LIBERTY ALL STAR GROWTH FUND INC.
Form N-CSR
February 28, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-04537

Liberty All-Star Growth Fund, Inc.

(exact name of registrant as specified in charter)

1290 Broadway, Suite 1100, Denver, Colorado 80203

(Address of principal executive offices) (Zip code)

Erin D. Nelson

ALPS Fund Services, Inc.

1290 Broadway, Suite 1100

Denver, Colorado 80203

(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: January 1 - December 31, 2013

**Item 1. Reports to Stockholders.**

Fellow Shareholders: *February 2014*

The U.S. equity market rewarded investors with exceptionally strong returns in 2013. The S&P 500® Index returned 32.39 percent its highest since 1997 as all 10 of the index s sectors finished the year in positive territory. The widely followed Dow Jones Industrial Average (DJIA) posted 51 record highs en route to a 29.65 percent return, while the technology-focused NASDAQ Composite Index delivered the highest return of all, 40.12 percent.

Among key growth benchmarks, the broad market Russell 3000® Growth Index returned 34.23 percent for the year. (Indicative that both investing styles participated in the market s advance, the Russell 3000® Value Index trailed its growth counterpart, but still returned a strong 32.69 percent.) Among market capitalization indices, the Russell 1000® Growth Index (large cap) returned 33.48 percent and the Russell Midcap® Growth Index rose 35.74 percent. Small cap stocks, as represented by the Russell 2000® Growth Index, generated the strongest return of all, an advance of 43.30 percent.

Stocks surged in 2013 as the economy continued to recover at a steady, albeit moderate pace; corporate earnings continued to grow; and, perhaps most importantly, the Federal Reserve kept short-term interest rates at record low levels while continuing to inject liquidity into the financial system through its $85 billion-a-month bond buying program. Investor optimism could not be slowed by political gridlock in Washington, fears of a softer economy in China, and continuing fiscal and economic woes in the euro zone. A powerful theme running throughout the year was the industrial renaissance in the U.S., as auto, capital equipment and energy output gained strength. U.S. energy production stood out as a growth driver, as hydraulic fracturing methodologies unlocked previously inaccessible or economically impractical oil and gas deposits. While the old economy was strong, so was the new economy, as demonstrated by the market for initial public offerings (IPOs). According to The *Wall Street Journal,* 230 companies went public on domestic equity markets in 2013, a sharp increase over 144 in 2012.

Liberty All-Star® Growth Fund rewarded investors in 2013 with returns that were strong on both an absolute and relative basis. The Fund returned 39.01 percent with shares valued at net asset value (NAV) with dividends reinvested and 47.82 percent with shares valued at market price with dividends reinvested. (Fund returns are net of fees.) By comparison, the Russell 3000® Growth Index returned the previously mentioned 34.23 percent; the Fund also outperformed both the S&P 500 and DJIA. Performance versus the NASDAQ Composite was mixed; the Fund s NAV return with dividends reinvested trailed moderately, but the market price advance with dividends reinvested was well ahead of the index. The Fund also outperformed the Lipper Multi-Cap Growth Mutual Fund Average, which returned 35.03 percent for the year. The discount at which Fund shares traded relative to their underlying NAV narrowed considerably during the year; at one point in the fourth quarter Fund shares traded at a 1.8 percent premium to NAV.

The Fund s long-term returns were also strong. The Fund outperformed the Lipper average for the past three- and five-year periods, while lagging moderately over the trailing 10 years. Compared to the Russell 3000® Growth Index, the Fund was either slightly ahead or slightly behind for the three-, five- and 10-year periods, depending on whether return is measured by NAV with dividends reinvested or market price with dividends reinvested.

On the subject of longer-term returns, 2013 marked five years since the steep equity market sell-off in 2008 (when the Russell 3000® Growth Index declined 38.44 percent). In the shareholder letter for the Fund s 2008 annual report, we noted that even in the depths of recession and stock market retreat it is essential for investors to keep faith in the U.S. economy and our financial markets. Indeed, investors who were able to look beyond the immediate crisis were well-rewarded. By year-end 2009, the Russell 3000® Growth Index gained 67.46 percent off the March 9 low and, even accounting for the steep declines in January and February, the index gained

37.01 percent for the full year in 2009. In retrospect, the financial system did not come apart, and U.S. banks are now the most highly capitalized in the world.

