

Second Quarter 2010 Mutual Fund Commentary RS High Yield Bond Fund

Performance

(Average Annual Total Returns as of 06/30/2010)

RS High Yield Bond Fund (Class A – GUHYX)

	Second Quarter 2010	1-Year	3-Year	5 –Year	10-Year	Since Inception (9/01/98)
without sales charge	-0.30%	20.56%	4.15%	5.24%	5.29%	5.17%
with maximum sales charge	-4.03%	16.02%	2.83%	4.44%	4.90%	4.83%
Barclays Capital U.S. Corporate High-Yield Bond Index ¹	-0.11%	26.77%	6.54%	7.17%	7.32%	6.51%

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

Fund Highlights

Portfolio Overweights

- Energy – Attractive valuations and strong asset coverage. Demand from Asia is increasing
- Media Non Cable – Advertising spending is on the rebound, record political advertising should benefit TV stations
- Technology – Increasing demand for infrastructure build out in Asia and positive momentum in North American and European markets should bolster technology spending moving forward

Portfolio Underweights

- Native American casinos – Overcapacity as more regional casinos continue to be built and lack of precedence in bankruptcy laws about defaults on “sovereign tribal land” create uncertainty
- Construction Machinery/Building Suppliers – Overcapacity in both housing and commercial sectors will continue to weigh on these two sectors
- CCC’s⁴ – Not as attractive on an historical basis as compared to higher rated high yield securities

Performance quoted represents past performance and does not guarantee future results. The Fund is the successor to The Guardian High Yield 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 1.14% / 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

- Expect to see moderate spread contraction for the remainder of 2010
- Improving growth yet low inflation could be highly beneficial for High Yield
- The default rate should remain low for the remainder of 2010

Fund Commentary

Performance

The RS High Yield Bond Fund (Class A Shares), sub-advised by Guardian Investor Services, LLC (GIS), returned -0.30% for the six-month period ended June 30, 2010, underperforming its benchmark, the Barclays Capital U.S. Corporate High Yield Index, which returned -0.11% for the same period.

(As of 06/30/10)

	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
RS High Yield Bond Fund (Class A) Average Annual Total Return	20.56%	4.15%	5.24%	5.29%
Lipper ^{1,2} High Current Yield Funds Average Annual Total Return	23.96%	3.34%	5.01%	5.36%
Lipper High Yield Municipal Debt Funds Category Ranking*	342/474	185/410	190/351	150/228
Lipper High Yield Municipal Debt Funds Category Percentile	72 nd	46 th	54 th	66 th

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

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Portfolio Review

Corporate fundamentals continued to improve based on a number of credit metrics during the second quarter. The default rate continued to fall, corporate leverage declined and cash increased on balance sheets. However, the focus of the credit markets was on macroeconomic concerns, as the European Sovereign crises and financial reform in the U.S., overshadowed earnings and balance sheet improvement. As investor sentiment declined, the High Yield market was pressured by mutual fund outflows that totaled \$4.5 billion for the last 9 weeks of the quarter and spreads widened out.

Our security selection for the quarter helped us avoid some of the over-levered, leverage buyout (LBO) names and other troubled credits that sold off dramatically in the volatile second quarter. With the widening spreads in the High Yield market, we continue to find attractive opportunities in many moderately levered companies which we believe offer value on both an absolute and relative value basis.

Turning to individual sectors, the Insurance sector – Life, and Property & Casualty (P&C) outperformed the Barclay's High Yield Index by over 10 basis points, as our investments in the life insurance sub-

sector, Genworth Financial and Symetra financial, outperformed during the quarter while our underweight also aided performance. We believe that Genworth Financial, which fell to High Yield from investment grade, is on its way to regaining investment grade metrics and we are constructive on the credit. We also believe that with a yield over 11.5%, Symetra Financial is undervalued and has potential to appreciate. We continue to be uncomfortable with what we believe are weaker issuers in the sector such as American International Group (AIG), as operational/asset problems remain. We currently see little value in the P&C insurance sub segment and will not look to add exposure moving forward.

