

First Quarter 2010 Mutual Fund Commentary RS Large Cap Alpha Fund

Performance and Market Commentary

For the first quarter of 2010, RS Large Cap Alpha Fund (Class A Shares) generated a return of 6.83% versus 6.78% for the benchmark Russell 1000[®] Value Index¹. The Fund's results during the quarter were positive both in absolute terms and relative to the benchmark. Similar to 2009, this outperformance was also very strong on a risk-adjusted basis.

In our year end 2009 commentary we described a "risk rally" that existed for most of the year, during which the best-performing stocks, across all capitalization ranges, were generally those with lower quality businesses and/or elevated levels of financial leverage. We cited Bernstein Research which found that the lowest quality stocks outperformed the highest quality stocks by over 50% (or 5,000 bps) from March to December of 2009². It now appears that this "risk rally" persisted into the first quarter of 2010. By way of example, the highest Beta stocks within the Russell 1000[®] Value Index outperformed the lowest Beta names by 1,470 basis points during the first quarter of 2010³. Moreover, those companies with no Return on Equity (ROE) within the index outperformed the benchmark by 1,260 basis points during the quarter³.

We continue to focus on companies that are going through positive structural change that will lead to improving return on invested capital. Our goal of limiting losses and allocating capital to companies with asymmetric risk-reward profiles is an integral component of the RS Value investment process. Long-time readers know that we seek to position our shareholders' capital to lose less in down markets, and to keep pace with the index during periods of dramatic market price appreciation.

Portfolio Positioning

Financials

Over the past year, the Fund's exposure to financial services steadily increased as we became increasingly more constructive on the sector. This trend persisted during the first quarter of 2010, as we continued to patiently and opportunistically deploy incremental capital toward those financial services companies that we felt possessed solid capital positions, stable and reliable funding sources, strong management teams, increasing returns on capital, and downside protection.

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 0.95%. 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.

Over the past year we have been slowly and cautiously building our banking exposure, and we continue to be very discriminating with the Fund's bank investments. That said, it is our view that the banking industry continues to structurally improve. We continue to see signs supportive of our thesis that credit losses may be peaking, which will be the starting point for structural improvements in the return profiles of credit based financial institutions. Furthermore, we believe that the elimination of irrational competitors and a return to more economic pricing of credit risk will lead to structurally higher returns for those companies that are best positioned to weather the current economic environment. In our bank investments, we continue to look for businesses with solid deposit franchises and sound capital ratios that generate strong pre-provision cash flows. Moreover, we need to be able to assess potential credit losses while seeking to purchase our investment at or near a stressed tangible book value. In addition, we expect that the better positioned banks will garner significant market share from weakened competitors.

The Fund's investments in the financials sector contributed positively to both the Fund's full year 2009 and first quarter 2010 results and we are pleased with the positioning of our current financial services investments. In general, valuations within financials remain relatively attractive despite the significant move that the sector has enjoyed off of last year's bottom. Looking forward, we would expect the portfolio to continue its shift away from REITs and property & casualty insurance in favor of banks and life insurance. With returns on new business improving at select banks and life insurance companies, we remain interested in those companies that possess sustainable longer-term business models.

Consumer, Business Services, Health Care, and Technology

We continue to allocate capital toward companies with less cyclical exposures that are undergoing company-specific changes that should lead to improving returns. As detailed in last quarter's commentary, healthcare was an area where we were especially active in allocating capital during 2009, and these names served us well during the quarter. We continue to remain cautious regarding more discretionary consumer-related businesses as we feel that the U.S. consumer may face ongoing challenges, especially with respect to the housing market. With the U.S. government continuing to prop up the mortgage market, we remain defensively positioned with respect to the consumer as we await further visibility regarding what impact the withdraw of this artificial support will have on home prices. Therefore, to the extent that we make investments that are impacted by the consumer, we seek businesses that serve less-discretionary needs or have more recurring cash flow characteristics.

Hard Assets

The hard asset pod is divided between businesses that we generically label as "industrials" and those falling under the natural resource heading. The primary difference between the two groups relates to the laws of mean reversion. In industrials, processing and service oriented businesses excess returns are typically competed away over time, which is why we focus on *improvements* in returns on invested capital when assessing investment opportunities. In contrast, returns on capital in the natural resource space are typically a function of where a company's producing assets sit on a supply cost curve. Effectively, returns are often driven by the "quality of the rock" and, because geology doesn't change over our 3-5 year investment time horizon, returns on capital in the natural resource space are not subject to mean reversion. Due to this fundamental difference, each segment deserves its own separate commentary.

While the operating environment for many industrial companies has improved considerably over the past year, we remain concerned about most companies' ability to generate positive pricing in a world where significant excess labor and manufacturing capacity persists. As a result, we have slanted our exposure towards the higher quality, more durable franchises within the industrial landscape. Interestingly, these businesses remain available in the market at much more attractive valuations than their more speculative peers, due in part to the "junk" rally that characterized the market over

the past 12 months. We like purchasing these businesses at steep discounts to warranted value, as we believe that our downside risk remains limited. Even with recent stock price increases, we remain convinced that the opportunity to own defensible, differentiated business models, run by outstanding management teams, will set the foundation for attractive future returns.