Fund distributions totaled $0.31 per share in 2013. The Fund s distribution policy has been in place since 1997 and is a major component of the Fund s total return. Since 1997, the Fund has paid distributions totaling $11.55 per share, and we would emphasize that shareholders should include these distributions when determining the return on their investment in the Fund.

One of the key principles on which the Fund was founded is multi-management, or the practice of allocating the Fund s assets to carefully selected growth style managers investing across the capitalization spectrum of large-, mid- and small-cap growth stocks. Thus, in this annual report we are once again offering insights into the managers thinking through a roundtable discussion to which all three managers have contributed. In particular, we asked the managers to comment on why participation by individual investors in the equity market has declined in recent years. We believe you will find their responses to be of interest. As we have done in recent annual reports, we once again offer a brief summary of the Fund s attributes (on pages 4 and 5). I urge you to revisit these attributes, as they help to make the Fund a unique and attractive investment vehicle.

We are gratified that the Fund rewarded investors in 2013. Uniformly strong equity market returns set a high hurdle for an actively managed fund, like Liberty All-Star® Growth Fund, to outperform passive benchmarks. But, the Fund was able to do that and we believe the Fund is also well positioned for the future. While we are optimistic about the prospects for 2014 and beyond, no one knows what direction equity markets will take going forward. We can, and will, however, remain diligent and disciplined and put our experience and expertise to work in service to our shareholders.

Sincerely,

William R. Parmentier, Jr.

President and Chief Executive Officer

Liberty All-Star® Growth Fund, Inc.

**FUND STATISTICS AND SHORT-TERM PERFORMANCE**

**PERIODS ENDING DECEMBER 31, 2013**

## FUND STATISTICS:

| | |
|---|---|
| Net Asset Value (NAV) | $ 5.91 |
| Market Price | $ 5.62 |
| Discount | 4.9% |

| | Quarter | 2013 |
|---|---|---|
| Distributions* | $0.09 | $0.31 |
| Market Price Trading Range | $4.80 to $5.89 | $4.11 to $5.89 |
| Premium/(Discount) Range | 1.8% to (11.6)% | 1.8% to (11.8)% |

## PERFORMANCE:

| | Quarter | 2013 |
|---|---|---|
| Shares Valued at NAV with Dividends Reinvested | 8.33% | 39.01% |
| Shares Valued at Market Price with Dividends Reinvested | 16.20% | 47.82% |
| Dow Jones Industrial Average | 10.22% | 29.65% |
| Lipper Multi-Cap Growth Mutual Fund Average | 9.71% | 35.03% |
| NASDAQ Composite Index | 11.10% | 40.12% |
| Russell 3000® Growth Index | 10.25% | 34.23% |
| S&P 500® Index | 10.51% | 32.39% |

| LONG-TERM PERFORMANCE SUMMARY AND DISTRIBUTIONS PERIODS ENDING DECEMBER 31, 2013 | ANNUALIZED RATES OF RETURN 3 YEARS | 5 YEARS | 10 YEARS | INCEPTION** |
|---|---|---|---|---|
| LIBERTY ALL-STAR® GROWTH FUND, INC. | | | | |
| Distributions | $0.85 | $1.34 | $4.22 | $7.41 |
| Shares Valued at NAV with Dividends Reinvested | 16.29% | 20.85% | 8.03% | 3.18% |
| Shares Valued at Market Price with Dividends Reinvested | 17.16% | 25.02% | 6.98% | 4.76% |
| Dow Jones Industrial Average | 15.71% | 16.74% | 7.44% | 5.74% |
| Lipper Multi-Cap Growth Mutual Fund Average | 15.02% | 20.03% | 8.25% | 2.92% |
| NASDAQ Composite Index | 17.74% | 22.86% | 8.63% | 1.36% |
| Russell 3000® Growth Index | 16.47% | 20.56% | 7.95% | 1.59% |
| S&P 500® Index | 16.18% | 17.94% | 7.40% | 3.74% |

* All 2013 distributions consist of ordinary dividends and long-term capital gains. A breakdown of each 2013 distribution for federal income tax purposes can be found in the table on page 31.

