

First Quarter 2011 Mutual Fund Commentary
RS Investment Quality Bond Fund

Performance

(Average Annual Total Returns as of 3/31/2011)
 RS Investment Quality Bond Fund (Class A – GUIQX)

	First Quarter 2011	1-Year	3-Year	5-Year	10-Year	Since Inception (2/16/93)
without sales charge	0.80%	5.97%	5.57%	5.76%	5.29%	5.53%
with maximum sales charge	-2.94%	2.00%	4.25%	4.96%	4.89%	5.31%
Barclays Capital U.S. Aggregate Bond Index ¹	0.42%	5.12%	5.30%	6.03%	5.56%	6.21%

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

Fund Highlights

Portfolio Overweights

- Fund outperformed its benchmark due largely to its overweight to several non-Treasury sectors.
- Overweights in corporate bonds and commercial mortgage-backed securities (MBS) worked out well as both sectors outperformed Treasuries.

Portfolio Underweights

- Underweight in Treasuries helped performance since the Treasury sector underperformed every non-Treasury sector.

Performance quoted represents past performance and does not guarantee future results. The Fund is the successor to The Guardian Investment Quality 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 1.05% / 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.

Fund Highlights (cont)

Outlook

- U.S. economy expected to grow around 3.0% in 2011.
- A weak housing market should continue to have a negative effect on economic growth.
- The Federal Reserve may move to a less accommodative strategy by the end of 2011.
- Non-Treasury fixed income expected to continue outperforming Treasuries.

Market Overview

- Reemergence of European sovereign credit risk, particularly Portugal and Ireland.
- Potential for nuclear disaster in Japan, impact of earthquake and Tsunami on global growth
- Political unrest in the Middle East and Northern Africa and the risk for higher oil prices
- Despite strong performance in 2010, many non-Treasury sectors remain attractive.

Fund Commentary

Performance

RS Investment Quality Bond Fund (Class A shares) (the "Fund"), returned 0.80% for the first quarter ended March 31, 2011, compared with the Fund's benchmark, the Barclays Capital Aggregate Bond Index, which returned 0.42%¹.

(Asof 3/31/2011)	1-Year	3-Year	5-Year	10-Year
RS Investment Quality Bond Fund (Class A) Average Annual Total Return	5.97%	5.57%	5.76%	5.29%
Lipper Intermediate Investment Grade Debt Funds Average Annual Total Return	6.14%	5.58%	5.52%	5.11%
Lipper Intermediate Investment Grade Category Ranking*	292/571	283/484	214/395	131/265
Lipper Intermediate Investment Grade Category Percentile	52 nd	59 th	55 th	50 th

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

Market Overview

Volatility is back. After starting 2011 on an optimistic and calm note, the financial markets were confronted with multiple shocks. Political unrest in the Middle East and North Africa (MENA), the Japanese earthquake/tsunami and potential nuclear disaster as well as the reemergence of the European sovereign crisis rattled investors and raised questions as to their impact on U.S. and global growth. However, by the end of the quarter, these events were being viewed as temporary, and investors' focus shifted back to the positive fundamentals of the U.S. economy.

In MENA, continued unrest caused several governments to topple and the price of oil to jump. Although the Egyptian and Tunisian uprising led to a peaceful change of leadership, the Libyan revolt has led to continued unrest and a U.S./NATO military involvement. These uprisings in one of the biggest oil producing regions of the world caused oil to rise to almost \$107 a barrel by the end of the quarter from \$84 at its low point on February 15². The major concern for the markets would be if Saudi Arabia began to experience similar upheavals, which would drive the price of oil significantly higher and have a negative impact on global growth.

In Japan, the 9.0 earthquake and subsequent tsunami has inflicted a tremendous toll on its people. In addition to the human tragedies, the earthquake destroyed many manufacturing plants which supply parts to the auto and technology sectors around the world. Any prolonged delay in getting these plants back on line or finding replacement facilities could begin to have a negative impact on the manufacturing sector globally.

Overseas, the European Union (EU) members held a summit at the end of March to address several issues regarding the stability of the EU. The summit was able to reach agreement on several areas, increasing the size of the European Financial Stability Facility (which provides liquidity support for member countries through

middle of 2013), providing a framework for European Stability Mechanism (liquidity support beyond 2013) and agreed to a pact of fiscal responsibility. Although initially viewed as a positive, in reality the summit was short on details and in essence just kicked the problem down the road. We have not seen the last of the sovereign crisis.

