECTRONIC EQUIPMENT & INSTRUMENTS (1.0%)

|                  |        |           |
|------------------|--------|-----------|
| Cognex Corp. (a) | 56,465 | 1,261,993 |
|                  |        | -----     |

See Notes to Schedule of Investments.



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| COMMON STOCKS (CONTINUED)                 | SHARES | MARKET VALUE |
|---|--------|--------------|
| INTERNET SOFTWARE & SERVICES (4.1%)       |        |              |
| BEA Systems, Inc. (a)                     | 89,500 | \$ 971,970   |
| Expedia, Inc. (a)                         | 24,800 | 1,894,224    |
| Interwoven, Inc. (a)                      | 85,300 | 189,366      |
| Raindance Communications, Inc. (a)        | 43,102 | 107,324      |
| Retek, Inc. (a)                           | 36,532 | 233,805      |
| Yahoo!, Inc. (a)                          | 54,200 | 1,775,592    |
|   |        | -----        |
|   |        | 5,172,281    |
|   |        | -----        |
| IT CONSULTING & SERVICES (0.9%)           |        |              |
| SRA International, Inc. (a)               | 7,801  | 249,632      |
| SunGard Data Systems, Inc. (a)            | 35,000 | 906,850      |
|   |        | -----        |
|   |        | 1,156,482    |
|   |        | -----        |
| OFFICE ELECTRONICS (0.9%)                 |        |              |
| Zebra Technologies Corp., Class A (a)     | 16,215 | 1,219,206    |
|   |        | -----        |
| SEMICONDUCTOR EQUIPMENT & PRODUCTS (8.4%) |        |              |
| Altera Corp. (a)                          | 27,600 | 452,640      |
| Applied Micro Circuits Corp. (a)          | 78,200 | 473,110      |
| Axcelis Technologies, Inc. (a)            | 36,980 | 226,318      |
| GlobespanVirata, Inc. (a)                 | 25,300 | 208,725      |
| Intel Corp.                               | 42,100 | 875,006      |
| Intersil Corp., Class A (a)               | 17,856 | 475,148      |
| Linear Technology Corp.                   | 36,350 | 1,170,833    |
| Maxim Integrated Products, Inc. (a)       | 62,800 | 2,147,132    |
| Microchip Technology, Inc. (a)            | 19,977 | 492,034      |
| Novellus Systems, Inc. (a)                | 15,400 | 563,963      |
| Pericom Semiconductor Corp. (a)           | 27,274 | 253,648      |
| Semtech Corp. (a)                         | 23,880 | 340,051      |
| Texas Instruments, Inc.                   | 48,000 | 844,800      |
| Xilinx, Inc. (a)                          | 85,700 | 2,169,067    |
|   |        | -----        |
|   |        | 10,692,475   |
|   |        | -----        |
| SOFTWARE (6.2%)                           |        |              |
| Agile Software Corp. (a)                  | 77,920 | 751,928      |
| E.piphany, Inc. (a)                       | 61,120 | 312,323      |
| Intuit, Inc. (a)                          | 18,800 | 837,164      |
| Micromuse, Inc. (a)                       | 56,010 | 447,520      |
| Microsoft Corp.                           | 82,500 | 2,112,825    |

See Notes to Schedule of Investments.

| COMMON STOCKS (CONTINUED)      | SHARES | MARKET VALUE |
|--------------------------------|--------|--------------|
| SOFTWARE (CONTINUED)           |        |              |
| National Instruments Corp. (a) | 51,000 | \$ 1,926,780 |

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|                                |        |           |
|--------------------------------|--------|-----------|
| Siebel Systems, Inc. (a)       | 86,600 | 826,164   |
| Symantec Corp. (a)             | 6,200  | 271,932   |
| WebEx Communications, Inc. (a) | 12,530 | 174,794   |
| webMethods, Inc. (a)           | 35,900 | 291,867   |
|                                |        | -----     |
|                                |        | 7,953,297 |
|                                |        | -----     |

TELECOMMUNICATION SERVICES (0.9%)

DIVERSIFIED TELECOMMUNICATION SERVICES (0.2%)

|                               |        |         |
|-------------------------------|--------|---------|
| Time Warner Telecom, Inc. (a) | 31,000 | 197,470 |
|                               |        | -----   |

