RS | investments

Third Quarter 2010 Mutual Fund Commentary
RS Mid Cap Growth Fund

Performance

Despite heightened volatility and continued uncertainty over the strength of the economic recovery, major equity market indices delivered solid positive performance in the third quarter. The S&P 500 Index[1], in particular, delivered its strongest September performance in more than 70 years, as some positive news on consumer spending and manufacturing activity helped to dispel investor fears that the economy might once again slip into recession. Mid cap stocks showed particular strength in the period, while growth stocks generally outperformed value as investors focused on companies with the potential to grow their revenues even in a less certain economic environment.

For the three-month period ended September 30, 2010, RS Midcap Growth Fund (Class A Shares) returned 13.47%, but underperformed a 14.65% return by the benchmark Russell Mid Cap Growth® Index[2]. The Fund's relative performance was held back by stock selection in the producer durables, consumer staples, energy, and consumer discretionary sectors. On a positive note, stock selection in the technology sector, in particular, aided relative returns.

Portfolio Strategy

RS Mid Cap Growth Fund is managed with a team-based approach that calls upon the talents, experience, and insights of our deep bench of growth portfolio managers and analysts. Our team members spend considerable time on the road, visiting companies in person and seeing how they operate from the ground up in order to determine quantifiable "anchor points" of long-term growth. We confirm what we learn through interviews with key suppliers and customers, as well as with industry experts. We then test our findings through rigorous financial modeling and analysis. Through this in-depth, multi-step process, we identify the most compelling mid-cap growth stocks selected for their long-term secular growth potential and sustainable competitive advantages.

Portfolio Review

In a solid quarter of returns for midcap growth stocks, the Fund's ability to keep pace with its benchmark was hindered in part by lackluster performance in several producer durables investments. These included engineering contract services provider Jacobs Engineering Group (1.81% as of 9/30/10), which has faced concerns over its declining orders backlog, as well as its competitive exposure in a weaker-than-expected economic recovery. Despite these pressures, which we believe to be short-term in nature, we remain constructive on the company's strong balance sheet and its long-term secular growth potential, as its reputation for complex project management has helped it win new multi-million dollar contracts for everything from a wind tunnel in Sweden to a U.S. Army facility in Michigan.

Detractors among consumer-oriented holdings included GSI Commerce (1.20%) and Dole Foods (1.22%). GSI Commerce develops and manages online stores for major retailers. The stock sold off in July after rising expenses offset the company's solid revenue growth, resulting in a second quarter loss. Higher input costs also hurt recent performance by Dole Foods, the world's largest producer and distributor of fresh fruit. Nonetheless, the company is expected to benefit from improving pricing metrics within the European Union, as well as from greater diversification in its product base, as it prepares to introduce more frozen fruit and vegetable offerings. The company is also positioning itself to capitalize on the growing interest in nutrition in the United States, as it gains a foothold offering fresh school lunch choices in American schools.

The Fund's relative performance also suffered from an investment in IntercontinentalExchange (1.49%), an operator of regulated global futures exchanges, which recently has faced a slowdown in trading volumes, as well as uncertainty over how the new U.S. financial regulatory environment will affect its business. We felt that these concerns were overblown, and used the weakness in the stock to add to our investment.

On a positive note, stock selection in the technology sector made a significant positive contribution to relative performance, due in part to our investment in F5 Networks (1.54%), a company that sells equipment and software that help data centers better manage their server loads and application requirements. The company continues to benefit from the enterprise upgrade cycle, winning larger contracts as it introduces new products with enhanced security, load capabilities, and usability features targeted at improving the experiences of mobile workers.

We also benefited from our investment in Salesforce.com (1.39%), a provider of customer relationship management software-as-a-service delivered over cloud computing platforms, which enable corporations to purchase secure web-based applications on an as-needed basis, rather than making large, one-time capital investments.

Relative performance was also aided by our investment in VeriFone Systems (1.26%), a provider of electronic point-of-sale payment solutions, such as credit card swiping machines. VeriFone has been benefiting from an upgrade cycle, as big box retailers and grocery chains have invested in new, state-of-the-art payment technology. The company is also exploring new services that would allow consumers to pay for their retail purchases with their iPhone or other mobile devices, a trend that could create additional market opportunities for VeriFone. While we remain upbeat on its prospects, we took some profits on our investment as we sought to deploy resources to other investment opportunities.

Outlook

Looking ahead, we caution that the stock market could remain volatile in the near-term as investors await more clarity on the strength of the economic recovery and the outcome of the midterm elections. Nonetheless, we remain confident in our portfolio of high quality companies that we believe possess quantifiable "anchor points" of long-term growth that can transcend underlying economic conditions. Our growth investment team members remain hard at work, visiting companies in person and reconfirming our assumptions and "anchor points" through hands-on research and rigorous financial analysis.

We appreciate your continued confidence and support.

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 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, 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[3]
(As of 9/30/10)

Technology	20.14%
Consumer Discretionary	18.97%
Producer Durables	16.94%
Health Care	13.74%
Financial Services	9.72%
Materials & Processing	7.45%
Energy	7.25%
Consumer Staples	2.55%
Cash	3.25%

Top Ten Holdings[4]
(As of 9/30/10)

Core Laboratories	3.03%
Rovi Corp.	2.67%
The Scotts Miracle-Gro Co.	2.38%
Activision Blizzard, Inc.	2.21%
Southwestern Energy Co.	2.20%
Guess?, Inc.	2.17%
Yum! Brands, Inc.	2.12%
Cameron International Corp.	2.02%
Marvell Technology Group Ltd.	1.97%
Wynn Resorts Ltd.	1.95%

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 Mid Cap Growth Fund, Class A (formerly RS MidCap Opportunities Fund)						
without sales charge	13.47%	18.14%	-10.94%	-1.16%	-0.24%	7.44%
with maximum sales charge	8.08%	12.56%	-12.37%	-2.12%	-0.72%	7.10%
Russell Midcap® Growth Index[1]	14.65%	18.27%	-3.90%	2.86%	-0.88%	7.23%

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 1.51%. 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 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.
2 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.