So far the U.S. economy has proven to be resilient in the face of these external shocks and in fact there are signs that the recovery is gaining momentum. The latest employment figures for March showed an increase of 216,000 jobs while the unemployment rate fell to 8.8%, the fourth monthly decline in a row and the lowest level in two years². Other economic indicators (e.g. personal income and spending) are also rebounding.

However, not all sectors of the economy are improving. The housing market still remains in a deep slump. According to the Bloomberg Total Starts Index, the latest new home construction numbers came in at 479,000 for March, almost matching the record low 477,000 rate reached in April 2009. In addition, purchases of new homes fell in February to the lowest level on record and home prices fell again, dropping 3.1% in January from a year earlier, per the Bloomberg Home Price Index 20. The still high unemployment level, tighter underwriting standards for new mortgages and the potential supply of homes in foreclosure continue to weigh on this sector.

But with the overall economy on more solid footing, speculation has begun on when and how the Federal Reserve will begin to take its foot off the easing pedal. It looks likely that the Fed will finish their Quantitative Easing II (QE2) program, where it bought \$600 billion of U.S. Treasury securities, in June. There has been, however, some disagreement among FOMC members – some think the Fed should end QE2 early while others believe QE2 should be completed and the Fed should keep their accommodative strategy.

As a result of the stronger economic numbers and better outlook for the U.S. economy, interest rates rose during the quarter. Specifically, the yield on the 2-year rose by 23 basis points, while the yield on the 10-year rose 18 basis points. Overall, the Treasury market (as measured by the Barclays Capital U.S. Treasury Index) returned -0.16% for the first quarter⁴. However the non-treasury sectors of the Barclays Aggregate Index were able to generate positive performance as investors continue to look for more yield than what U.S. Treasuries offered. Commercial mortgage-backed securities (CMBS) lead the way with a 2.05% nominal return followed by corporate bonds with 0.89%. Asset-backed securities (ABS) and mortgage-backed securities (MBS) returned 0.64% and 0.58% respectively. On an excess return basis (versus similar duration treasuries) the CMBS sector once again led the way with 2.03% followed by corporate bonds with 1.05%, ABS with 0.61% and MBS sector with 0.55%⁴.

As mentioned above, the corporate sector put in strong performance in Q1. The credit market continues to be supported by the following: improving U.S. economy, strong balance sheets, persistent demand from investors and lack of supply in other sectors like CMBS and MBS.

Financials were the best performing sector in the first quarter generating 148 basis points of excess returns⁴. The sector continues to benefit from the new financial regulations requiring banks to de-lever and increase their capital levels. To this point, on March 18th the results of the Fed's Comprehensive Capital Analysis and Review were better than expected and reaffirm the regulator's confidence in the current capital levels and earnings prospects of the largest U.S. banks. As a result of their stronger balance sheets, and with the blessing of the Federal Reserve, a majority of the banks have now begun to increase their dividends and/or share buybacks.

A record \$269 billion of investment grade corporate bonds were issued during the quarter⁵, as issuers took advantage of the low Treasury yields and strong demand to lock in attractive borrowing levels. Many companies also continued to take advantage of the low yields to retire higher coupon debt coming due later this year and in 2012.

Portfolio Review

As the result of our continued expectation of a growing economy, the Fund continued its investment strategy of substantial exposures to the non-Treasury segments of the bond market. This strategy proved to be beneficial as the Fund outperformed its benchmark by 0.38% during the quarter. We continue to hold the majority of the Fund's assets in corporate bonds, CMBS, ABS and non-Agency MBS.

The Fund maintained its overweight in the corporate bond sector during the first quarter, which had a positive impact on Fund performance as the sector outperformed Treasuries by 1.05%⁴. In particular, our holdings in the

financial and energy sectors contributed positively to our performance. Overall, we ended the quarter with a 35% allocation to corporate bonds.

