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Third Quarter 2011 Mutual Fund Commentary
RS Investment Quality Bond Fund

Performance
(Average Annual Total Returns as of 9/30/2011)
RS Investment Quality Bond Fund (Class A – GUIQX)

	Third Quarter 2011	1-Year	3-Year	5-Year	10-Year	Since Inception (2/16/93)
without sales charge	2.80%	4.35%	8.13%	5.98%	5.24%	5.63%
with maximum sales charge	-3.00%	0.41%	6.74%	5.16%	4.84%	5.42%
Barclays Capital U.S. Aggregate Bond Index[1]	3.82%	5.26%	7.97%	6.53%	5.66%	6.38%

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

Fund Highlights

Portfolio Overweights

- The Fund was overweight compared to the benchmark in several non-Treasury sectors, such as corporate and commercial mortgage-backed securities (CMBS) which had a negative impact on performance.

Portfolio Underweights

- The Fund's underweight in Treasuries compared to the benchmark hurt performance as interest rates fell as the probability of a Greece default grew and the uncertain economic outlook caused a flight to quality.
- The Fund was also underweight in mortgage-backed securities (MBS), and since the sector underperformed in Q3, this positioning had a positive impact on the Fund.

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 performance quoted, "with maximum sales charge" reflects the current maximum sales charge of 3.75%. The Fund's total gross/net annual operating expense ratio as of the most current prospectus for the Class A Shares is 1.04% / 0.85%. Current performance may be lower or higher than performance data quoted. Performance current to the most recent month-end is available by contacting RS Investments at 800-766- 3863 and is frequently updated on our Web site: www.RSinvestments.com.

The Fund is the successor to The Guardian Investment Quality Bond Fund; performance shown includes performance of the predecessor fund for periods prior to October 9, 2006. The net expense ratio quoted above reflects a contractual expense limitation which will continue through 4/30/11. The views expressed in the portfolio manager commentaries are those of the Fund's portfolio manager(s) and are subject to change without notice. Please refer to the most current Fund prospectus for complete details on expenses including fees. 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. Certain share classes are subject to lower maximum sales charges whether paid at the time of purchase or deferred. A "deferred sales charge" also known as "back end load" or "CDSC" is incurred when liquidating an A share purchase over $1 million, for example, before a specified holding period. Any sales charges are in addition to the Fund's fees and expenses as detailed in the Fund's most current prospectus. Fees and expenses are factored into the net asset value of your shares and any performance numbers we release.

Fund Highlights (cont)

Market Overview

- The markets around the world came under pressure as the European sovereign debt situation deteriorated significantly.
- Uncertainty and pessimism regarding jobs and lack of confidence in policymakers to deal with deficit issues have reduced the U.S. economic outlook.

Outlook

- We expect the U.S. economy to grow about 1% or so through 2012.
- Headwinds such as the weak job outlook and a sluggish housing sector will continue to weigh on the economy.

Fund Commentary

Performance

The RS Investment Quality Bond Fund (Class A shares) (the "Fund"), returned 2.80%[2] for the third quarter ended September 30, 2011, compared with the Fund's benchmark, the Barclays Capital Aggregate Bond Index, which returned 3.82%.[3] For the first nine months of 2011, the Fund returned 5.45%[2] while the benchmark returned 6.65%.[3]

The average fund in the Lipper[1,4] Intermediate Investment Grade Debt Funds peer group returned1.90% in the third quarter and 4.76% for the first nine months of the year.[2] (The peer group consists of 599 mutual funds that invest primarily in investment grade debt with average maturities of 5 -10 years.)[2]

(Asof 9/30/2011)	1-Year	3-Year	5-Year	10-Year
RS Investment Quality Bond Fund (Class A) Average Annual Total Return	4.35%	8.13%	5.98%	5.24%
Lipper Intermediate Investment Grade Debt Funds Average Annual Total Return	3.77%	8.55%	5.64%	5.00%
Lipper Intermediate Investment Grade Category Ranking*	254/584	312/495	201/394	135/277
Lipper Intermediate Investment Grade Category Percentile	44%	63%	51%	49%

**Lipper rankings are based on total return with dividends reinvested and do not take into account or reflect sales charges.*

Market Overview

The third quarter saw the European sovereign debt crisis and its negative impact on the global banking system take center stage once again. Add to this the U.S. long-term credit rating downgrade by Standard and Poor's and concerns about the U.S. and global economic outlook and you have the recipe for a very volatile quarter.