WIRELESS TELECOMMUNICATION SERVICES (0.7%)

|                              |        |         |
|------------------------------|--------|---------|
| At Road, Inc. (a)            | 14,900 | 162,708 |
| CIENA Corp. (a)              | 53,700 | 278,703 |
| Sprint Corp. (PCS Group) (a) | 86,500 | 497,375 |
|                              |        | -----   |
|                              |        | 938,786 |
|                              |        | -----   |

|   |  |             |
|---|--|-------------|
| TOTAL COMMON STOCKS (COST OF \$117,578,396) |  | 124,541,939 |
|   |  | -----       |

WARRANTS (0.1%)

UNITS

INDUSTRIAL (0.1%)

COMMERCIAL SERVICES & SUPPLIES (0.1%)

|   |       |         |
|---|-------|---------|
| Expedia, Inc., Expiration Date 02/04/09 (a)<br>(Cost of \$20,691) | 2,918 | 159,148 |
|   |       | -----   |

See Notes to Schedule of Investments.

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| SHORT-TERM INVESTMENT (2.1%)  | PAR VALUE    | MARKET VALUE   |
|---|--------------|----------------|
| REPURCHASE AGREEMENT (2.1%)<br>Repurchase agreement with State Street Bank & Trust Co.,<br>dated 06/30/03, due 07/01/03 at 1.00% collateralized by<br>U.S. Treasury Bonds with various maturities to 2030, market<br>value \$2,764,243 (repurchase proceeds \$2,703,075)<br>(Cost of \$2,703,000) | \$ 2,703,000 | \$ 2,703,000   |
|   |              | -----          |
| TOTAL INVESTMENTS (100.1%) (COST OF \$120,302,087) (c)  |              | 127,404,087    |
|   |              | -----          |
| OTHER ASSETS AND LIABILITIES, NET (-0.1%)   |              | (150,001)      |
|   |              | -----          |
| NET ASSETS (100.0%)   |              | \$ 127,254,086 |

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NET ASSET VALUE PER SHARE (21,153,372 SHARES OUTSTANDING)

-----  
\$ 6.02  
-----

NOTES TO SCHEDULE OF INVESTMENTS:

- (a) Non-income producing.
- (b) Represents an American Depositary Receipt.
- (c) Cost for both financial statement and federal income tax purposes is the same.

Gross unrealized appreciation and depreciation of investments at June 30, 2003 is as follows:

|                               |               |
|-------------------------------|---------------|
| Gross unrealized appreciation | \$ 29,695,897 |
| Gross unrealized depreciation | (22,593,897)  |
|                               | -----         |
| Net unrealized appreciation   | \$ 7,102,000  |
|                               | =====         |

See Notes to Financial Statements.

18

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES JUNE 30, 2003 (UNAUDITED)

ASSETS:

|   |                |
|---|----------------|
| Investments at market value (identified cost \$120,302,087) | \$ 127,404,087 |
| Receivable for investments sold                             | 286,571        |
| Dividends and interest receivable                           | 19,179         |
| Other assets  | 9,835          |
|   | -----          |
| TOTAL ASSETS  | 127,719,672    |
|   | -----          |

LIABILITIES:

|   |         |
|---|---------|
| Payable to custodian bank   | 20,486  |
| Management, administrative, Directors' and bookkeeping/pricing fees payable | 302,075 |
| Accrued expenses  | 143,025 |
|   | -----   |
| TOTAL LIABILITIES   | 465,586 |
|   | -----   |

NET ASSETS

\$ 127,254,086  
=====

NET ASSETS REPRESENTED BY:

|   |                |
|---|----------------|
| Paid-in capital (authorized 60,000,000 shares of common stock at \$0.10 Par; 21,153,372 shares outstanding) | \$ 145,893,346 |
| Accumulated net investment loss   | (566,271)      |
| Accumulated net realized loss on investments  | (25,174,989)   |
| Net unrealized appreciation on investments  | 7,102,000      |

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|   |                                  |
|---|----------------------------------|
| TOTAL NET ASSETS APPLICABLE TO OUTSTANDING SHARES<br>OF COMMON STOCK (\$6.02 PER SHARE) | -----<br>\$ 127,254,086<br>===== |
|---|----------------------------------|

See Notes to Financial Statements.

