

Second Quarter 2010 Mutual Fund Commentary RS Small Cap Equity Fund

Performance Review

Investor optimism over the economic recovery lost steam in the second quarter as new declines in home sales and payroll employment raised concerns over persistent pressures on the consumer sector. Adding to investor unease were signs of slowing growth in Asia, as well as the deepening sovereign debt crisis in Europe and the ongoing oil spill in the Gulf of Mexico. Against this backdrop, Federal Reserve policymakers kept overnight lending rates unchanged at historically low levels, even as they stated that the economic recovery was “proceeding” despite constrained consumer spending. Nonetheless, investors appeared less tolerant of risk, and the equity market sold off.

For the three-month period ended June 30, 2010, RS Small Cap Equity Fund (Class A Shares) declined by 9.22%, performing in line with the benchmark Russell 2000® Growth Index¹, which also declined 9.22%. The Russell 2000® Index² declined 9.92% during the quarter. The Fund’s relative performance for the period was assisted by stock selection in the financial services, energy, and technology sectors. By contrast, stock selection in the producer durables, consumer discretionary, and materials and processing sectors dampened relative returns.

Portfolio Strategy

In managing RS Small Cap Equity Fund, we rely on a team-based approach that capitalizes on the in-depth sector expertise of our analysts. We recently added a new analyst with the hiring of Lesley Bunim, who brings over ten years of industry experience, to expand our coverage of the consumer sector. Like all of our team members, Lesley will spend considerable time on the road, visiting companies in person and interviewing their management teams, employees, customers, and suppliers. What we learn will then be confirmed through interviews with industry analysts, as well as through rigorous financial modeling and scenario testing. Through this process, our team members work to identify well-managed, smaller cap companies with favorable long-term secular growth trends.

Portfolio Review

During the second quarter, RS Small Cap Equity Fund benefited from its stock selection in the financial services sector, where electronics payments company Cybersource was a standout

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.

performer. Shares of Cybersource (0.0% as of 6/30/2010) soared after the company received a \$2 billion takeover bid from Visa (0.0%). Our results also benefited from our investment in Portfolio Recovery Associates (1.1%), a collections company that purchases credit card debt and other delinquent receivables for pennies on the dollar and then applies its collection techniques to recover payment. The company has benefited from some stabilization in household finances, as well as from many consumers' new emphasis on reducing their debt.

Despite a difficult environment for energy stocks, a number of the Fund's individual energy sector holdings delivered solid positive returns. These included independent oil and gas exploration firm Concho Resources (2.2%) and Core Laboratories (1.5%), a company that provides reservoir description and management services that are critical to planning for safe and efficient recovery of oil well resources.

The Fund's relative performance was also supported by investments in several emerging technology companies. Isilon Systems (0.9%) makes storage systems that efficiently accommodate large data files, including video files. LogMeIn (1.3%), meanwhile, sells software and mobile device applications that enable users to tunnel into their work-based computers remotely using their iPhone or iPad. Another recent initial public offering stock that worked in our favor was DynaVox (1.3%), the maker of advanced, customizable voice generating technology that enables people with neurological or other conditions to communicate through a computer based interface. The company is slowly gaining awareness in the health care market, while it also works to help its users obtain insurance company reimbursement.

Relative performance was held back by investments with real or perceived sensitivity to slowing global economic growth. These included apparel retailer Guess (1.1%), which has significant European market exposure, as well as two early stage companies, automotive supplier Wonder Auto (0.0%) and electronics manufacturer Deer Consumer Products (0.0%) both of which are vying for the Chinese market. While we maintained our investment in Guess, which benefits from solid brand awareness and product diversification, we liquidated our holdings in Wonder Auto and Deer Consumer Products on concerns regarding their growth prospects.

Consumer electronics company TiVo (0.7%) also traded lower in the quarter after the company suffered a legal setback in its battle to protect the patent on its digital video recorder (DVR) technology. While this decision created a short-term headwind for the stock, we remain confident that the company will eventually prevail in its intellectual property suit.

Finally, in the health care space, we liquidated our already reduced investment in platform biotechnology company InterMune (0.0%), which sold off sharply after the Food and Drug Administration failed to approve its only drug, a much awaited treatment for a deadly lung condition.

Outlook

While we remain cautious on the near-term economic outlook, especially for the consumer sector, we remain confident in our companies' growth prospects. We continue to focus our attention on companies with disciplined cost structures, clean balance sheets, and either established and sustainable market footholds, or unique new products or services that address evolving customer needs. In this environment, we continue to rely on an exacting, bottom up investment process and risk managed approach with the goal of seeking out high quality investments that can deliver long-term performance to our shareholders.

Thank you for your continued confidence.

Sincerely,



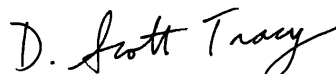
Steve Bishop
Co-Portfolio Manager



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. Small cap investing entails special risks. Small-cap stocks have tended to be more volatile and to drop more in down markets than large-cap stocks. This may happen because small companies may be limited in terms of product lines, financial resources and management.

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)

Health Care	25.35%
Producer Durables	17.00%
Technology	16.82%
Consumer Discretionary	16.39%
Financial Services	7.35%
Energy	6.74%
Consumer Staples	3.48%
Materials & Processing	2.26%
Utilities	1.30%
Cash	3.32%

Top Ten Holdings⁴
(As of 6/30/10)

Concho Resources, Inc.	2.21%
Advanced Energy Industries, Inc.	2.06%
GSI Commerce, Inc.	1.93%
Medidata Solutions, Inc.	1.80%
HEICO Corp., Class A	1.60%
P.F. Chang's China Bistro, Inc.	1.55%
Align Technology, Inc.	1.51%
The Scotts Miracle-Gro Co., Class A	1.48%
Core Laboratories N.V.	1.48%
Dril-Quip, Inc.	1.47%

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 Small Cap Equity Fund, Class A without sales charge	-9.22%	22.22%	-6.75%	1.94%	1.79%	6.57%
with maximum sales charge	-13.53%	16.40%	-8.26%	0.96%	1.29%	6.18%
Russell 2000 [®] Growth Index ¹	-9.22%	17.96%	-7.54%	1.14%	-1.72%	3.41%
Russell 2000 [®] Index ²	-9.92%	21.48%	-8.60%	0.37%	3.00%	5.75%

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

The Fund is the successor to the Guardian Park Avenue Small Cap Equity Fund, a mutual fund with substantially similar investment objective, strategies, and policies. The performance of the Fund provided in the chart includes that of the predecessor fund prior to October 9, 2006. 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. Please keep in mind that any high double-digit returns are highly unusual and cannot be sustained. 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, "with maximum sales charge" reflects the current maximum sales charge of 4.75% that became effective on October 9, 2006. 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, is available by contacting RS Investments at 800-766-3863 or visiting www.RSinvestments.com.

1 The Russell 2000[®] Growth Index measures the performance of those companies in the Russell 2000[®] Index with higher price-to-book ratios and higher forecasted growth values. (The Russell 2000[®] Index measures the performance of the 2,000 smallest companies in the Russell 3000[®] Index, which consists of the 3,000 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, the index does not incur fees and expenses.

2 The Russell 2000[®] Index measures the performance of the 2,000 smallest companies in the Russell 3000[®] Index, which consists of the 3,000 largest U.S. companies based on total market capitalization. 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.

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 May 1, 1997.

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