

LIBERTY ALL STAR GROWTH FUND INC.  
Form N-CSR  
March 05, 2019

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)

Sareena Khwaja-Dixon, Esq.

ALPS Fund Services, Inc.

1290 Broadway, Suite 1100

Denver, Colorado 80203

(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2018

**Item 1. Reports to Stockholders.**

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### **A SINGLE INVESTMENT...**

### **A DIVERSIFIED GROWTH PORTFOLIO**

A single fund that offers:

A diversified, multi-managed portfolio of small-, mid- and large-cap growth stocks  
Exposure to many of the industries that make the U.S. economy one of the world's most dynamic  
Access to institutional quality investment managers  
Objective and ongoing manager evaluation

Active portfolio rebalancing  
A quarterly fixed distribution policy  
Actively managed, exchange-traded, closed-end fund listed on the New York Stock Exchange (ticker symbol: ASG)

**LIBERTY ALL-STAR® GROWTH FUND, INC.**

Beginning on January 1, 2021, as permitted by regulations adopted by the U.S. Securities and Exchange Commission, paper copies of the Fund's annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's website at [www.all-starfunds.com](http://www.all-starfunds.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

Beginning on January 1, 2019, you may, notwithstanding the availability of shareholder reports online, elect to receive all future shareholder reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with the Fund and your shares are held with the Fund's transfer agent, Computershare, you can call 1-800-542-3863 to let the Fund know you wish to continue receiving paper copies of your shareholder reports.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from a Fund electronically anytime by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor you may log into your Investor Center account at [www.computershare.com/investor](http://www.computershare.com/investor) and go to "Communication Preferences".

Liberty All-Star<sup>®</sup> Growth Fund President's Letter

*(Unaudited)*

Fellow Shareholders: *February 2019*

After reaching record-high ground in September, the U.S. equity market as measured by the S&P 500<sup>®</sup> Index encountered a turbulent fourth quarter and closed the year with its first decline since 2008. The long-running bull market was tested as losses nearly reached the bear market threshold of a 20 percent retreat from previous highs. For the year the S&P 500<sup>®</sup> Index returned -4.38 percent, the widely-followed Dow Jones Industrial Average (DJIA) returned -3.48 percent and the NASDAQ Composite Index returned -2.84 percent.

While declining for the year, growth style stocks continued to outperform their value counterparts across all capitalization ranges. Among key growth benchmarks for the year, the broad market Russell 3000<sup>®</sup> Growth Index returned -2.12 percent versus -8.58 percent for its value counterpart. Among growth style market capitalization indices for the year, the Russell 1000<sup>®</sup> Growth Index (large cap) returned -1.51 percent while the Russell Midcap<sup>®</sup> Growth Index returned -4.75 percent. Small cap stocks, as represented by the Russell 2000<sup>®</sup> Growth Index, returned -9.31 percent.

While the underlying U.S. economy exhibited strength during the year, the forces that ultimately reintroduced extreme volatility to the equity markets were rising interest rates and their potential impact on consumer spending and corporate profitability; uncertainty surrounding the ultimate severity of the trade dispute between the U.S. and China; and slowing global growth, particularly among emerging market countries, chiefly China, where economic growth was the slowest in a decade. Even in the U.S. economy—buoyed by a favorable employment market and strong corporate profits—cracks began to emerge in the form of a slowing housing market and declining consumer confidence. The energy sector exhibited weakness as the year progressed, with West Texas Intermediate crude closing 2018 at \$45 per barrel—\$15 per barrel lower than it began the year and \$30/barrel lower than its October high.

The stock market shot out of the gate in January but faded in February with the DJIA experiencing its worst single-day decline since 2008 on February 2. Despite periodic rallies, the S&P 500<sup>®</sup> and the DJIA finished the first quarter with losses while the NASDAQ Composite posted a modest gain. Technology stocks led a market rally in the second quarter, as the NASDAQ Composite advanced almost 7 percent for the period. A strong labor market helped, as well, as the unemployment rate declined to 3.8 percent, the lowest since April 2000. The third quarter was by far 2018's best, with the DJIA gaining nearly 10 percent. Most sectors of the economy were strong, as the Department of Commerce reported that second quarter GDP grew at a 4.1 percent annual rate, its best quarter since 2014.

