

Fourth Quarter 2010 Mutual Fund Commentary RS Small Cap Growth Fund

Performance

Equity market performance ended 2010 on a strong note, supported by some improved economic news and the passage of additional government stimulus in the form of extended tax cuts. On the economic front, investors were particularly encouraged by initial reports of stronger-than-expected holiday retail sales, as well as by signs of improving trends in the manufacturing sector. On a negative note, the unemployment rate remained close to 10% and the housing market continued to struggle. Nonetheless, corporate profits were strong, which may bode well for investment spending in 2011. Against this backdrop, most equity market indices delivered double-digit gains in the fourth quarter, led by strong performance by energy, raw materials, and other cyclically sensitive stocks.

For the three-month period ended December 31, 2010, RS Small Cap Growth Fund gained 15.53%, underperforming a 17.11% return by the benchmark Russell 2000[®] Growth Index¹. The Fund also underperformed the benchmark for 2010 overall, returning 27.70% for the twelve-month period, compared with a 29.09% return for the Index in what was a difficult quarter and year for small cap growth managers with only 43% outperforming the Russell 2000[®] Growth for the quarter and only 41% outperforming for the year².

Portfolio Strategy

RS Small Cap Growth Fund invests in a carefully selected portfolio of companies that we believe are in different stages of growth: promising, developing, and proven. We focus on companies that we believe offer the potential for strong organic revenue growth, superior profit margins, and sustainable competitive advantages. Our team members continue to travel extensively to interview company officials in person and see operations from the ground up, and then back up their findings through exacting financial modeling and scenario testing. We seek to identify definable “anchor points,” which are quantifiable metrics that allow us to measure a company’s long-term runway of growth.

Fourth Quarter Portfolio Review

In a quarter when many investors were seeking to position themselves for what they hope will be improved economic performance in 2011, some of the long-term secular growth stories we owned were overlooked. Additionally, a number of our growth-oriented technology and energy stocks paused after delivering very strong returns earlier in the year, as investors digested their gains.

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, 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.

Both factors contributed to the Fund's slight underperformance relative to the benchmark Russell 2000 Growth Index.

Relative performance for the quarter was held back by our investments in several biotechnology companies that announced some strategy changes. First, the market applauded the recent FDA approval of Savient Pharmaceuticals' (0.63% of holdings as of 12/31/10) new treatment for severe gout. Many investors were less sanguine, however, on the company's plans to launch the drug, Krystexxa, on its own, without finding a deep-pocketed corporate suitor to acquire the company. While the stock sold off on this announcement, we maintained our position as we thought the sell-off was overdone.

Meanwhile, Nektar Therapeutics (0.91%) also announced a change in strategy. Following the positive Phase 2 clinical trial results for NKTR-102, its pipeline breast cancer drug, the company announced plans to pursue Phase 3 clinical trials on its own. While investors were concerned about the capital requirements of such a move and sold shares of Nektar, we held onto our investment as our investment thesis is still very much in tact. Not only are we comfortable with this change in plans given the strong clinical data, but we also believe that Nektar's differentiated pipeline strategy offers other avenues to financial success, aside from this cancer drug.

Outside of the health care sector, our relative performance was weakened by our investment in Lumber Liquidators Holdings (0.00%), a specialty retailer of hardware and other types of flooring for the do-it-yourself market. The stock sold off in the fourth quarter after the company's efforts to implement a new supply chain management system resulted in supply shortages at various store locations, as well as missed sales and, ultimately, missed earnings. We became concerned about the company's supply chain management abilities and subsequently its ability to reach our modeled "anchor points," leading us to exit the investment.

On a positive note, relative performance benefited from our investment in RealD (1.16%), which already provides its patented 3D technology to 75% of movie theaters nationwide. We invested in RealD's IPO last summer after our research alerted us to the growing popularity of 3D entertainment with not only consumers, but also with theater owners who can charge more per movie ticket. With its clearly superior technology, used in piloting the Mars Rover, and its cost advantages in the production of 3D glasses, we expect that RealD will continue to grow its market share and revenues as it capitalizes on the exploding popularity of 3D entertainment. We also anticipate additional sources of revenue growth down the road, including applications in gaming and consumer electronics.