** Since restructuring to a multi-cap growth fund on May 1, 2000.

Figures shown for the Fund and the Lipper Multi-Cap Growth Mutual Fund Average are total returns, which include dividends, after deducting Fund expenses. The Fund s performance is calculated assuming that a shareholder exercised all primary rights in the Fund s rights offerings. Figures shown for the unmanaged Dow

Jones Industrial Average, NASDAQ Composite Index, the Russell 3000® Growth Index and the S&P 500® Index are total returns, including dividends. A description of the Lipper benchmark and the market indices can be found on page 40.

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

Closed-end funds raise money in an initial public offering and shares are listed and traded on an exchange. Open-end mutual funds continuously issue and redeem shares at net asset value. Shares of closed-end funds frequently trade at a discount to net asset value. The price of the Fund s shares is determined by a number of factors, several of which are beyond the control of the Fund. Therefore, the Fund cannot predict whether its shares will trade at, below or above net asset value.

# Unique Attributes of Liberty All-Star® Growth Fund

Several attributes help to make the Fund a core equity holding for investors seeking a diversifiedgrowth portfolio, income and the potential for long-term appreciation.

## Multi-management for Individual Investors

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

## Real-time Trading and Liquidity

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

UNIQUE FUND ATTRIBUTES (UNAUDITED)

## Access to Institutional Managers

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

## Monitoring and Rebalancing

ALPS Advisors continuously monitors these investment managers to ensure that they are performing as expected and adhering to their style and strategy, and will replace the managers when warranted. Periodic rebalancing maintains the Fund s structural integrity and is a well-recognized investment discipline.

## Alignment and Objectivity

Alignment with shareholders best interests and objective decision-making help to ensure that the Fund is managed openly and equitably. In addition, the Fund is governed by a Board of Directors that is elected by and responsible to shareholders.

## Distribution Policy

Since 1997, the Fund has followed a policy of paying annual distributions on its shares at a rate that approximates historical equity market returns. The current annual distribution rate is 6 percent of the Fund s net asset value (paid quarterly at 1.5 percent per quarter), providing a systematic mechanism for distributing funds to shareholders.

# INVESTMENT MANAGERS/PORTFOLIO CHARACTERISTICS (UNAUDITED)

**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 40 for a description of these indices.

**PORTFOLIO CHARACTERISTICS**

**AS OF DECEMBER 31, 2013**

| | RUSSELL GROWTH: | | | | | | |
|---|---|---|---|---|---|---|---|
| | SMALLCAP INDEX | MIDCAP INDEX | LARGECAP INDEX | M.A. WEATHERBIE | TCW (MID-CAP) | TCW (LARGE-CAP) | TOTAL FUND |
| Number of Holdings | 1174 | 502 | 625 | 60 | 56 | 33 | 134* |
| Weighted Average Market Capitalization (billions) | $2.0 | $12.3 | $100.6 | $3.0 | $10.9 | $68.3 | $26.7 |
| Average Five-Year Earnings Per Share Growth | 18% | 19% | 18% | 25% | 25% | 19% | 23% |
| Average Five-Year Sales Per Share Growth | 8% | 9% | 12% | 13% | 10% | 15% | 13% |
| Price/Earnings Ratio** | 27x | 25x | 22x | 33x | 28x | 31x | 31x |
| Price/Book Value Ratio | 6.6x | 6.5x | 6.7x | 7.1x | 6.9x | 9.6x | 7.8x |

* Certain holdings are held by more than one manager.
** Excludes negative earnings.

