

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

Performance

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

RS High Yield Municipal Bond Fund (Class A – RSHMX)

	First Quarter 2011	1-Year	3-Year	5-Year	10-Year	Since Inception (12/31/09)
without sales charge	-0.78%	0.61%	n/a	n/a	n/a	3.14%
with maximum sales charge	-4.52%	-3.17%	n/a	n/a	n/a	0.04%
Barclays Capital Municipal Bond Index ¹	0.51%	1.63%	n/a	n/a	n/a	2.32%

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

Fund Highlights

Portfolio Overweights

- Investment grade credits
- Housing
- State General Obligations (which includes Puerto Rico)

Portfolio Underweights

- Power Revenue Bonds Heavily Dependent on Nuclear Power
- Issuers Heavily Dependent on Japanese Tourism
- Longer maturity, highly leveraged tobacco bonds
- Weakly secured project financings
- Airlines

Outlook

- Lean new bond issuance
- More credit stress

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. 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/net annual operating expense ratio as of the most current prospectus for the Class A Shares 1.36% / 0.35%. 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%. The net expense ratio reflects a contractual expense limitation which will continue through 4/30/11. 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.

Fund Commentary

Performance

RS High Yield Municipal Bond Fund (Class A shares) (the "Fund"), had a total rate of return of -0.78% for the first quarter ended March 31, 2011, versus its benchmark ¹, the Barclays Capital Municipal Bond Index (formerly the Lehman Brothers Municipal Bond Index), which returned 0.51%¹. The Barclays High Yield Municipal Index, which has a lower credit profile than our Fund returned -0.29%². These indexes do not include expenses. We would note that the Fund has quite a different profile than either index. At any one time, the Barclays Capital Municipal Bond Index benchmark has approximately 45,900 issues and the Barclays High Yield Municipal Index has approximately 3,200 issues², whereas the Fund generally has exposure to about 50 to 60 issues, some of which may not be in the benchmark.

(As of 3/31/2011) ⁶	1-Year	3-Year	5-Year	10-Year
RS High Yield Municipal Bond Fund (Class A) Average Annual Total Return	0.61%	n/a	n/a	n/a
Lipper ^{1,2} High Yield Municipal Debt Funds Average Annual Total Return	0.17%	n/a	n/a	n/a
Lipper High Yield Municipal Debt Funds Category Ranking*	47/124	n/a	n/a	n/a
Lipper High Yield Municipal Debt Funds Category Percentile	38 th	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.*

As of March 31, the Fund's 30-day SEC yield³ was 6.08% (which grosses up to 9.35% taxable equivalent yield for a person in the highest federal income tax bracket in 2011). Without the subsidy, the fund's 30-day SEC yield was 5.72% (grossing up to 8.80% taxable equivalent yield for a person in the 35% income tax bracket in 2011).

Portfolio Review

In the first quarter, only \$46.9 billion in municipals were issued versus \$104.4 billion in the first quarter of 2010, a 55% decline⁷. Purely tax-exempt issuance was \$38.78 billion versus \$69.85 billion, a decline of 44.5%⁷. This decline may have been caused by higher borrowing costs, an overall aversion by issuers to sinking even deeper in debt and a flood of taxable Build America Bond sales in late 2010 that ended on December 31.

According to AMG Data, high yield municipal bond mutual fund outflows began in mid-November and continued in the first quarter, peaking during the week of January 19th with withdrawals of \$959 million⁸. The withdrawals were influenced by a variety of factors. With the passage of legislation at the end of 2010 that extended the Bush tax cuts by two years, there was less incentive for investors to invest in municipal bonds⁹. Credit concerns were also highlighted in December, when a Wall Street analyst predicted on television that 50 to 100 municipalities would cause hundreds of billions of dollars in municipal bond defaults⁹.

The total return of the Barclays Capital High Yield Municipal Index² for the first quarter through March 31, 2011 was -0.29%. The best performing sectors in the quarter were power (2.13%), power and solid waste/resource recovery(1.64). The worst performing sector was transportation (-2.98%).

We seek to assess value in the high yield sector, with a sharp eye toward limiting downside risk. Our investment approach is based on our analysis of the credit fundamentals of each issuer, and on its specific coupon structure and yield considerations, i.e., we look at bonds that meet our credit evaluation criteria with relatively high coupons that we believe will maximize current income. Maturity and duration are secondary considerations. As an example, the Commonwealth of Puerto Rico, which has been experiencing a recession for five years, has stabilized and strengthened its budgetary operations to the extent its general obligation bonds were upgraded by Standard & Poor's from BBB- to BBB on March 7, 2011. We had these bonds in the Fund¹⁰.

Given the broad opportunity set open to a national high yield fund, we focus on what we believe to be issuers in the low investment grade and high yield sectors that offer value. We avoid large concentrations in any one issuer, industry, credit sector, or state. The index is heavily weighted in health care issues such as hospitals, nursing homes and continuing care retirement community (CCRC) bonds. They are non-rated bonds and bonds rated below investment grade, i.e., Ba1 and below, which makes sector diversification difficult⁵. However, we feel that we have mitigated this risk somewhat through state diversification as economic regions will react differently than sectors. As of March 31, 2011, the ratings breakdown of the Fund's holdings was 0.0% AAA, 18.2% AA- and A rated, 54.8% BBB-rated, 5.6% BB-rated and 13.1% non-rated. 6.1% of the fund was held in short-term instruments.

