

**First Quarter 2011 Mutual Fund Commentary**  
**RS High Yield Bond Fund**

**Performance**

(Average Annual Total Returns as of 3/31/2011)

RS High Yield Bond Fund (Class A – GUHYX)

	First Quarter 2011	1-Year	3-Year	5-Year	10-Year	Since Inception (9/01/98)
without sales charge	3.99%	14.01%	10.80%	7.32%	6.86%	5.98%
with maximum sales charge	0.09%	9.74%	9.39%	6.49%	6.45%	5.65%
Barclays Capital U.S. Corporate High-Yield Bond Index <sup>1</sup>	3.88%	14.31%	12.94%	9.12%	8.63%	7.25%

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

**Fund Highlights**

**Portfolio Overweights**

- Energy and media sectors.
- Longer duration higher yielding securities.
- Securities with the potential for positive catalysts

**Portfolio Underweights**

- Credits with potential for negative event risk.
- The wireline, building materials and Native American gaming sectors.
- Credits with exposure to countries with a weak sovereign profile.

Performance quoted represents past performance and does not guarantee future results. The Fund is the successor to The Guardian High Yield Bond Fund; performance shown includes performance of the predecessor fund for periods prior to October 9, 2006. 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 the Class A Shares is 1.14% / 0.85%. The net expense ratio reflects a contractual expense limitation which will continue through 4/30/11. The views expressed in the portfolio manager commentaries are those of the Fund's portfolio manager(s) and are subject to change without notice. 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 3.75%. 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. Certain share classes are subject to lower maximum sales charges whether paid at the time of purchase or deferred. A "deferred sales charge" also known as "back end load" or "CDSC" is incurred when liquidating an A share purchase over \$1 million, for example, before a specified holding period. Any sales charges are in addition to the Fund's fees and expenses as detailed in the Fund's most current prospectus. Fees and expenses are factored into the net asset value of your shares and any performance numbers we release. 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 and is frequently updated on our Web site: [www.RSinvestments.com](http://www.RSinvestments.com).

## Fund Highlights (cont)

### Outlook

- Potential for credit spreads to tighten.
- Robust new issuance.
- Low default rate.

## Fund Commentary

### Performance

RS High Yield Bond Fund (Class A Shares) (the “Fund”), returned 3.99%<sup>2</sup> for the quarter ended March 31, 2011, outperforming its benchmark, the Barclays Capital U.S. Corporate High Yield Index, which returned 3.88%<sup>6</sup> for the same period.

<b>(As of 3/31/2011)</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
RS High Yield Bond Fund (Class A) Average Annual Total Return	14.01%	10.80%	7.32%	6.86%
Lipper <sup>1,2</sup> High Current Yield Funds Average Annual Total Return	13.57%	9.70%	6.86%	6.92%
Lipper High Current Yield Funds Category Ranking*	188/478	159/426	166/356	144/236
Lipper High Current Yield Funds Category Percentile	40%	38%	46%	61%

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

### Portfolio Review

The High Yield market continued to generate strong returns, as improving corporate fundamentals, modest economic growth, a strong new issue market and a continuing low default rate all benefited the market. This led high yield bonds to post strong returns for the first quarter, with the Barclay’s High Yield index returning 3.88%<sup>6</sup>. The positives in the market overshadowed ongoing European sovereign concerns, a steep rise in oil prices resulting from the ongoing strife in the Middle East, and the tragic Japanese Earthquake and resulting nuclear concerns. Coming off record new issuance in 2010, the new issuance market remained strong at \$83.8 billion for the quarter. Improving corporate fundamentals and a robust new issuance market has kept high yield default rates at extremely low levels after peaking in November 2009 at around 16.00%. The 12 month par weighted default stood at .80% at the end of the 1<sup>st</sup> quarter<sup>4</sup>.

RS High Yield Bond Fund positioned itself to benefit from the continuing positive trends in the credit markets during the 1<sup>st</sup> quarter. We believed the high yield sector was attractive on a fundamental basis as well as on a relative basis compared to other asset classes. The Fund outperformed the Index for the quarter by 0.11%, mainly attributable to an underweighting of higher quality yield-to-call bonds which we believed had limited spread tightening potential. This underweighting led to superior security selection, which added 0.15% basis points of performance to the fund relative to its benchmark. The Fund also outperformed the majority of its Lipper peers, finishing in the 26<sup>th</sup> percentile for the quarter<sup>2</sup>. During the quarter, we overweighted the energy, brokerage and wireless sectors. We believe those sectors have positive fundamentals. We underweighted Native American gaming, wirelines, and building suppliers, which we continue to believe have weak fundamentals moving forward.

