

First Quarter 2012 Mutual Fund Commentary RS Floating Rate Fund

Performance

(Average Annual Total Returns as of 3/31/2012)

RS Floating Rate Fund (Class A – RSFLX)

	First Quarter 2012	1-Year	3-Year	5-Year	10-Year	Since Inception (12/31/09)
without sales charge	4.22%	3.41%	n/a	n/a	n/a	6.05%
with maximum sales charge	1.84%	1.06%	n/a	n/a	n/a	4.98%
S&P/LSTA Leveraged Loan Index ¹	3.75%	2.83%	n/a	n/a	n/a	6.82%

Performance returns for periods of less than one year are not annualized.

Fund Commentary

Performance

For the first quarter of 2012, the RS Floating Rate Fund (the Fund) returned 4.22%, compared with 3.75% for its benchmark, the S&P/LSTA Leveraged Loan Index (the Index). The Fund's outperformance excluding sales charges was due to an overweight in B-rated securities, which outperformed the Index, and an underweight in BB-rated securities, which underperformed. The Fund's continuing underweight in CCC and below-rated securities, which has served us well in the past, detracted from relative performance in the first quarter. Nevertheless, we intend to maintain our conservative credit posture and will remain underweight in this rating category. In terms of sector exposure, our continued underweight in broadcasting and publishing detracted from relative performance while a rally in the Fund's health care sector holdings outweighed this.

Performance quoted represents past performance and does not guarantee future results. Please note that the performance shown is since the Fund's inception on 12/31/2009. Because the performance shown is for a short period of time, it is provided for informational purposes only and should not form the basis for an investment decision. Investment return and principal value will fluctuate, so shares, when redeemed, may be worth more or less than their original cost. The Fund's total gross/net annual operating expense ratio as of the most current prospectus for Class A shares is 1.18%/0.65%. The performance quoted "with maximum sales charge" reflects the current maximum sales charge of 2.25%. Performance current to the most recent month-end, which may be lower or higher than that cited, is available by contacting RS Investments at 800-766-3863 and is frequently updated on our Web site: www.RSinvestments.com.

Please read the prospectus carefully for more information on sales charges as they do not apply in all cases and if applied are reduced for larger purchases. Any sales charges are in addition to the Fund's fees and expenses as detailed in the Fund's most current prospectus. The net expense ratio reflects a written expense limitation agreement with RS Investments which will continue through 4/30/12. Fees and expenses are factored into the net asset value of your shares and any performance numbers we release. Total return figures reflect an expense limitation in effect during the periods shown; without such limitation, the performance shown would have been lower. Performance results assume the reinvestment of dividends and capital gains. The return figures shown do not reflect the deduction of taxes that a shareholder may pay on Fund distributions or the redemption of Fund shares.

(As of 3/31/2012)¹	1-Year	3-Year	5-Year	10-Year
RS Floating Rate Fund (Class A) Average Annual Total Return	1.06%	n/a	n/a	n/a
Lipper ¹ Loan Participation Funds Average Annual Total Return	2.87%	n/a	n/a	n/a
Lipper Loan Participation Funds Category Ranking*	47/129	n/a	n/a	n/a
Lipper Loan Participation Funds Category Percentile	37%	n/a	n/a	n/a

**Lipper rankings are based on total return with dividends reinvested and do not take into account or reflect sales charges.*

Portfolio Review

As of March 31, 2012, the Fund had approximately \$1.3 billion in investments, up from \$1.16 billion at the beginning of the quarter. The portfolio was comprised of 145 investments as follows:

- 113 leveraged bank loans
- 3 floating rate notes
- 29 fixed rate high yield bonds

Of the 113 bank loans, 94 had London Interbank Offered Rate (LIBOR) floors averaging 1.36%. This resulted in a portfolio construction that was approximately 85% floating rate and 15% fixed rate, compared with 86% floating rate and 14% fixed rate the prior quarter.

Market Overview

The volatility that characterized much of 2011 was mostly absent from the market during the first quarter as investors gained some confidence in the U.S. economic recovery and there was some progress toward dealing with sovereign debt issues in Europe.

Leveraged loan volume for the quarter was \$111 billion, compared with \$62 billion the prior quarter. Refinancings of \$59 billion accounted for over half of the new issuance. Merger and acquisition (M&A) activity remained sluggish during the quarter. Leveraged buyout (LBO) activity was only \$7.4 billion during the first quarter, down from \$14.5 billion the prior quarter.

