

## Second Quarter 2010 Mutual Fund Commentary RS Select Growth Fund

### Performance Review

Economic concerns once again weighed on stock market performance in the second quarter, as investors confronted signs of slower growth both domestically and abroad. In the United States, consumer confidence waned as payroll employment declined in June following a drop in new home sales in May after the popular first-time homebuyer tax credit expired. Meanwhile, the Commerce Board revised first quarter GDP downward, revealing that the pace of economic activity earlier this year was less robust than previously thought. Against this backdrop, investors decreased their appetites for risk and equities declined.

For the three-month period ended June 30, 2010, RS Select Growth Fund (Class A Shares) declined 7.77%. Despite the negative return, the Fund outperformed the benchmark Russell 2500® Growth Index<sup>1</sup> decline of 9.77%. The Russell 2000® Growth<sup>2</sup> Index declined 9.22% during the quarter. The Fund's relative performance was supported by stock selection, especially in the financial services and energy sectors. Stock selection in the technology, health care, and materials sectors detracted from relative performance.

### Portfolio Strategy

RS Select Growth Fund invests in a select group of growth stocks with small- to mid-market capitalizations. The focus remains on high quality investments chosen for their sustainable competitive advantages and superior long-term secular growth potential. The Fund is managed using a team-based approach that calls upon the in-depth industry experience and contacts of our analysts. We recently added a new Consumer analyst to the RS Growth Team with the hiring of Lesley Bunim. Lesley has over ten years of industry experience and enhances our already deep and experienced team.

### Portfolio Review

The Fund's relative performance during the quarter was aided by investments in a number of financial services stocks that delivered solid gains. These included CyberSource (0.0% as of 6/30/2010), an online payments processing company that received a \$2 billion takeover bid from Visa (0.0%). This bid represented a more than 30% premium over the company's market value and

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 1.86%. 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).

sent shares of CyberSource sharply higher. We also benefited from our investment in Portfolio Recovery Associates (1.5%), a debt collections company that purchases unpaid accounts from credit card companies and other creditors for pennies on the dollar, and then applies its own procedures to collect the outstanding payments. The company's efforts have recently been supported by some stabilization in household finances, as well as by the commitment on the part of many consumers to pay down debt.

Other positive contributors included life science tools firm Illumina (2.8%), a company that has developed integrated systems that both speed up and lower the cost of genetic sequencing, as well as technology holdings such as F5 Networks (1.7%), which provides systems that help to accommodate the rapid growth and evolution of data networking.

The second quarter proved a difficult period for energy stocks, as the Gulf oil spill and the resulting halt in deep water oil drilling created uncertainty for many oil- and gas-related stocks. The subsequent sell-off in energy shares took a toll on several of the Fund's holdings, including Dril-Quip (2.3%), a supplier of offshore drilling equipment. Nonetheless, we benefited from our investment in another energy holding, Core Laboratories, a leading provider of proprietary technology that helps exploration companies assess oil and gas reservoirs and plan for the most efficient and safe extraction of resources. For this reason, we used the recent retreat in Dril-Quip's share price to add to our position in the stock.

Other detractors for the quarter included several companies with significant overseas exposure. These included apparel retailer Guess (1.9%) and networking equipment manufacturer Commscope (0.9%), two companies that depend on Europe for a significant share of their revenues. While we felt that concerns were overstated and maintained exposure to both companies, we will continue to closely monitor both internal and external developments that might affect performance going forward.

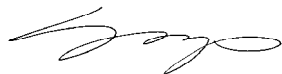
The Fund's relative returns were also dampened by several health care investments, notably Brookdale Senior Living (1.6%). The nation's largest provider of assisted living facilities, Brookdale has recently faced concerns over its mortgage debt burden and its sensitivity to a struggling housing market, since many prospective residents need to sell their homes in order to fund their move into a senior living facility. Nonetheless, our in-depth financial analysis has given us confidence that the company's debt load remains manageable, and 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.

## **Outlook**

As we look ahead, we caution that equity market performance could remain volatile as investors await more clarity on both the strength of the economic recovery and the fall-out from the European debt crisis. In this climate, we continue to focus on companies with solid long-term earnings potential that we believe can transcend economic cycles. Our team members continue to travel extensively, visiting companies in person and seeing first-hand how they are adapting to the evolving business climate. Through our disciplined, in-depth investment process and emphasis on risk management, we continue to focus on delivering solid long-term results for our investors.

Thank you for your continued investment.

Sincerely,



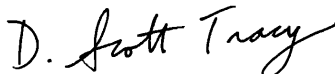
Steve Bishop  
Co-Portfolio Manager



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 smaller 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. Investing in a more limited number of issuers and sectors can be subject to greater market fluctuation.

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)

Health Care	19.89%
Technology	17.18%
Producer Durables	16.67%
Consumer Discretionary	14.70%
Financial Services	9.13%
Energy	8.46%
Materials & Processing	5.32%
Consumer Staples	1.96%
Utilities	1.79%
Cash	4.91%

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

Illumina, Inc.	2.78%
The Ultimate Software Group, Inc.	2.66%
Core Laboratories N.V.	2.56%
P.F. Chang's China Bistro, Inc.	2.53%
Dril-Quip, Inc.	2.33%
HMS Holdings Corp.	2.26%
Concho Resources, Inc.	2.25%
Align Technology, Inc.	2.21%
The Scotts Miracle-Gro Co., Class A	2.12%
HEICO Corp., Class A	2.10%

## 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 Select Growth Fund, Class A						
without sales charge	-7.77%	24.07%	-6.32%	0.56%	-3.52%	8.93%
with maximum sales charge	-12.16%	18.19%	-7.82%	-0.42%	-3.99%	8.55%
Russell 2500 <sup>®</sup> Growth Index <sup>1</sup>	-9.77%	21.44%	-7.10%	1.81%	-1.06%	5.04%
Russell 2000 <sup>®</sup> Growth Index <sup>2</sup>	-9.22%	17.96%	-7.54%	1.14%	-1.72%	3.22%

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

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**1** The Russell 2500<sup>®</sup> Growth Index measures the performance of the small to mid-cap growth segment of the U.S. equity universe. It includes those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 2500 Growth Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect growth characteristics.

**2** The Russell 2000<sup>®</sup> Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 2000<sup>®</sup> 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<sup>®</sup> 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, 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 August 1, 1996.

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