As noted earlier, however, signals that clouded the outlook eventually caught up to the equity market and the fourth quarter produced negative returns for all three indices: -13.52 percent for the S&P 500<sup>®</sup>, -11.31 percent for the DJIA and -17.29 percent for the NASDAQ Composite. Interest rates were a significant factor: In October, the yield on 10-year Treasury notes hit a seven-year high, and in December the Federal Reserve raised the fed funds rate for the fourth time in the year. An impending shutdown of the government also agitated investors as did unsettling geopolitical developments in global hot spots. The whiplash that equity investors experienced was highlighted by the worst-ever loss for a Christmas Eve only to be followed by the best-ever gain for the day after Christmas. Heightened volatility continued into the new year, as investors digested a mix of news and economic data that held both positive and negative portents for the future.

Liberty All-Star® Growth Fund President's Letter

*(Unaudited)*

**Liberty All-Star® Growth Fund**

For the full year, Liberty All-Star Growth Fund returns were mixed relative to the major stock market indices cited earlier. The Fund outperformed for the year, returning -0.96 percent with shares valued at net asset value (NAV) with dividends reinvested; however, it lagged when shares are valued at market price with dividends reinvested, returning -9.93 percent. (Fund returns are net of expenses.) The same was true for Fund returns relative to its primary benchmark, the Lipper Multi-Cap Growth Mutual Fund Average. With shares valued at NAV with dividends reinvested the Fund outperformed the benchmark's -2.95 percent return, but it lagged when shares are valued at market price with dividends reinvested.

For the fourth quarter, the Fund returned -16.31 percent with shares valued at NAV with dividends reinvested and -25.86 percent with shares valued at market price with dividends reinvested. For the same period, the Lipper benchmark returned -16.21 percent. While the Fund's fourth quarter return measured by NAV with dividends reinvested was in line or better than relevant indices, the market price return with dividends reinvested lagged owing to two factors: First, a widening of the discount at which Fund shares trade relative to their underlying NAV; this was exacerbated by the fact that Fund shares traded at a premium during much of the third quarter. A second factor was the rights offering, which although successful, served to buffet the market price of Fund shares at a time when volatility was disrupting the equity market.

The previously mentioned discount at which Fund shares trade relative to their underlying value changed dramatically compared to the third quarter, when the share price reached a premium as high as 19.9 percent. For the fourth quarter, it ranged from a premium of 7.0 percent to a discount of -12.6 percent.

Despite the challenging fourth quarter, the Fund's NAV-based investment results place it in the top 30 percent of peer funds in the Lipper Multi-Cap Growth Fund universe for the full year of 2018 as well as for the trailing three years.

We note that the offering to shareholders of rights to purchase additional shares of the Fund was completed successfully in November. The offering, which allowed investors to subscribe for one additional share for every three shares owned, was oversubscribed and all available primary shares were allocated among those who oversubscribed based on the number of shares held on the record date. We at ALPS Advisors are gratified by this response and thank shareholders for their vote of confidence.



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In accordance with the Fund's distribution policy, the Fund paid a distribution of \$0.11 to shareholders during the fourth quarter, bringing the total distributed to shareholders since 1997, when the distribution policy commenced, to \$13.89 per share. The Fund's distribution policy is a major component of the Fund's total return, and we continue to emphasize that shareholders should include these distributions when determining the total return on their investment in the Fund.

2 [www.all-starfunds.com](http://www.all-starfunds.com)

Liberty All-Star® Growth Fund President's Letter

*(Unaudited)*

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, we are once again offering insights into the managers' thinking through our annual roundtable question-and-answer exchange and invite shareholders to read the managers' comments. Given recent unsettled conditions in the equity market, we believe shareholders will find the managers' insights especially timely.

The fourth quarter was difficult for investors, but in the larger context of the period that began in March 2009, patient, long-term investors have been well-rewarded. The current outlook may be clouded, but those very same characteristics of patience and persistence should once again prove their worth. In a world challenged to find growth, we believe that quality growth stocks in general are well positioned and the Fund—a single investment with exposure across the capitalization spectrum—is particularly well positioned. We at ALPS Advisors will continue to keep Fund shareholders' interests first and foremost and maintain a steady focus on the principles that make the Fund an attractive long-term holding for growth equity investors.

Sincerely,

William R. Parmentier, Jr.

President and Chief Executive Officer

Liberty All-Star® Growth Fund, Inc.

