

RS Funds

Important Tax Information

During 2007, a portion of the dividend income you received may have come from interest earned on investments in federal obligations, such as U.S. Treasury and federal agency securities. The percent of income derived from federal obligations applies only to dividends; long-term and short-term capital gain distributions are not included. This information will be reported to you on Form 1099-INT.

Therefore, you may receive the following two forms from us:

- Form 1099-DIV reports ordinary dividends (including qualified dividends) and short- and long-term capital gains distributions from taxable accounts. Only accounts with taxable distributions of \$10 or more or backup withholding are reported.
- Form 1099-INT reports tax exempt interest dividends. Only accounts with tax-exempt interest dividends (including specified private activity bond interest) of \$10 or more or backup withholding are reported.

Each state has its own rules regarding taxation of this income. State tax law requirements are complex and the action you take should depend on your individual circumstances. We urge you to consult your local taxing authorities or a tax advisor concerning your state requirements for what must be reported and the appropriate forms to use.

Percent of 2007 Ordinary Income Dividends Derived from Each Type of Federal Obligation

Source	RS Asset Allocation Fund	RS S&P 500 Index Fund	RS Investment Quality Bond Fund	RS Low Duration Bond Fund	RS Money Market Fund
Direct U.S. Government Obligations	2.49%	0.26%	11.45%	4.88%	2.17%
U.S. Government Guaranteed Obligations					
Federal Home Loan Mortgage Corp	0.00%	0.00%	11.57%	8.54%	0.50%
Federal National Mortgage Corp	0.00%	0.00%	14.66%	17.72%	2.27%
Government National Mortgage Assn	0.00%	0.00%	11.57%	0.12%	0.00%
Total U.S. Government Guaranteed Obligations	0.00%	0.00%	37.80%	26.38%	2.77%
TOTAL U.S. GOVERNMENT OBLIGATIONS	2.49%	0.26%	49.25%	31.27%	4.95%

Percent of 2007 Assets by Quarter from Each Type of Federal Obligation for Intangible or Personal Property Taxation

For those shareholders who may be liable for intangible or personal property tax, we are providing the percent of the Funds' assets held in direct U.S. Government Obligations for each quarter of the year ended December 31, 2007. The Funds listed below are the only RS Funds that held assets in direct U.S. Government Obligations in 2007.

Fund	Security	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	Average
RS Asset Allocation Fund	Direct U.S. Government Obligations	0.87%	0.92%	1.19%	0.28%	0.82%
RS S&P 500 Index Fund	Direct U.S. Government Obligations	0.14%	0.14%	0.08%	0.10%	0.12%
RS Investment Quality Bond Fund	Direct U.S. Government Obligations	40.72%	41.78%	46.98%	48.23%	44.43%
RS Low Duration Bond Fund	Direct U.S. Government Obligations	32.32%	31.77%	40.37%	43.66%	37.03%
RS Money Market Fund	Direct U.S. Government Obligations	5.72%	6.61%	3.23%	5.17%	5.18%

(over, please)

Dividend Tax Information for the RS Tax-exempt Fund

Generally, the U.S. government does not impose income tax on the dividends of tax-exempt portfolios. In addition, most states do not impose personal income tax on dividends derived from their own obligations. The table below shows the portion of dividends derived from interest on state and local obligations on a state-by-state basis during 2007. Since tax treatment on dividends paid may vary among different states and cities, a portion of the dividends may be subject to state and local taxes. We suggest that you consult your tax advisor on this matter.

State (Territory)	%	State (Territory)	%
Alabama	1.24%	Nebraska	2.57%
Alaska	2.88%	Nevada	0.22%
Arizona	2.62%	New Hampshire	1.69%
Arkansas	2.51%	New Jersey	5.71%
California	7.63%	New York	8.63%
Colorado	5.83%	North Carolina	4.98%
Connecticut	2.14%	Ohio	2.19%
Delaware	0.30%	Oregon	3.57%
Florida	1.85%	Pennsylvania	3.11%
Georgia	1.26%	Puerto Rico	6.03%
Idaho	0.37%	South Carolina	3.95%
Illinois	0.03%	Tennessee	1.09%
Kansas	1.35%	Texas	2.72%
Kentucky	2.62%	Utah	0.23%
Maryland	2.11%	Virginia	4.31%
Massachusetts	7.27%	Virgin Islands	0.53%
Michigan	0.27%	Washington	2.25%
Minnesota	2.50%	TOTAL	100.00%
Missouri	1.43%	Alternative Minimum Tax (AMT)	5.98%

Dividend Received Deduction

As required by the Internal Revenue Code, the following percentages of Ordinary Income distributions for the year ended December 31, 2007 have been designated as dividend received deduction eligible for corporate shareholders:

RS International Growth Fund	1.30%
RS Emerging Markets Fund	0.01%
RS Core Equity Fund	100.00%
RS Asset Allocation Fund	100.00%
RS Small Cap Core Equity Fund	12.00%
RS S&P 500 Index Fund	100.00%
RS Large Cap Value Fund	100.00%
RS Global Natural Resources Fund	89.86%
RS Growth Fund	14.37%
RS Partners Fund	20.40%
RS Value Fund	21.31%
RS Equity Dividend Fund	46.11%
RS Technology Fund (formerly The Information Age Fund®)	1.35%
RS Investors Fund	9.34%
RS MidCap Opportunities Fund	3.55%
RS Smaller Company Growth Fund	6.78%

If you have any questions about your account, please consult your financial professional, or call our Customer Service representatives at 1-800-766-FUND (3863), Option 3. Our customer service hours are 9:00 am to 6:00 pm (ET), Monday through Friday.

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 important information. Please read it carefully before investing or sending money. A prospectus can be obtained by calling 1-800-766-FUND (3863) or by visiting www.RSinvestments.com.

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