Our objective in managing investments within natural resources is to optimize risk adjusted returns across a full commodity price cycle. We do not believe that we have an edge in speculating on commodity price changes. Instead, we believe that we can best manage the risks inherent in natural resource investing by identifying and purchasing what we call “advantaged” assets. Advantaged assets sit at the bottom of a reasonably steep supply cost curve and can generate excess returns on capital at any point in a commodity price cycle. We accept that this approach may not maximize returns when commodity prices are rising rapidly. The offset is that in volatile or declining markets, and more importantly across a commodity price cycle, we believe that our focus on managing risk will allow us to generate strong returns for our investors. Thus, we continue to focus on understanding supply side economics for each commodity, and on identifying those commodities with reasonably steep cost curves. We contend that there are a finite number of advantaged assets for each commodity, and thus we tend to concentrate on the lowest cost projects while remaining broadly diversified across commodities.

Our longer-term outlook for natural resources remains positive. Supply costs for many commodities continue to rise for geological reasons, excess capacity remains relatively low, the longer-term demand trends from emerging market countries remain favorable, and the risk of inflation in basic commodities continues to rise. Our objective in the current environment is to continue to expose our shareholders to the most advantaged natural resource companies across the commodities spectrum when valuations are attractive. By doing so, we believe that we are best able to provide our investors with all of the benefits associated with investing in the natural resource space, while also mitigating the associated risks. As long term investors, we feel that these are the types of markets that establish the foundation for strong future returns, and we are excited about the prospects moving forward.

Outlook

We are neither macro economists nor top-down investors. However, we believe that we are in a period of protracted volatility as the markets continue to grapple with a variety of issues, including on-going deleveraging, deflation/inflation risks, government budget deficits, higher taxes, and the potential for rising risk premiums. While we have become less defensive, we do remain cautious with respect to the levels of financial and operational leverage that we will tolerate within our portfolio companies. We have never attempted to maximize short-term results, as we do not believe that our investors would be adequately compensated for the level of risk that we would have to assume.

With the possibility for increasing interest rates, inflation and taxes conspiring to raise the market discount rate, we believe future performance will no longer benefit from the re-rating of risk. As such, we believe that the Fund is very well positioned for a return to a more fundamentally-driven environment where individual company-specific cashflows are again relevant. We remain long-term investors focused on identifying structural changes that will drive a sustained increase in a company's return on invested capital. We firmly believe that our long-term investment horizon, the strength of our team and the benefits of our consistent and repeatable process, will benefit our investors over the long-term.

We thank you as always for your ongoing support.

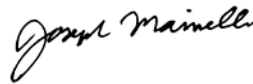
Sincerely,



Mackenzie Davis, CFA
Co-Portfolio Manager




David Kelley
Co-Portfolio Manager



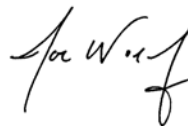
Joseph Mainelli
Co-Portfolio Manager



Andrew Pilara
Co-Portfolio Manager



Ken Settles, CFA
Co-Portfolio Manager



Joe Wolf
Co-Portfolio Manager

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. The Fund invests primarily in equity securities and therefore exposes you to the general risks of investing in stock markets. International investing involves special risks, which include changes in currency rates, foreign taxation and differences in auditing standards and securities regulations, political uncertainty and greater volatility.

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.

Appendix—Stock Examples

KeyCorp (KEY) (2.40% of holdings as of 3/31/10) is a bank-based diversified financial services company headquartered in Cleveland, Ohio. With \$93 Billion in total assets, KeyCorp has the 15th largest branch network in the U.S. and operates over 1,000 banking offices across 15 states. KeyCorp offers a full range of traditional retail and commercial banking services, along with a variety of other financial products.

Through aggressive credit management and corporate restructuring, KeyCorp should see improving returns on capital over the next several years. The company has been proactive in identifying problem loans and recognizing losses. In fact, management's focus on risk adjusted returns led the company to shed \$1 billion of potential problem credits early in the credit cycle, well before other banks recognized there was even a problem. Management is working on improving the bank's efficiency by implementing cost cutting initiatives and shedding non-core business lines, resulting in \$375M of annual expense saves.

The fourth quarter of 2009 marked a turning point in credit trends for KeyCorp as the inflow of non-performing loans slowed and cure rates on existing problem loans improved. We stress tested our

investment in KeyCorp using draconian assumptions. Even assuming that 15% of all loans defaulted with an average loss severity of 35%, we estimate that KeyCorp has sufficient pre-tax, pre-provision cash flows and enough excess reserves to withstand any material degradation in tangible book value. We believe this, coupled with our entry price of less than 80% of tangible book value, provides considerable downside protection to our investment. Furthermore, KeyCorp's recent capital raise and strong liquidity puts the company in a position to add to its franchise through potentially high return FDIC-assisted transactions.