Equity sponsors continued to focus on taking advantage of low interest rates to refinance, reprice and refund bank loans. Although this resulted in tighter spreads, it has had a very positive impact on the so-called maturity wall, which is a wave of loans that had been scheduled to come due around 2014. This wall is a legacy of the large LBO deals that characterized the market in 2007. These loans typically had maturities of 7 years. These 2014 maturities totaled over \$200 billion in 2009. But now, due largely to refinancing, there are less than \$100 billion in maturities coming in 2014. The 2012 and 2013 maturities have also been effectively addressed by refinancing and prepayments. This means that default rates are likely to be extremely low over the near and medium term. For the first quarter, the default rate for the Index was a miniscule 0.21% vs. 0.17% the prior quarter.

Market Outlook

We expect to see more opportunistic loan issuance with a continued focus on refinancing and maturity extension. In terms of mergers and acquisitions, we're not expecting a significant pickup until the third quarter. Absent an exogenous event, more bad news out of Europe or another Washington stalemate, our outlook for the leveraged loan market is for more of the same in the second quarter.

Outlook

Although substantial risks remain, particularly from Europe, we expect continued, modest economic recovery in the U.S. We forecast moderate U.S. GDP growth at or slightly above 2% this year, up from

1.6% in 2011. We expect inflation to hold at about 2%. Our view on unemployment is that it will fall to 7.8% or slightly below by year end. Housing is still plagued by oversupply but there are signs that the market will bottom out this year. We believe meaningful progress on longer-term debt and deficit issues seems unlikely before the November elections, particularly given the existing gridlock in Congress. Despite improvements in the economy, the Federal Reserve has reiterated its intention to hold rates below 0.25% into 2014 and it has pointedly left open the possibility of further stimulus. Future inflationary pressures could reframe this policy.

We thank you for your continued support.

Sincerely,



Kevin Booth
Co-Portfolio Manager



Marc Gross
Co-Portfolio Manager

Guardian Investor Services LLC, the Fund's sub-adviser

The foregoing is the opinion of the Fund's management team as of the date of this report and is subject to change without notice.

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. Bond funds are subject to interest rate risk, credit risk and prepayment risk. When interest rates rise, bond prices generally fall, and when interest rates fall, bond prices generally rise. Currently, interest rates are at relatively low levels. Please keep in mind that in this kind of environment, the risk that bond prices may fall when interest rates rise is potentially greater. Derivative transactions can create leverage and may be highly volatile. It is possible that a derivative transaction will result in a loss greater than the principal amount invested and the Fund may not be able to close out a derivative transaction at a favorable time or price. High yield bond investing includes special risks. Investments in lower rated and unrated debt securities are subject to a greater loss of principal and interest than investments in higher rated securities.

Any discussions of specific securities should not be considered a recommendation to buy or sell those securities. Fund holdings will vary.

Except as otherwise specifically stated, all information and portfolio manager commentary, including portfolio security positions, is as of March 31, 2012.

Mutual funds are offered 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.

Sector Allocation (As of 3/31/2012)	% Fund
Healthcare	13.97%
Technology	10.13%
Retailers	8.81%
Non-cable Media	7.13%
Consumer Cyclical Services	4.25%
Building Materials	4.19%
Chemicals	3.96%
Automotive	3.53%
Food and Beverage	3.12%
Non-captive Diversified	2.95%

Top Ten Holdings² (As of 3/31/2012)	Coupon Rate	Maturity Date	% Fund
Schaeffler AG	6.000	01/27/17	1.54%
The Neiman Marcus Group, Inc.,.	4.750	05/16/18	1.53%
Crown Castle International Corp.	4.000	01/31/19	1.52%
Del Monte Foods Co.	4.500	03/08/18	1.43%
Frac Tech International LLC	6.250	05/06/16	1.33%
Telesat LLC	4.250	03/26/19	1.33%
Istar Financial, Inc.	7.000	06/30/14	1.30%
CareStream Health, Inc	5.000	02/25/17	1.26%
Delta Air Lines, Inc..	5.500	04/20/17	1.25%
Blackboard, Inc.	7.500	10/04/18	1.22%

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¹The S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan Index covers more than 1,100 loan facilities and reflects the market-value-weighted performance of U.S. dollar denominated institutional leveraged loans. The S&P/LSTA Leveraged Loan Index is not available for direct investment and there are no expenses associated with it, while there are expenses associated with the Fund. The Lipper Loan Participation Fund Average is the average of all the funds in the group in existence in the Lipper database for the periods, and does not reflect the deduction for sales charges.

² Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.