## Investment Manager Roundtable

*Timely insights for individual investors: Why the Fund s investment managers remained focused on their disciplines in a strong market like 2013 (despite lingering worries about a reversal). And how investors many of whom have missed the multi-year stock market rally should be thinking about participation in the stock market.*

Liberty All-Star®Growth Fund s investment managers bring long experience, deep knowledge, a proven track record and a firm commitment to growth style investing. Once again, therefore, we are grateful to be able to call upon this resource to provide Fund shareholders with commentary and insight. The Fund s Investment Advisor, ALPS Advisors, serves as moderator of the roundtable. Participating investment management firms, the portfolio manager for each and their respective capitalization ranges are:

**WEATHERBIE CAPITAL, LLC**

*Portfolio Manager*/Matthew A. Weatherbie, CFA

President and Founder

*Capitalization Focus*/Small-Cap Growth Weatherbie practices a small capitalization growth investment style focusing on high quality companies that demonstrate superior earnings growth prospects, yet are reasonably priced relative to their intrinsic value. The firm seeks to provide superior returns relative to small capitalization growth indices over a full market cycle.

**TCW INVESTMENT MANAGEMENT COMPANY**

*Co-Portfolio Managers*/Chang Lee and Mike Olson,

CFA Managing Directors

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

**TCW INVESTMENT MANAGEMENT COMPANY**

*Portfolio Manager*/Craig C. Blum, CFA

Group Managing Director

*Capitalization Focus*/Large-Cap Growth TCW seeks large-cap companies that have superior sales growth, leading and/or rising market shares, and high and/or rising profit margins. TCW s concentrated growth equity strategy seeks companies with distinct advantages in their business model.

The year 2013 was, by just about any measure, a very good one for equity investors . leading many prognosticators to forecast a pullback as the year progressed. Liberty All-Star® Growth Fund investment managers, however, are more driven by bottom-up company fundamentals than top-down market conditions. When and to what extent does overall market valuation enter your decision-making? Or do you judge valuation solely on a stock-by-stock basis . and what is your approach to valuing a security both at purchase and sale?

**Weatherbie (Weatherbie Capital Small-Cap Growth):** At Weatherbie, we follow a fundamental, bottom-up, research-driven investment process. We evaluate each of our approximately 60 portfolio positions on a stock-by-stock basis. We do evaluate the macro environment and often have a view on sectors we believe will move or be held back by the markets.

**We continue to believe the united States is the most attractive developed growth market for investing.**

**Matt Weatherbie**

**(Weatherbie Capital**

**Small-Cap Growth)**

We continue to believe the United States is the most attractive developed growth market for investing. We are excited that the continued resurrection of the initial public offering (IPO) market is creating an increased opportunity set that our firm is poised to capitalize on. Moreover, we see early signs that the positive direct and indirect longer-term implications for the U.S. economy of the development of unconventional energy resources from hydraulic fracturing have been underestimated. Despite continued partisan bickering in Washington, we think that it is rational and realistic to believe that America s best days lie ahead.

We remain confident that our research-driven investment approach will allow us to continue to outperform the small-cap growth indices over the long term.

Thank you. Let s continue up the capitalization range by hearing from TCW s mid-cap and large-cap managers.

**Lee (TCW Mid-Cap Growth):** We use bottom-up, fundamental analysis to create financial models with best-, base- and worst-case price targets for every stock in our portfolio. These price targets are based on future cash flow projections and they, along with our risk/reward analysis and conviction level, drive our decision-making. The goal is to find companies in which our estimates of free cash flow growth are above what is implied by current market prices, resulting in securities that are attractively valued today relative to those cash flows. That being said, we do pay attention to overall economic and market conditions, as these do influence our decisions because of their potential impact on cash flow estimates for our portfolio companies.

**Blum (TCW Large-Cap Growth):** We are stock pickers and judge valuation on a stock-by-stock basis. After our initial screen, we do thorough fundamental analysis on any potential new position. This includes talking to suppliers, conducting competitor analysis, sizing the end market and determining what makes the company special. We look three to five years out and look for a disconnect between the stock s current price and our valuation. We sell a security when the valuation reflects our most optimistic outlook in order to take advantage of a superior opportunity. Of course, we can get negatively surprised and when this happens we place a stock on our review list and ask two questions: One, is the business model impaired? And, two, is the revenue opportunity impaired? If the answer to either is yes, we sell the position.

