

Third Quarter 2009 Mutual Fund Commentary RS Mid Cap Growth Fund (formerly RS MidCap Opportunities Fund)

Performance

The equity market continued to rally in the third quarter amid volatile trading as investors sought to position themselves for a potential economic recovery. Against this backdrop, value shares outpaced growth stocks as bargain hunters continued to dominate the market. Nonetheless, select growth stocks also outperformed during the period, buoyed by signs of some stabilization in corporate and consumer spending trends. Nonetheless, overall economic news remained uneven, while Federal Reserve policymakers continued to warn about the apparent fragility of the anticipated recovery. Of particular concern to businesses, consumers, and policymakers has been the continued climb in the unemployment rate, which reached 9.8% in September.

During the third quarter, RS Mid Cap Growth Fund returned 16.48%, underperforming the benchmark Russell MidCap[®] Growth Index¹, which gained 17.58%. While the Fund delivered positive absolute returns across most market sectors, its overall stock selection weighed on relative performance, especially in the technology and health care sectors. By contrast, stock selection in the consumer discretionary sector was a significant positive for the Fund's relative performance.

Portfolio Strategy

RS Mid Cap Growth Fund focuses on mid-cap companies that offer the potential for solid top-line revenue growth, high profit margins, and strong returns on invested capital. The Fund is managed with a team-based approach that calls upon the deep sector expertise and extensive investment experience of our managers and analysts. In selecting investments for the Fund, individual team members conduct detailed fundamental research in their respective areas, calling upon company principals and industry contacts while conducting hands-on analysis. We then reaffirm our findings and test our assumptions through rigorous financial modeling. Through this exacting process, we seek to identify high quality companies that are selling at a discount to expected earnings.

Portfolio Review

The Fund remains overweight in the technology sector, where we continue to emphasize well-managed, well-capitalized companies that have already taken steps to rationalize their cost structures and reduce their leverage — measures we believe are integral to not only surviving but

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 1.36%. 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.

thriving in a slower growth economy. Unfortunately, many investors have recently sought more speculative plays, and consequently have shown less interest in the kind of conservatively financed innovative technology companies we favor. As a result, a number of our technology holdings failed to keep pace with the market in the third quarter. Laggards included security software company McAfee (1.86% of holdings as of 9/30/09). Given growing and relatively recession-proof demand for Internet security software, McAfee has been considered more of a defensive play. Consequently, it recently had a difficult time capturing the attention of investors focused on stocks with more perceived cyclical upside.

Another relative detractor in the technology sector was Akamai Technologies (2.56%), which provides services that optimize the speed and quality of streaming audio and video transmissions. After delivering strong performance in the first half of the year, the stock corrected somewhat in July after Akamai missed its revenue target for the first time in five years. Nonetheless, the company continues to benefit from strong brand recognition and market positioning, as well as from the potential of its new streaming platform for high-definition online video.

Meanwhile, a number of the Fund's health care stocks were pressured by the real or perceived threat of cuts in insurance reimbursement rates, as well as by worries over how the weaker economy might be affecting consumer demand for elective and even non-elective medical treatments. These concerns overshadowed otherwise solid fundamentals for Myriad Genetics (0.83%), a molecular diagnostic company that owns rights to the market's leading hereditary breast cancer test. 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.

On a positive note, the Fund's relative performance benefited from stock selection in the consumer discretionary sector, where one of the strongest positive contributors was Wynn Resorts (1.58%), an owner and developer of destination casinos in Las Vegas and Macau, China. The stock's recent performance has benefited from some signs of recovery in the Las Vegas tourism market, as well as from heightened attention from investors who have noted the high multiples awarded to some Macau-related casino shares newly listed on the Chinese stock market. As investor interest in the Macau gaming market grows, we feel confident about our aligning our interests with those of proven casino developer and entrepreneur Steve Wynn, who we believe has the resources and experience to create a highly successful resort in the Macau market.

Other positive contributors in the consumer discretionary sector included retailers Urban Outfitters (2.70%), Guess? (2.25%), and Starbucks (2.10%). Our focus among retailers has been on companies that have responded to the slump in consumer spending by cutting their overhead costs, renegotiating their lease contracts, rationalizing their inventories and streamlining their operations. Not only have these steps helped these retailers to better survive the recession, they also position them for better earnings performance once consumer spending trends improve.

Outlook


Going forward, we remain cautiously optimistic on prospects for economic recovery by year-end. At the same time, we recognize that the environment may remain challenging for many companies, given lingering capital constraints. We continue to believe that the companies best suited to outperform in this environment will be those that have already worked to curtail their costs, pay down debt, and reach out to customers in new and innovative ways. As investor expectations adapt to what is likely to be a slow growth recovery, we believe we will see a return to a more discriminating stock picker's market — an environment that will play to our strengths. Above all, we continue to keep our focus on the long term, seeking out high-quality, well-managed companies that we believe can sustain their competitive advantages and profit margins, delivering solid long-term performance to our investors regardless of the economic backdrop.

We appreciate your continued confidence and support.

Sincerely,



Steve Bishop
Co-Portfolio Manager



Melissa Chadwick-Dunn
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 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. 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	22.40%
Consumer Discretionary	20.37%
Health Care	13.79%
Producer Durables	11.87%
Energy	9.88%
Financial Services	9.48%
Materials & Processing	6.38%
Cash	5.83%

Top Ten Holdings³
(As of 9/30/09)

Ross Stores, Inc.	2.70%
Urban Outfitters, Inc.	2.70%
Akamai Technologies, Inc.	2.56%
Activision Blizzard, Inc.	2.56%
Guess?, Inc.	2.52%
F5 Networks, Inc.	2.38%
Southwestern Energy Co.	2.35%
Core Laboratories	2.17%
Starbucks Corp.	2.10%
Yum! Brands, Inc.	2.09%

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 Mid Cap Growth Fund, Class A (formerly RS MidCap Opportunities Fund)						
without sales charge	16.48%	-8.91%	-9.09%	-1.09%	1.22%	6.73%
with maximum sales charge	11.01%	-13.22%	-10.55%	-2.05%	0.73%	6.36%
Russell Midcap [®] Growth Index ¹	17.58%	-0.40%	-3.10%	3.75%	2.18%	6.49%

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

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¹ The Russell Midcap[®] Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell Midcap[®] Index with higher price-to-book ratios and higher forecasted growth values. (The Russell Midcap[®] Index measures the performance of the 800 smallest companies in the Russell 1000[®] Index, which consists of the 1,000 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 July 12, 1995.

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