LIBERTY ALL STAR GROWTH FUND INC.
Form N-CSR
March 01, 2016

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)

Alex Marks
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, 2015

Item 1. Reports to Stockholders.

Contents

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.

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.

(Unaudited)

Fellow Shareholders: February 2016

Although equity returns were flattish for 2015, market action throughout the year was anything but calm. Periodic downdrafts roiled markets at various times in all four quarters, with the net result being the poorest year since 2008 for U.S. stocks overall.

The S&P 500® Index returned 1.38 percent, ending three years of double-digit gains, while the widely-followed Dow Jones Industrial Average returned 0.21 percent. The best performance was turned in by the technology-focused NASDAQ Composite Index, which gained 6.96 percent. Six of the 10 sectors in the S&P 500® posted losses for the year, with energy being the laggard at a decline of 21 percent. These key market metrics saved their best for last in 2015, posting their greatest advance in the fourth quarter, buoyed in particular by a strong month in October. That followed the weakest period, the third quarter, when all three indices declined in a range of 6 – 7 percent.

As they did in 2014, growth stocks again outperformed their value counterparts on a relative basis. Among market capitalization indices, the Russell Top 200® Growth Index (large cap) returned 8.18 percent while the Russell Midcap® Growth Index returned -0.20 percent. Small cap stocks, as represented by the Russell 2000® Growth Index, returned -1.38 percent.

Investors scanning the world for indicators of future equity market conditions found more cause for concern than comfort in 2015. A leading source of worry was the sharp decline in energy prices, continuing a trend that, for crude oil, started in mid-year 2014. The domestic benchmark, West Texas Intermediate (WTI) crude, closed 2015 at $37 per barrel versus $94 per barrel in July 2014. Increasing supply as a result of the U.S. "energy revolution," Saudi reluctance to limit production and the strong U.S. dollar all contributed to oil's precipitous decline in price. Softer demand affected iron ore, copper and other metals as well. This accounted for a good portion of the weakness in emerging markets. In some emerging markets—like Brazil and Russia—energy and natural resources represent a significant portion of the economy.

Another source of worry was China, where reported nominal GDP has fallen into the 6 percent range from 12 percent a few years ago. China surprised financial markets on August 11 by announcing a devaluation of its currency. Its subsequent attempts to intervene and settle its own highly volatile stock market only served to heighten fears that its leadership was losing control of the world's second-largest economy. Worries over China were reflected in a 6.03 percent decline in the S&P 500® during August, the index's worst monthly performance in more than three years.

Investors scanning the world for indicators of future equity market conditions found more cause for concern than comfort in 2015...the U.S. was the safest port in the storm, but that was not without its own choppiness.

The geopolitical situation also served to keep investors on edge. Ongoing conflict in the Middle East was a source of headlines on a daily basis. But there was also fighting in Ukraine in the wake of Russia's seizure of Crimea in late 2014; the massive influx of refugees across much of Western Europe; and Greece very nearly withdrawing from the Eurozone.

While the U.S. was the safest port in the storm, it was not without its own choppiness. There were three sources of concern: lackluster corporate earnings, modest economic growth and the increasing likelihood that the Federal Reserve Board would raise short-term interest rates. To the latter point, after months of speculation, the Fed finally ended the suspense in December with a 0.25 percent increase in the fed funds rate. As to economic expansion, sequential GDP growth through the first three quarters of the year was -0.2 percent, 3.9 percent and 2.0 percent. Preliminary data from the Commerce Department indicated that the domestic economy grew at a 0.7 percent annual rate in the fourth quarter of 2015. Like the first quarter of 2014, the negative 1Q15 GDP could be traced to an extremely harsh winter (exacerbated by a rising U.S. dollar and a West Coast port labor dispute). There were positive offsets to these factors, however. Perhaps the brightest spot was jobs, which showed solid growth throughout the year, including 307,000 new jobs in October, 252,000 in November and 262,000 in December as the unemployment rate dipped to 5.0 percent. Wages also rose, albeit modestly. Auto sales were another bright spot, as was consumer spending in general. In June, new home sales surged to a seven-year high, but this volatile metric weakened for the balance of the year. And inflation as measured by the consumer price index remained muted, rising just 0.7 over the trailing 12 months as of December. Low oil prices were a double-edge sword: good for consumers, but bad for industrial companies supplying capital equipment to the oil and gas industries.

