

First Quarter 2011 Mutual Fund Commentary RS Partners Fund

Performance and Market Commentary

For the first quarter of 2011, RS Partners Fund (Class A Shares) generated a return of 6.56% versus 6.60% for the benchmark Russell 2000[®] Value Index¹. As of March 31, 2011, the Fund has outperformed the benchmark over the 1-year, 3-year, 5-year, 10-year and since inception time periods. We are very pleased to have provided our investors with this type of consistent outperformance.

Much like 2010, the first quarter of 2011 was not an environment that particularly favored our value-oriented investment strategy. Our investment process is predicated on grassroots business analysis combined with the goal of maintaining investor capital. However, during the first quarter small cap value investors demonstrated a strong preference for high-growth businesses, as evidenced by the fact that those companies within the Russell 2000[®] Value Index with long-term earnings growth greater than 20% outperformed their slower growing counterparts by over 600 basis points.² Moreover, the highest beta* quintile within the index gained 10.38% during the quarter, significantly outpacing the lowest beta quintile in the index, which posted a 4.96% return.³ Typically, these types of beta rallies do not favor a strategy like ours, given our focus on maintaining capital and mitigating risk, however we were able to generate returns roughly in-line with the index during the quarter.

We continue to focus on companies that we believe are going through positive structural changes that will lead to improving Return on Invested Capital ("ROIC"). In addition, our fixation on maintaining capital and asymmetric risk-reward profiles is an integral component of the RS Value investment process. Long-time readers know that we seek to position our shareholders' capital to lose less in down markets, and expect to merely keep up with the index during periods of dramatic market price appreciation. As such, we are pleased that the Fund has been able to maintain a lower risk profile as defined by standard deviation** while still delivering results that were comparable to the benchmark during the first quarter, especially in an environment where it was often the higher beta names within the index that worked best.

Philosophy and Process

We believe that company-specific value creation is often mispriced in the public markets and, as

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 1.60%. 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.

such, we have built a team of investment professionals who employ a research process that is private equity-like in nature. As business analysts, we are interested in understanding how companies create value over time. We work in teams, dissecting businesses into their component parts to gain insights into how and where capital is being allocated, and the cash flows and returns associated with those capital decisions. As value investors, we believe that capital preservation is the key to long-term wealth creation, and only deploy our shareholders' capital when we feel that the purchase price available in the market provides us with what we view as a reasonable risk profile. We acknowledge that investment returns are a function of entry price and, as such, we define risk not as volatility, but as the permanent impairment of our clients' wealth. As portfolio managers, we allocate capital to our highest conviction names, and seek to generate long-term returns as a function of business analysis and proper capital stewardship, as opposed to making macro bets or speculating on individual sectors. We acknowledge that over short periods of time we may underperform a benchmark, but believe that our differentiated team structure, philosophy and process will allow us to generate superior risk-adjusted returns over the long-term.

Portfolio Positioning

Financials

Recall that we increased the Fund's exposure to financial services in late '09/early '10 as we became more constructive on the sector. During this period, we deployed capital toward those financial services companies that we felt possessed solid capital positions, stable and reliable funding sources, strong management teams, increasing returns on invested capital, and a favorable risk/reward profile over our three year investment horizon. While we have been focused on building our banking exposure, we continue to be discriminating relative to the Fund's bank investments. Specifically, we continue to target franchises with a culture founded on "relationship lending," solid core deposit bases, sound capital ratios, and the ability to generate strong cash returns.

Unlike a "transactional lender," which generally seeks to accumulate assets through the syndicate market, a relationship lender becomes involved in every aspect of a client's financial life; seeking not only the commercial and personal lending business, but also offering deposit products along with cash and wealth management services. This model allows the bank to 1) build "advantaged liabilities" in the form of core deposits and 2) more appropriately underwrite loans given superior knowledge of the borrower, thereby reducing credit risk. Core deposits, many of which are housed in non-interest bearing accounts, provide our banks with both a low cost source of capital and limited liquidity triggers. In levered business models, liquidity is the linchpin to protecting downside and, as the recent financial crisis has reminded us, liquidity is a scarce asset during periods of crisis. While the lower cost of capital should not be ignored, it is the reduced liquidity risk of a core deposit base that fits into our downside risk assumptions and what we believe builds long-term value for shareholders.

