

### Third Quarter 2009 Mutual Fund Commentary RS Global Natural Resources Fund

RS Global Natural Resources Fund seeks long-term capital appreciation for its investors across an entire commodity price cycle. Our research shows that this objective is best achieved by limiting downside risk, which we attempt to do by focusing on those low-cost companies that own “advantaged assets” in a given commodity, and by purchasing an interest in those companies at a discount to net asset value using conservative long-term commodity price assumptions. We contend that there are a finite number of these advantaged assets for each commodity, and thus the Fund tends to be concentrated around the lowest cost projects while being broadly diversified across commodities. We accept that this approach may not maximize returns over short periods of time when commodity prices are rising rapidly, as we witnessed in 2007 and the first half of 2008. The offset is that in volatile or declining markets, and more importantly across a full commodity price cycle, we believe that our focus on managing risk by attempting to avoid permanent capital loss will better benefit our shareholders over the long-term.

During the third quarter, the Fund increased by 17.32% while the S&P North American Natural Resource Index™<sup>1</sup> was up 17.34%. The S&P 500 Index<sup>2</sup> increased by 15.61% during the same period. At the end of the third quarter, the Fund was up 38.20% for the year versus an increase of 29.03% for the S&P North American Natural Resource Index and 19.26% for the S&P 500.

Notable positive drivers of returns in the quarter included Vale (3.87% of holdings as of 9/30/09), Petrobank (2.79%), Antofagasta (2.27%), Oil Search (2.67%), and Talisman (5.06%). On a relative basis, our underweight versus the large integrated oil companies also helped the Fund’s performance. In general, these companies are challenged by their sheer size to create incremental value on a per share basis. Negative absolute performance was limited to Potash Corp (1.71%), which declined slightly during the quarter. The portfolio was impacted negatively on a relative basis by a lack of exposure to lower quality upstream assets as well as select downstream businesses, both of which benefited from the “risk trade” that occurred in the third quarter. Downstream, or processing, businesses tend to possess relatively flat cost curves and thus there is limited differentiation between advantaged and disadvantaged assets. While changes in expectations or commodity prices may result in short-term out-performance, our experience shows that through-cycle these businesses are unable to earn above cost of capital returns, and thus generate no incremental value for investors.

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 1.50%. 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).

After a period of imbalance, the commodity markets have begun to move back toward equilibrium, with many commodities rebounding from unsustainably low prices and approaching the current marginal cost of supply. Both commodities and equities have extended their gains from the second quarter, driven by increased conviction regarding both long-term demand trends and the overall lack of spare capacity.

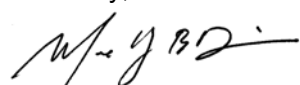
Going forward, we continue to expect a high degree of volatility in both commodity and equity prices. While demand has begun to normalize and the capital markets have re-opened, supply additions continue to be impeded by natural depletion and challenging geology. In the near term, we expect commodity prices to continue to trade between cash costs (the breakeven point for a producer at current levels of production) and marginal costs (the point where increased investment and production produces incremental profit) until demand growth returns. However, when the demand for commodities begins to grow again, we believe that commodity prices will need to trade well above the marginal cost of supply for several years in order to attract the investment necessary to grow production to meet this rising demand. As such, our view that this period of volatility and limited reinvestment is setting the foundation for the next up cycle in commodity prices has not changed, even though the timing is uncertain.

As long time readers know, we do not calculate “risk” in terms of stock price volatility, instead defining it as the potential for a permanent loss of capital. We view the volatility in both the equity and commodity markets as necessary over the long term as a means to establish supply/demand equilibrium and as an opportunity for investors over the short term. Given our favorable longer-term view, we have attempted to take advantage of the current environment, deploying more capital against our highest conviction names at valuations that we believe represent extraordinary asymmetric return profiles at current commodity prices across our investment time frame. Over the course of this year, we have worked to improve the composition of the Fund by adding direct exposure to several commodities and business models that we have long admired from a fundamental perspective, but were not comfortable with in terms of valuation and the downside risks we would be accepting with our shareholders’ capital. Examples include new positions in the producers of copper, agricultural commodities such as potash, liquefied natural gas, and salt. Interestingly, many of these commodities are not traded on futures exchanges and thus represent unique investment opportunities for investors in natural resource equities. We believe that these investments will yield attractive risk-adjusted returns across the commodity price cycle and will also help to further diversify the Fund during periods of volatility.

In our opinion, the 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. While we believe that the near term outlook is less certain, and likely to be quite volatile as a result, we contend that this is one of the most opportune times to be deploying capital into the advantaged businesses in the various natural resource industries. As long term investors, we believe that, and we are excited about the prospects moving forward.

We are, as always, thankful for your patience and support.

Sincerely,



MacKenzie Davis, CFA  
Co-Portfolio Manager



Andrew Pilara  
Co-Portfolio Manager



Ken Settles, CFA  
Co-Portfolio Manager

Investing in small- and 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. Funds that concentrate investments in a certain sector may be subject to greater risk than funds that invest more broadly, as companies in that sector may share common characteristics and may react similarly to market developments or other factors affecting their values. Investments in companies in natural resources industries may involve risks including changes in commodities prices, changes in demand for various natural resources, changes in energy prices, and international political and economic developments. Foreign securities are subject to political, regulatory, economic, and exchange-rate risks not present in domestic investments. The value of a debt security is affected by changes in interest rates and is subject to any credit risk of the issuer or guarantor of the security.

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 September 30, 2009.

***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 9/30/09)

Energy	48.80
Materials & Processing	35.62
Utilities	5.73
Producer Durables	2.99
Financial Services	1.93
Cash	4.93%

**Top Ten Holdings<sup>4</sup>**  
(As of 9/30/09)

Occidental Petroleum Corp.	5.27%
Talisman Energy, Inc.	5.06%
Denbury Resources, Inc.	4.53%
Southwestern Energy Co.	4.50%
XTO Energy, Inc.	4.31%
Goldcorp, Inc.	4.25%
BHP Billiton Ltd.	4.09%
Vale S.A.	3.87%
Martin Marietta Materials, Inc.	3.68%
Calpine Corp.	3.47%

## Performance

(Average Annual Total Returns as of 9/30/09)

	Third Quarter 2009	1-Year	3-Year	5-Year	10-Year	Since Inception <sup>5</sup>
RS Global Natural Resources Fund, Class A						
without sales charge	17.32%	-2.49%	1.31%	10.34%	14.33%	10.54%
with maximum sales charge	11.73%	-7.13%	-0.33%	9.27%	13.78%	10.16%
S&P North American Natural Resources Sector Index™ <sup>1</sup>	17.34%	-8.43%	2.397%	10.77%	8.62%	N/A
S&P 500® Index <sup>2</sup>	15.61%	-6.91%	-5.43%	1.02%	-0.15%	9.68%

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

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 1.50%. 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).

**1** The S&P North American Natural Resources Sector Index™ is a modified cap-weighted index designed as a benchmark for U.S.-traded securities in the natural resources sector. The index includes companies involved in the following categories: extractive industries, energy companies, owners and operators of timber tracts, forestry services, producers of pulp and paper, and owners of plantations. 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** 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, it does not incur fees and expenses.

**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 15, 1995.

Distributed by: Guardian Investor Services LLC (GIS), 7 Hanover Square, New York, NY 10004.

Not a Deposit	Not FDIC or NCUA Insured	May Lose Value	No Bank or Credit Union Guarantee
------------------	--------------------------------	-------------------	---

GIS is a member: FINRA, SIPC.

©2009 RS Investment Management Co. LLC

CO921QL\_GNRF