(Unaudited)

Liberty All-Star® Growth Fund

Liberty All-Star® Growth Fund returns compared favorably for 2015. Returning 3.88 percent with shares valued at net asset value (NAV) with dividends reinvested and 5.14 percent with shares valued at market price with dividends reinvested, Fund results were ahead of all relevant benchmarks except the technology-focused NASDAQ Composite Index for the year. (Fund returns are net of expenses.)

For the fourth quarter, the Fund returned 9.30 percent with shares valued at net asset value (NAV) with dividends reinvested and 12.25 percent with shares valued at market price with dividends reinvested (net of expenses). Comparable fourth quarter gains were 7.04 percent for the S&P 500® Index; 7.70 percent for the Dow Jones Industrial Average; and 8.71 percent for the NASDAQ Composite Index. The Lipper Multi-Cap Growth Mutual Fund Average returned 5.68 percent, while the Russell Growth Benchmark advanced 5.69 percent.

The Fund's performance was very good for both periods, even though it was hindered somewhat by lower returns from mid- and small-cap growth stocks—which comprise two-thirds of the Fund's assets— compared with large-cap growth stocks. As noted earlier in this letter, only the large-cap Russell Top 200® Growth Index showed a positive result for the year, while the Russell Midcap® Growth Index and the small-cap Russell 2000® Growth Index both posted negative performance. Compared with 2014, the discount at which Fund shares traded relative to their underlying NAV widened during the year, ranging from a low of -7.3 percent to a high of -12.0 percent.

Fund distributions totaled $0.77 per share in 2015, including $0.45 in the fourth quarter. The exceptional fourth quarter amount included an additional distribution made in December for the purpose of allowing the Fund to meet its 2015 distribution requirement for federal excise tax purposes. The 2015 distributions bring the total distributed to shareholders since 1997, when the distribution policy commenced, to $12.65 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 return on their investment in the Fund.

(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.

On December 3, 2015 Richard Lowry retired as Chairman of the Board of Directors. Mr. Lowry was a board member since 1994 when the multi-management structure was first implemented. He deserves special mention not only because of his long association with the Fund - but also for his enthusiastic support and dedication to the Fund for all those years. His guidance and expertise will be missed and we wish him all the best. Thomas Brock who has been a member of the Board since 2005 will succeed Mr. Lowry as your new Chairman. We congratulate and welcome him as the Fund’s new Chair and shareholders will be well served by his vast experience in the investment management industry.

As investors are well aware, the volatility that characterized 2015 continued and even greatly heightened as 2016 opened, the concerns being much the same as described in this letter. This is a painful situation for all investors. In a world in which the primary worry can be summed up as a lack of growth, there is promise in those companies with proprietary competitive advantages operating in sectors and industries where innovation drives opportunity. Finding those companies and unlocking their value is what the Fund’s managers do every day. We at Liberty All-Star® Growth Fund will continue to do our job of complementing the managers’ skills by remaining vigilant, disciplined and focused on providing a high-quality, multi-cap growth fund for long-term investors. We thank you for your confidence in the Fund, and pledge our continued best efforts on your behalf.

Sincerely,

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

(Unaudited)

FUND STATISTICS AND SHORT-TERM PERFORMANCE
PERIODS ENDED DECEMBER 31, 2015

FUND STATISTICS:	
Net Asset Value (NAV)	$4.99
Market Price	$4.58
Discount	-8.2%

	Quarter	2015
Distributions*	$0.45	$0.77
Market Price Trading Range	$4.47 to $5.00	$4.20 to $5.41
Premium/(Discount) Range	-7.3% to -11.2%	-7.3% to -12.0%

PERFORMANCE:		
Shares Valued at NAV with Dividends Reinvested	9.30%	3.88%
Shares Valued at Market Price with Dividends Reinvested	12.25%	5.14%
Dow Jones Industrial Average	7.70%	0.21%
Lipper Multi-Cap Growth Mutual Fund Average	5.68%	2.51%
NASDAQ Composite Index	8.71%	6.96%
Russell Growth Benchmark	5.69%	2.20%
S&P 500® Index	7.04%	1.38%

(Unaudited)