19

STATEMENT OF OPERATIONS SIX MONTHS ENDED JUNE 30, 2003 (UNAUDITED)

|  |             |               |
|--|-------------|---------------|
| INVESTMENT INCOME:   |             |               |
| Dividends  |             | \$ 217,623    |
| Interest   |             | 18,621        |
|  |             | -----         |
| TOTAL INVESTMENT INCOME (NET OF FOREIGN TAXES<br>WITHHELD AT SOURCE WHICH AMOUNTED TO \$2,071) |             | 236,244       |
| EXPENSES:  |             |               |
| Management fee   | \$ 454,142  |               |
| Administrative fee   | 113,657     |               |
| Bookkeeping and pricing fees   | 16,397      |               |
| Custody fees   | 11,923      |               |
| Transfer agent fees  | 49,594      |               |
| Shareholder communication expenses   | 77,006      |               |
| Directors' fees and expenses   | 20,035      |               |
| NYSE fee   | 22,668      |               |
| Miscellaneous expense  | 37,226      |               |
|  |             | -----         |
| TOTAL EXPENSES   |             | 802,648       |
|  |             | -----         |
| CUSTODY EARNINGS CREDIT  |             | (133)         |
|  |             | -----         |
| NET EXPENSES   |             | 802,515       |
|  |             | -----         |
| NET INVESTMENT LOSS  |             | (566,271)     |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:  |             |               |
| Net realized gain on investment transactions:  |             |               |
| Proceeds from sales  | 26,266,774  |               |
| Cost of investments sold   | 23,487,655  |               |
|  |             | -----         |
| Net realized gain on investment transactions   |             | 2,779,119     |
| Net unrealized appreciation (depreciation) on investments:                                     |             |               |
| Beginning of period  | (8,401,413) |               |
| End of period  | 7,102,000   |               |
|  |             | -----         |
| Change in unrealized depreciation-net  |             | 15,503,413    |
|  |             | -----         |
| NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS   |             | \$ 17,716,261 |
|  |             | =====         |

See Notes to Financial Statements.

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## STATEMENT OF CHANGES IN NET ASSETS

|  | SIX MONTHS ENDED<br>JUNE 30, 2003<br>(UNAUDITED) | YEAR ENDED<br>DECEMBER 31,<br>2002 |
|--|--|------------------------------------|
| <b>OPERATIONS:</b>   |  |                                    |
| Net investment loss  | \$ (566,271)                                     | \$ (1,404,182)                     |
| Net realized gain (loss) on investment transactions                | 2,779,119  | (8,922,068)                        |
| Change in unrealized appreciation<br>(depreciation)-net            | 15,503,413                                       | (33,534,693)                       |
|  | -----  | -----                              |
| Net increase (decrease) in net assets<br>resulting from operations | 17,716,261                                       | (43,860,943)                       |
|  | -----  | -----                              |
| <b>DISTRIBUTIONS DECLARED FROM:*</b>                               |  |                                    |
| Net realized gain on investments                                   | (2,716,709)                                      | --                                 |
| Paid-in capital  | (2,890,772)                                      | (13,398,589)                       |
|  | -----  | -----                              |
| Total distributions  | (5,607,481)                                      | (13,398,589)                       |
|  | -----  | -----                              |
| <b>CAPITAL TRANSACTIONS:</b>                                       |  |                                    |
| Increase in net assets from capital share transactions             | 2,924,578  | 6,185,822                          |
|  | -----  | -----                              |
| Total increase (decrease) in net assets                            | 15,033,358                                       | (51,073,710)                       |
| <b>NET ASSETS:</b>   |  |                                    |
| Beginning of period  | 112,220,728                                      | 163,294,438                        |
|  | -----  | -----                              |
| End of period  | \$ 127,254,086                                   | \$ 112,220,728                     |
|  | =====  | =====                              |

\*See Note 2 of Notes to Financial Statements.

See Notes to Financial Statements.