Turning to the current marketplace, while we see signs that credit losses may have peaked, our investment thesis does not rely on improving trends, as our downside analysis continues to assume a significant degradation in credit. As such, our due diligence process continues to focus on a vigorous analysis of the loan portfolio; understanding underwriting standards (past and present), engaging in discussions with management regarding how they deal with problem credits, and "ring-fencing" or sequestering the most troubled assets. We gain insight by interviewing senior and middle management and by speaking with broader market participants including: distressed and strategic asset buyers, real estate brokers, mortgage brokers, and in-market (both bank and non-bank) competitors. These discussions help us identify the key risks in a particular banking model generally related to credit, regional exposures, capital adequacy, asset/liability management, the competitive landscape, and an increasingly dynamic regulatory environment. These risks inform our credit forecasts, which can be stress tested for sufficiency of capital and to determine the risk of a future liquidity event. Our downside loss scenarios are then pushed further to determine how much

additional degradation would need to occur in order to create a capital hole, which could necessitate a potentially dilutive capital event, and drive absolute downside to our entry point. On a positive note, we continue to believe that the banking industry is undergoing significant structural change, accreting value to traditional relationship focused franchises. We believe that the elimination of irrational competitors and a return to more economic pricing of credit risk will lead to structurally higher long-term risk adjusted returns for these franchises. In addition, we expect that the better positioned banks will garner significant market share from weakened and sub-scale competitors.

In general, valuations within financials remain attractive. Looking forward, we would expect the portfolio to continue to favor banks and life insurance vs. REITs and property & casualty insurance. With returns on new business improving at select banks and life insurance companies, we remain interested in those companies that possess sustainable longer term business models, while seeking to purchase our stake at levels that we believe provide us with more favorable entry points.

Consumer, Business Services, Health Care, and Technology

While there's evidence of a modest improvement in the unemployment picture domestically, the US consumer remains fragile. Therefore, we remain cautious and selective with regard to our consumer discretionary investments. As always, we seek to invest in companies undergoing company-specific structural change that can lead to an improvement in the Return on Invested Capital (ROIC) profile of the enterprise, irrespective of broader trends in general economic activity.

As detailed in previous commentaries, healthcare has been an area where we have been active in searching for new opportunities. As the impact of healthcare reform becomes clarified, we believe winners and losers will emerge. As such, we continue to allocate capital to those companies that we believe should thrive under different health care reform scenarios. Within business services and technology, we continue to allocate capital to businesses that have understandable and predictable revenue streams with high customer retention rates and recurring cash flow characteristics. As such, we believe that the Fund is appropriately positioned for whatever unfolds within the broader economy.

Hard Assets

The hard asset pod (sector grouping) is divided between businesses that we generically label "industrials" and those falling under the natural resource heading. The primary difference between the two groups relates to the laws of mean reversion. In industrials, processing and service oriented businesses, excess returns are typically competed away over time, which is why we focus on *improvements* in returns on invested capital when assessing investment opportunities. In contrast, returns on capital in the natural resource space are a function of where a company's producing assets sit on a supply cost curve. Effectively, returns are driven by the "quality of the rock" and, because geology doesn't change over our 3-5 year investment time horizon, returns on capital in the natural resource space are not often subject to mean reversion. Due to this fundamental difference, each segment deserves its own separate commentary.

Industrials

While the operating environment for many industrial companies has improved over the past year, we remain concerned about most companies' ability to generate positive pricing in a world where significant excess labor and manufacturing capacity persists. As a result, we have slanted our exposure towards the higher quality, more durable franchises within the industrial landscape. When we can buy these businesses at what we view as reasonable prices given our estimation of downside, and estimate equity returns based on company specific initiatives, we deploy our clients' capital.

