RS | investments

First Quarter 2010 Mutual Fund Commentary
RS Technology Fund

Performance

U.S. equity markets delivered solid gains in the first quarter of 2010, as investors welcomed positive earnings news. Results were especially impressive in the technology sector, where more than 80% of all companies reported better-than-expected fourth quarter earnings, aided by previous cost cutting efforts as well as improved top-line revenue growth. There were also signs that the global economic recovery was starting to broaden, as enterprises began to invest more in equipment and new technology upgrades and sales trends continued to improve in the consumer sector. As investors sought to position themselves for an expanding economic recovery, they often focused on companies with more sensitivity to rebounding manufacturing activity. As a result, technology stocks lagged broader market performance despite the strong fundamentals and impressive earnings performance delivered by many technology companies.

For the three-month period ending March 31, 2010, RS Technology Fund returned 8.87%, strongly outperforming a 2.19% return by the S&P North American Technology Sector Index[1]. RS Technology Fund has also outperformed the S&P North American Technology Sector Index for one-, three-, and five-year periods. Relative returns during the quarter were aided in part by our stock selection in the computer technology, communications technology and semiconductor industries.

Portfolio Strategy

RS Technology Fund seeks long-term capital appreciation by investing in growth-oriented technology companies. Our team-based investment approach leverages the insights of our experienced research analysts, who benefit from extensive industry contacts and a deep understanding of the technological and market dynamics of their specific areas. In selecting holdings for the portfolio, our team of analysts conducts on-site, hands-on fundamental research into prospective companies, testing their findings through conversations with industry experts and key customers, as well as through proprietary financial modeling. In constructing our all-cap portfolio, we invest in large-cap industry leaders as well as in innovative, smaller cap companies that are capitalizing on emerging trends in the technology space. From time to time, we may also take small positions in a handful of distressed technology stocks that we believe offer long-term potential that is not fully understood by the broader market.

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 1.69%. 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 at800-766-3863 or visiting www.RSinvestments.com.

Portfolio Review
The Fund's relative performance in the first quarter was aided by a number of individual holdings that are capitalizing on the enterprise upgrade cycle, as companies try to keep pace with the growing volume of network data. One standout was Super Micro Computer (2.92% of holdings as of 3/31/10), a company that provides customization solutions for data servers. The company is now offering products that work with new higher speed Intel processors that are in high demand for companies trying to improve the speed and reliability of their data processing. We also benefited from our investment in F5 Networks (1.68%), a provider of application delivery networking systems that help balance and manage data server processing loads. The company recently raised its earnings guidance to reflect increased confidence in the strength of this enterprise upgrade cycle, as it continues to take market share away from its largest competitor, Cisco Systems (2.72%).

Other strong contributors for the period included companies capitalizing on the growing popularity of technology-based home entertainment options. These included Entropic Communications (2.16%), a semiconductor company that sells chipsets that enable consumers to network their home entertainment systems to coordinate digital video recorder (DVR) functionality across all of their televisions. DIRECTV (0.62%) has already launched Entropic's technology to its satellite customers, and Entropic is also exploring marketing agreements with cable providers such as Comcast (0.00%).

TiVo, the original provider of DVR technology, also performed well for the period after winning a big settlement in its patent infringement suit against Dish Network's parent company Echostar (0.00%). In our view, this decision will help to strengthenTiVo's competitive position within the DVR market. We also capitalized on continued strong performance by Netflix (0.00%). The premier online-based provider of movie rentals and streaming video, Netflix continued to report stellar earnings performance after adding one million new subscribers to its business in the fourth quarter alone.

Another subscriber-based Internet business gaining popularity with consumers is Ancestry.com (0.98%), which helps people conduct genealogical research online. With over one million subscribers, the company continues to report expanding profit margins and record revenue and earnings growth.

