RS | investments

Third Quarter 2010 Mutual Fund Commentary
RS Small Cap Growth Fund

Performance

Equity markets gained ground in the third quarter despite uncertainty over the strength of the economic recovery and the impending November elections. While economic concerns overshadowed market performance through much of the period, some glimmers of improvement in consumer spending and manufacturing activity helped to dispel fears of a double-dip recession and triggered strong market performance in September. Small cap shares, in particular, benefited from healthy corporate profits for a number of companies, as well as from a pickup in anticipated merger and acquisition activity in the technology sector.

For the three-month period ended September 30, 2010, RS Small Cap Growth Fund (Class A Shares) gained 12.82%, performing in-line with the 12.83% return of the benchmark Russell 2000® Growth Index[1]. The Fund's relative performance was aided by strong stock selection in the financials, consumer discretionary, and technology sectors. Detracting from returns were select holdings in the consumer staples and producer durables sectors.

Portfolio Strategy

In managing RS Small Cap Growth Fund, we continue to search across the universe of small cap stocks to identify companies with sustainable growth regardless of the underlying economic environment. Through frequent company visits, bottom-up fundamental research, and exacting financial modeling and analysis, we seek to identify definable "anchor points," which are quantifiable metrics that allow us to measure a company's long-term runway of growth.

Portfolio Review

Stock selection in the energy sector proved favorable during the quarter, due to our focus on oil equipment and services companies that are using technology to improve outcomes and enhance the safety of drilling operations. Positive contributors to performance included Dril-Quip (1.52% as of 9/30/10), a leading manufacturer of highly engineered offshore drilling and production equipment designed for use in deep water and other harsh environments. Like many energy-related stocks, Dril-Quip sold off in the second quarter following the Gulf oil spill. We slightly trimmed our position, but continue to hold the stock which has since rebounded. Through tactical pricing and superior technological capabilities, Dril-Quip continues to take market share away from competitors, and now controls more than 10% of its total addressable market. We believe the company will continue to expand its market footprint, especially now with continued demand for enhanced safety measures for deep water oil drilling.

In the financial services sector, we benefited from our investment in VeriFone Systems (1.02%), a provider of secure point-of-sale electronic payment platforms. The company reported 20% year-over-year revenue growth in the third quarter, due in part to an equipment upgrade cycle, as more big box retailers and grocery chains have enhanced their electronic transaction capabilities to meet new compliance standards.

In the health care sector, shares of emerging biotechnology company Savient Pharmaceuticals (0.79%)received a boost after the FDA approved the company's treatment for gout, a type of arthritis. This drug, Krystexxa, will serve the needs of a relatively underserved population and could result in strong annual sales. We took some profits on our investments in both VeriFone and Savient following their strong third quarter performance, but remain constructive on their overall prospects.

While the Fund delivered solid absolute returns for the quarter, it performed in-line with the benchmark. Relative performance was dampened by our investment in Super Micro Computer (0.99%), a supplier of customized data servers that missed its earnings target after experiencing softening in its server sales and pricing margins. We reduced our investment in the stock, but anticipate that the company's cost structure and market opportunity will improve later in the data server upgrade cycle.

Relative returns for the third quarter were also hurt by our investment in DynaVox (0.41%), a maker of voice-generating technology that enables people with neurological conditions to communicate through a computer interface. The company reported a small revenue shortfall for its second quarter. Subsequently, the company negatively pre-announced results for the thir quarter and we have since exited the position.

Outside of the health care space, our results were hindered by our investment in American Public Education (1.16%), the low-cost provider of online post-secondary educational services to military and public service personnel. The for-profit, post-secondary education sector as a whole has recently been overshadowed by the prospect of increased government scrutiny into how some institutions report graduate employment outcomes in their marketing materials and funding requests. We maintained our investment in the company, but will continue to monitor this development.

Outlook

As we look ahead, we caution that uncertainty over the strength and durability of the economic recovery, as well as the outcome of the mid-term elections, could keep markets volatile. Regardless, we continue to view easing concerns over a double-dip recession as tailwinds for quality small cap companies with sustainable business models. As small caps have historically performed well following periods of recession, we believe that our companies are well-positioned to expand their businesses as the economy eventually improves. Our focus remains on those companies' with quantifiable "anchor points," that have an innovative product or service and a competitive advantage that we believe can offer sustainable growth over the long term.

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, 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 9/30/10)

Technology	21.75%
Consumer Discretionary	21.43%
Health Care	20.62%
Producer Durables	12.51%
Financial Services	7.02%
Materials & Processing	4.76%
Energy	4.47%
Consumer Staples	2.09%
Utilities	1.22%
Cash	4.12%

Top Ten Holdings[3]
(As of 9/30/10)

HEICO Corp.	1.92%
comScore, Inc.	1.91%
Informatica Corp.	1.77%
MDC Partners, Inc.	1.65%
Oclaro, Inc.	1.64%
Under Armour, Inc.	1.63%
Digital River, Inc.	1.60%
Ancestry.com, Inc.	1.56%
The Scotts Miracle-Gro Co.	1.55%
Medidata Solutions, Inc.	1.53%

Performance

(Average Annual Total Returns as of 9/30/10)

	Third Quarter 2010	1-Year	3-Year	5-Year	10-Year	Since Inception[4]
RS Small Cap Growth Fund, Class A						
without sales charge	12.82%	21.16%	-5.26%	2.39%	-4.93%	12.82%
with maximum sales charge	7.48%	15.42%	-6.79%	1.40%	-5.40%	12.57%
Russell 2000® Growth Index[1]	12.83%	14.79%	-3.75%	2.35%	-0.13%	7.70%

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 1.53%. 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 and is frequently updated on our Web site: www.RSinvestments.com.

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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