Turning to individual sectors, the Brokerage sector outperformed the index by 7 bps for the quarter, as Penson Worldwide rebounded from subpar performance in 2010 to post strong returns in the 1<sup>st</sup> quarter. We believed that Penson was one of the cheapest bonds in the High Yield market at the beginning of the year and still believe the credit offers significant value. Penson continues to yield well above the index while offering an improved credit profile. Penson is the second largest clearing firm in the country and we believe it will continue to benefit from the improving trends and volumes in the U.S. equity markets.

We outperformed by 8 bps in the Homebuilding sector, as we correctly identified two credits, Hovnanian Enterprises and Beazer Homes, that we believed were undervalued and had tightening potential despite the continued weak housing market. Hovnanian is one of the most undervalued names in the homebuilding sector, but we invested in the company's 1<sup>st</sup> lien senior secured bonds that have significant asset coverage. These bonds, while only having moderate risk, traded at substantially above market average yields. As the market rallied, these undervalued bonds outperformed significantly. Beazer Homes also outperformed after refinancing their bonds, alleviating potential refinancing risk. After a significant rally in these two credits, we reduced our holdings, as we still believe the new home construction market will be weak moving forward.

We underperformed in the media non-cable sector by 7 bps as Clear Channel Communications and Valassis Communications posted disappointing returns. We purchased Clear Channel Communications' term loans during the quarter, believing that the company's credit profile is improving as the advertising market rebounds, that the term loans are fully covered, and that the company will start repaying or extending the loans soon through secured bond issuance, or a term loan extension. Unfortunately, the company's initial proposal to refinance some of its bonds disappointed the market in its size and scope, addressing only immediate near term maturities. This disappointment caused the loans to decline. We believe that the loans will rebound as the market becomes more comfortable with their improving credit story and that the company will more aggressively address their capital structure, including repaying or extending the term loans. We are planning to purchase more Clear Channel loans in the quarter, as we believe they are significantly undervalued. Valassis Communications was a new issue that underperformed, as it was priced too tightly relative to other high quality credits in the market. Valassis failed to rally with the market causing the underperformance. We believe that Valassis is a solid core portfolio holding and its underperformance resulted from relative value, not credit quality. We will continue to hold the Valassis bonds as they now are undervalued relative to other BB media credits.

The fund's holdings in the Life Insurance sector, underperformed the Index by 7 bps for the year, as a result of our investments in Genworth Financial. We believed that Genworth Financial, which was downgraded to high yield from investment grade, was on the path to regaining investment grade metrics and we were positive on the credit. At this point the company's core businesses have rebounded, but the mortgage insurance business continues to be a drag on earnings and credit quality. We think Genworth offers solid upside potential at this point, though we will monitor the credit carefully moving forward to ensure no further deterioration in the mortgage insurance portfolio.

### **Market Overview**

The high yield market (represented by the Index) posted strong returns during the 1<sup>st</sup> quarter, rising 3.88%, as investors had a continued appetite for risk<sup>6</sup>. Retail inflows to high yield mutual funds and investments by institutional investors seeking higher yield potential contributed to a stronger technical environment. Even though absolute yields are low on a historical basis, we believe spreads are still attractive in a low interest rate environment. The par-weighted default rate remained extremely low at .80%<sup>4</sup>.

First quarter new issuance totaled \$83.8 billion, one of the most active quarters in High Yield history. If this number were annualized, it would result in the most active high yield new issue market in history<sup>8</sup>. This continues a trend of robust High Yield new Issuance coming on the heels of 2010's volume of \$263 billion, which was \$110 million greater than 2009's record total<sup>8</sup>. We continue to expect robust new issuance activity driven by both bond refinancing and mergers and acquisitions (M&A) and leveraged buyout activity.

### **Outlook**

We expect that we will see moderate spread contraction in high yield during 2011 and continued expanded risk tolerance from investors. We expect positive corporate earnings momentum and meaningful balance sheet improvement for high yield issuers, which would indicate strong fundamentals moving forward. Further, improving corporate liquidity and robust capital markets activity should continue to support a low default rate over the next two years and should also provide a positive tone for the

market. Even if U.S. economic growth were to disappoint over the next 12 months, we do not believe that our outlook for a benign default rate would substantially change. We believe that high yield bond valuations reflect the current fiscal and global uncertainty and that there is additional upside potential for the market even if the U.S. economy grows at a pace below 2.0%. In fact, our view that positive growth is not currently strong enough to force the Federal Reserve to raise interest rates should be a positive scenario for high yield. Improving growth, together with low inflation, has proven to be an ideal backdrop for higher yielding assets in the past. With money market rates near zero and low investment grade bond yields, many investors should seek additional yield. With unemployment remaining stubbornly high and inflation remaining low, Federal Funds rates are likely to remain low for an extended period of time. With the index trading at a spread in excess of 5.16% basis points to Treasuries, the asset class remains attractive<sup>6</sup>. We expect to see inflows from retail investors as well as institutional accounts as institutional investors direct more assets into high yield while the Federal Reserve maintains its accommodative stance. We expect that investors' thirst for yield, improving corporate earnings, and a strong new issue market, should be favorable for the market. We anticipate that Treasury yields will rise in 2011, but that the rise will be manageable and will be absorbed by the excess spread in high yield as high yield spreads remain above their long-term average.

