

Third Quarter 2009 Mutual Fund Commentary RS Small Cap Growth Fund (formerly RS Emerging Growth Fund)

Performance

The major stock market indices continued to advance in the third quarter, aided in part by better-than-expected corporate profits and some glimmers of improvement in the manufacturing and housing sectors. All economic news was not encouraging, however, as the unemployment rate continued to rise, reaching 9.8% in September. Given the fragility of the expected economic recovery and lingering fears of deflation, Federal Reserve policymakers indicated that they foresaw no near-term change in monetary policy or short-term interest rates.

For the third quarter, RS Small Cap Growth Fund gained 15.30%, slightly underperforming a 15.95% return by the benchmark Russell 2000[®] Growth Index¹. Nonetheless, the Fund has outperformed its benchmark year-to-date, returning 34.71% for the nine-month period, compared with a 29.12% return for the Russell 2000 Growth. The Fund's relative performance in the third quarter was dampened by stock selection in the health care, materials, utilities, and financial services sectors. Stock selection in the consumer discretionary and technology sectors aided relative performance both for the quarter and year-to-date periods.

Portfolio Strategy

In managing RS Small Cap Growth Fund, we continue to rely on a team-based approach that capitalizes on the extensive and in-depth sector expertise of our managers and analysts. Through exhaustive fundamental research and exacting financial modeling, we work to identify well-managed, smaller-cap companies with sustainable earnings growth. In the recent environment, we have focused in particular on well-financed companies that have shown their abilities to manage expenses, reduce debt, and adapt to changing market dynamics. We believe that such companies are well positioned not only to navigate near-term economic challenges but to deliver superior long-term profitability, driving positive performance for the Fund.

Portfolio Review

While the Fund delivered a solid return for the three-month period ended September 30, 2009, our results fell slightly short of the return in the benchmark Russell 2000 Growth Index. Similar to what we saw in the second quarter, bargain hunting investors in the third quarter appeared to favor lower

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.

valuation stocks and shorter term speculative plays over the kind of higher quality, longer-term growth stories we favor. This behavior is not unusual in the earliest stages of a market rebound, and historically has shifted to a renewed focus on underlying fundamentals as the recovery broadens and investors seek to position themselves for the long-term. Regardless, we are not interested in abandoning our disciplined long-term investment style to chase short-term performance, and we are confident that our methodical, research-intensive efforts to build and maintain a portfolio of high quality small-cap growth companies will reward our investors over the long-term.

One area in particular where our results failed to keep pace with benchmark performance was in the health care sector, where we remained underweight relative to the index. While health care has long been considered a defensive sector, it has shown more economic sensitivity during the recent cycle as cash-strapped consumers have cut back on their doctor visits and prescription refills to avoid copayments. Investors have also been concerned over some real or perceived pullbacks in insurance company reimbursements for various medical treatments. Both of these pressures weighed on performance of Myriad Genetics (0.70% of holdings as of 9/30/09), a molecular diagnostic company that owns the rights to the market's leading hereditary breast cancer test. While the company continues to report impressive top-line revenue growth, its second quarter results fell below the market's elevated expectations. Nonetheless, we remain constructive on Myriad's long-term outlook, given its strong product pipeline, procedural patents, and its recent efforts to boost sales by marketing directly to consumers as well as through doctor's offices.

We were less sanguine on prospects for CardioNet (0.00%), a wireless medical technology company that provides outpatient cardiac monitoring services. The company's revenue prospects suffered a sharp blow in July after an insurance company reduced its reimbursements rates for one of CardioNet's most profitable services. In light of this news, we opted to sell our position in the stock while we redeployed assets into more promising investments. In particular, we added to our weighting in the biotechnology area and increased positions in several companies with attractive platform technologies, including Halozyme Therapeutics Inc.(0.88%) and Nektar Therapeutics (1.17%).

On a positive note, the Fund's relative performance benefited from stock selection in the consumer discretionary sector, and in particular from our focus on companies that have adapted to a weaker spending environment by rationalizing their cost structures and streamlining their operations. One of our top performing consumer discretionary holdings was Urban Outfitters (1.67%), which sells a mixture of apparel and home furnishings through its Urban Outfitters, Anthropologie, Free People and Terrain stores. We selectively added to our investment in Urban Outfitters earlier this year following a pullback in its share price, due in part to the appeal of its unique retailing strategy. Instead of stocking a few styles of shirts in 19 different colors, Urban Outfitters favors a "broad but shallow" approach, in which each store may carry a wide variety of styles and items, but with a very limited inventory of each. This strategy not only helps to control inventory levels, it also fits well with the new trend toward individualism as consumers rebel against homogenous chain-store apparel. Another factor we look for in retail investments is the potential for store-base growth. Urban Outfitters currently has fewer than 400 stores, but we believe this number could double as it continues to expand geographically.

Stock selection in the technology sector also aided relative performance, due in part to our investment in website traffic analytic software firm Omniture (1.93%), which received a \$1.8 billion takeover bid from Adobe Systems in September. Another standout performer in the technology sector was STEC (0.00%), a manufacturer of flash memory devices that are in high demand as a replacement for traditional disk drives. While the stock has been a very strong performer for the Fund year-to-date, we opted to sell the position and take our profits in the third quarter as shares reached our target price.

Outlook

We remain moderately optimistic on prospects for economic improvement by year-end. At the same time, we caution that the anticipated recovery could be uneven, and that stock market performance could remain volatile. We believe that the companies best positioned to capitalize on improved spending trends in this environment will be those that have already taken disciplined steps to rein in their costs, reduce their debt levels and reach out to customers in innovative ways. When it comes to identifying such companies, we continue to call upon our industry contacts and hands-on research, while we focus on well-managed, conservatively financed growth companies with sustainable competitive advantages.

Thank you for your continued investment.

Sincerely,



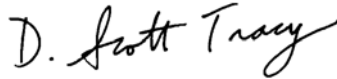
Steve Bishop
Co-Portfolio Manager



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.

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 September 30, 2009.

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 Allocation²

(As of 9/30/09)

Technology	24.78%
Health Care	21.11%
Consumer Discretionary	19.65%
Producer Durables	10.03%
Financial Services	8.24%
Energy	5.59%
Utilities	3.16%
Materials & Processing	2.15%
Consumer Staples	1.18%
Cash	4.11%

Top Ten Holdings³

(As of 9/30/09)

GSI Commerce, Inc.	2.02%
Guess?, Inc.	1.98%
Digital River, Inc.	1.98%
Omnicore, Inc.	1.93%
Ctrip.com International Ltd.	1.78%
P.F. Chang's China Bistro, Inc.	1.76%
Urban Outfitters, Inc.	1.67%
United Therapeutics Corp.	1.65%
MedAssets, Inc.	1.60%
F5 Networks, Inc.	1.55%

Performance

(Average Annual Total Returns as of 9/30/09)

	Third Quarter 2009	1-Year	3-Year	5-Year	10-Year	Since Inception ⁴
RS Small Cap Growth Fund, Class A (formerly RS Emerging Growth Fund)						
without sales charge	15.30%	0.51%	-3.37%	1.44%	-1.18%	12.45%
with maximum sales charge	9.81%	-4.28%	-4.93%	0.46%	-1.66%	12.19%
Russell 2000 [®] Growth Index ¹	15.95%	-6.32%	-2.60%	2.91%	1.10%	7.38%

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

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¹ The Russell 2000[®] Growth Index is an unmanaged market-capitalization-weighted index that 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, 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 November 30, 1987.

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