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## FINANCIAL HIGHLIGHTS

|   | SIX MONTHS ENDED<br>JUNE 30, 2003<br>(UNAUDITED) | YEAR ENDED DECEMBER<br>-----<br>2002                      2001 |          |
|---|--|--|----------|
| <b>PER SHARE OPERATING PERFORMANCE:</b>                   |  |  |          |
| Net asset value at beginning of period                    | \$ 5.44  | \$ 8.31  | \$ 10.86 |
|   | -----  | -----  | -----    |
| <b>Income from Investment Operations:</b>                 |  |  |          |
| Net investment income (loss)                              | (0.03)   | (0.07)   | (0.09)   |
| Net realized and unrealized gain<br>(loss) on investments | 0.88   | (2.13)   | (1.50)   |
|   | -----  | -----  | -----    |
| Total from Investment Operations                          | 0.85   | (2.20)   | (1.59)   |
|   | -----  | -----  | -----    |
| <b>Less Distributions from:</b>                           |  |  |          |
| Net investment income                                     | --   | --   | --       |

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|  |             |         |         |
|--|-------------|---------|---------|
| Paid-in capital  | (0.14)      | (0.67)  | (0.92)  |
| Realized capital gain  | (0.13)      | --      | --      |
| In excess of realized capital gain                                 | --          | --      | --      |
|  | -----       | -----   | -----   |
| Total Distributions  | (0.27)      | (0.67)  | (0.92)  |
|  | -----       | -----   | -----   |
| Change due to rights offering (a)                                  | --          | --      | (0.04)  |
| Impact of shares issued<br>in dividend reinvestment (b)            | --          | --      | --      |
|  | -----       | -----   | -----   |
| Total Distributions, Reinvestments<br>and Rights Offering          | (0.27)      | (0.67)  | (0.96)  |
|  | -----       | -----   | -----   |
| Net asset value at end of period                                   | \$ 6.02     | \$ 5.44 | \$ 8.31 |
|  | =====       | =====   | =====   |
| Market price at end of period                                      | \$ 6.52     | \$ 5.05 | \$ 8.33 |
|  | =====       | =====   | =====   |
| TOTAL INVESTMENT RETURN FOR SHAREHOLDERS: (c)                      |             |         |         |
| Based on net asset value   | 16.2% (f)   | (27.2)% | (13.7)% |
| Based on market price  | 35.5% (f)   | (32.6)% | (0.5)%  |
| RATIOS AND SUPPLEMENTAL DATA:                                      |             |         |         |
| Net assets at end of period (millions)                             | \$ 127      | \$ 112  | \$ 163  |
| Ratio of expenses to average net assets (d)                        | 1.41% (e)   | 1.38%   | 1.41%   |
| Ratio of net investment income (loss)<br>to average net assets (d) | (1.00)% (e) | (1.07)% | (1.12)% |
| Portfolio turnover rate  | 19% (f)     | 25%     | 41%     |

- (a) Effect of Fund's rights offerings for shares at a price below net asset value.
- (b) Effect of payment of a portion of distributions in newly issued shares at a discount from net asset value.
- (c) Calculated assuming all distributions reinvested at actual reinvestment price and all primary rights exercised.
- (d) The benefits derived from custody credits and directed brokerage arrangements, if applicable, had an impact of less than 0.01%.

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|   | YEAR ENDED DECEMBER 31 |          |          |          |         |
|---|------------------------|----------|----------|----------|---------|
|   | 1999                   | 1998     | 1997     | 1996     | 1995    |
|   | -----                  | -----    | -----    | -----    | -----   |
| PER SHARE OPERATING PERFORMANCE:                          |                        |          |          |          |         |
| Net asset value at beginning of period                    | \$ 13.03               | \$ 12.89 | \$ 11.27 | \$ 10.55 | \$ 9.85 |
|   | -----                  | -----    | -----    | -----    | -----   |
| Income from Investment Operations:                        |                        |          |          |          |         |
| Net investment income (loss)                              | (0.05)                 | (0.03)   | (0.02)   | 0.01     | 0.01    |
| Net realized and unrealized gain<br>(loss) on investments | 1.83                   | 1.73     | 2.88     | 1.86     | 1.86    |
|   | -----                  | -----    | -----    | -----    | -----   |
| Total from Investment Operations                          | 1.78                   | 1.70     | 2.86     | 1.87     | 1.87    |
|   | -----                  | -----    | -----    | -----    | -----   |
| Less Distributions from:                                  |                        |          |          |          |         |
| Net investment income                                     | --                     | --       | --       | (0.01)   | --      |
| Paid-in capital   | --                     | (0.83)   | --       | --       | --      |
| Realized capital gain                                     | (1.23)                 | (0.52)   | (1.24)   | (1.01)   | (1.01)  |
| In excess of realized capital gain                        | --                     | --       | --       | --       | --      |