That said, we do consider the economic cycle when constructing our portfolio. We like to say that we run a balanced portfolio: Approximately two-thirds of the

portfolio is in offensive growth stocks and one-third of the portfolio is in defensive growth stocks. The former are very disruptive companies with above-market volatility (betas) and may be more cyclical. Defensive growth stocks are less sensitive to GDP and are uncorrelated to the economic cycle. Besides a laser-like focus on only owning quality businesses

Individual investors need to remember that volatility, although not easy to stomach, often provides long-term opportunities.

**Craig Blum**

**(TCW Large-Cap Growth)**

with sustainable competitive advantages, this portfolio construction process is another way we mitigate risk in the portfolio.

Thank you very much. Individual investors have not shown much of an inclination to invest in stocks. A national poll conducted last April by a respected survey research firm found that only 52 percent of people said they owned shares directly or indirectly (through a mutual fund) compared with 62 percent in April 2000. Why do you believe individuals are investing at a relatively low rate? How should individual investors be thinking about participation in the stock market?

**Blum (TCW Large-Cap Growth):** Fear and greed drive markets and due to the pain of 2008, many investors are still squarely in the fear camp. Individual investors need to remember that volatility, although not easy to stomach, often provides long-term opportunities. The stock market has advanced for five consecutive years and

many individual investors feel like they have missed their chance. Consistent stock market participation is critical, yet it is clear that the average individual investor may have been his/her own worst enemy. The evidence: 20-year annualized returns for the average investor (+2.3 percent) have not only failed to keep up with the S&P 500 Index (+8.2 percent) and bonds (+6.3 percent), they have failed to keep up with inflation (+2.5 percent)[1].

**Olson (TCW Mid-Cap Growth):** Even though stocks have more than recovered their losses since the financial crisis, individual investors are probably still a bit shell-shocked after the events of 2008. Accelerating growth in a low inflationary environment, such as we re seeing now, is favorable for equity investing. Although we have seen some expansion in earnings multiples, we believe that it is a rebound from trough levels. Our assessment of the data based on our bottom-up fundamental analysis indicates that we are currently somewhere in the middle of the cycle.

**Weatherbie (Weatherbie Capital Small-Cap Growth):** Individuals were hurt by the combined impact on net worth of the 2008 global financial meltdown and the decline in residential real estate values. This has resulted in cautious investment behavior, which may take some time to change. Individual investors should think about participating in the stock market using a diversified approach that takes into account their risk tolerance. As an investor in smaller capitalization stocks, we can state with considerable experience that ownership of individual shares can generate substantial gains or losses. We believe a diversified portfolio across many of the major industry sectors can yield sustainable long-term performance with beneficial risk mitigation.

In the context of your previous comments, what is a longstanding holding in the portion of the Liberty All-Star® Growth Fund that you manage that serves as a good example of your style and strategy? And, second, what is a recent addition to your portfolio that also serves as a good example of your style and strategy?

**Lee (TCW Mid-Cap Growth):** Under Armour is a longstanding holding in the portfolio. Under Armour is an up-and-coming global brand in athletic apparel. Its revenue has grown tenfold over the past decade, and the company is expected to continue to grow rapidly as it expands into new categories, such as basketball shoes and cotton wear while aggressively expanding its international distribution footprint.

Leading social media company Twitter is a recent addition to the portfolio. Twitter operates a self-service publishing

1 Twenty-year annualized returns ending December 31, 2013. Sources: Individual investor return, Dalbar, a leading provider of data for the investment industry; equity return, S&P 500 Index; bond return, Barclays Aggregate Bond Index; inflation, Consumer Price Index.

platform which provides value to both the publishers in the form of real-time feedback and value to consumers in the form of real-time consumption.

Good. Matt and Craig, share your thoughts, please.

