RS | investments

Fourth Quarter 2009 Mutual Fund Commentary
RS Growth Fund

Performance Review

As the stock market extended its third quarter rally into the fourth quarter, investors once again rewarded growth stocks backed by solid revenue growth, healthy earnings performance, and high quality balance sheets. As a result, growth stocks outperformed value shares for the period, with large-cap growth stocks outperforming small- and mid-cap growth shares. Helping to support the market's continued advance were some positive signs that the economy was indeed in recovery. The Commerce Department reported that real GDP grew at 2.2% annual rate in the third quarter, its first quarter of expansion since the spring of 2008. Nonetheless, policymakers continued to warn about the fragile nature of the economic recovery, given continued high unemployment, constrained credit availability, and a recent resurgence in the prices of energy and other commodities.

For the three-month period ended December 31, 2009, RS Growth Fund returned 7.72%%, slightly underperforming a 7.94% return by the benchmark Russell 1000® Growth Index[1]. Stock selection in the technology sector was the largest detractor from relative performance, while the Fund's stock selection in the consumer discretionary sector was a positive factor.

Portfolio Strategy

In managing RS Growth Fund, we rely on fundamentally driven stock selection to identify large-cap secular growth companies that possess strong management teams, sustainable competitive advantages, and solid long-term revenue growth potential. In selecting holdings, we continue to emphasize stocks we can purchase at a discount to our own earnings estimates, as well as those we believe offer at least 2 to 1 upside-return potential to downside-risk ratio. The Fund is managed with a team-based approach that calls upon the deep industry expertise and extensive investment experience of our managers and analysts. These professionals dig deep to uncover high quality growth investments across a variety of industry segments. At the same time, we continue to monitor the performance of our investments through frequent company visits, third-party verification, and rigorous financial modeling and scenario testing.

Portfolio Review

Growth shares showed a resurgence in the fourth quarter as investors looked beyond bargain hunting and short-term speculative plays to identify high quality companies with the potential to deliver solid long-term earnings performance even in a slower growth environment. This period worked to our strengths as stock pickers rewarded many of the high quality stocks we have identified through our proven investment process. One of our strongest contributors for the period was online retailing powerhouse Amazon.com (3.83% of holdings as of 12/31/09). As more and more consumers flock to the Web for discounts and a broad range of product offerings, Amazon is often their first stop. The company continued to grow its already impressive customer base by 17% between the third quarters of 2008 and 2009, while the net income from its North American business segment jumped 77% during the same period. We continue to be impressed by Amazon's ability to reach out to new market segments and customers while delivering exceptional customer service.

Google (3.63%) has been another powerful performer for the Fund. With its leadership in the Internet search space, the company has been a primary beneficiary from the recent rebound in online advertising spending as retailers have sought to position themselves for the holiday season and for improved economic conditions in 2010. Google also boasts a cash-rich, debt-free balance sheet that has given us added confidence in the company's long-term potential.

Another company that has benefited from some thawing in consumer spending, as well as from the growing migration to online shopping and automated purchases, is credit card issuer Visa (0.99%), a strong contributor for the period. Visa has seen its credit usage volumes increase recently as consumer have returned to stores and their favorite ecommerce sites. The company is also benefiting from its leadership in the growing debit card business.

On a negative note, relative performance was dampened by our stock selection in the technology sector, where one major detractor was Activision Blizzard (1.16%), a leading publisher of online video games such as the popular *World of Warcraft*. The stock has recently been overshadowed by concerns over weakening sales trends in the video gaming market as whole. Nonetheless, Activision Blizzard's line-up of games continues to attract consumers, and its recently released *Call of Duty: Modern Warcraft 2* title is already on track to become one of the top-selling video games of all time. For this reason, we remain constructive on its revenue growth potential for 2010 and beyond, especially as the company prepares to launch a new slate of gaming titles later this year.

In the health care sector, our returns suffered from our investment in Genzyme (1.43%), a biotechnology company that has developed treatments for a number of rare diseases. The company has suffered several setbacks in the past year, including a viral contamination that forced it to shut down one of its production facilities. The virus did not endanger patients in any way but did affect product yields. The process of decontaminating and recertifying this facility proved more complicated and time-consuming than we had anticipated, and this has weighed on the stockís performance. However, Genzymeís products are so unique that damage to its franchises by competitors was limited. We held onto an investment in Genzyme while continuing to closely monitor developments, as the company is now poised to return to growth.

Outlook

Looking ahead, we caution that both economic and stock market performance could remain volatile in 2010, especially given uncertainty over high unemployment and rising commodity prices. Nonetheless, we remain optimistic on prospects for our individual holdings, which we have selected for their all-weather growth potential. We remain steadfast in our bottom-up investment approach, while our investment team continues to perform exhaustive due diligence, seeing companies in action while interviewing their principals, customers, and suppliers.

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 December 31, 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.

Sector Allocation[2]
(As of 12/31/09)

Technology	30.96%
Health Care	16.38%
Consumer Discretionary	12.06%
Energy	9.50%
Producer Durables	9.19%
Financial Services	7.81%
Consumer Staples	7.57%
Materials & Processing	3.69%
Utilities	1.99%
Cash	0.86%

Top Ten Holdings[3]
(As of 12/31/09)

Apple, Inc.	4.79%
Amazon.com, Inc.	3.83%
Google, Inc.	3.63%
Hewlett-Packard Co.	3.18%
Cisco Systems, Inc.	2.53%
EMC Corp.	2.49%
Oracle Corp.	2.47%
Target Corp.	2.29%
Microsoft Corp.	2.21%
Gilead Sciences, Inc.	2.11%

Performance
(Average Annual Total Returns as of 12/31/09)

	Fourth Quarter 2009	1-Year	3-Year	5-Year	10-Year	Since Inception[4]
RS Growth Fund, Class A						
without sales charge	7.72%	31.53%	-5.75%	0.64%	-1.56%	8.58%
with maximum sales charge	2.65%	25.24%	-7.27%	-0.33%	-2.04%	8.28%
Russell 1000® Growth Index[1]	7.94%	37.21%	-1.89%	1.63%	-3.99%	6.66%

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 1.34%. 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 our Web site: www.RSinvestments.com.

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.