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|  |           |           |           |          |    |
|--|-----------|-----------|-----------|----------|----|
| Total Distributions  | (1.23)    | (1.35)    | (1.24)    | (1.02)   |    |
| Change due to rights offering (a)                                  | --        | (0.21)    | --        | --       |    |
| Impact of shares issued<br>in dividend reinvestment (b)            | (0.14)    | --        | --        | (0.13)   |    |
| Total Distributions, Reinvestments<br>and Rights Offering          | (1.37)    | (1.56)    | (1.24)    | (1.15)   |    |
| Net asset value at end of period                                   | \$ 13.44  | \$ 13.03  | \$ 12.89  | \$ 11.27 | \$ |
| Market price at end of period                                      | \$ 10.813 | \$ 11.438 | \$ 11.938 | \$ 9.250 | \$ |
| TOTAL INVESTMENT RETURN FOR SHAREHOLDERS: (c)                      |           |           |           |          |    |
| Based on net asset value   | 15.9%     | 15.3%     | 27.3%     | 18.3%    |    |
| Based on market price  | 6.2%      | 9.3%      | 43.6%     | 9.3%     |    |
| RATIOS AND SUPPLEMENTAL DATA:                                      |           |           |           |          |    |
| Net assets at end of period (millions)                             | \$ 219    | \$ 199    | \$ 167    | \$ 137   | \$ |
| Ratio of expenses to average net assets (d)                        | 1.20%     | 1.22%     | 1.20%     | 1.35%    |    |
| Ratio of net investment income (loss)<br>to average net assets (d) | (0.37)%   | (0.22)%   | (0.18)%   | 0.06%    |    |
| Portfolio turnover rate  | 71%       | 33%       | 57%       | 51%      |    |

(e) Annualized.

(f) Not annualized.

(g) Liberty Asset Management Company assumed complete management responsibilities of the Fund in November 1995.

See Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 (UNAUDITED)

NOTE 1. ORGANIZATION AND ACCOUNTING POLICIES

Liberty All-Star Growth Fund, Inc. (the "Fund"), is registered under the Investment Company Act of 1940, as amended, as a closed-end, diversified management investment company and commenced operations on March 14, 1986. The Fund's investment goal is to seek long term capital appreciation. The Fund is managed by Liberty Asset Management Company (the "Manager"), a wholly-owned subsidiary of Columbia Management Group, Inc., which is a wholly-owned subsidiary of FleetBoston Financial Corporation.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VALUATION OF INVESTMENTS - Portfolio securities listed on an exchange and over-the-counter securities quoted on the NASDAQ system are valued on the basis of the last sale on the date as of which the valuation is made, or, lacking any sales, at the mean of the closing bid and asked quotations on that date. Over-the-counter securities not quoted on the NASDAQ system are valued at the most recent bid prices on that date. Securities for which reliable quotations

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are not readily available are valued at fair value, as determined pursuant to procedures adopted by the Board of Directors ("Directors"). Short-term instruments maturing in more than 60 days for which market quotations are readily available are valued at current market value. Short-term instruments with remaining maturities of 60 days or less are valued at amortized cost, unless the Directors determine that this does not represent fair value. These securities would then be valued at their fair value as determined pursuant to procedures adopted by the Directors.

PROVISION FOR FEDERAL INCOME TAX - Consistent with the Fund's policy to qualify as a regulated investment company and to distribute all of its taxable income to shareholders, no federal income tax has been accrued.