In Europe the situation in Greece continues to deteriorate, with most investors realizing that it is a matter of "when", not "if" Greece will default. Although the policy makers in Europe are trying to pass the latest version of the European Financial Stability Facility (EFSF), questions still remain, i.e., will the facility be large enough to contain or "ring fence" the negative impact of a default?

Domestically, the U.S. economy lost momentum in Q3 as the employment picture remained bleak, the housing market continued to struggle, consumer confidence dropped, and fiscal response to these issues remain uncertain in an environment of political wrangling and gridlock. The Federal Reserve's (Fed) solution was to institute "Operation Twist", in which the Fed will sell $400 billion of Treasuries maturing in three years or less and use those proceeds to buy $400 billion of Treasuries with maturities of 6-30 years, over the next nine months.[5] The goal of the Fed is to put downward pressure on long-term interest rates in the hopes of helping those sectors of the economy that are sensitive to interest rates, such as housing and business investments. Additionally, the Fed announced[5] that all interest payments and maturities from their current holdings of MBS and Agency debt will be reinvested back into MBS, which will lower the net supply of MBS and should help to keep mortgage rates low.

The decision by Standard and Poor's (S&P) to downgrade the long-term credit rating of the United States by one notch (to AA+ from AAA) was not unexpected, as politicians in Washington did not reach the $4 trillion in savings that S&P said they needed to see[6] Still, the timing caught the markets by surprise and raised questions as to whether we would see forced selling from investors or reduced interest in U.S. Treasuries going forward. However, by the end of the quarter, the answer to both questions was a resounding no. In fact, yields on Treasuries *dropped*, as global concerns and the resulting flight to quality outweighed the impact of the downgrade.

As a result of the sovereign debt crisis, uncertain outlook for U.S. and global economic growth and the Fed's Operation Twist, we saw a "flight to quality" in Treasuries resulting in a huge decline in Treasury rates. The yield on the 2-year ended the quarter at 0.24%, down 0.22% from the end of the second quarter. Meanwhile, the yield on the 10-year Treasury finished the quarter at 1.92%, down from 3.16% at the end of the second quarter. With the Fed's announcement to buy longer maturing Treasuries, the Treasury curve flattened by 1.03% (the difference between 2-year and 10-year yields) and by 1.24% when comparing 2-year and 30-year yields.[7]

It came as no surprise to us that with these moves in interest rates, the Treasury sector was the best performing fixed income sector in Q3, returning 6.48%[3] as measured by the Barclays Capital US Treasury Index. Corporate bonds, as measured by the Barclays Capital US Credit Index returned 3.03%.[3] Asset-backed securities (ABS) returned 2.42%; mortgage-backed securities (MBS) returned 2.36% while commercial mortgage-backed securities (CMBS) was the worst performing sector, returning -0.86%.[3]

Although all but the CMBS sector had positive returns for the quarter, when compared to similar duration Treasuries, their performance lagged well behind those of Treasuries. For example, CMBS and MBS underperformed comparable-duration Treasuries by 3.52% and 2.21%, respectively.[3] However, the credit sector, which includes corporate bonds, was by far the worst, underperforming Treasuries by 4.75%.[3]

As noted above, the corporate sector had a particularly weak quarter, the third worst quarterly performance, according to Barclays Capital.[8] The poor performance was not due to fundamentals; in our view, corporate balance sheets remain in very good shape. Rather, we believe the weak performance was driven by strong negative headwinds: the European sovereign debt crisis and resulting concerns about exposure of U.S. banks to the economies of Europe and their ability to repay their debt, as well as a weaker economic outlook. Within the Corporate sector, Financials were the hardest hit, underperforming duration neutral Treasuries by 7.29% for the quarter.[9]

CMBS also underperformed in the third quarter. Despite slowly improving fundamentals, increased European volatility and a sudden change in investor appetite for anything other than U.S. Treasuries overwhelmed the CMBS market.