**Weatherbie (Weatherbie Capital Small-Cap Growth):**

A good stock example of our style and strategy is LKQ Corporation, which provides replacement parts, components and systems needed to

repair vehicles, primarily cars and trucks in the U.S. There are several factors that define it as a Weatherbie holding. First, LKQ became a publicly-traded entity in a new market in which they had a substantial growth opportunity and, after the IPO, we were one of the company s earliest institutional shareholders. Second, from the outset LKQ had a seasoned management team whose vision and plan for growth seemed achievable. Third, the technology used by LKQ to identify, inventory and distribute parts leads the industry and has provided a long-term, sustainable advantage over all potential competitors. Finally, we recently sold LKQ from the Fund, as we now view it as an excellent, but maturing mid-cap company. But, it provided more than a tenfold return to Fund investors during our ownership.

We use bottom-up, fundamental analysis to create financial models with best-, base- and worst-case price targets for every stock in the portfolio.

**Chang Lee**

**(TCW Mid-Cap Growth)**

A recent addition to our portfolio that also serves as a good example of a Weatherbie stock is Geospace Technologies Corporation (GEOS.) A leading manufacturer of seismic measuring equipment used to evaluate hydraulic fracturing of shale deposits (so-called fracking ), GEOS shares many of the qualities we seek in our holdings. These begin with a sustainable, long-term technological advantage over competitors via the company s proprietary wireless measuring patents. Next, as an indirect play on the shale oil revolution, GEOS has tremendous market share potential. Finally, GEOS has a solid, well-prepared management team with deep energy industry knowledge, and it is positioned to take fracking activity offshore.

Craig Blum, wrap it up for us, will you please?

**Blum (TCW Large-Cap Growth):** We believe strong long-term performance may be achieved by participating in the growth and success of extraordinary businesses purchased at attractive valuations. We start by looking for companies competing in large and growing end markets, with defensible business models and wide moats (defensible positions). Often, these companies have either a product or cost advantage in an industry going through structural change. The company s current market share may be low but its rate of share capture is quite high. Amazon, first purchased over a decade ago, is an example of a company with immense scale and a clear cost advantage. More recently, we purchased athenahealth, a cloud-based healthcare IT provider. The company s business model is scalable, its platform is disruptive to the competition, and it is rapidly gaining market share.

Great insights from experienced investment managers and we thank you all. it should be an interesting year ahead. We ll check in again next year.

**GROWTH OF A HYPOTHETICAL $10,000 INVESTMENT**

The graph below illustrates the growth of a hypothetical $10,000 investment assuming the purchase of shares of common stock at the closing market price (NYSE: ASG) of $9.25 on December 31, 1996, and tracking its progress through December 31, 2013. For certain information, it also assumes that a shareholder exercised all primary rights in the Fund s rights offerings (see below). This graph covers the period since the Fund commenced its 10 percent distribution policy in 1997. Effective with the 2009 second quarter distribution, the annual distribution rate was changed from 10 percent to 6 percent.

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 $18,562 (including the December 31, 2013 value of the original investment of $6,076, plus distributions during the period of $12,486).

The additional value realized through reinvestment of all distributions. The value of the investment under this scenario grew to $31,398.

The additional value realized by exercising all primary rights in the Fund s rights offerings. The value of the investment under this scenario grew to $38,610 excluding the cost to exercise all primary rights in the rights offerings which was $5,299.

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

## TABLE OF DISTRIBUTIONS AND RIGHTS OFFERINGS (UNAUDITED)

| | | | RIGHTS OFFERINGS | |
|---|---|---|---|---|
| YEAR | PER SHARE DISTRIBUTIONS | MONTH COMPLETED | SHARES NEEDED TO PURCHASE ONE ADDITIONAL SHARE | SUBSCRIPTION PRICE |
| 1997 | $1.24 | | | |
| 1998 | 1.35 | July | 10 | $12.41 |
| 1999 | 1.23 | | | |
| 2000 | 1.34 | | | |
| 2001 | 0.92 | September | 8 | 6.64 |
| 2002 | 0.67 | | | |
| 2003 | 0.58 | September | 8* | 5.72 |
| 2004 | 0.63 | | | |
| 2005 | 0.58 | | | |
| 2006 | 0.59 | | | |
| 2007 | 0.61 | | | |
| 2008 | 0.47 | | | |
| 2009** | 0.24 | | | |
| 2010 | 0.25 | | | |
| 2011 | 0.27 | | | |
| 2012 | 0.27 | | | |
| 2013 | 0.31 | | | |
| Total | $11.55 | | | |

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

** Effective with the second quarter distribution, the annual distribution rate was changed from 10 percent to 6 percent.

