

Second Quarter 2011 Mutual Fund Commentary RS Technology Fund

Market Commentary

The second quarter saw renewed equity market volatility as investors became more concerned over signs of weakening economic growth and the repercussions of the European debt crisis. As investors lost their appetites for risk, they sold higher beta stocks, especially among smaller cap investments, and sought safety in more defensive areas of the market, including health care and consumer staples stocks. As a result, technology shares as a group struggled, with the S&P North American Technology Sector Index delivering negative performance for the quarter after a solid positive gain in the first quarter. Despite the recent pressure on technology stocks, the fundamentals supporting technology spending still appear strong. Trends from the growing demands on existing network capacity to increasing enterprise concerns over data security continue to fuel spending in the technology area. At the same time, we have seen order of magnitude improvements in enterprise efficiency, as well as new products and applications that have supported strong top-line revenue growth, earnings performance, and market share gains for many technology companies.

Performance Summary

RS Technology Fund (Class A Shares) returned -3.22% for the three-month period ended June 30, 2011, underperforming a -1.19% return by the S&P North American Technology Sector Index¹, as well as a 0.10% return by the S&P 500[®] Index². Nonetheless, the Fund continues to perform well over the long-term, with returns well above the both benchmarks over the one, three, five, and ten year periods ended June 30, 2011.

Portfolio Strategy

As managers of RS Technology Fund, we believe that innovation drives market share gains in technology, which leads to sustainable earnings growth and long-term stock price appreciation. For this reason, we remain committed to an intensive fundamental research approach that focuses on understanding the long-term secular movements within technology in tandem with the underlying financial and company- specific fundamentals of the companies we own.

The Team focuses on innovative companies across the market cap spectrum that possess strong management teams, high revenue growth, and proprietary technology. Our co-portfolio managers,

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 1.52%. 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, is available by contacting RS Investments at 800-766-3863 or by visiting www.RSinvestments.com.

who have over 30 years of collective investment experience, follow an investment process that centers on conservative management, self-funding business models, low debt/equity, and a path to sustainable earnings growth. We leverage detailed fundamental research and industry contacts to identify the earnings potential of each company, focusing on “anchor points” or quantifiable metrics of a company’s long-term growth trajectory as it executes its business, rather than on short-term valuations or stock movements.

With respect to risk, we seek a minimum two-to-one ratio of upside potential to downside risk for each investment. We measure these scenarios using proprietary financial models that look not one or two quarters out, but three to five years out, focusing on our anchor points. At the portfolio level, we perform weekly, formal risk-management meetings.

Portfolio Review

One powerful trend we continue to follow is the on-going build-out in much needed network capacity. Given the popularity of streaming video, audio, and remotely accessed applications, it is estimated that network data traffic could grow as much as 30 times by 2015, requiring massive continued investment in new capacity to handle the swelling data traffic. We believe that this capacity build-out will create tremendous opportunities for networking equipment manufacturers, as well as for companies that make processors and components integral to this equipment. This thesis has led us to a number of investments in equipment and components manufacturers, including Oclaro (0.91% position as of 6/30/2011), a small cap company that supplies optical components used in switches, routers, and other networking equipment. Oclaro recently shipped too many components to its customers, setting the stage for an inventory correction that dampened its near-term earnings prospects. As a result, the stock proved a significant detractor from the Fund’s relative performance in the second quarter. Despite this setback, our ongoing monitoring of the company’s business and our anchor points has reconfirmed our long-term growth thesis on the stock and given us the confidence to hold onto the position despite this temporary inventory issue.

Inventory pressures have also been an issue in the LED technology market, another area where we are looking beyond short-term demand cycles to what believe to be tremendous long-term growth potential. LED lights can last twenty times longer than a standard incandescent bulb, while using a fraction of the energy. Currently, this technology is widely used in smart phones and HDTV panels, but we believe there is tremendous potential for adoption across the \$20 billion general lighting market, with applications in everything from automotive dashboards to industrial and commercial lighting. We recognize that one hurdle to wider adoption of this technology has been the higher initial price of LEDs. Recently, weaker-than-anticipated consumer demand has resulted in some inventory building and price discounting in the LED market, dampening earnings performance for a number of our LED technology investments, including Cree Research (1.47%), a market leader in low cost, high performance LED lighting. Despite the recent pressure on these stocks, we believe that this price cutting may actually help to speed adoption of this superior technology, alleviating inventory issues and winning more converts within the general lighting market. Currently, LED technology accounts for only 1% of the general lighting market. Nonetheless, we believe that this share could rise significantly over the next three years, creating tremendous opportunities for our investments.