Portfolio Review

Coming into the third quarter, our outlook for a moderate but positive growth in the economy, led us to maintain our overweight in the non-Treasury sectors of the bond market. Because most bond sectors underperformed Treasuries during the flight to quality in the third quarter, this strategy caused the Fund to underperform its benchmark by 1.02% during Q3.

The Fund maintained an overweight in the corporate bond sector during the third quarter. Although we reduced our exposure by about 7% over the quarter, our remaining overweight position still had a negative impact on the Fund's performance. In particular, our holdings in Financials underperformed other corporate sectors. At the end of the quarter, the Fund's allocation to corporate bonds (investment grade and high yield) and high yield bank loans was 29% versus the index weighting of 24%.

Similar to the corporate sector, the Fund's overweight in the CMBS sector subtracted from the Fund's performance versus its benchmark. We continued with the Fund's investment strategy of owning seasoned bonds (issued in '04 and '05) that gives us ample credit support and were underwritten with stronger credit standards than later deals. However, the Fund's holdings in the sector still suffered overall. The Fund ended the quarter with roughly 18.5% allocation to CMBS versus the index weighting of 2.1%.

We reduced the Fund's short maturity (1-2 year) ABS positions and traded into higher yielding CMBS further out the curve (4-5 years). We also reduced the Fund's underweight in Agency MBS holdings by 6%, finishing the quarter with a 20% allocation versus the index weighing of 32%.Our underweighted position helped the Fund's performance.

Outlook

We have lowered our outlook for the U.S. economy. We now expect growth through 2012 to be about 1% or so. Our "base case" outlook depends on how long some very real uncertainties persist both here and in Europe. However, we do not anticipate the economy to fall back into a recession but to be in a sluggish but positive growth pattern for the foreseeable future.

As a result of this weaker outlook we expect the Fed to remain in an accommodative mode. The Fed indicated to the markets in July that the Fed Funds rate will be anchored at the 0-0.25% range until 2013 and with their most recent announcement of "Operation Twist", the Fed is once again back in an easing mode [10].

We do not think increasing inflation is a significant risk over the near term (next 6 months). In fact we are anticipating that inflation will start to come down given the likely European recession and weaker growth here in the U.S. Overall, we expect core inflation to move up a bit further in the near term, but be back to 2% in six months and down around 1.5% in late 2012.

The unemployment picture improved only slightly during the quarter, finishing at 9.1% down from 9.2% at the end of the second quarter.[11] With the uncertainty regarding our economy and with Europe most likely heading into a recession we do not see the employment picture improving over the near term. The latest employment number for August showed a zero change in job growth versus market expectations for an increase of 70K [12].

The housing sector is another area where we don't see things getting better anytime soon. Although mortgage rates are at historically low levels, the lack of job prospects, tougher criteria to qualify for a mortgage loan, and the prospects for a further drop in prices will continue to weigh on this sector.

Our strategy going into the fourth quarter will be to continue to overweight the non-Treasury sectors of the bond market. Although we have lowered our outlook for the U.S. economy, we are still expecting positive growth and with some sectors already priced for a mild recession we see value in multiple non-Treasury sectors.

One of those areas is the corporate sector. Currently, we believe the positive factors of improved balance sheets and strong demand as well as the attractive mortgage rate levels should allow the corporate sector to benefit.

We also continue to concentrate on CMBS deals that are underwritten by more seasoned, less levered standards. As the fundamentals of this sector slowly improve, the results of our stress tests indicate these AAA-rated assets should be well-insulated from potential losses.

Similarly, we remain positive on the non-Agency MBS sector due to a very positive supply/demand imbalance. New issuance remains very light and until this picture changes, we expect investor demand to far outstrip supply.