Our holdings in the Technology sector helped the portfolio performance against our benchmark in the second quarter outperforming by almost 20 basis points. Improved business spending on technology in both hardware and enterprise software had beneficial effects on many credits in our portfolio. These included new positions such as Aspect Software, Amkor Technology and GXS Worldwide, as well as established positions in Sungard Data Systems and Communications & Power Industries. We expect the trend in enterprise IT spending to remain positive and will continue to direct our investments in the Technology sector accordingly.

Aerospace and Defense underperformed by more than 4 basis points due primarily to one credit, Colt Defense. Colt Defense missed their earnings estimates during the quarter and guided for weaker than expected results for the full year. The shortfall was mostly attributable to a foreign government postponing a significant order until 2011. Also weighing on the bonds was the government's decision to reopen bidding on the M4 rifle contract, a rifle that Colt currently manufactures. If Colt were to lose the M4 contract it would materially affect the company's finances. We currently believe that that the delay in the large order by a foreign government is attributable to fiscal belt tightening in 2010 and that the sale will occur in 2011. We also believe that the M4 contract is likely to stay with Colt moving forward, but we are monitoring the situation carefully.

Gaming underperformed the Barclay's High Yield index by almost 4 basis points in the quarter as Pinnacle Entertainment and MGM Mirage were slight underperformers. The Gaming sector has not rebounded as quickly as other consumer discretionary sectors. Consumers' reluctance to spend on what had previously been a somewhat recession resistant sector, coupled with an ever increasing number of local and Native American casinos has increased pressure on existing casinos. We have been cautious regarding gaming and have almost entirely avoided overlevered Native American casinos where the rights of the creditor are uncertain due to sovereignty of the individual tribes. In a distressed scenario, investors might be forced to take far less recovery than typical in a restructuring due to a lack of ability to seize assets in a bankruptcy. We have been negative on the gaming industry and will continue to look to reduce our holdings in this sector.

Market Overview

The high yield market (represented by the Barclays Capital U.S. Corporate High-Yield Bond Index) declined during the 2Q falling -0.11%, as investors' appetite for risk declined and money were withdrawn from the High Yield market. The substantial outflows from High Yield mutual funds were a large contributing factor to a weaker technical environment. High Yield spreads ended the quarter generally wider on the year, after having tightened in the first quarter. In addition to the sovereign crisis in Europe, pending financial reform, mixed economic headlines in the U.S. and negative news in the housing sector continue to weigh on bonds. Investors have become increasingly concerned about the possibility of a double dip recession. It is important to note however, that High Yield has outperformed equities through the recent weakness, this would indicate that investors are not fleeing the asset class and that our case for positive technicals moving forward seems to be in place. Despite the widening of spreads in High Yield, yields have remained flat year-to-date as interest rates have declined.

Outlook

We expect that we will see moderate spread contraction in High Yield for the remainder of 2010. Positive corporate earnings momentum and meaningful balance sheet improvement of High Yield issuers points to strong High Yield fundamentals moving forward that should not be derailed by the European Debt crises. Improving corporate liquidity and robust capital markets activity should meaningfully lower the

default rate over the next two years and should also provide a positive tone for the market. Even if U.S. economic growth were to disappoint over the next 12 months, we do not believe that our outlook for a benign default rate would substantially change. We believe that High Yield bond valuations currently reflect the fiscal and global uncertainty and there is additional upside potential for the market if the U.S. economy continues to grow at a pace of 2%. In fact, positive growth that is not strong enough to force the Federal Reserve to raise interest rates may be a best case scenario for High Yield.

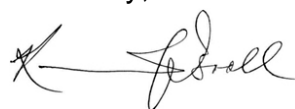
Improving growth, yet low inflation, has proven to be an ideal backdrop for higher yielding assets in the past. With money market rates near zero and low investment grade bond yields, many investors will seek additional yield. With the High Yield Index yielding over 9% the asset class remains attractive. Moving forward, inflows from institutional accounts should be a larger factor than retail fund flows as institutional investors will direct more assets into high yield to pick up additional yield with the Federal Reserve maintaining its accommodative stance. Investors' thirst for yield combined with improving corporate earnings, and a strong new issue market, should create a favorable tone for the market. Furthermore, the new issue market continues to provide fresh capital for refinancing, resulting in the default rate for the quarter declining to near zero. Despite the slowdown of new issuance over the past couple of months, we still expect High Yield to surpass last year's record issuance of \$180 billion.