DISTRIBUTIONS TO SHAREHOLDERS - The Fund currently has a policy of paying distributions on its common shares totaling approximately 10% of its net asset value per year, payable in four quarterly distributions of 2.5% 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. Distributions to shareholders are recorded on the ex-dividend date.

OTHER - Security transactions are accounted for on the trade date. Interest income and expenses are recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

### NOTE 2. FEDERAL TAX INFORMATION

Income and capital gain distributions are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America.

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The following capital loss carryforwards, determined as of December 31, 2002, are available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

| YEAR OF<br>EXPIRATION<br>----- | CAPITAL LOSS<br>CARRYFORWARD<br>----- |
|--------------------------------|---------------------------------------|
| 2009                           | \$ 12,880,379                         |
| 2010                           | 11,242,729                            |
|                                | -----                                 |
| Total                          | \$ 24,123,108                         |
|                                | -----                                 |

Future realized gains offset by the loss carryforwards are not required to be distributed to shareholders. However, under the Fund's distribution policy, as discussed in Note 1, such gains may be distributed to shareholders in the year the gains are realized. Any such gains distributed may be taxable to shareholders as ordinary income. The source of the distributions in the Statement of Changes in Net Assets for the six-month period ended June 30, 2003 are estimates and are subject to change based on Fund activity through December 31, 2003, the Fund's fiscal year-end.

### NOTE 3. FEES PAID TO AFFILIATES

Under the Fund's Management Agreement, the Fund pays the Manager a management fee for its investment management services at an annual rate of 0.80% of the Fund's average weekly net assets. Under Portfolio Manager Agreements, the



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Manager pays each Portfolio Manager a portfolio management fee at an annual rate of 0.40% of the average weekly net assets of the investment portfolio managed by it. The Fund also pays the Manager a fee for its administrative services at an annual rate of 0.20% of the Fund's average weekly net assets. The annual fund management and administrative fees are reduced to 0.72% and 0.18%, respectively, on average weekly net assets in excess of \$300 million. The aggregate annual fees payable by the Manager to the Portfolio Managers are reduced to 0.36% of the Fund's average weekly net assets in excess of \$300 million. The Manager is responsible for providing pricing and bookkeeping services to the Fund under a Pricing and Bookkeeping Agreement. Under a separate agreement (the "Outsourcing Agreement"), the Manager has delegated those functions to State Street Bank and Trust Company ("State Street"). The Manager pays fees to State Street under the Outsourcing Agreement.

Under its pricing and bookkeeping agreement with the Fund, the Manager receives from the Fund an annual flat fee of \$10,000, paid monthly, and in any month that the Fund's average weekly net assets are more than \$50 million, an additional monthly fee is paid as calculated pursuant to the terms of the Pricing and Bookkeeping Agreement. For the six months ended June 30, 2003, the net asset based fee was 0.026%. The Fund also pays out-of-pocket costs for pricing services.

OTHER - The Fund pays no compensation to its officers, all of whom are employees of the Manager or its affiliates. The Fund had an agreement with its custodian bank under which \$133 of custody fees were reduced by balance credits applied during the six months ended June 30, 2003. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if it had not entered into such an agreement.

### NOTE 4. CAPITAL TRANSACTIONS

During the six months ended June 30, 2003

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and the year ended December 31, 2002, distributions in the amounts of \$2,924,578 and \$6,185,822, respectively, were paid in newly issued shares valued at market value or netasset value, but not less than 95% of market value, resulting in the issuance of 534,884 and 964,320 shares, respectively.

### NOTE 5. SECURITIES TRANSACTIONS

Realized gains and losses are recorded on the identified cost basis for both financial reporting and federal income tax purposes. The cost of investments purchased and the proceeds from investments sold excluding short-term debt obligations for the six months ended June 30, 2003 were \$21,765,338 and \$26,266,774, respectively.

The Fund may enter into repurchase agreements and require the seller of the instrument to maintain on deposit with the Fund's custodian bank or in the Federal Reserve Book-Entry System securities in the amount at all times equal to or in excess of the value of the repurchase agreement plus accrued interest. The Fund may experience costs and delays in liquidating the collateral if the issuer defaults or enters bankruptcy.

