

Second Quarter 2010 Mutual Fund Commentary RS Global Natural Resources Fund

Objective, Process and Philosophy

Investors allocate capital to commodities and natural resource equities for a number of reasons, including inflation protection, diversification benefits, exposure to emerging market growth dynamics and a constructive outlook on long-term commodity prices. However, there are also risks associated with these benefits, primarily related to commodity price volatility and value creation (or lack thereof). We believe that our job is to provide investors with these benefits while employing an investment framework that minimizes the various risks associated with an allocation to the asset class.

Our objective in managing the RS Global Natural Resource Fund is long-term capital appreciation across a commodity price cycle. 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 with steep cost curves that can create value throughout the cycle, 2) investing in the 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 their share prices are trading below net asset value.

Our approach to investing in the natural resources sector is private equity-like, both in terms of our investment horizon and our investment process. We use a team of business analysts to identify the few advantaged companies in each commodity that will create the most value over a three to five year time horizon and wait for the market to provide us with attractive opportunities to purchase interests in them. We expect the advantaged companies will grow net asset value by at least 10-20% per annum in a flat price environment due to their positions on the cost curve. In essence, we are looking for the same returns stream that private equity seeks, but with greater liquidity and with a wider range of commodities to access. Finally, we believe that maintaining investor capital is the key determinant of superior risk-adjusted returns. The value investor’s adage that “it’s not what you make, it’s what you keep” rings particularly true in the natural resource space, which is highly capital intensive, deeply cyclical and is an area where most companies destroy shareholder value across a commodity price cycle. We attempt to take advantage of what we believe is the market’s pre-

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 1.50%. 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.

occupation with short-term changes in commodity prices to establish positions in the most advantaged assets, at prices that we believe are protected by the underlying value of the assets.

We acknowledge that this approach does not maximize returns over short periods of time when commodity prices are rising. The offset is that in volatile or declining markets, and more importantly across a commodity price cycle, we believe that our focus on managing risk will allow us to generate superior returns for our investors.

Performance Update

For the second quarter of 2010, the RS Global Natural Resources Fund (Class A Shares) declined 6.57% while the S&P North American Natural Resource Index^{TM1} declined 9.76% for the same period. The S&P 500^{®2} declined 11.43%. Year to-date, the RS Global Natural Resources Fund is down 4.58%, versus the 9.32% decline for the S&P North American Natural Resource Index and 6.65 % decline for the S&P 500. Investments in what we view as advantaged gold, power and aggregates producers were positive contributors to returns in the quarter. Examples include Goldcorp Inc. (4.6% as of 6/30/2010), Martin Marietta (4.6%), and Calpine (4.1%). Absolute negative returns were generated in the base metals sector, as well as in bulks and in energy as concerns regarding the sustainability of the global economic recovery, as well as a slowdown in China's growth, weighed on the commodity complex. Positive relative returns were driven largely by the diversified nature of our portfolio, and the tendency for low-cost assets to go down less in more challenging markets. In our view, this dynamic is partly because advantaged assets have less operating leverage than higher cost assets, and also because regardless of what happens to commodity prices, the advantaged asset will still be generating positive economic value for its owner, even in a more depressed price environment.

We actively reduced exposure to commodities such as iron ore, metallurgical coal and copper early in the quarter, as stocks were discounting commodity prices well in excess of our assessment of the marginal cost of supply. While we do not have strong short-term views on commodity prices, we contend that prices above the marginal cost of supply are unsustainable, and use these periods to reallocate capital into other commodities where we feel more confident about the spread between price and value. Notable recipients of incremental capital were North American and international natural gas businesses, as well as select gold, aggregates and soda ash names. A primary component of our efforts to manage commodity price risk within the portfolio resides in the highly diversified nature of the strategy. As value investors, we have to be able to alter our exposures to a given commodity when prices dictate, despite the quality of management or the relative position of the asset along the supply cost curve. We believe that the time is right when the price is right. Following the correction in May and June, we have begun to selectively increase exposure to our targeted copper and bulk producers, as we believe stock prices now provide us with a better risk profile.

Strategy Update

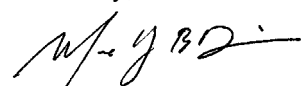
We believe that the current environment for natural resources is mixed and that in the absence of a coordinated pick-up in global demand, commodity prices will continue to oscillate around their respective incentive prices with a high degree of volatility. We will use short-term dislocations between price and underlying economic value to establish positions in 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 portfolio turnover may pick up slightly versus historical levels, although the number of names traded 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 investors

to the most advantaged natural resource companies across the commodities spectrum when we believe valuations are attractive. By doing so, we feel that are best able to provide our investors with all the benefits associated with an investment in the natural resource space with less risk. 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.

We are, as always, thankful for your patience and support.

Sincerely,



MacKenzie Davis, CFA



Andrew Pilara



Ken Settles, CFA

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 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. 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 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.

Sector Allocation³
(As of 6/30/10)

Energy	44.09%
Materials & Processing	42.82%
Utilities	4.09%
Financial Services	1.42%
Cash	7.59%

Top Ten Holdings⁴
(As of 6/30/10)

Southwestern Energy Co.	5.20%
Martin Marietta Materials, Inc.	4.64%
Goldcorp, Inc.	4.55%
Denbury Resources, Inc.	4.26%
Occidental Petroleum Corp.	4.23%
Calpine Corp.	4.08%
Praxair, Inc.	3.90%
Talisman Energy, Inc.	3.86%
Compass Minerals International, Inc.	3.79%
Agnico-Eagle Mines Ltd.	3.63%

Performance

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

	Second Quarter 2010	1-Year	3-Year	5-Year	10-Year	Since Inception ⁵
RS Global Natural Resources Fund, Class A						
without sales charge	-6.57%	20.96%	-5.49%	6.90%	14.46%	10.21%
with maximum sales charge	-11.00%	15.20%	-7.02%	5.87%	13.91%	9.84%
S&P North American Natural Resources Sector Index™ ¹	-9.76%	13.43%	-6.89%	5.70%	7.65%	N/A
S&P 500® Index ²	-11.43%	14.43%	-9.81%	-0.79%	-1.59%	5.70%

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

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1 The S&P North American Natural Resources Sector Index™ is a modified cap-weighted index designed as a benchmark for U.S.-traded securities in the natural resources sector. The index includes companies involved in the following categories: extractive industries, energy companies, owners and operators of timber tracts, forestry services, producers of pulp and paper, and owners of plantations. Index results 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 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.

3 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.

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

5 Class A shares inception date November 15, 1995.

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