**DISTRIBUTION POLICY**

Liberty All-Star® Growth Fund, Inc. s current policy is to pay distributions on its shares totaling approximately 6 percent of its net asset value per year, payable in four quarterly installments of 1.5 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 distribution 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 distribution 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 (UNAUDITED)

*December 31, 2012*

| TOP 20 HOLDINGS* | PERCENT OF NET ASSETS |
|---|---|
| Cerner Corp. | 1.99% |
| Amazon.com, Inc. | 1.79 |
| ACE Ltd. | 1.77 |
| Splunk, Inc. | 1.75 |
| Google, Inc., Class A | 1.70 |
| Dril-Quip, Inc. | 1.66 |
| ARM Holdings PLC | 1.63 |
| Under Armour, Inc., Class A | 1.55 |
| Signature Bank | 1.55 |
| Salesforce.com, Inc. | 1.55 |
| athenahealth, Inc. | 1.51 |
| Visa, Inc., Class A | 1.39 |
| LinkedIn Corp., Class A | 1.33 |
| American Tower Corp. | 1.31 |
| Precision Castparts Corp. | 1.29 |
| QUALCOMM, Inc. | 1.29 |
| Core Laboratories N.V. | 1.25 |
| Starbucks Corp. | 1.25 |
| The Ultimate Software Group, Inc. | 1.25 |
| BioMarin Pharmaceutical, Inc. | 1.22 |
| | 30.03% |

| ECONOMIC SECTORS* | PERCENT OF NET ASSETS |
|---|---|
| Information Technology | 26.50% |
| Industrials | 16.87 |
| Consumer Discretionary | 15.67 |
| Financials | 13.48 |
| Health Care | 11.70 |
| Energy | 6.86 |
| Consumer Staples | 5.13 |
| Materials | 2.04 |

| | |
|---|---|
| Other Net Assets | 1.75 |
| | 100.00% |

* Because the Fund is actively managed, there can be no guarantee that the Fund will continue to hold securities of the indicated issuers and sectors in the future.

## MAJOR STOCK CHANGES IN THE QUARTER (UNAUDITED)

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 2013.

| | SHARES | |
|---|---|---|
| SECURITY NAME | PURCHASES (SALES) | HELD AS OF 12/31/13 |
| **PURCHASES** | | |
| The Boston Beer Co., Inc., Class A | 2,700 | 2,700 |
| Graco, Inc. | 7,688 | 18,626 |
| Hilton Worldwide Holdings, Inc. | 30,175 | 30,175 |
| Insulet Corp. | 26,461 | 26,461 |
| Kansas City Southern | 5,550 | 5,550 |
| Twitter, Inc. | 15,950 | 15,950 |
| **SALES** | | |
| Fastenal Co. | (15,950) | 20,470 |
| Fifth & Pacific Cos., Inc. | (16,250) | 26,000 |
| LKQ Corp. | (42,504) | 0 |
| Palo Alto Networks, Inc. | (16,798) | 0 |

SCHEDULE OF INVESTMENTS
*as of December 31, 2012*

| COMMON STOCKS (98.25%) | SHARES | MARKET VALUE |
|---|---|---|
| u **CONSUMER DISCRETIONARY (15.67%)** | | |
| **Auto Components (0.55%)** | | |
| BorgWarner, Inc. | 13,800 | $ 771,558 |
| **Automobiles (0.24%)** | | |
| Thor Industries, Inc. | 6,071 | 335,301 |
| **Diversified Consumer Services (0.22%)** | | |
| Ascent Capital Group, Inc., Class A | | |