We remain very constructive on the long-term outlook for our investment in **Martin Marietta Materials, Inc.** (MLM) (3.37%) despite it being a negative contributor to the Fund's first quarter returns. In fact, we used weakness during the quarter to increase our position size, as we believe we were able to purchase a very attractive business with limited downside risk over our 3-5 year investment time horizon. Martin Marietta is one of the largest producers of aggregates, or crushed rock, in the United States, with dominant positions in the mid-Atlantic, Southeast and Texas regions. The aggregates industry has consolidated significantly during the past decade, and is characterized by high barriers to entry - a function of permitting difficulties and capital intensity. In addition, aggregate producers enjoy regional pricing power because it is cost prohibitive to ship product long distances, given the low value to weight ratio. In fact, the industry has enjoyed annual price increases ranging from 1% to 10% per annum every year since 1953.

Martin Marietta has grown through acquisitions by targeting regions where it can establish a #1 or #2 market share position and then leverage its low-cost transportation advantage – MLM moves roughly 30% of its aggregates via train or water ways, almost twice that of its closest competitor. Volumes have been negatively impacted by recent economic contraction, declining by approximately 40% from 2006 to 2009. However, due to industry conditions and management focus, this volume loss has largely been off-set by price increases. In addition, management has moved aggressively to right-size the business, stripping out fixed costs and recapitalizing assets, with the result being that per employee profitability metrics have actually improved 60% despite the volume declines. We believe that current industry volumes are well below more sustainable longer-term levels given that some estimates suggest that the US needs to invest \$5.5 trillion over the next 5 years in order to bring its infrastructure to merely a fair condition level. In addition, we are confident that management will continue to redeploy capital into high return projects, thereby increasing the overall value of the business. While it may take several quarters to play out, we believe that our investment in Martin Marietta – namely, purchasing high quality, improving assets with limited downside risk – is consistent with our mantra of bringing a private equity investment approach to the public markets.

Sector Allocation⁴
(As of 3/31/10)

Financial Services	31.92%
Health Care	14.08%
Energy	13.48%
Materials and Processing	10.62%
Consumer Discretionary	8.86%
Technology	7.39%
Producer Durables	5.45%
Consumer Staples	2.93%
Cash	5.27%

Top Ten Holdings⁵
(As of 3/31/10)

Agilent Technologies, Inc.	4.07%
Hasbro, Inc.	3.99%
Genworth Financial, Inc.	3.73%
Citigroup, Inc.	3.73%
Pfizer, Inc.	3.46%
Occidental Petroleum Corp.	3.44%
Martin Marietta Materials, Inc.	3.37%
Fidelity National Information Services, Inc	3.28%
Praxair, Inc.	3.16%
BHP Billiton Ltd.	3.09%

Performance

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

	First Quarter 2010	1-Year	3-Year	5-Year	10-Year	Since Inception ⁶
RS Large Cap Alpha Fund, Class A without sales charge	6.83%	45.42%	1.47%	6.32%	-2.69%	11.95%
with maximum sales charge	1.75%	38.51%	-0.16%	5.29%	-3.17%	11.80%
Russell 1000 [®] Value Index ¹	6.78%	53.56%	-7.33%	1.05%	3.10%	N/A
S&P 500 [®] Index ⁷	5.39%	49.77%	-4.17%	1.92%	-0.65%	9.87%

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

The Fund is the successor to the Guardian Park Avenue Fund, a mutual fund with substantially similar investment objective, strategies, and policies. The performance of the Fund provided in the chart includes that of the predecessor fund prior to October 9, 2006. 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 0.95%. 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 Russell 1000[®] Value 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 lower price-to-book ratios and lower forecasted growth values. Index results assume the reinvestment of dividends paid on the stocks constituting the index. Unlike the Fund, the index does not incur fees or expenses.

² Source: FactSet and Bernstein Research analysis, Equity Portfolio Strategy Materials, January 7, 2010. Bernstein's quality model, which includes six factors including ROE, sales growth, net margin and three stability metrics, determined average annualized relative returns of -15.0% for the highest quality quintile vs. +36.0% for the lowest quality quintile for the period from March 2009 to December 2009.

³ Source: BofA Merrill Lynch Large Cap Fund Performance Update, April 1, 2010. This report shows that the highest quartile Beta names in the Russell 1000 Value Index were up 15.2% in the first quarter compared to 0.5% for the lowest quartile Beta stocks. In addition, those companies with no ROE gained 19.4% during the first quarter, exceeding the benchmark return by 1,260 basis points.

⁴ The sector allocation represents the Global Industry Classification Standard (GICS), which was developed by Morgan Stanley Capital International (MSCI) and Standard & Poor's (S&P). The Fund's holdings are allocated to each sector based on their GICS classification. Cash includes short-term investments and net other assets and liabilities.

⁵ Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

⁶ Class A shares inception date June 1, 1972.

⁷ 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.

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