The European sovereign debt crisis doesn't look to be ending anytime soon, but we feel that there is a chance we may see some forward progress soon. The final votes on the ratification of the latest EFSF will be cast by mid-October. As of this writing, we believe it looks likely to pass, but the question remains: what will the EU do with the increased lending capacity? Our assessment is that a capital injection into the banking system will be a necessary component because it directly addresses questions regarding the banks' ability to weather write-downs on sovereign debt. However, the situation remains very fluid and we will remain focused on any news that could potentially impact the Fund's holdings, both positively or negatively.

Through strict adherence to our disciplined investment process we will seek to provide value for Fund shareholders through the different economic cycles. We appreciate your continued support and welcome the opportunity to put our experience to work for you.

Sincerely,

Howard W. Chin
Co-Portfolio Manager

Robert J. Crimmins, Jr.
Co-Portfolio Manager

Guardian Investor Services LLC, the Fund's sub-adviser

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. Bond funds are subject to interest rate risk, credit risk and prepayment risk. When interest rates rise, bond prices generally fall, and when interest rates fall, bond prices generally rise. Currently, interest rates are at relatively low levels. Please keep in mind that in this kind of environment, the risk that bond prices may fall when interest rates rise is potentially greater. The values of mortgage-backed securities depend on the credit quality and adequacy of the underlying assets or collateral and may be highly volatile. Derivative transactions can create leverage and may be highly volatile. It is possible that a derivative transaction will result in a loss greater than the principal amount invested and the Fund may not be able to close out a derivative transaction at a favorable time or price.

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, 2011.

Mutual funds are offered 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

(As of 9/30/2011)	% Fund
Asset Backed Securities	1.4%
CMBS	18.5%
CMOs	14.4%
Corporate Notes/Bonds	28.9%
Government Agencies	0.0%
Mortgage Backed Securities	20.1%
Taxable Municipals	1.2%
Tax Exempt Municipals	0.8%
Treasury Notes/Bonds	10.0%
Other Assets and Liabilities	4.8%

Top Ten Holdings[13]

(As of 9/30/2011)	Coupon Rate	Maturity Date	% Fund
FNMA - MBS	4.000	10/01/41	7.44%
U.S. Treasury Notes	2.130	08/15/21	4.01%
FHLMC - MBS	4.000	12/01/40	3.22%
U.S. Treasury Bonds	4.380	05/15/41	3.03%
FNMA - MBS	5.000	11/01/39	2.93%
FNMA - MBS	5.500	01/01/38	2.30%
FNMA - MBS	4.500	10/01/41	1.71%
FHLMC - CMO	5.500	09/15/35	1.49%
DBUBS Mortgage Trust	3.640	08/10/44	1.25%
Merrill Lynch Mortgage Trust	5.390	11/12/37	1.11%

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1 The Barclays Capital U.S. Aggregate Bond Index is generally considered to be representative of U.S. bond market activity. The Barclays Capital U.S. Aggregate Bond Index is an unmanaged index that is not available for direct investment and there are no expenses associated with the index while there are expenses associated with the Fund. The Lipper Intermediate Investment Grade Debt Objective Average is the average of the funds in the group in existence in the Lipper database for the periods, and does not reflect any deduction for sales charges.
2 Source: Lipper Monthly Flash.
3 Source: Barclays Capital Index Summary, Barclays Capital Inc. ROR.
4 Lipper, Inc. is an independent mutual fund monitoring and rating service. Its database of performance information is based on historical returns, which assume the reinvestment of dividends and distributions and the deduction of all fund expenses. Lipper return figures do not reflect the deduction of any sales charges that an investor may pay when purchasing or redeeming shares of the Fund.
5 Meeting of the Federal Open Market Committee, September 21, 2011; Meeting Minutes.
6 Standard & Poor's Financial Services, LLC. "United States of America Long-Term Rating Lowered To 'AA+' Due To Political Risks, Rising Debt Burden; Outlook Negative," August 5, 2011.
7 Source: Bloomberg GOVT C15.
8 Source: Barcap Live Report
9 Source: BC US Credit Sector Details.
10 Meeting of the Federal Open Market Committee, September 21, 2011; Meeting Minutes.
11 Source : Bloomberg
12 U.S. Department of Labor – Bureau of Labor Statistics – September 2011.
13 Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.