

## Second Quarter 2010 Mutual Fund Commentary RS Growth Fund

Economic concerns over the European sovereign debt crisis and repercussions of the Gulf oil spill weighed heavily on equity market performance in the second quarter, with the S&P 500® Index delivering its weakest quarterly performance since December 2008. On the economic front, optimism over the pace of recovery faded as the private sector continued to lose jobs while home sales fell sharply once the first-time homebuyer tax credit expired. Against this backdrop, investors lost their appetites for risk and sought stability in the U.S. Treasury market, driving long-term yields to their lowest levels in more than a year. Meanwhile, the Federal Reserve kept short-term lending rates unchanged at historically low levels as policymakers acknowledged the ongoing constraints on consumer spending, even as they recognized the solid improvement in business technology spending.

For the three-month period ended June 30, 2010, RS Growth Fund (Class A Shares) declined 12.21%, slightly underperforming the benchmark Russell 1000® Growth Index<sup>1</sup>, which declined 11.75%. The S&P 500® Index<sup>2</sup> declined 11.43% during the quarter. The Fund's relative performance during this challenging period was held back by stock selection in the technology, materials and processing, and energy sectors. The Fund's relative returns were aided by stock selection in the consumer discretionary and health care sectors.

### Portfolio Strategy

RS Growth Fund relies on a team-based approach to identify high quality, large capitalization companies with strong management teams, sustainable competitive advantages, and superior long-term secular growth potential. We continue to emphasize stocks that we can purchase at a discount to our own earnings estimates, as well as those that we believe offer at least 2 to 1 ratio of upside-return potential to downside risk. We uncover these stocks through our hands-on fundamental research, calling up on the deep expertise and industry contacts of our entire growth investment team. During the quarter, we hired Lesley Bunim, a Consumer analyst. Lesley has over ten years of industry experience and enhances our already deep and experienced team.

### Performance Review

During a quarter in which investors lost their appetites for risk, the resulting sell-off in the equity

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 1.40%. 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](http://www.RSinvestments.com).

market affected a wide range of investments, including many large cap, high profile franchise technology companies with sound fundamentals. Among the Fund's largest detractors in the technology sector were International Business Machines (2.5% as of 6/30/2010) and Hewlett-Packard (0.0%), as well as Seagate Technology (0.0%), a manufacturer of computer hard drives. Like other hardware companies, Seagate has faced concerns over more aggressive pricing within the volatile hardware computer market, as well as over its ability to meet relatively high investor expectations for the second half of 2010.

Other detractors included materials and industrial companies that investors feared would be vulnerable to any slowing in global economic growth. These included glass container manufacturer Owens-Illinois (1.7%), as well as Jacobs Engineering Group (1.9%), a company that provides a diverse range of engineering, technical, and construction services to governments and corporations around the world. Jacobs Engineering faced uncertainty over both the future of some of its near-term global infrastructure projects, as well as over its exposure in the oil and gas drilling area. Despite these near-term pressures, we remain constructive on the company's long-term outlook and retained our investment in the stock. The difficult environment for drilling-related stocks also weighed on a number of our energy sector holdings, including Transocean (0.0%) and Cameron International (1.8%).

On a positive note, the Fund's relative results were aided by stock selection in the consumer discretionary sector, where Starbucks (2.5%) again delivered solid performance. After taking steps to reduce its overall cost structure, Starbucks has been capitalizing on an improved sales environment, and recently raised its earnings guidance for its fiscal year 2010.

Relative performance was also supported by several holdings in the health care sector. These included Illumina (2.1%), a provider of integrated technology that improves the speed and affordability of advanced genetic sequencing. We also benefited from our investment in pharmaceuticals distributor AmerisourceBergen (2.3%), a company that has demonstrated its commitment to cost cutting and operating efficiencies. AmerisourceBergen also benefits from exposure to both the biotechnology and generic drug channels.

Finally, we also benefited from our investment in EMC (2.9%), the leading provider of data storage technology. As the company continues to capitalize on the growing need for advanced data storage capabilities, it continued to report impressive top-line revenue growth.

### **Outlook**

We caution that equity markets could remain volatile in the near-term as investors continue to digest economic news and try to assess the durability of the global economic recovery. Despite this near-term uncertainty, we remain confident in our disciplined and risk-managed approach to long-term growth investing. We continue to rely on hands-on, bottom-up research to identify well-managed and capitalized companies that we believe can deliver solid performance regardless of the underlying economic cycle.

Thank you for your continued investment.

Sincerely,



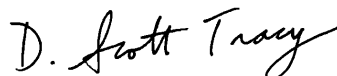
Steve Bishop  
Co-Portfolio Manager



Melissa Chadwick-Dunn  
Co-Portfolio Manager



Allison Thacker  
Co-Portfolio Manager



D. Scott Tracy, CFA  
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 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. 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. Investments in technology companies may be highly volatile.

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 June 30, 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](http://www.RSinvestments.com).***

**Sector Allocation<sup>3</sup>**  
(As of 6/30/10)

Technology	27.93%
Health Care	17.10%
Consumer Discretionary	12.23%
Producer Durables	11.55%
Consumer Staples	10.09%
Energy	6.54%
Financial Services	5.59%
Materials & Processing	3.78%
Cash	5.18%

**Top Ten Holdings<sup>4</sup>**  
(As of 6/30/10)

Apple, Inc.	4.76%
EMC Corp.	2.88%
Google, Inc., Class A	2.85%
PepsiCo, Inc.	2.70%
Target Corp.	2.57%
Internat'l Business Machines Corp.	2.46%
Starbucks Corp.	2.45%
Oracle Corp.	2.38%
United Parcel Service, Inc., Class B	2.34%
Cisco Systems, Inc.	2.29%

## Performance

(Average Annual Total Returns as of 6/30/10)

	Second Quarter 2010	1-Year	3-Year	5-Year	10-Year	Since Inception <sup>5</sup>
RS Growth Fund, Class A						
without sales charge	-12.21%	10.56%	-11.62%	-1.55%	-3.28%	7.70%
with maximum sales charge	-16.42%	5.37%	-13.04%	-2.50%	-3.75%	7.42%
Russell 1000 <sup>®</sup> Growth Index <sup>1</sup>	-11.75%	13.62%	-6.91%	0.38%	-5.14%	6.01%

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

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<sup>1</sup> The Russell 1000<sup>®</sup> Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 1000<sup>®</sup> Index (which consists of the 1,000 largest U.S. companies based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values. 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.

<sup>2</sup> The S&P 500<sup>®</sup> 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, the index does not incur fees and expenses.

<sup>3</sup> 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.

<sup>4</sup> Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

<sup>5</sup> Class A shares inception date May 12, 1992.

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