RS | investments

First Quarter 2011 Mutual Fund Commentary
RS Growth Fund

Market Commentary

Equity markets delivered positive performance in the first quarter, aided by signs of global economic improvement and better market liquidity, in part due to the Federal Reserve's recent quantitative easing efforts, which have acted much like a federal funds rate cut. The disasters in Japan, unrest in the Middle East, and a resulting jump in crude oil prices to about $100 a barrel contributed to some renewed volatility in overall share prices. Corporate earnings news was generally healthy during the period, aided by an improved financing climate and better consumer spending and enterprise capital investment trends.

Performance Review

For the three-month period ended March 31, 2011, RS Growth Fund (Class A Shares) returned 5.82%, compared with a 6.03% return by the benchmark Russell 1000® Growth Index[1]. The Fund's holdings in the consumer discretionary and energy sectors did not keep pace with those represented in the benchmark index. In the energy sector, our focus on what we view as more growth-oriented oil services and equipment stocks worked against us in a quarter when the market's strongest performers included more traditionally volatile oil exploration and production stocks benefiting from a spike in crude oil prices. On a positive note, the Fund's relative performance benefited from solid stock selection in the health care and technology sectors.

Portfolio Strategy

RS Growth Fund is managed with a team-based approach that leverages the expertise, experience, and extensive industry contacts of our deep bench of managers and analysts, who average more than 15 years of investment experience. This team-based approach enables us to cover a range of industries and market segments, while allowing individual analysts to drill deep into their specific sectors, getting to truly know companies, their principals, and the fundamentals affecting their business. We conduct over 2,000 company meetings each year, through in-person meetings, conference calls, trade shows, etc. We interview employees at all levels of the organization, as well as contacts at key suppliers, customers, and even competitors. We then test our findings through our own proprietary financial modeling regimen, as we seek to identify quantifiable anchor points that will help us track a company's progress relative to our investment thesis. In selecting investments for RS Growth Fund, our emphasis remains on companies that we believe possess sustainable revenue

Performance quoted represents past performance and does not guarantee future results. 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 annual operating expense ratio as of the most current prospectus for the Class A Shares is 1.40%. Please refer to the most current Fund prospectus for complete details on expenses including fees. The performance quoted, unless otherwise indicated, does not reflect the current maximum sales charge of 4.75% that became effective on October 9, 2006. If the maximum sales charge were included, the performance stated above would be lower. 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. Performance results assume the reinvestment of dividends and capital gains. Current and month-end performance information, which may be lower or higher than that cited and is available by contacting RS Investments at 800-766-3863 or visiting www.RSinvestments.com.

growth, and in particular, we want to identify market leaders that we believe offer a 2-to-1 ratio of upside potential to downside risk as calculated through our proprietary financial analysis.

Portfolio Review

Within technology, F5 Networks (1.02%) supplies equipment that helps data centers manage their processing loads. After delivering very strong performance for the Fund in 2010, the stock gave back some ground in the first quarter after the company's recent revenue growth failed to meet the market's elevated expectations. According to our discussions with company management, significant customers, and various third party contacts, it appears that many data centers took on a lot of equipment-related expense last year, and may be pausing to reassess their needs going forward. While we continue to believe in F5 Networks' long-term business prospects, the stock is no longer as attractively valued relative to its growth potential in our view, so, for risk management reasons, we significantly reduced our investment in the company.

Lighting technology company Cree Research (1.48%) was another detractor in the first quarter, due largely to an inventory issue that we expect to prove short-term. Cree supplies LED technology for computer and HDTV screens, as well as for traditional overhead lighting. Recently, Cree shipped more lighting units to its customer base than the market could apparently digest. While the resulting inventory build-up could dampen Cree's near-term orders, we believe it could also have a positive impact, driving down the cost of LED technology and speeding adoption in the end-user market. LED is more efficient and ultimately more cost efficient than incandescent bulbs, despite a higher initial investment. Currently, LED technology accounts for only 1% of the more than $20 billion overall lighting market, but we believe this share could rise significantly over the next three years. We believe that LED lighting is one of the best technology stories in the market today, and that Cree, as the low-cost producer and high-end market leader, is uniquely positioned to benefit.

In the energy sector, we continue to favor oil services and equipment companies that possess proprietary technology or highly engineered services that improve the efficiency of resource extraction. We select these companies for their long-term earnings growth potential, which are typically less sensitive to upward and downward movements in underlying commodity prices. Unfortunately, what we view as these more stable growth holdings will tend to lag during periods when oil prices rise sharply, driving outperformance by shares of more commodity price-sensitive production companies. While our positioning in the energy sector detracted from the Fund's relative performance in the first quarter, we view our approach as highly prudent from both a risk management and a long-term return perspective.

