

## First Quarter 2010 Mutual Fund Commentary RS Growth Fund

### Performance Review

The U.S. equity market delivered solid gains in the first three months of 2010, with the S&P 500 Index<sup>1</sup> recording its strongest first quarter of performance in more than a decade. Driving market gains were strong fourth quarter earnings on the heels of improved revenue growth and corporate cost cutting that led to better than expected profit margins. The economic recovery appeared to remain on track, as consumer spending trends showed signs of strengthening despite the stubbornly high unemployment rate.

For the three-month period ended March 31, 2010, RS Growth Fund returned 2.48%, underperforming the 4.65% return by the benchmark Russell 1000<sup>®</sup> Growth Index<sup>2</sup>. Relative performance was hindered in part by our focus on long-term secular growth stocks, which were in some cases overlooked by investors seeking more immediate cyclical upside potential. Stock selection was negative in the financial services, consumer discretionary, and producer durables sectors. On a positive note, relative performance was aided by our investment selection in the health care, technology and materials sectors.

### Portfolio Strategy

RS Growth Fund is managed with a team-based approach that relies on fundamentally driven stock selection to identify large-cap companies with sustainable long-term growth potential. Our experienced managers and analysts call upon their deep sector expertise and extensive industry contacts to pinpoint companies with strong management teams, sustainable competitive advantages, and solid long-term revenue growth. In selecting investments, we emphasize stocks that we can purchase at a discount to our own earnings estimates, as well as those we believe offer at least 2 to 1 ratio of upside-return potential to downside risk.

### Portfolio Review

While the fundamentals supporting most of the Fund's holdings remained solid in the first quarter, a few of our individual holdings failed to find favor with investors. These included energy company Southwestern Energy (1.49% of holdings as of 3/31/10), a natural gas exploration and production company that we particularly like for its self-funded business model. While the company reported

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 1.34%. 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](http://www.RSinvestments.com).

very strong fourth quarter earnings and revenue growth, Southwestern's recent share price performance has been hurt by a decline in natural gas prices. Natural gas prices are notoriously volatile, given the commodity's primary role as a supplemental fuel to meet power generation needs during peak demand periods. Our investment thesis for Southwestern rests on our belief that natural gas will face increasing demand as utilities seek greener alternatives to foreign oil. Not only does natural gas produce 50% to 70% less pollution than oil, but the United States benefits from at least a 100-year supply of this energy source. Technological innovations such as horizontal drilling have improved yields and cut extraction costs, and we believe that improving demand trends will benefit Southwestern over the long term.

Asset manager INVESCO (0.00%) was another detractor for the period, after delivering strong performance for the Fund last year, when it benefited from strong asset inflows and optimism over its purchase of Van Kampen Investments. More recently, the stock has succumbed to concerns over a shift to asset outflows. Our research has also flagged some challenges the company may encounter in integrating the Van Kampen business. Given what we believed to be deteriorating fundamentals for the asset manager, we liquidated our position.

The Fund's relative performance was also hurt by our overweight investments in several underperforming technology stocks. These included Internet media powerhouse Google (3.11%). After suddenly raising objections to China's censorship policies, the company found itself barred from the second largest Internet market in the world. This created additional uncertainty over the diversification of Google's revenue base, and the stock traded lower despite the improving advertising environment.

On a positive note, the Fund's relative performance was aided by stock selection in the health care sector, an area that is benefiting from greater clarity following a resolution to the health care reform debate in Washington. Our focus remains on health care companies that we believe will be part of the solution to rising health care costs. These include Teva Pharmaceuticals (1.86%), one of our top performers for the quarter. The world's leading provider of generic drugs, a more affordable alternative to traditional prescription drugs, Teva is also positioned to benefit as more people in the United States gain access to health insurance. Another standout performer in the health care area, drug maker Shire PLC (1.41%) benefited from its strong revenue performance in the fourth quarter, as well as from news of positive clinical trial results for its treatment for Gaucher disease, a rare genetic disorder.

Relative performance was also supported by our investment in Flowserve (1.49%), a manufacturer of valve and flow control products used in oil drilling and other industrial applications. While the company's primary business slowed last year as many oil companies delayed large investment projects, it was able to sustain its profit margins through its robust aftermarket business in spare parts. The company's cash flow generation remains strong, and it has continued to invest in new initiatives such as nuclear and water desalinization projects that could create large market opportunities going forward.

## **Outlook**

While we are encouraged to see growing signs of economic improvement, we continue to caution that both economic and stock market performance could remain volatile over the coming months, especially given uncertainty over the employment market, inflation pressures, and potential interest rate increases. In this environment, we will remain steadfast in our disciplined growth investment approach, utilizing hands-on, bottom-up research to identify well-managed, well-capitalized companies that benefit from sustainable competitive positions, solid market positioning, healthy profit margins, and promising long-term revenue growth potential.

Thank you for your continued investment.

Sincerely,



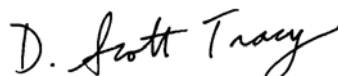
Steve Bishop  
Co-Portfolio Manager



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 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 March 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](http://www.RSinvestments.com).***

**Sector Allocation<sup>3</sup>**  
(As of 3/31/10)

Technology	33.76%
Health Care	17.24%
Consumer Discretionary	11.14%
Producer Durables	9.98%
Consumer Staples	7.25%
Energy	6.88%
Financial Services	5.86%
Materials and Processing	4.72%
Cash	3.16%

**Top Ten Holdings<sup>4</sup>**  
(As of 3/31/10)

Apple, Inc.	3.19%
Google, Inc.	3.11%
Hewlett-Packard Co.	3.09%
Amazon.com, Inc.	2.88%
Cisco Systems, Inc.	2.59%
United Parcel Service, Inc.	2.45%
Oracle Corp.	2.43%
EMC Corp.	2.42%
Gilead Sciences, Inc.	2.40%
Target Corp.	2.34%

## Performance

(Average Annual Total Returns as of 3/31/10)

	First Quarter 2010	1-Year	3-Year	5-Year	10-Year	Since Inception <sup>5</sup>
RS Growth Fund, Class A						
without sales charge	2.48%	39.90%	-5.29%	1.28%	-2.63%	8.60%
with maximum sales charge	-2.37%	33.29%	-6.82%	0.31%	-3.10%	8.31%
Russell 1000 <sup>®</sup> Growth Index <sup>2</sup>	4.65%	49.75%	-0.78%	3.42%	-4.21%	6.84%

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

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<sup>1</sup> The S&P 500<sup>®</sup> 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.

<sup>2</sup> The Russell 1000<sup>®</sup> Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 1000<sup>®</sup> 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.

<sup>3</sup> 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.

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

<sup>5</sup> Class A shares inception date May 12, 1992.

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