Based on our fundamental and technical outlook, we see potential opportunities in floating rate debt, which should outperform in a rising rate environment, and lower-rated commercial paper where we see opportunity for tightening potential. We expect to avoid low duration paper issued by companies where we believe the yields do not support the potential credit risk. While being concerned about the potential for rising interest rates, we are currently favorably inclined to taking on some extra duration in credits that we think may have favorable credit upside and tightening potential.

Taking advantage of companies with potential positive event risk and avoiding companies with potential negative event risk will be a key to performance in 2011. We believe that M&A and LBO activity will significantly increase in 2011, as will leveraged recapitalizations. Seeking companies with tight covenants, where the bonds might be called at a premium, will be a major focus of the Fund. Likewise, many companies have weak covenants such as no "change of control" provision or limited restrictions on incurring additional debt. The bonds of these companies typically are at risk of falling precipitously in an LBO scenario. We believe there will be events throughout the year that will be both positive and negative and we will seek to take advantage of favorable opportunities for the Fund.

Sectors that we currently believe offer favorable fundamentals include food and beverage, media non-cable, technology, and independent energy, and we expect to make selective investments in sectors about which we remain cautious, such as, gaming, building suppliers and construction machinery. We believe that the high yield sector has the potential to post solid returns moving forward; however, we expect returns to be below those seen over both the last 12 months and the last quarter.

We thank you for your continued support.

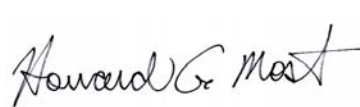
Sincerely,



Kevin Booth  
Co-Portfolio Manager



Marc Gross  
Co-Portfolio Manager



Howard G. Most  
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, 2011.

***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](http://www.RSinvestments.com).***

**Bond Quality<sup>7</sup>  
(As of 3/31/2011)**

	<b>% Fund</b>
Short-Term / Other Assets and Liabilities	2.3
AAA	0.0%
BBB	0.9%
BB	24.6%
B	55.0%
CCC	15.5%
Below CCC	0.2%
Not Rated	1.5%

**Top Ten Holdings<sup>3</sup>  
(As of 3/31/2011)**

	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>% Fund</b>
Stallion Oilfield Holdings Ltd.	10.500	02/15/2015	1.25%
Ally Financial, Inc.	8.000	11/1/2031	1.17%
Michael Foods, Inc.	9.750	07/15/2018	1.05%
CIT Group, Inc.	7.000	05/1/2013	1.04%
Alliance HealthCare Services, Inc.	8.000	12/01/2016	0.91%
Harrah's Prop. Co.	3.260	02/13/2013	0.90%
International Lease Financial Corp.	5.650	06/1/2014	0.89%
Block Communications, Inc.	8.250	12/15/2015	0.88%
Wynn Las Vegas LLC	7.750	08/15/2020	0.85%
Bio-Rad Laboratories, Inc.	8.000	09/15/2016	0.85%

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<sup>1</sup> The Barclays Capital U.S. Corporate High Yield Bond Index is generally considered to be representative of the investable universe of the U.S.-dominated high-yield debt market. The Barclays Capital U.S. Corporate High Yield Bond 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 High Current

Yield Objective Average is the average of the funds in the group in existence in the Lipper database for the periods and does not reflect any deduction for sales charges.

**2** Lipper, Inc. is an independent mutual fund monitoring and rating service. Its database of performance information is based on historical returns, which assume the reinvestment of dividends and distributions and the deduction of all fund expenses. Lipper return figures do not reflect the deduction of any sales charges that an investor may pay when purchasing or redeeming shares of the Fund.

**3** Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual bonds.

**4** J.P. Morgan Securities LLC. North America High Yield and Leveraged Loan Research.

**5** Rating agencies' independent ratings of individual bonds are aggregated by Barclays and market weights are reported using Standard & Poor's letter rating conventions. Rating methodology uses the middle rating of Moody's, Standard & Poor's and Fitch. When a rating from only two of the rating agencies is available the lower rating is used.

**6** Barclays Capital Family of Indices, Barclays Capital U.S. High Yield Corporate Index Credit Research.

**7** The credit rating table displays the % of fund assets allocated to each rating. Rating agencies' independent ratings of individual securities are aggregated by Barclays and market weights are reported using Standard & Poor's letter rating conventions. Rating methodology uses the middle rating of Moody's, Standard & Poor's and Fitch. When a rating from only two of the rating agencies is available the lower rating is used.

**8** Barclays Capital High Yield Corporate Update, April 1, 2011.