RS | investments

Second Quarter 2010 Mutual Fund Commentary
RS Mid Cap Growth Fund

Performance

Economic uncertainty once again weighed on U.S. equity market performance in the second quarter as disappointing declines in employment and home sales raised concerns that the recovery may be losing steam. Adding to investor unease were signs of slowing growth abroad, notably in China as well as Europe, which was embroiled in a deepening debt crisis. Against this backdrop, investors lost their appetites for risk and sought safety in the Treasury market, selling off shares of companies from a variety of economic sectors. Declines were sharpest in the energy sector, which was overshadowed by the Gulf Coast oil spill disaster and the resulting moratorium on deep water oil and gas drilling.

Against this backdrop, RS Midcap Growth Fund (Class A Shares) declined 8.50%, but outperformed the 10.20% decline of the benchmark Russell Mid Cap Growth® Index[1]. While returns for both the Fund and the benchmark index were negative across most market segments, the Fund's performance relative to the Index was aided by stock selection in the energy, technology, and producer durables sectors. Stock selection in the health care sector held back the Fund's relative performance.

Portfolio Strategy

RS Mid Cap Growth Fund invests in a portfolio of mid-cap companies selected for their long-term secular growth potential and sustainable competitive advantages. The Fund is managed with a team-based approach that calls upon the sector expertise and hands-on research efforts of our experienced analysts who bring a wealth of industry knowledge and contacts within their areas of expertise. Recently, we added a new member to our Growth Investment Team with the hiring of consumer sector analyst Lesley Bunim. Lesley has over ten years of industry experience and enhances our already deep and experienced team.

Portfolio Review

In a challenging quarter for energy stocks, the Fund benefited from its investments in carefully selected energy companies that are using proprietary technology to improve the safety and effectiveness of oil and natural gas exploration. These included Core Laboratories (2.7% as of

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 1.51%. 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.

6/30/2010), a company that delivered solid performance in the quarter. Core Laboratories supplies advanced geology and technical services that help energy exploration companies to better assess reservoir characteristics and plan for the safe and efficient recovery of resources. We believe that these kinds of highly engineered solutions will continue to be in great demand.

Stock selection also contributed to relative performance in the technology sector, where we continued to focus on companies capitalizing on the enterprise upgrade cycle. While many corporations and large scale enterprises delayed technology spending during the recession, they are now upgrading their systems to handle the exploding volume of high speed data traffic and the rapid evolution in networking technology and applications requirements. Companies capitalizing on this spending include F5 Networks (2.3%) and Akamai Techologies (1.6%), two stocks that continued to deliver strong performance for the Fund. F5 Networks supplies equipment and software that help servers better balance and manage their data loads, while Akamai Technologies enables the storing of large data files, such as video files, at locations close to the end-user.

Weighing on our relative performance were health care stocks that traded lower on largely economic concerns. Brookdale Senior Living (1.7%) is the nation's largest provider of assisted living facilities. The company recently faced worries over its mortgage debt obligations and its sensitivity to a weak housing market, which might prevent some seniors from selling their homes in order to move into a senior living facility. Nonetheless, we have confidence that the company's debt load remains manageable, and that demand remains strong given favorable demographics and limited supply. Moreover, we remain impressed with Brookdale's opportunity to add ancillary services, as well as their solid occupancy rates, exposure to favorable demographic trends, and strong management team.

Outside of the health care sector, detractors included companies that investors saw as vulnerable to a weakening global economy. These included glass container manufacturer Owens Illinois (1.9%), global engineering contracting services company Jacobs Engineering (1.8%), and apparel retailer Guess (1.8%), which has a significant presence in the European market. Despite near-term economic uncertainty, we remain focused on these companies' underlying fundamentals, which give us confidence in their longer term growth potential.

Outlook

While we remain cautious with regard to the near-term economic outlook, we remain confident in the underlying fundamentals of our investments and in our risk-managed growth investment process. We continue to focus our efforts on uncovering high quality, well managed companies that we believe can sustain their competitive advantages and profit margins, and deliver solid long-term performance to our investors regardless of the economic backdrop.

We appreciate your continued confidence and support.

Sincerely,

Melissa Chadwick-Dunn

Steve Bishop
Co-Portfolio Manager

Melissa Chadwick-Dunn
Co-Portfolio Manager

Allison K Thacker

D. Scott Tracy

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.

Sector Allocation[2]
(As of 6/30/10)

Technology	18.53%
Consumer Discretionary	18.15%
Producer Durables	17.37%
Health Care	15.79%
Financial Services	9.15%
Energy	7.00%
Materials & Processing	6.26%
Consumer Staples	2.44%
Cash	5.32%

Top Ten Holdings[3]
(As of 6/30/10)

Starbucks Corp.	3.13%
Yum! Brands, Inc.	3.06%
Core Laboratories N.V.	2.69%
Southwestern Energy Co.	2.69%
Dole Food Co., Inc.	2.44%
F5 Networks, Inc.	2.30%
Activision Blizzard, Inc.	2.27%
Salesforce.com, Inc.	2.19%
The Scotts Miracle-Gro Co., Class A	2.16%
IHS, Inc.	2.16%

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

	Second Quarter 2010	1-Year	3-Year	5-Year	10-Year	Since Inception[4]
RS Mid Cap Growth Fund, Class A (formerly RS MidCap Opportunities Fund)						
without sales charge	-8.50%	21.27%	-13.32%	-2.15%	-1.45%	6.67%
with maximum sales charge	-12.85%	15.57%	-14.71%	-3.09%	-1.93%	6.32%
Russell Midcap® Growth Index[1]	-10.20%	21.30%	-7.53%	1.37%	-1.99%	6.38%

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

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1 The Russell Midcap® Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell Midcap® Index with higher price-to-book ratios and higher forecasted growth values. (The Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000® Index, which consists of the 1,000 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 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 July 12, 1995.

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