Natural Resources

Our objective in managing investments within natural resources is to optimize risk-adjusted returns across a full commodity price cycle. An important part of our process involves visiting various natural resource projects around the world. We do this to gain perspective on how future projects will impact the supply cost curve for a commodity and to identify the owners of what we believe are the most cost-advantaged projects in a given commodity. Importantly, we believe that this work provides us with a basis for assessing current and future incentive prices for various commodities, as well as helping us in our efforts to generate project-by-project net asset value models for the companies we own. We believe that the best way to generate superior through-cycle returns for our investors is by:

1. owning only those low-cost, advantaged producers of commodities (“advantaged” in the sense that the companies own assets that sit at the bottom of a steeply sloped supply cost curve and can earn excess returns on capital, independent of the commodity cycle);
2. investing in advantaged companies that have management teams focused on generating returns that exceed their cost of capital, irrespective of commodity price;
3. limiting sovereign and geological risk; and
4. purchasing stakes in these few advantaged producers only when we believe that their share prices are trading below current net asset value.

We believe that the current environment for natural resources is mixed, which we view as a more normal environment than that experienced in 2008-09 when commodity prices rose and then fell together in a highly correlated manner. So far just this year, oil prices have been strong, due in part to the unrest in the Middle East, while natural gas prices have remained weak. In agriculture, corn prices have strengthened this year while wheat prices have fallen. Within the base metals complex, aluminum prices have risen while copper prices have declined. And, in precious metals, silver prices have been strong while the price of gold fell significantly at the beginning of the year before returning to year-end levels. These divergent short term price movements provide patient long-term investors with opportunities to deploy capital into those producers of commodities that are out of favor, often using capital generated by selling stakes in advantaged producers of commodities where valuations are less attractive. We have continued our due diligence efforts on a number of producers of non exchange-traded commodities (such as salt and potash, which the Fund gains exposure to via its investment in Compass Minerals, 3.38%) in anticipation of future opportunities there.

We believe that in the absence of a coordinated pick-up in global demand, commodity prices will continue to oscillate around their respective incentive prices with a high degree of volatility. We will attempt to use short-term dislocations between price and underlying economic value to establish positions in what we believe to be the most advantaged assets at reasonable prices, and will conversely use periods of strength to reduce exposure to businesses when valuations look stretched. As such, our turnover in the Fund may pick up slightly versus historical levels, although our turnover with respect to companies held in the Fund likely will remain quite low.

The longer-term outlook for natural resources remains positive, in our view. Supply costs for many commodities continue to rise for geological reasons, excess capacity remains relatively low, the longer-term demand trends from emerging market countries remain favorable, and the risk of inflation in basic commodities continues to rise. Our objective is to continue to expose our shareholders to the most advantaged natural resource companies across the commodities spectrum when valuations are attractive. By doing so, we believe that we are best able to provide our investors with all the benefits associated with an investment in the natural resource space, while also mitigating the associated risks. As long term investors, we believe that these are the markets that establish the foundation for strong future returns, and we are excited about the prospects moving forward.

Long-Term, Low Turnover Approach to Investing and Team

The RS Value Team has long employed a high-conviction investment approach, holding fewer names for longer periods of time. We believe that larger positions in fewer names where we have been able to develop an intimate knowledge of the company such that we are comfortable owning that company over our three year investment time horizon is a strategy that has the potential to lead to favorable long-term returns, and one that is supported by several academic studies.⁷


The RS Value Team's long-term investment time horizon also extends to our people. We pride ourselves on recruiting, developing and retaining some of the best investment professionals in the industry. By and large, we have managed to keep our turnover in investment personnel extremely low. That said, effective the first of this year, Ernst Schleimer is no longer a member of the RS Value Team. After four years with RS, we part ways with Ernst amicably and wish him every success in his future endeavors. Importantly, we are actively looking to hire additional high-quality individuals to our team, and hope to be in a position to announce additional new hires in coming quarters.

Outlook

We believe that we are in a period of protracted volatility as the markets grapple with a variety of issues, including ongoing deleveraging, deflation/inflation risks, government budget deficits, higher taxes, and the potential for rising risk premiums. We have never attempted to maximize short-term results, as we do not believe that our investors would be adequately compensated for the level of risk that we would have to assume. As business analysts, we enjoy fundamentally-driven environments where company-specific structural change and improvements in cash flow returns on invested capital are the primary determinant of investment results. We firmly believe that strength of our team, a consistent and repeatable process and a realistic investment horizon have put us in a position to benefit long-term investors. Moreover, we think that the Fund is very well positioned for an environment where individual company-specific cashflow fundamentals are properly rewarded.