LONG-TERM PERFORMANCE SUMMARY AND DISTRIBUTIONS	ANNUALIZED RATES OF RETURN			
PERIODS ENDED DECEMBER 31, 2015	3 YEARS	5 YEARS	10 YEARS	15 YEARS
LIBERTY ALL-STAR® GROWTH FUND, INC.				
Distributions	$1.41	$1.95	$4.11	$7.49
Shares Valued at NAV with Dividends Reinvested	13.94%	10.85%	7.51%	4.50%
Shares Valued at Market Price with Dividends Reinvested	14.93%	10.56%	7.59%	4.88%
Dow Jones Industrial Average	12.66%	11.30%	7.75%	5.80%
Lipper Multi-Cap Growth Mutual Fund Average	14.78%	11.12%	7.34%	4.53%
NASDAQ Composite Index	19.81%	14.91%	9.68%	5.72%
Russell Growth Benchmark	15.62%	12.21%	8.29%	5.28%
S&P 500® Index	15.13%	12.57%	7.31%	5.00%

* All 2015 distributions consist of ordinary dividends and long-term capital gains. A breakdown of each 2015 distribution for federal income tax purposes can be found in the table on page 42.

Peformance returns for the Fund are total returns, which include dividends. 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. Figures shown for the unmanaged Dow Jones Industrial Average, NASDAQ Composite Index, the Russell Growth Benchmark 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 55.

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.

(Unaudited)

UNIQUE ATTRIBUTES OF Liberty All-Star® 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.

(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.

(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 55 for a description of these indices.

				MARKET CAPITALIZATION			
PORTFOLIO CHARACTERISTICS				SPECTRUM			
AS OF DECEMBER 31, 2015				SMALL		LARGE	
	RUSSELL GROWTH:						
	Smallcap Index	Midcap Index	Largecap Index	Weatherbie	TCW	Sustainable	Total Fund
Number of Holdings	1,194	505	644	57	45	30	126*
Weighted Average Market Capitalization (billions)	$2.1	$13.2	$133.9	$2.8	$9.2	$89.2	$39.0
Average Five-Year Earnings Per Share Growth	15%	16%	13%	29%	23%	17%	20%
Average Five-Year Sales Per Share Growth	11%	11%	12%	16%	16%	13%	15%
Price/Earnings Ratio**	24x	23x	22x	36x	28x	28x	30x
Price/Book Value Ratio	3.8x	4.8x	5.4x	4.5x	4.9x	4.9x	4.9x

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

(Unaudited)

MANAGER ROUNDTABLE

A theme that emerged in 2014 proved difficult to shake in 2015: investor concerns over slow- or no-growth economies in all quarters of the globe. Sharply falling prices for energy and a range of commodities highlighted the slack demand. Geopolitical issues clouded the picture, as well, with continuing conflict in the Middle East exacerbated by flair-ups in Ukraine, Greece and East Asia, in addition to the migrant crisis that engulfed most of Europe. Compared with most countries, the U.S. offered stable, albeit slow growth; there were worries, however, about whether rising interest rates, even if modest, would be another headwind for the economy. The Fund's three growth managers faced this very same investment environment. Their response: to focus on what they do best ... conduct in-depth research that assesses companies' prospects one at a time, call on their insights into the factors that will drive future growth in industries from technology to health care, and adhere to their investment style and strategy.

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:

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

Portfolio Manager/Chang Lee

Managing Director

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

SUSTAINABLE GROWTH ADVISERS, LP

Portfolio Manager/George Fraise

Founding Principal

Capitalization Focus/Large-Cap Growth—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.

If 2015 could be summed up in one word it may well be "growth" ... or the lack thereof. From China to Europe to the U.S., slow/no growth was the worry that hung over equity markets all year. Where are you focusing as you search for growth opportunities over the next 12 – 18 months?

(Unaudited)

Weatherbie (Weatherbie – Small-Cap Growth): The U.S. economy is in an interesting period—while we believe the next recession is at least 18-24 months away, we also wonder if the next downturn might be caused by a non-economic event and not by central bank policy. As the long cycle of quantitative easing comes to an end, we have identified specific subsectors and industries—like energy services—that may face headwinds and we are underweight. Through careful fundamental research, however, we remain confident in our ability to identify smaller companies with good performance and are bullish on new health care, technology and financial services names. With the recent interest rate hike and the end of planned quantitative easing in the U.S., we believe the environment is ideal for well-researched, quality growth portfolios to outperform the broader equity markets.