Based on our fundamental and technical outlook we will be increasing our holdings in BB⁴ credits, which are cheap on a historical basis, while selectively adding to oversold lower quality paper where we see opportunity. We are also adding low duration paper in credits with attractive yields and ample liquidity as these credits will offer protection against both a market sell off and the potential for rising interest rates. We continue to expect BB spreads to tighten, and the market to continue to transition to an environment of more investment discretion, where individual security selection will be the key as the risk/reward relationship for trading down in credit quality is deteriorating.

We will be positioning the funds with an overweight in sectors we believe offer favorable fundamentals such as Food and Beverage, Media Non Cable, Technology, and Independent Energy and expect to make only selective investments in sectors about which we remain cautious such as Refining, Gaming, Building Suppliers and Construction Machinery. We will also be maintaining a bias to higher rated bonds, as we believe that the risk/reward relationship is more attractive in those securities. Ultimately, we believe High Yield may be poised for solid returns moving forward, but we expect returns to be below those seen over the last 12 months.

We thank you for your continued support.

Sincerely,



Kevin Booth
Co-Portfolio Manager



Marc Gross
Co-Portfolio Manager



Howard G. Most
Co-Portfolio Manager

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.

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.

High yield bond investing includes special risks. Investments in lower rated and unrated debt securities are subject to a greater loss of principal and interest than investments in higher rated securities.

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.

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.

Bond Quality

(As of 06/30/10)	<u>% Fund</u>
Short-Term / Other Assets and Liabilities	3.4%
AAA	0.0%
BBB	1.5%
BB	26.0%
B	50.6%
CCC	15.9%
Below CCC	0.7%
Not Rated	1.8%

Top Ten Holdings³

(As of 06/30/10)	<u>Coupon Rate</u>	<u>Maturity Date</u>	<u>% Fund</u>
CIT Group, Inc.	7.000	05/01/2013	1.51%
OPTI Canada, Inc.	8.250	12/15/2014	1.19%
SunGard Data Systems, Inc.	10.625	05/15/2015	1.17%
First Data Corp.	9.875	09/24/2015	1.15%
J.C. Penney Corp., Inc.	7.650	08/15/2016	1.13%
Venoco, Inc.	11.500	10/01/2017	1.04%
Alliance HealthCare Services, Inc.	8.000	12/01/2016	1.01%
Block Communications, Inc.	8.250	12/15/2015	0.99%
International Lease Finance Corp.	6.650	06/01/2014	0.93%
Aramark Corp.	8.500	02/01/2015	0.87%

¹ The Barclays Capital U.S. Corporate High Yield Bond Index is generally considered to be representative of the investable universe of the U.S.-dominated high-yield debt market. The Barclays Capital U.S. Corporate High Yield Bond Index is not available for direct investment and there are no expenses associated with it, while there are expenses associated with the Fund. The Lipper High Current Yield Objective Average is the average of the funds in the group in existence in the Lipper database for the periods and does not reflect any deduction for sales charges.

² Lipper, Inc. is an independent mutual fund monitoring and rating service. Its database of performance information is based on historical returns, which assume the reinvestment of dividends and distributions and the deduction of all fund expenses. Lipper return figures do not reflect the deduction of any sales charges that an investor may pay when purchasing or redeeming shares of the Fund.

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

⁴ Rating agencies' independent ratings of individual bonds are aggregated by Barclays and market weights are reported using Standard & Poor's letter rating conventions. Rating methodology uses the middle rating of Moody's, Standard & Poor's and Fitch. When a rating from only two of the rating agencies is available the lower rating is used. Average Rating calculation does not reflect unrated and short-term holdings.

Distributed by: Guardian Investor Services LLC (GIS), 7 Hanover Square, New York, NY 10004.

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