A number of individual emerging technology holdings were also rewarded for their exceptional revenue performance. These included Riverbed Technology (1.50%), a supplier of WAN optimization technology that provides a faster computing experience for remote workers accessing applications located on data servers located miles away.

We also continued to benefit from our investment in Isilon Systems (0.00%), a leading provider of scalable data storage capacity that progressed towards our "anchor points" and has been a strong performer for the Fund throughout the year. In the fourth quarter, Isilon was acquired in lucrative all-cash deal by EMC Corporation (0.00%), providing us with confirmation of our confidence in this investment.

Annual Performance Review

The Fund returned very strong performance for the twelve-month period ended December 31, 2010. Nonetheless, it underperformed the benchmark Russell 2000 Growth Index for the period, due in part to lackluster twelve-month performance by a number of health care stocks. These included outpatient rehabilitation services provider RehabCare, which faced concerns over reduced Medicare

reimbursements, and DynaVox, a newly public provider of voice-generating technology that lost favor with investors after reporting disappointing revenue growth. This news weakened our confidence in the management team's execution abilities and progression towards our long-term "anchor points," and led us to liquidate our investment in DynaVox.

On a positive note, the Fund's relative performance for the year was aided by investments in a number of technology and consumer discretionary stocks recognized by investors for their robust revenue growth. These included Isilon Networks and mall-based apparel retailer Zumiez.

Outlook

Looking ahead, we are encouraged by signs of economic improvement. As small cap stocks typically lead following a recession, we view recent trends in corporate credit favorably and see the potential for M&A acceleration in 2011 on the heels of stronger corporate balance sheets, improved profitability, and the pursuit of growth. There are also positive indications of the significance of company fundamentals going forward as the unusually high correlations among stocks have begun to subside. Our focus remains on those companies with quantifiable "anchor points" that we believe can offer sustainable growth over the long-term.

Thank you for your continued investment.

Sincerely,



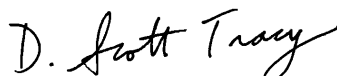
Steve Bishop
Co-Portfolio Manager



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 December 31, 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 Allocation³
(As of 12/31/10)

Technology	25.04%
Consumer Discretionary	21.66%
Health Care	16.80%
Producer Durables	11.25%
Financial Services	8.77%
Materials & Processing	5.72%
Energy	4.47%
Utilities	1.74%
Consumer Staples	1.06%
Cash	3.49%

Top Ten Holdings⁴
(As of 12/31/10)

Salix Pharmaceuticals Ltd.	1.86%
MDC Partners, Inc., Class A	1.76%
Guess?, Inc.	1.74%
j2 Global Communications, Inc.	1.74%
Informatica Corp.	1.67%
Ancestry.com, Inc.	1.60%
Dril-Quip, Inc.	1.57%
Medidata Solutions, Inc.	1.57%
GrafTech International Ltd.	1.54%
Hittite Microwave Corp.	1.54%

Performance

(Average Annual Total Returns as of 12/31/10)

	Fourth Quarter 2010	1-Year	3-Year	5-Year	10-Year	Since Inception ⁵
RS Small Cap Growth Fund, Class A						
without sales charge	15.53%	27.70%	0.85%	5.05%	-0.55%	13.37%
with maximum sales charge	10.03%	21.63%	-0.78%	4.03%	-1.03%	13.13%
Russell 2000 [®] Growth Index ¹	17.11%	29.09%	2.18%	5.30%	3.78%	8.35%

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 Bank of America Merrill Lynch Fourth Quarter Performance Recap, January 4, 2011.

³ 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.

⁴ Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

⁵ Class A shares inception date November 30, 1987.

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