On a positive note, a number of the Fund’s other technology-related investments continued to perform well. One standout contributor, both in the second quarter and year-to-date, was Polycom (2.38%), an innovative supplier of videoconferencing technology that continues to take market share away from market leader Cisco Systems (0.00%). The videoconferencing market continues to grow at a fast clip, aided by improving HDTV technology and cutbacks in corporate travel budgets. Indeed, some analysts believe that the video conferencing market could double in size by 2015. Polycom continues to execute well relative to our anchor points, aided by its innovative and cost competitive products and its effort to win more converts among distributors through advantageous pricing incentives. We remain upbeat on Polycom’s long-term earnings potential and progression

towards our anchor points, in light of its promising market position within a fast growing market segment.

Data security is another area where we continue to see long-term growth potential. With the proliferation of cloud computing and the growing use of mobile devices, IT security threats are growing more complex, as evidenced by continued headlines highlighting cyber attacks and security breaches. Such high-profile cybersecurity incidents are likely to continue, in our view, causing increased focus in the private and public sector on protecting sensitive data. Our interest in this area led us to Fortinet (2.29%), maker of an advanced unified threat management solutions. We believe that the company's superior and very competitively priced products have enabled it to take market share away from larger rivals such as Cisco Systems. We believe the company is well positioned to expand its share of a market worth potentially more than \$3 billion over the next few years, and we remain constructive on its prospects.

Outlook

We believe that innovation across the market cap spectrum will continue to drive new investment opportunities in the technology space. Backed by record-low valuations, stronger balance sheets, and secular changes in both the enterprise and consumer technology segments, the stage is set for what we believe could be an extended period of favorable technology sector performance. With technology themes such as consolidation, cloud computing, IT efficiency, cybersecurity, and social networking playing a role, we see an expanding opportunity for technology companies that are meeting the needs of increasingly tech-savvy consumers and making enterprises more competitive and efficient.

Thank you for your investment.

Sincerely,



Steve Bishop
Co-Portfolio Manager



Allison Thacker
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 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 high-technology and Internet-related sectors may be highly volatile. Companies in these sectors operate in markets that are characterized by rapid change, evolving industry standards, frequent new service and product announcements, introductions, enhancements and changing customer demands. International investing involves special risks, which include changes in currency rates, foreign taxation and differences in auditing standards and securities regulations, political uncertainty and greater volatility.

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, 2011.

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 6/30/11)

Technology	79.70%
Consumer Discretionary	11.23%
Health Care	2.70%
Utilities	1.08%
Consumer Staples	0.00%
Energy	0.00%
Financial Services	0.00%
Materials and Processing	0.00%
Producer Durables	0.00%
Cash	5.29%

Top Ten Holdings⁴

(As of 6/30/11)

Apple, Inc.	5.59%
QUALCOMM, Inc.	3.26%
EMC Corp.	3.10%
Google, Inc.	3.08%
Oracle Corp.	3.07%
Alcatel-Lucent, ADR	2.99%
Polycom, Inc.	2.38%
Fortinet, Inc.	2.29%
Broadcom Corp.	2.15%
RealD, Inc.	2.07%

Performance

(Average Annual Total Returns as of 3/31/11)

	Second Quarter 2011	1-Year	3-Year	5-Year	10-Year	Since Inception ⁵
RS Technology Fund, Class A without sales charge	-3.22%	44.85%	14.17%	11.40%	5.95%	9.31%
with maximum sales charge	-7.82%	37.96%	12.33%	10.32%	5.44%	8.97%
S&P North American Technology Sector Index™ ¹	-1.19%	29.52%	6.90%	7.61%	1.29%	7.30%
S&P 500® Index ²	0.10%	30.69%	3.34%	2.94%	2.72%	7.15%

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

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 1.52%. 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 S&P North American Technology Sector Index™ is a modified capitalization-weighted index based on a universe of technology-related stocks. Index results do not 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, the index 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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