We thank you as always for your ongoing support.

Sincerely,



MacKenzie Davis, CFA



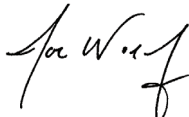
David Kelley



Andy Pilara



Ken Settles, CFA



Joe Wolf

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. Investments in companies in natural resources industries may involve risks including changes in commodities prices, changes in demand for various natural resources, changes in energy prices, and international political and economic developments. Investing in small- and 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. Investing in a more limited number of issuers and sectors can be subject to greater market fluctuation. 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. Foreign securities are subject to political, regulatory, economic, and exchange-rate risks not present in domestic investments. The value of a debt security is affected by changes in interest rates and is subject to any credit risk of the issuer or guarantor of the security.

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.

Appendix – Stock Examples

Over the past two years, we have found a number of opportunities to own what we view as higher quality industrial companies with differentiated, defensible business models. Late last year, we established a position in **Sirona Dental Systems Inc.** (“SIRO”) (2.26%), leveraging our accumulated knowledge in the analytical tool segment from previous work we completed on both Varian Inc. (0.00%) and Agilent Technologies (0.00%).

Sirona is a developer and assembler of technologically advanced dental systems and equipment. Its products include CAD/CAM systems and software, which enable a dentist to use 3D imaging technology to produce and insert ceramic restorations (crowns), as well as digital imaging products, dental chairs and instruments.

We purchased SIRO with the belief that it has a durable competitive position in a well-structured industry, and that recent investments in R&D would manifest themselves in higher returns and margins going forward. The opportunity to establish an ownership position with what we view as sufficient room relative to our estimate of downside value was presented, due to the market’s focus on near term margins and earnings, which remain depressed due to recent R&D investments and questions regarding the durability of a business selling large capital equipment into an uneven economic environment.

Sirona’s CAD/CAM products effectively operate in a duopoly, with gross margins of 70% and historical returns on capital of 15%. We consider research and development to be a capital investment. We view R&D budgets that may pressure near term margins as beneficial to long-term value creation, assuming capital is being deployed into high return projects. Barriers to entry, in the form of significant historical R&D, leading market share and distribution agreements, help protect cash flows and returns. Through decades of investment, Sirona has created multiple iterations of technological advancement in the CAD/CAM market, which will enable it to accelerate its leadership position in an under-penetrated market.

While recognized as a “good business” by most market participants, concerns remained regarding both near term earnings and, perhaps more importantly, customer’s willingness to purchase large capital items. Part of our unit level economic due diligence focused on understanding ROIC from the customer perspective, as we have found that products that enhance customer economics tend to possess much stronger demand and more attractive pricing characteristics. Typically, we find that returns are less likely to be competed away when a product provides value and a quick payback to the underlying customer. This is the case with Sirona’s CAD/CAM products. Despite an average selling price of \$100,000, the dentist generates a full cash-on-cash payback in less than two years. Having interviewed dozens of dentists, while also conducting on-site visits to customers and non-users, we developed an understanding of dental practice and per procedure economics, which are driven by productivity gains and a significant reduction in variable costs.

Overall, our work led us to believe that Sirona's competitive position continues to improve, that R&D investments have laid the foundation for future growth and that the market has underestimated the economic benefit that Sirona provides for its customers.

Headquartered in Green Bay, Wisconsin, **Associated Banc-Corp** ("Associated") (3.03%) boasts the largest branch franchise in the state with 290 branches. The bank serves customers in Wisconsin, Illinois, and Minnesota with a full range of traditional banking services and other financial products. Associated has a strong market presence, holding a top ten market share position in 28 of its 31 markets and a top five position in 12 markets. That said, improving market penetration is a top priority for the bank's new CEO, Phil Flynn.