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Liberty All-Star<sup>®</sup> Growth Fund President's Letter*(Unaudited)*

## FUND STATISTICS AND SHORT-TERM PERFORMANCE

PERIODS ENDED DECEMBER 31, 2018

## FUND STATISTICS:

Net Asset Value (NAV)	\$4.94
Market Price	\$4.39
Discount	-11.1%

	Quarter	2018
Distributions*	\$0.11	\$0.46
Market Price Trading Range	\$4.04 to \$6.60	\$4.04 to \$7.71
Premium/(Discount) Range	-12.6% to 7.0%	-12.6% to 19.9%

## PERFORMANCE:

Shares Valued at NAV with Dividends Reinvested	-16.31	%	-0.96	%
Shares Valued at Market Price with Dividends Reinvested	-25.86	%	-9.93	%
Dow Jones Industrial Average	-11.31	%	-3.48	%
Lipper Multi-Cap Growth Mutual Fund Average	-16.21	%	-2.95	%
NASDAQ Composite Index	-17.29	%	-2.84	%
Russell Growth Benchmark	-17.83	%	-4.86	%
S&P 500 <sup>®</sup> Index	-13.52	%	-4.38	%

\* All 2018 distributions consist of ordinary dividends and long-term capital gains. A breakdown of each 2018 distribution for federal income tax purposes can be found in the table on page 41.

The views expressed in the President's Letter, Unique Fund Attributes and Manager Roundtable reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions, and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for the Fund are based on numerous factors, may not be relied on as an indication of trading intent. References to specific company securities should not be construed as a recommendation or investment advice.

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Liberty All-Star<sup>®</sup> Growth Fund President's Letter*(Unaudited)*

LONG-TERM PERFORMANCE SUMMARY AND DISTRIBUTIONS PERIODS ENDED	ANNUALIZED RATES OF RETURN		
	3 YEARS	5 YEARS	10 YEARS
DECEMBER 31, 2018			
<b>LIBERTY ALL-STAR<sup>®</sup> GROWTH FUND, INC.</b>			
Distributions	\$1.24	\$ 2.34	\$ 3.68
Shares Valued at NAV with Dividends Reinvested	10.08 %	7.26 %	13.85 %
Shares Valued at Market Price with Dividends Reinvested	8.90 %	5.81 %	15.02 %
Dow Jones Industrial Average	12.94 %	9.70 %	13.16 %
Lipper Multi-Cap Growth Mutual Fund Average	8.41 %	7.24 %	13.65 %
NASDAQ Composite Index	11.10 %	10.97 %	16.77 %
Russell Growth Benchmark	9.26 %	8.02 %	14.67 %
S&P 500 <sup>®</sup> Index	9.26 %	8.49 %	13.12 %

Performance returns for the Fund are total returns, which include dividends and are calculated assuming that a shareholder exercised all primary rights in the Fund's rights offering. Returns are net of management fees and other Fund expenses.

The returns shown for the Lipper Multi-Cap Growth Mutual Fund Average are based on open-end mutual funds' total returns, which include dividends, and are net of fund expenses. Returns for the unmanaged Dow Jones Industrial Average, NASDAQ Composite Index, the Russell Growth Benchmark and the S&P 500<sup>®</sup> Index are total returns, including dividends. A description of the Lipper benchmark and the market indices can be found on page 54.

**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.

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Liberty All-Star<sup>®</sup> Growth Fund Unique Fund Attributes

*(Unaudited)*

**UNIQUE ATTRIBUTES OF Liberty All-Star<sup>®</sup> Growth Fund**

Several attributes help to make the Fund a core equity holding for investors seeking a diversified growth 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.

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Liberty All-Star® Growth Fund 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 8 percent of the Fund's net asset value (paid quarterly at 2 percent per quarter), providing a systematic mechanism for distributing funds to shareholders.

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Liberty All-Star® Growth Fund Investment Managers/Portfolio Characteristics

(Unaudited)

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

ALPS Advisors, Inc., the investment advisor to the Fund, has the ultimate authority (subject to oversight by the Board of Directors) to oversee the investment managers and recommend their hiring, termination and replacement.

**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 54 for a description of these indices.

PORTFOLIO CHARACTERISTICS AS OF DECEMBER 31, 2018	MARKET CAPITALIZATION SPECTRUM									
	RUSSELL GROWTH:			SMALL			LARGE			
	Smallcap	Midcap	Largecap	Weatherbie	Congress	Sustainable	Total			
	Index	Index	Index				Fund			
Number of Holdings	1,257	418	546	50	40	28	118 *			
Weighted Average Market Capitalization (billions)	\$2.2	\$14.5	\$247.4	\$3.7	\$9.4	\$179.6	\$65.4			
	14	% 14	% 15	% 22	% 17	% 13	% 16 %			

Average Five-Year Earnings Per Share Growth														
Average Five-Year Sales Per Share Growth	10	%	12	%	12	%	16	%	12	%	10	%	12	%
Price/Earnings Ratio**	19	x	21	x	23	x	27	x	26	x	28	x	27	x
Price/Book Value Ratio	3.5	x	5.6	x	6.6	x	5.1	x	4.6	x	7.1	x	5.4	x

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

*\*\*Excludes negative earnings.*

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Liberty All-Star® Growth Fund Investment Growth

*(Unaudited)*

## **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, 2018. 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 distribution policy in 1997.