On a positive note, we continue to find a number of such opportunities in the health care sector, where we emphasize companies with proprietary technology, diversified product pipelines, or attractive market niches. One area we have focused on has been biotech and pharmaceutical companies developing "orphan drugs" — treatments for small, but underserved, high need patient populations. Because these drugs are so needed, and so expensive to develop, they go through an expedited FDA approval process, and are reimbursed for patience by insurance companies. Among our investments in this area is Alexion Pharmaceuticals (1.40%), the developer of Soliris, an orphan drug used to treat a rare genetic blood disorder. Sales of Soliris have been strong, and the drug has also shown some promising results treating other conditions, including a rare kidney disorder, which could result in expanded market potential for Alexion. The stock was one of the Fund's strongest performing holdings in the first quarter, and we remain constructive on its long-term potential.

We also continued to benefit from our investment in Shire Pharmaceuticals (1.39%), another company that operates in the orphan drug area. Shire's top-line revenue growth continues to benefit from two main franchises. These include an orphan drug in the area of enzyme replacement therapy, as well as several next generation drugs for attention hyperactive deficit disorder (ADHD), a market where the company has been able to strengthen its competitive position despite some generic competition.

In the technology sector, we have benefited from our investments in companies capitalizing on the need for infrastructure investment in the networking space, as carriers upgrade their networks and add additional bandwidth to accommodate ever-rising volumes of high speed data traffic. We liken this trend to the updating of a country's highway system from two-lane roads to five-lane superhighways capable of handling increased capacity at greater speeds. One company capitalizing in this capacity build-out is Alcatel-Lucent (2.66%), a leading equipment provider in the ethernet carrier, optical networking, and 3G/4G wireless network areas. We invested in Alcatel as a turnaround story, because we believed that the market wasn't adequately pricing the potential tied to the company's efforts to improve its revenue growth and operating margins. The stock delivered very strong performance in the first quarter, contributing significantly to the Fund's results. We believe that Alcatel remains well-positioned to benefit from rising network infrastructure spending, both domestically and abroad. The company's progress continues to measure well relative to our anchor points of long-term growth.

Outlook

We remain cautiously optimistic on prospects for the equity market, against a backdrop of continued if gradual improvement in the global economy. At the same time, we recognize that higher energy prices, geopolitical uncertainty, and the eventual unwinding of the Fed's quantitative easing position could create near-term headwinds for equity prices. We believe that these pressures could move investors to focus more on companies with high quality balance sheets and sustainable growth opportunities. We continue to rely on hands-on, bottom-up research to identify what we view as well-managed and well-capitalized companies with quantifiable anchor points of long term growth potential.

Thank you for your continued investment.

Sincerely,

Steve Bishop
Co-Portfolio Manager

Melissa Chadwick-Dunn
Co-Portfolio Manager

Allison Thacker
Co-Portfolio Manager

D. Scott Tracy, CFA
Co-Portfolio Manager

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. Investing in 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. Overweighting investments in certain sectors or industries increases the risk of loss due to general declines in the prices of stocks in those sectors or industries. Investments in technology companies may be highly volatile.

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, 2011.

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.

Sector Allocation[2]
(As of 3/31/11)

Technology	27.11%
Consumer Discretionary	15.39%
Energy	14.46%
Producer Durables	14.22%
Health Care	10.38%
Financial Services	6.79%
Consumer Staples	5.85%
Materials and Processing	5.66%
Utilities	0.00%
Cash	0.14%

Top Ten Holdings[3]
(As of 3/31/11)

Apple, Inc.	4.69%
Occidental Petroleum Corp.	3.35%
Google, Inc.	3.21%
Walgreen Co.	2.92%
Danaher Corp.	2.91%
Oracle Corp.	2.86%
Alcatel-Lucent	2.66%
United Parcel Service, Inc.	2.51%
JPMorgan Chase & Co.	2.48%
Fossil, Inc.	2.36%

Performance
(Average Annual Total Returns as of 3/31/11)

	First Quarter 2011	1-Year	3-Year	5-Year	10-Year	Since Inception[4]
RS Growth Fund, Class A						
without sales charge	5.82%	16.87%	1.07%	1.08%	2.55%	9.03%
with maximum sales charge	0.80%	11.27%	-0.56%	0.10%	2.06%	8.75%
Russell 1000® Growth Index[1]	6.03%	18.26%	5.19%	4.34%	2.99%	7.41%

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

Performance quoted represents past performance and does not guarantee future results. 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 annual operating expense ratio as of the most current prospectus for the Class A Shares is 1.40%. Please refer to the most current Fund prospectus for complete details on expenses including fees. The performance quoted, "with maximum sales charge" reflects the current maximum sales charge of 4.75% that became effective on October 9, 2006. 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. Performance results assume the reinvestment of dividends and capital gains. Current and month-end performance information, which may be lower or higher than that cited, is available by contacting RS Investments at 800-766-3863 or visiting our Web site: www.RSinvestments.com.

1 The Russell 1000® Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 1000® Index (which consists of the 1,000 largest U.S. companies based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values. Index results assume the reinvestment of dividends paid on the stocks constituting the index. You may not invest in the index, and, unlike the Fund, it does not incur fees and expenses.

2 The Fund's holdings are allocated to each sector based on their Russell classification. If a holding is not classified by Russell, it is assigned a Russell designation by RS Investments. Cash includes short-term investments and net other assets and liabilities.
3 Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.
4 Class A shares inception date May 12, 1992.

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