

Fourth Quarter 2011 Mutual Fund Commentary RS Growth Fund

Market Commentary

Equity markets remained volatile in the fourth quarter, but regained some of the ground lost in August's market sell-off as investors welcomed signs of modest improvement in the U.S. economy. The overall mood among investors appeared cautious, given uncertainty over the debt crisis in Europe, the political impasse in Washington and the potential for slowing growth in China. Easing recession fears helped boost more cyclically sensitive shares in the energy, materials, and producers durables sectors, and all three areas outperformed the broader Russell 1000 Growth Index of large cap growth stocks. More defensive investments in the utilities, health care, and consumer staples sectors underperformed the Index. Performance by technology shares as a group also trailed that of the benchmark, as uneven corporate earnings and uncertainty over corporate IT spending in 2012 weighed on more growth-oriented tech stocks.

Performance Review

For the three-month period ended December 31, 2011, RS Growth Fund (Class A Shares) returned 8.98%, underperforming a 10.61% return by the benchmark Russell 1000[®] Growth Index¹. Stock selection in the energy, consumer staples, and financial services sectors aided relative performance. The Fund's relative performance was hindered by stock selection in the technology sector, as well as in the health care and consumer discretionary areas. For the full year 2011, the Fund had a small decline of 0.68%, underperforming the benchmark index, which gained 2.64%.

Portfolio Strategy

RS Growth Fund is guided by our team's philosophy that long-term share price appreciation is driven by sustainable earnings growth. The Fund is managed with a team-based approach that leverages the expertise, experience, and extensive industry contacts of our deep bench of managers and analysts, who average more than 15 years of investment experience. We conduct over 2,000 company meetings each year in the form of in-person interviews, conference calls, trade shows, etc., focusing on "anchor points", or quantifiable metrics of a company's long-term growth trajectory. We find these tools help us align our research with management's stated goals and prevent distraction

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 1.35%. 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. 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.

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. Performance results assume the reinvestment of dividends and capital gains.

caused by short term stock price movements and inevitable market volatility. With respect to risk, we seek a measurable ratio of upside potential to downside risk potential for each investment over the next 12-18 months. We measure these scenarios using proprietary financial models that typically have a three to five year time horizon. At the portfolio level, we conduct weekly formal risk-management meetings.

Portfolio Review

The Fund's underperformance relative to the Russell 1000 Growth Index, both for the fourth quarter and for the year, was due in part to stock selection in the technology sector. In particular, the Fund was underweight in many of the stable growing, more mature technology leaders that outperformed in this volatile environment. We continue to believe in our discipline of mixing investments in mature market bellwethers with positions in a few faster growing, more promising names in the lower range of the Fund's target market capitalization. While this practice may work against us during periods of extreme investor risk aversion, it has supported the Fund's relative performance over longer time periods. We also remain positive on the long-term growth prospects of the companies we own, even if they have underperformed in an environment in which investors often focused more on fear than fundamentals.

One of the Fund's biggest detractors in the fourth quarter was Cree, Inc. (1.60%), a maker of components used in high-end LED lighting. Our investment in Cree stems from our interest in the LED lighting area. LED lighting currently accounts for only about 1% of the \$20 to 30 billion lighting market, but we believe that share could grow significantly over the next three years as consumers and business users discover the ultimate cost savings associated with this technology. As a leading manufacturer of higher end, high performing components used in LED lighting, we believe Cree is uniquely positioned to benefit from this migration. Earlier this year Cree shipped more units to its distribution channel than the market could apparently absorb. The resulting inventory building led to price cuts and order cancellations, which hurt the company's earnings performance. While it has taken a bit longer than anticipated for this inventory overhang to resolve itself, we believe it could have a positive effect on the company's long-term growth prospects. One reason for weaker demand may be the higher initial cost of the bulbs. Retailers have had to cut prices of the LED units to work down inventories, which might invite more end-user adoption of the technology. We continue to see long-term growth potential in the LED technology market.

Within large cap technology, we are less interested in investing in companies that we view as past innovators with comfortable market positions and slower earnings growth. Instead, we seek to identify companies that are at the forefront of innovation and that benefit from expanding market share and sustainable competitive advantages. We remain positive on many of the trends in areas such as data networking, storage, and security, and we are pleased to see the companies we own track well relative to our long-term anchor points.

Starbucks Corp. (2.47%) was a strong contributor to the Fund's fourth quarter results. The coffee and beverage retailer continues to diversify its product offerings with its recent purchase of Evolution Fruit Juice, as well as with the introduction of wine and beer in select stores. Its new VIA instant coffee packet has also been a success, giving Starbucks a foothold in the \$20 billion global market for instant coffee. The company is diversifying its marketing, using the Internet and social networking to target the fast growing market of the teen coffee maker, while it continues to expand internationally, especially in China.

Relative performance was also supported by our investment in Google, Inc. (4.00%), which continues to capitalize on its 70% share of the search engine market as it looks for new ways to monetize its search ads and metrics. The company is expanding into new ventures including social networking, music downloads and its Android operating system and tablet-based applications.