The growth of the investment assuming all distributions were received in cash and not reinvested back into the Fund. The value of the investment under this scenario grew to \$19,762 (including the December 31, 2018 value of the original investment of \$4,746, plus distributions during the period of \$15,016).

The additional value realized through reinvestment of all distributions. The value of the investment under this scenario grew to \$39,750.

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 \$48,984 excluding the cost to exercise all primary rights in the rights offerings which was \$25,131.

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.

## Liberty All-Star® Growth Fund Table of Distributions and Rights Offerings

*(Unaudited)*

YEAR	PER SHARE DISTRIBUTIONS	MONTH COMPLETION	RIGHTS OFFERINGS SHARES NEEDED	SUBSCRIPTION PRICE
			TO PURCHASE ONE ADDITIONAL SHARE	
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 <sup>1</sup>	5.72
2004	0.63			
2005	0.58			
2006	0.59			
2007	0.61			
2008	0.47			
2009 <sup>2</sup>	0.24			
2010	0.25			
2011	0.27			
2012	0.27			
2013	0.31			
2014	0.33			
2015 <sup>3</sup>	0.77			
2016	0.36			
2017	0.42			
2018	0.46	November	3	4.81
Total	\$ 13.89			

<sup>1</sup>The number of shares offered was increased by an additional 25 percent to cover a portion of the over-subscription requests.

<sup>2</sup>Effective with the second quarter distribution, the annual distribution rate was changed from 10 percent to 6 percent.

<sup>3</sup>Effective with the second quarter distribution, the annual distribution rate was changed from 6 percent to 8 percent.

**DISTRIBUTION POLICY**

The current policy is to pay distributions on its shares totaling approximately 8 percent of its net asset value per year, payable in four quarterly installments of 2 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. Sources of distributions to shareholders may include ordinary dividends, long-term capital gains and return of capital. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during its fiscal year and may be subject to changes based on tax regulations. If a distribution includes anything other than net investment income, the Fund provides a Section 19(a) notice of the best estimate of its distribution sources at that time. These estimates may not match the final tax characterization (for the full year's distributions) contained in shareholder 1099-DIV forms after the end of the year. If the Fund's ordinary dividends and long-term capital gains for any year exceed the amount distributed under the distribution policy, the Fund may, in its discretion, retain and not distribute capital gains and pay income tax thereon to the extent of such excess.

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## Liberty All-Star® Growth Fund Top 20 Holdings and Economic Sectors

December 31, 2018 (Unaudited)

	PERCENT	
TOP 20 HOLDINGS*	OF	
	NET	
	ASSETS	
FirstService Corp.	1.99	%
Chegg, Inc.	1.95	
Wayfair, Inc., Class A	1.57	
Visa, Inc., Class A	1.56	
Yum! Brands, Inc.	1.52	
Insulet Corp.	1.50	
Amazon.com, Inc.	1.45	
Alphabet, Inc., Class C	1.43	
Microsoft Corp.	1.41	
Autodesk, Inc.	1.40	
Ecolab, Inc.	1.40	
Walt Disney Co.	1.40	
UnitedHealth Group, Inc.	1.39	
Everbridge, Inc.	1.38	
Abbott Laboratories	1.37	
FleetCor Technologies, Inc.	1.37	
Equinix, Inc.	1.33	
Stamps.com, Inc.	1.27	
Paylocity Holding Corp.	1.25	
NIKE, Inc., Class B	1.23	
	29.17	%

	PERCENT	
ECONOMIC SECTORS*	OF	
	NET	
	ASSETS	
Information Technology	28.21	%
Consumer Discretionary	21.21	
Health Care	16.61	
Industrials	12.10	
Communication Services	4.65	
Consumer Staples	4.54	
Financials	3.41	
Materials	3.34	
Real Estate	3.32	

Energy	0.29
Other Net Assets	2.32
	100.00 %

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

## Liberty All-Star® Growth Fund Major Stock Changes in the Quarter

*December 31, 2018 (Unaudited)*

The following are the major (\$1 million or more) stock changes - both purchases and sales - that were made in the Fund's portfolio during the fourth quarter of 2018.

