



August 2010

Dear Fellow Shareholder,

The first half of the year brought more volatility to the global equity and credit markets, principally driven by the usual suspect: uncertainty. It seems nearly every economic news article highlights an encouraging data point only to be quickly reined in by an equally sobering reminder about the lingering effects of the debt crisis, unemployment, European sovereign debt, impending inflation, or depressed housing prices. Reading between the lines, it appears as if the recovery will continue, but at a much slower rate than any of us would like to see.

While these macroeconomic issues are very real and affect us all in one way or another, they are far less important to our day-to-day business than many realize. Over the long term, the performance we deliver to our shareholders will be more influenced by the successes and challenges of the individual companies and securities that we pick than by the economic cycles.

As you will read in the pages that follow, we believe that our portfolio management teams are finding opportunities in companies that are well-positioned to improve their fundamental results either through restructuring, improving cash flow or credit market conditions, owning advantaged assets, de-leveraging, or delivering unique, in-demand products and services to the market. We are confident that these companies do exist — even in today's uncertain environment — and that our investment teams are finding them.

We manage our own business much like we manage our investment portfolios — we make decisions with the long term squarely in mind. Whether it is investing in people, improving our investment processes, or refining our business systems, we are always seeking ways to enhance the performance of our funds and the service we offer to our clients.

We continue to take advantage of the economic downturn to improve our own competitive position. As many of our peers in the industry have retrenched, we have been able to attract tremendously talented individuals to our organization. We recently hired Leslie Bunim in June. Leslie brings over ten years of investing experience to RS Investments, adding even more depth to an already seasoned RS Growth Team. We are confident that Leslie will prove to be a great addition to the team.

As we continue to invest in our existing investment teams, we are also taking steps to broaden our investment offerings. The highly experienced investment team of Larry Coats, David Carr, and Christy Phillips plans to join RS Investments in the fall and will comprise the RS Core Growth Team. These individuals currently manage a conservative, large cap equity fund with an impressive 17-year track record. In terms of investment style, their “GARP” (Growth at a Reasonable Price) investment strategy will round out our large cap fund offerings by fitting neatly between RS Large Cap Alpha Fund (Value) and RS Growth Fund (Classic Growth). A well-

diversified large cap portfolio with allocations to each of these investment styles will offer investors a variety of opportunities, risk profiles, and potential return streams.

Pending approval from their fund's shareholders, anticipated to occur in September, we will welcome these great investors and their mutual fund to the RS Fund Family. The team will manage their portfolios according to their long established investment approach, as do our other investment teams, helping to ensure that their research, investment strategy, and insights provide the kind of focused expertise your well-diversified portfolio demands.

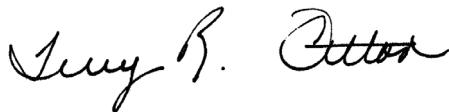
If you have not recently visited the RS Investments website, I want to highlight the rich content that we provide on an ongoing basis. Virtually everything you need to know about investing with RS Investments is located on the site: quarterly commentaries, up-to-date performance; information about our Fund Family, detail about the people who manage your money, and much more.

Additionally, we recently launched a new online resource in support of our clients who own or are interested in RS Global Natural Resources Fund. This new site can be accessed from our homepage or at www.RSinvestments.com/GNR.htm.

RS Global Natural Resources Fund seeks long-term capital appreciation with the added potential benefits of inflation protection and participation in emerging market growth dynamics. The RS Hard Assets team's value-driven, "downside aware" investment approach is predicated on deep, fundamental research. Spending just ten minutes on the site may expand your investment horizons and provide some additional insight into a potentially enriching long term opportunity.

As you can see, there is always a lot going on at RS Investments — all of it focused on delivering results for you. I would like to thank you for placing your trust and confidence in RS Investments. I assure you, your trust is well placed as we take nothing more seriously.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry R. Otton". The signature is fluid and cursive, with the first name "Terry" and the last name "Otton" clearly legible.

Terry R. Otton
CEO, RS Investments

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. Investing in small-and mid-size companies can involve risks such as having less publicly available information, higher volatility, and less liquidity than in the case of larger companies. Funds that concentrate investments in a certain sector may be subject to greater risk than funds that invest more broadly, as companies in that sector may share common characteristics and may react similarly to market developments or other factors affecting their values. Investments in companies in natural resources industries may involve risks including changes in commodities prices, changes in demand for various natural resources, changes in energy prices, and international political and economic developments. Foreign securities are subject to political, regulatory, economic, and exchange-rate risks not present in domestic investments. The value of a debt security is affected by changes in interest rates and is subject to any credit risk of the issuer or guarantor of the security.

RS Funds are sold by prospectus only. You should carefully consider the investment objectives, risks, charges and expenses of the RS Funds before making an investment decision. The prospectus contains this and other important information. Please read it carefully before investing or sending money. To obtain a copy, please call 800-766-3863 or visit www.RSinvestments.com. As with all mutual funds, the value of an investment in an RS Fund could decline, so you could lose money.

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