Online retailing powerhouse Amazon.com, Inc. (2.72%) was a detractor in the fourth quarter. While Amazon continues to take market share away from Internet and brick-and-mortar incumbents in a variety of consumer categories, this growth campaign has not come cheaply. The company has invested heavily in distribution platforms, technology infrastructure, and marketing initiatives, and these higher expenses have weighed on the company's recent earnings performance. Despite this development, we remain reassured by Amazon's execution. The company continues to spend money in ways that are designed to drive revenue growth and market share gains as it invests in new product areas. Given Amazon's strong financial position and broad based market leadership in the Internet retailing space, as well as its growing forays into online content delivery, we remain positive on its long-term prospects.

In the health care space, we continue to see opportunity tied to new innovations and favorable demographic trends. We are particularly interested in companies that are using innovation to bend the cost curve, or reduce the rate at which healthcare spending rises. These include companies developing devices and technology to improve patient outcomes and quality of life, as well as those using creative methods to manage and secure patient health records and prevent fraud. Recently, the uncertainty over federal budget cuts has overshadowed stocks with real or perceived sensitivity to federal funding or Medicare and Medicaid reimbursement levels. This included Cerner Corp. (1.67%), a provider of health care information technology solutions. The company has benefited over the past few years from federal stimulus spending aimed at helping doctors and hospitals move to electronic medical record keeping. There is some speculation that software bookings driven by this funding have peaked. Despite this uncertainty, we remain positive on prospects for Cerner, which continues to report record bookings and to track well relative to our anchor points.

Pharmasset, Inc. (0.00%) was a strong positive performer for the Fund, both in the fourth quarter and year-to-date. The biotechnology company is developing a next generation treatments for hepatitis C (HCV). The existing treatment regimen for HCV relies heavily on the use of interferon, a toxic substance with significant side effects. As more trial results become available, the company's compounds have so far shown not only high levels of efficacy but also promising safety profiles. Our interest in Pharmasset was affirmed in November when the company announced it will be acquired by Gilead Sciences, Inc. (1.47%), the world's largest maker of HIV drugs, for an 89% premium over its prior closing market value.

Annual Performance Review

RS Growth Fund suffered a small decline for the twelve-month period ended December 31, 2011, while also underperforming the benchmark Russell 1000 Growth Index. The Fund's underperformance relative to the benchmark primarily reflected stock selection in the technology sector, as risk averse investors sold out of more growth oriented names. Individual detractors from Fund performance included Cree Inc., discount retailer Walgreens (0.00%), and genetic analysis technology company Illumina (0.00%), which we exited given uncertainty over its research funding amid federal budget cuts. The Fund's relative performance was supported by investments in Apple (5.82%), and Alexion Pharmaceuticals (1.39%), a biotechnology company benefiting from robust sales of Soliris, a treatment for a rare genetic blood disorder.

Outlook

As we look ahead, we caution that the near-term market climate could remain volatile as investors await more clarity on the economy. While recent economic news has been encouraging, we caution that there are significant risks for 2012, including the debt crisis in Europe and the potential for slowing growth in China. Even in a less certain environment, we remain optimistic on the outlook for our portfolio of investments. We continue to focus on companies that we believe can offer sustainable earnings growth across the business cycle. As long-term investors, we are looking beyond short-term cyclical factors and positioning the Fund to benefit from innovations and secular growth opportunities across a variety of industries.

Thank you for your continued investment.



Steve Bishop
Co-Portfolio Manager



Melissa Chadwick-Dunn
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 December 31, 2011.

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 12/31/11)

Technology	27.41%
Consumer Discretionary	17.75%
Producer Durables	12.37%
Health Care	12.03%
Energy	10.93%
Consumer Staples	7.07%
Materials & Processing	6.77%
Financial Services	4.61%
Utilities	0.00%
Cash	1.06%

Top Ten Holdings³

(As of 12/31/11)

Apple, Inc.	5.82%
Exxon Mobil Corp.	4.08%
Google, Inc.	4.00%
United Parcel Service, Inc.	3.22%
Philip Morris International, Inc.	2.89%
Amazon.com, Inc.	2.72%
McCormick & Co., Inc.	2.48%
Starbucks Corp.	2.47%
Ecolab, Inc.	2.42%
Oracle Corp.	2.36%

Performance

(Average Annual Total Returns as of 12/31/11)

	Fourth Quarter 2011	1-Year	3-Year	5-Year	10-Year	Since Inception ⁴
RS Growth Fund, Class A						
without sales charge	8.98%	-0.68%	13.94%	-1.21%	3.11%	8.32%
with maximum sales charge	3.79%	-5.39%	12.09%	-2.16%	2.61%	8.05%
Russell 1000 [®] Growth Index ¹	10.61%	2.64%	18.02%	2.50%	2.60%	6.94%

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

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¹ The Russell 1000[®] Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 1000[®] Index (which consists of the 1,000 largest U.S. companies based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values. 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 May 12, 1992.

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