While many of our top contributors for the first quarter were smaller or mid-sized companies, the Fund continues to pursue a multi-cap strategy that seeks promising, high quality technology companies across the range of market capitalizations. In practical terms, this means that we often hold underweight positions in some of the large cap technology stalwarts that receive disproportionately heavy weightings in the benchmark S&P North American Technology Sector Index. Our relative underweighting in one such company, Google (3.89%), worked to our benefit in the first quarter. The internet media company received a setback when its objections to Chinese censorship policies resulted in its ejection from the second largest Internet market in the world.

Conversely, our relative performance was hurt by our significant underweighting in Cisco Systems (2.72%), as shares of the networking equipment company surged on investor enthusiasm over its exposure to the enterprise upgrade cycle. Our relative performance was also dampened by our underweight exposure to Apple (4.71%), which has benefited from continued strong demand for its iPhones and anticipation over the launch of its new iPad device.

Several of our individual holdings also delivered disappointing performance for the period. These included FormFactor (0.73%), a company that makes precision probe cards used to test and sort semiconductor wafers before they are turned into individual chips. The company reported disappointing fourth quarter revenues and first quarter guidance, despite some signs of an early demand upcycle in its DRAM market segment. FormFactor's cards are typically in demand during the later phases of such an upcycle, which added to our confidence in the company's underlying fundamentals and market potential. We held onto our position in the stock.

We also suffered from our investment in enterprise software firm PROS Holdings (0.00%). In the current environment, the company has had a harder time finding customers for its relatively expensive price optimization software, which hurt its recent financial performance.

Outlook
While we are encouraged to see growing signs of economic improvement, we continue to caution that both economic and stock market performance could remain volatile over the coming months. At the same time, we remain on the lookout for new investment opportunities in the expanding enterprise and consumer technology segments through in-depth fundamental research and quantitative screening in line with our consistent goal of creating a portfolio of innovative companies across the market cap spectrum.

Thank you for your investment.

Sincerely,

Steve Bishop	Allison Thacker
Co-Portfolio Manager	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 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. Funds that concentrate investments in a certain sector may be subject to greater risk than funds that invest more broadly, as companies in that sector may share common characteristics and may react similarly to market developments or other factors affecting their values. Investments in high-technology and Internet-related sectors may be highly volatile. Companies in these sectors operate in markets that are characterized by rapid change, evolving industry standards, frequent new service and product announcements, introductions, enhancements and changing customer demands. International investing involves special risks, which include changes in currency rates, foreign taxation and differences in auditing standards and securities regulations, political uncertainty and greater volatility.

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, 2010.

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 3/31/10)

Technology	83.27%
Consumer Discretionary	11.44%
Energy	1.58%
Utilities	1.16%
Cash	5.99%

Top Ten Holdings[3]
(As of 3/31/10)

Apple, Inc.	4.71%
Google, Inc.	3.89%
Amazon.com, Inc.	3.83%
Microsoft Corp.	3.68%
Super Micro Computer, Inc.	2.92%
Hewlett-Packard Co.	2.83%
Cisco Systems, Inc.	2.72%
O2Micro International Ltd.	2.42%
Advanced Energy Industries, Inc.	2.38%
TiVo, Inc.	2.29%

Performance
(Average Annual Total Returns as of 3/31/10)

	First Quarter 2010	1-Year	3-Year	5-Year	10-Year	Since Inception[4]
RS Technology Fund, Class A						
without sales charge	8.87%	77.55%	4.15%	7.64%	-4.97%	8.03%
with maximum sales charge	3.71%	69.03%	2.48%	6.60%	-5.43%	7.66%
S&P North American Technology Sector Index™[1]	2.19%	58.16%	2.63%	5.43%	-8.17%	6.62%
S&P 500® Index[5]	5.39%	49.77%	-4.17%	1.92%	-0.65%	6.70%

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

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1 The S&P North American Technology Sector Index™ is a modified capitalization-weighted index based on a universe of technology-related stocks. Index results do not assume the reinvestment of dividends paid on the stocks constituting the index. Unlike the Fund, the index does not incur fees or 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 November 15, 1995.
5 The S&P 500® Index is an unmanaged market-capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. 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.

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