Similar to the corporate sector, the Fund's substantial holdings in the Commercial Mortgage-Backed Securities and Non-Agency residential mortgage-backed securities continued to benefit returns this quarter. In CMBS, we increased our exposure by buying longer-maturity issues. This slight re-positioning provided more attractive yields, while retaining the strong credit support typical of our CMBS holdings. In Non-Agency RMBS, we were able to moderately increase our exposure in seasoned, low loan-to-value bonds that have very strong credit enhancement to protect against a potential worsening in housing credit conditions.

Outlook

We believe 2011 GDP will come in around 3.0%. We see the underlying momentum improving but with some downside risk; Japan's natural disaster, higher oil prices from the Middle East unrest and the reemergence of the European Sovereign debt stresses could negatively impact consumer confidence and consumption.

We are looking for the Consumer Price Index to rise towards 3% or higher during the year but, given the labor market slack, we believe it's unlikely to remain in the 3%-4% range. The unemployment picture continues to improve and we think it could fall to 8% by the end of the year.

We also believe the housing market will remain in the doldrums with some further price decreases likely. A significant portion of home sales are coming from foreclosures and these distressed sales have had a dampening effect on home values.

The Federal Reserve will most likely finish the second phase of its quantitative easing program, which ends in June, but we don't believe there will be a QE3. We don't think the Fed will be raising rates, but there are other steps they can take to be less accommodative (e.g., begin to sell MBS and/or Treasuries on their balance sheet).

Against this backdrop, we expect to continue to favor the non-Treasury segments of the bond market. Although they performed well in 2010, we believe they have further upside potential relative to Treasuries in an environment where the economy is growing at a solid pace and inflation is not a concern over our investment horizon.

We continue to remain positive on the corporate sector. We expect the factors that supported the market last year (an improving economy, continued strong fundamentals and positive technical factors) to remain in place and should allow the sector to outperform in 2011.

Overall, the RMBS and CMBS subsectors still provide attractive risk/reward characteristics and our holdings exhibit minimum "tail risk" and also have strong credit support.

Similarly, we remain positive on non-Agency MBS due to a very positive supply/demand imbalance. New issuance essentially dwindled to zero in 2010 and will likely remain there in 2011. On the other hand, we expect demand to remain robust in 2011. We continue to favor seasoned issues.

At the end of the day, we believe our strong adherence to our discipline investment process has benefited the Fund's shareholders through the different economic cycles. We appreciate your continued support and welcome the opportunity to put our experience to work for you

Sincerely,



Howard W. Chin
Co-Portfolio Manager



Robert J. Crimmins, Jr.
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. The values of mortgage-backed securities depend on the credit quality and adequacy of the underlying assets or collateral and may be highly volatile. 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
Asset Backed Securities	3.9%
CMBS	19.2%
CMOs	17.4%
Corporate Notes/Bonds	36.4%
Government Agencies	0.0%
Mortgage Backed Securities	17.8%
Taxable Municipals	1.4%
Tax Exempt Municipals	0.9%
Treasury Notes/Bonds	1.9%
Short-Term / Other Assets and Liabilities	1.3%

**Top Ten Holdings³
(As of 3/31/2011)**

	Coupon Rate	Maturity Date	% Fund
FNMA - MBS	5.000	12/01/2039	4.68%
FHLMC - MBS	4.000	12/01/2040	3.60%
FNMA - MBS	5.500	01/01/2038	3.22%
FNMA - MBS	4.500	12/01/2041	2.87%
FHLMC - CMO	5.500	09/15/2035	1.69%
U.S. Treasury Bonds	4.250	11/15/2040	1.24%
CNH Equipment Trust	3.000	08/17/2015	1.17%
Master Asset Securitization Trust	5.250	09/25/2033	1.17%
FNMA - MBS	4.000	11/01/2040	1.17%
Crown Castle Towers LLC	6.110	01/15/2020	1.09%

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1 The Barclays Capital U.S. Aggregate Bond Index is generally considered to be representative of U.S. bond market activity. The Barclays Capital U.S. Aggregate Bond Index is an unmanaged index that is not available for direct investment and there are no expenses associated with the index while there are expenses associated with the Fund.

2 Source: Bloomberg World Indices

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

4 Source: Barclays Capital Index Summary, Barclays Capital Inc.

5 Barclays Capital Index Group, March 2011 New Issue Supplemental Analysis