Phil Flynn joined Associated in December of 2009 to help guide the bank out of some difficult credit issues. Phil was previously with UnionBanCal – a highly regarded San Francisco-based bank – where he developed a reputation as a strong credit operator, having successfully guided that institution out of its own credit issues during 2000-2002. Phil further strengthened the Associated team with the addition of Scott Hickey as Chief Credit Officer and Mark Sander as Head of Commercial Banking, along with a number of other professionals he brought in from UnionBanCal. While Phil and his team have focused the vast majority of their time to-date on managing legacy credit issues, they have also made significant strides to expand Associated's business mix by building a commercial banking presence in Chicago, starting a National Specialized Financial Services Group and opening Kellogg Asset Management, the bank's investment advisory firm. Most importantly, Phil and his team have transformed Associated into a banking culture focused on risk-adjusted ROIC.

Phil's arrival at the bank piqued our interest, as we were familiar with his previous successes and very interested in the value of Associated's core banking franchise across the Northern Midwest. We began building our position in the bank in the fourth quarter of 2009 and added to it in connection with the January 2010 \$500 million secondary issuance, which exceeded our expectations by \$50 million. Our initial investment came at a modest premium to tangible common book value and at a 14% reinvestment cash flow yield. At these valuations, we believed that our downside risk was well-managed by the company's strong capital and liquidity, as well as by new management's aggressive credit reserving and loan write-downs.

To-date, Phil and his team have managed to reduce the bank's pool of non-performing loans by 40%, while taking over \$720 million of charge-offs. Despite the credit losses, Associated posted profitable quarters in both the third and fourth quarters of 2010, while maintaining tangible common book value and continuing to hold \$477 million of allowances for future loan losses. It appears that past credit issues are rapidly abating at Associated, thanks to new management's aggressive measures, and we expect returns to continue to improve over the next three to five years. As an added benefit, a key market competitor, Marshall & Ilsley (0.00%), was recently purchased by Bank of Montreal (0.00%), creating a significant disruption in Associated's core markets, allowing them the opportunity to add valuable customers and employees, most notably in Milwaukee.

Sector Allocation⁴
(As of 3/31/11)

Financial Services	29.24%
Technology	13.82%
Energy	10.07%
Consumer Discretionary	8.64%
Healthcare	8.13%
Utilities	4.77%
Producer Durables	2.02%
Consumer Staples	0.00%
Cash	16.17%

Top Ten Holdings⁵
(As of 3/31/11)

Denbury Resources, Inc.	4.13%
Atmel Corp.	3.99%
New Gold Inc.	3.77%
GameStop Corp.	3.52%
Concho Resources, Inc.	3.43%
ACI Worldwide, Inc.	3.35%
Myriad Genetics, Inc.	3.33%
Associated Banc-Corp	3.03%
First Horizon National Corp.	3.02%

Performance

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

	First Quarter 2011	1-Year	3-Year	5-Year	10-Year	Since Inception ⁶
RS Partners Fund, Class A						
without sales charge	6.56%	22.47%	9.59%	3.47%	13.28%	12.60%
with maximum sales charge	1.50%	16.64%	7.83%	2.47%	12.72%	12.25%
Russell 2000 [®] Value Index ¹	6.60%	20.63%	6.76%	2.23%	9.01%	10.33%

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

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* Beta is a statistical measurement of a portfolio's relative sensitivity to the benchmark, which acts as a proxy for market risk.

** As defined by standard deviation: Standard deviation is a statistical measurement of dispersion about the mean return of a portfolio. Standard deviation shows how widely the portfolio return varied over a specific period. Consequently, it is often used to describe the risk or volatility of a portfolio. A higher standard deviation implies higher volatility in historical returns.

¹ The Russell 2000[®] Value Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 2000[®] Index with lower price-to-book ratios and lower forecasted growth values. (The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000[®] Index, which consists of the 3,000 largest U.S. companies based on total market capitalization.) 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 Bank of America Merrill Lynch Investment Strategy Performance Monitor; "After big rally to close out quarter, small caps on top", April 1, 2011.

³ Ibid.

4 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.

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

6 Class A shares inception date July 12, 1995.

7 Baks, Busse, Green; "Fund Managers Who Take Big Bets," March 2006., Cremers, Petajisto; "How Active is Your Fund Manager," August 2009., Cohen, Randolph B., Polk, Christopher K. and Silli, Bernhard, Best Ideas March 2010.

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