Our conservative investment strategy and fund structure, as noted above, may have contributed to our modest fund outflows during the quarter.

Outlook

After the robust issuance of \$431 billion in 2010, caused in part by governments racing to lock in the benefit of an expiring federal subsidy, we expect continued lean new bond issuance for the rest of 2011. Our estimate is now about \$275 billion, a 36.5% decline from 2010, according to the April 1, 2011 Citigroup Municipal Market Commentary.

The municipal market's response to the nuclear crisis in Japan in mid-March was relatively subdued. Unless the situation escalates, it is likely that the broader municipal market will stay moderate. A worst-case scenario could have a bigger impact in states and localities more dependent on Japan for trade and tourism⁸.

Public power authorities with nuclear operations will likely face higher costs and lower revenues associated with more stringent safety requirements, reduced demand for nuclear power and more strict licensing process. We have stayed away from bonds heavily dependent on nuclear power⁸.

Through March, the issuers of approximately \$26.762 billion of municipal bonds notified investors of some credit impairment that included \$8.207 billion in actual cash payment defaults on 277 bonds. In December the numbers were \$26.369 billion, \$8.198 billion and 282 bonds, respectively¹¹. Many of the defaults continue to be land-secured issues (which are directly related to real estate) and we expect some defaults to continue. The incidence of default increases among certain types of issuers, notably smaller non-essential projects from economically challenged areas with cash flows that are not supported by taxes. By carefully monitoring our investments and doing thorough research we have avoided these situations.

Given the broad opportunity set open to a national fund, we continue to focus on issuers in the low investment grade and high yield sectors that we believe offer potential for value. We will continue to seek to avoid large concentrations in any one issuer, industry, credit sector, or state. If we believe we are properly compensated for risk, we may purchase non-rated or lower-rated credits if we believe there may be value in the bonds.

We believe there are compelling opportunities for investors in the RS High Yield Municipal Bond Fund.

Thank you for your investment and continued support.

Sincerely,



Alexander M. Grant, Jr.
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.

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.

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. Investors in the Fund may be subject to alternative minimum tax (AMT) and certain other state and local taxes.

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.

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.

Sector Allocation**(As of 3/31/2011)**

	% Fund
General Obligation Bonds	9.8%
Special Tax	12.0%
Housing	3.0%
Education	7.7%
Water and Sewer	0.0%
Transportation	12.8%
Resource Recovery	0.0%
Hospital / Nursing Home / Health Care	28.4%
Industrial Revenue/Power	20.4%
Short-Term / Other Assets and Liabilities	6.1%

Top Ten Holdings⁴			
(As of 3/31/2011)	Coupon Rate	Maturity Date	% Fund
New Jersey Economic Dev. Auth. Rev.	5.750	06/15/2034	3.68%
Kentucky Economic Dev. Fin. Auth. Hosp. Facs. Rev.	6.375	03/01/2040	2.40%
Village Cmnty. Dev. District No. 8 FLA Spl. Assessment Rev.	6.125	05/01/2039	2.35%
Tex. Private Activity Bd. Surface Transn. Corp.	7.500	06/30/2033	2.19%
California St. Pub. Wrks. Brd. Lease Rev.	6.625	11/1/2034	2.16%
Cook Cnty. IL Rev.	6.500	10/15/2040	2.04%
North Tex. Twy. Auth. Rev.	5.750	1/1/2033	2.00%
Farmington NM Poll. Ctrl. Rev	5.900	06/1/2040	1.96%
Tobacco Settlement Auth. WA Tobacco Settlement Rev.	6.625	06/1/2032	1.93%
Illinois St. G.O. Ser. A	5.000	09/01/2031	1.85

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1 The Barclays Capital Municipal Bond Index is an unmanaged index considered to be generally representative of investment-grade municipal issues having remaining maturities greater than 1 year and a national scope. It is not possible to invest directly in an unmanaged index. The Barclays Capital Municipal Bond index returns only available since 5/22/2003. Prior to November 1, 2008, this index was published by Lehman Brothers.

2 The Barclays High Yield Municipal Index is composed entirely of non-rated bonds and bonds rated below investment grade, i.e., Ba1 and below. Additionally, it is heavily weighted in health care issues such as hospitals, nursing homes and continuing care retirement community bonds, which makes sector diversification difficult.

3 SEC Yield is a standard yield calculation developed by the Securities and Exchange Commission (SEC) that allows for fairer comparisons of bond funds. It is based on the most recent 30-Day period covered by the fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period, after the deduction of the fund's expenses. This is also referred to as the "standardized yield."

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

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 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.

7 Source: The Bond Buyer, April 1, 2011.

8 Source: JP Morgan Chase, March 21, 2011.

9 Source: Investment Dealers' Digest, February 25, 2011.

10 Source: The Municipal Forum of New York, March 21, 2011. Remarks by Governor Fortuno.

11 Source: Merriman Market Analyst, MMA Weekly Outlook, March 28, 2011.