SECURITY NAME	SHARES	
	PURCHASES (SALES)	HELD AS OF 12/31/18
<b>PURCHASES</b>		
Abbott Laboratories	17,701	34,792
Allegion PLC	15,788	19,000
Amazon.com, Inc.	667	1,770
Facebook, Inc., Class A	11,677	11,677
Five Below, Inc.	15,000	15,000
Generac Holdings, Inc.	30,500	30,500
Intuit, Inc.	9,838	9,838
Keysight Technologies, Inc.	25,000	25,000
Nevro Corp.	26,184	26,184
RBC Bearings, Inc.	11,500	11,500
Skyworks Solutions, Inc.	20,000	20,000
Zebra Technologies Corp., Class A	9,000	9,000
<b>SALES</b>		
Barnes Group, Inc.	(18,998)	0
Henry Schein, Inc.	(13,000)	0
International Flavors & Fragrances, Inc.	(8,500)	0
Red Hat, Inc.	(14,875)	0
Schlumberger, Ltd.	(32,934)	0
Snap-on, Inc.	(6,500)	0

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Liberty All-Star® Growth Fund Manager Roundtable

*(Unaudited)*

**MANAGER ROUNDTABLE**

**Growth was perhaps the central issue for equity markets in 2018. Growth style stocks once again outperformed and the U.S. economy continued to show strength. But as the year wore on investors wondered where future growth would come from and their concerns took a toll in the fourth quarter. Here, the Fund's investment managers address issues confronting investors and offer their perspective on 2019.**

Liberty All-Star Growth Fund's investment managers have long experience, in-depth 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 timely 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:

**CONGRESS ASSET MANAGEMENT COMPANY, LLP**

*Portfolio Manager/ Todd Solomon, CFA*

Senior Vice President/Portfolio Manager

*Capitalization Focus/Mid-Cap Growth*—Congress Asset Management's mid-cap growth strategy focuses on established, high-quality companies that are growing earnings and generating attractive levels of free cash flow. The firm also strives to construct portfolios with relatively low levels of volatility.

**SUSTAINABLE GROWTH ADVISERS, LP**

*Portfolio Manager/Rob Rohn*

Co-Founder and Portfolio Manager

*Capitalization Focus/Large-Cap Growth*—Sustainable Growth Advisers (SGA) focuses on companies that have unique characteristics that lead to a high degree of predictability, strong profitability and above-average earnings and cash flow growth over the long term.

**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.

**Going into the new year, the environment is much different than it was a year ago. As 2018 dawned, the Tax Cuts and Jobs Act had been signed into law, global economic growth had momentum and the domestic economy was strong. Uncertainty is the watchword heading into 2019: global growth has stalled, the outcome of tariff disputes is an unknown, the yield curve is flashing warning signals and rate-sensitive sectors of the domestic economy may be vulnerable.**

**In the context of your style and strategy, how are you thinking about 2019? How are you positioning your portfolio? Are you making accommodations for a less certain environment, or taking a fully bottom-up approach to stock-picking? Let's start with the Fund's large-cap growth manager.**

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Liberty All-Star® Growth Fund Manager Roundtable

*(Unaudited)*

**Rohn (Sustainable – Large-Cap Growth):** SGA remains focused on identifying the most attractively valued high quality secular growth businesses regardless of the macroeconomic sentiments buffeting the markets. As such, we do not attempt to position the portfolio toward more defensive companies in periods of market stress or more aggressive positions in times of market strength. In fact, there is often a contrarian aspect to our approach as we conduct our due diligence on businesses to ensure they meet our business quality and growth criteria and then wait until they become more attractively priced using our cash flow-based valuation process. Our strength is in understanding businesses, including their pricing power, the nature of their revenue drivers, the duration of their growth opportunities, their ability to generate free cash flow and management’s abilities and incentives. Over time, we have found that greater volatility in the markets typically benefits our approach as highly attractive growth businesses that had previously been deemed too expensive become buyable given our valuation work and three- to five- year time horizon. Today is no different. Over the last year we anticipated a return to higher volatility and a deceleration in corporate growth rates, and actively trimmed some of our higher momentum beneficiaries consistent with our valuation discipline.