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### RESULTS OF ANNUAL MEETING OF SHAREHOLDERS

On April 16, 2003, the Annual Meeting of Shareholders of the Fund was held to elect three (3) Directors. On January 31, 2003, the record date for the Meeting, the Fund had outstanding 20,618,489 shares of common stock. The votes cast at

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the Meeting were as follows:

1. PROPOSAL TO ELECT THREE (3) DIRECTORS:

|                   | FOR<br>--- | AGAINST<br>----- |
|-------------------|------------|------------------|
| John A. Benning   | 17,482,315 | 460,528          |
| James E. Grinnell | 17,494,021 | 448,822          |
| John J. Neuhauser | 17,484,254 | 458,589          |

The Board of Directors is divided into the following three classes, each with a term expiring in the indicated year:

| 2004<br>---- | 2005<br>----             | 2006<br>----                  |
|--------------|--------------------------|-------------------------------|
| Mr. Lowry    | Mr. Benning<br>Mr. Mayer | Mr. Grinnell<br>Mr. Neuhauser |

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NOTES

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[ALL STAR(TM) GROWTH FUND LOGO]

FUND MANAGER

Liberty Asset Management Company  
One Financial Center  
Boston, Massachusetts 02111  
617-772-3626  
www.all-starfunds.com

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers, LLP  
160 Federal Street  
Boston, Massachusetts 02110

CUSTODIAN

State Street Bank & Trust Company  
225 Franklin Street  
Boston, Massachusetts 02110

INVESTOR ASSISTANCE,  
TRANSFER & DIVIDEND

DISBURSING AGENT & REGISTRAR  
EquiServe Trust Company, N.A.  
P.O. Box 43010, Providence, Rhode Island 02940-3010  
1-800-LIB-FUND (1-800-542-3863)  
www.equiserve.com

LEGAL COUNSEL

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Kirkpatrick & Lockhart LLP  
1800 Massachusetts Avenue, NW  
Washington, DC 20036-1800

DIRECTORS

John A. Benning\*  
James E. Grinnell\*  
Richard W. Lowry\*  
William E. Mayer  
Dr. John J. Neuhauser\*

OFFICERS

William R. Parmentier, Jr., President and Chief Executive Officer  
Mark T. Haley, CFA, Vice President  
Fred H. Wofford, Vice President  
J. Kevin Connaughton, Treasurer  
Vicki L. Benjamin, Chief Accounting Officer and Controller

\* Member of the audit committee.

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Liberty Asset Management Company  
One Financial Center  
Boston, Massachusetts 02111

[ASG LISTED NYSE LOGO]

A MEMBER OF THE  
CLOSED-END  
FUND  
ASSOCIATION, INC.  
WWW.CLOSED-ENDFUNDS.COM

ITEM 2. CODE OF ETHICS.

Not applicable at this time.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable at this time.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable at this time.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable at this time.

ITEM 6. [RESERVED]

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END  
MANAGEMENT INVESTMENT COMPANIES

Not applicable at this time.

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ITEM 8. [RESERVED]

ITEM 9. CONTROLS AND PROCEDURES.

(a) The Registrant's Chief Executive Officer and Chief Financial Officer, based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, have concluded that such controls and procedures are adequately designed to ensure that information required to be disclosed by the Registrant in its reports that it files or submits under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to the Registrant's management, including the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

(b) There was no change in the registrant's internal control over financial reporting that occurred over the registrant's last fiscal half-year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 10. EXHIBITS.

(a) File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

(a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable at this time.

(a)(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)). Attached hereto as Exhibit 99.CERT.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)). Attached hereto as Exhibit 99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Liberty All Star Growth Fund, Inc.  
-----

By (Signature and Title)\* /s/ William R. Parmentier, Jr.  
-----

William R. Parmentier, Jr., President and Chief  
Executive Officer

Date September 3, 2003  
-----

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the

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dates indicated.

By (Signature and Title)\* /s/ William R. Parmentier, Jr.

-----  
William R. Parmentier, Jr., President and Chief  
Executive Officer

Date September 3, 2003

-----  
By (Signature and Title)\* /s/ J. Kevin Connaughton

-----  
J. Kevin Connaughton, Treasurer

Date September 3, 2003

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