**Thanks. What about the opposite end of the capitalization spectrum, the small-caps?**

**Weatherbie (Weatherbie – Small-Cap Growth):** Our detailed earnings projections for the 50 holdings in our portfolio suggest continued strong earnings growth into 2020. We currently expect 20 percent average annual earnings per share growth for portfolio companies over the 2019-2020 time periods. In discussions with portfolio company managements, we see little evidence of a recession on the horizon over the next one or two years. Admittedly, economic growth seems slightly less buoyant than in 2018, but nonetheless quite positive and the managements of these companies remain optimistic. The portfolio’s relative underperformance during the fourth quarter was principally related to a contraction in valuations. For example, some consumer discretionary stocks were significant contributors through nine months but losers during the quarter. Similarly, in information technology, some winners corrected sharply in the fourth quarter. Looking ahead, we believe the underlying earnings growth for the Weatherbie 50 companies remains strong.

**Todd, will you round it out with the viewpoint of a mid-cap growth manager?**

**“The case for economic Armageddon ignores strong employment trends, increasing capital investment, low inflation rates and the benefit of deregulation.”**

—Todd Solomon

(Congress – Mid-Cap Growth))

**Solomon (Congress – Mid-Cap Growth):** The depth of the fourth quarter swoon would suggest that the economy was stumbling into recession. In our view, this is not the case. The case for economic Armageddon ignores strong employment trends, increasing capital investment, low inflation rates and the benefit of deregulation.

Regardless of the macroeconomic environment, or “cycle,” we build our portfolios from the bottom up to construct a growth at a reasonable risk portfolio with 40 equally-weighted holdings. We examine investments based on growth, margin outlook and valuation. Low beta, low standard deviation and favorable downside capture statistics are a result of our high quality, free cash flow approach. Timing the market is a faulty investment approach, so we maintain diversification based on a range of potential drivers of economic and company-specific growth.

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Liberty All-Star® Growth Fund Manager Roundtable

*(Unaudited)*

**The reverse of uncertainty: What sectors or industries are you enthusiastic about going into 2019? Technology has led the market; is there a new leader poised to emerge? Let's stay with you, Todd, and then hear from Weatherbie and Sustainable.**

**Solomon (Congress – Mid-Cap Growth):** Riskier sectors like technology and health care dominated the market for most of the year and were joined by consumer staples through the fall. A very interesting trio, we note. Our main investment concerns in 2018 were increasing labor costs in the United States, commodity volatility, and tariff concerns and other trade policies. We feel that these issues will continue in 2019 and favor stocks that are more immune to these concerns. Appropriately-valued software names can certainly lead as they rely less on labor and commodities and are thus far outside tariff boundaries. Domestic growth may have weakened but should remain stronger than most of the developed world. Thus, we also favor industrial companies with North American exposure. Valuation will continue to be important as we buy stocks, not companies.

**Weatherbie (Weatherbie – Small-Cap Growth):** We monitor GICS (Global Industry Classification Standard) sector weights; however, many smaller cap growth companies can be classified into GICS sectors that may not fully align with their business models. Our firm believes it is more appropriate to view the investable index across six internally defined growth areas: consumer, health care, information services, media and communications, technology, and diversified business services. For risk management purposes, no one of these can typically be larger than 35 percent of portfolio assets. As of year-end 2018, diversified business services accounted for approximately 27.8 percent. Business services is an area where we continue to see many attractive opportunities—exciting, new, smaller companies with solid growth metrics and attractive valuations.

**“With today’s increased market volatility, we are seeing attractive opportunities across a wide array of sectors and have been taking advantage of large price swings across our portfolios.”**

—Rob Rohn

(Sustainable – Large-Cap Growth)

**Rohn (Sustainable – Large-Cap Growth):** Consistent with the bottom-up process described, we do not set about evaluating sector attractiveness. From time to time, we do find that there are more attractive candidates for purchase in a specific sector, but that is only determined through our bottom-up research process. SGA’s portfolios reflect the most attractive individual business opportunities we can identify, regardless of the sectors they fall within or how our portfolio might look relative to an index or benchmark. While the technology sector has led the market in recent years, the companies in the sector we have been invested in encompass a wide variety of businesses ranging from Visa, a credit and debit card processor, to FleetCor, a company that builds closed networks of expense management services,

to Red Hat, a leader in open source software development that recently agreed to be acquired by IBM. The strength in a narrow set of stocks that resided in the technology, consumer discretionary and communication services sectors reflected a market where returns were heavily bifurcated, with wide swaths of quality growth businesses being rewarded to a much lesser extent. With today's increased market volatility, we are seeing attractive opportunities across a wide array of sectors and have been taking advantage of large price swings across our portfolio.

