

Fourth Quarter 2009 Mutual Fund Commentary RS Mid Cap Growth Fund (formerly RS MidCap Opportunities Fund)

Performance

The equity market extended its third quarter rally into the fourth quarter, supported by modest signs of economic recovery and improved corporate earnings performance. Moreover, the market advance also broadened in the fourth quarter, as investors looked beyond heavily discounted and highly cyclical stocks to shares of companies with more long-term secular growth potential. As a result, we saw growth stocks outperform value shares during the period. Among growth stocks, large capitalization shares outperformed midcaps, while both groups outperformed the smaller capitalization stocks that typically lead the early stages of a market rebound. Despite some improved investor sentiment, the economy continued to pose risks. The unemployment rate hovered close to 10%, while rebounding commodity prices raised the specter of inflation and potential Federal Reserve interest rate hikes later in 2010. Against this backdrop, consumers and companies alike remained relatively cautious in their near-term spending plans.

For the three-month period ended December 31, 2009, RS Midcap[®] Growth Fund¹ returned 8.83%, outperforming a 6.69% return by the benchmark Russell MidCap Growth Index. As high quality growth stocks were rewarded by more discriminating investors, the Fund's stock selection supported relative performance, especially in the financial services, consumer discretionary and producer durables sectors. By contrast, stock selection proved negative in the technology sector, where a number of our individual holdings did not keep pace with the market advance. For the 12-month period ended December 31, 2009 the Fund underperformed its benchmark, delivering 39.32% return compared with a 46.29% return for the benchmark.

Portfolio Strategy

RS Mid Cap Growth Fund focuses on mid-cap companies carefully selected for their solid growth potential, high profit margins, and strong returns on invested capital. The Fund is constructed from the bottom-up, through disciplined stock selection and rigorous fundamental analysis conducted by our highly experienced growth investment team. Our analysts and managers call upon their deep sector expertise to conduct detailed fundamental research and identify companies with competitive advantages and sustainable growth potential.

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 1.36%. 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.

Portfolio Review

In the fourth quarter, we saw investors once again reward companies with solid balance sheets, proven management teams, and promising long-term secular growth potential. These included a number of our carefully selected investments in the consumer discretionary sector, where we have continued to benefit from our focus on opportunities tied to the growth in e-commerce. We saw this trend accelerate in 2009 as consumers sought bargains online, while traditional retailers increasingly relied on online stores to reach new customers and better manage their inventory risks and expenses. One of the biggest beneficiaries of this online migration has been GSI Commerce (1.63% of holdings as of 12/31/09), a company provides online e-commerce sites for a variety of brick-and-mortar retailers, including Toys 'R Us (0.00%) and Dick's Sporting Goods (0.00%). The company continues to generate healthy returns by providing these retailers with a relatively low cost, low maintenance way of establishing a world class online presence.

Another beneficiary from the growth in e-commerce has been credit card issuer MasterCard (1.73%), which has seen its lending volumes improve recently along with some thawing in consumer purchasing habits. Moreover, MasterCard is also capitalizing on the continuing adoption of debit cards as a substitute for check writing, making inroads against rival Visa's market leadership in this area.

In the producer durables sector, we benefited from investments in two companies that have capitalized on their aftermarket sales of used equipment and spare parts to help bolster their returns during a difficult period for capital equipment investment. Mining equipment provider Bucyrus International (1.02%) has already proven its ability to improve profit margins and capitalize on new aftermarket business opportunities through several strategic acquisitions of recent years. We anticipate that the company will do the same with the mining equipment operations of Terex Corporation (0.00%), which it acquired in the fourth quarter of 2009. Meanwhile, BE Aerospace (2.00%), a supplier of airplane seats and interior accessories, sold off earlier this year on fears that demand for its higher end products would be hurt by the economic downturn. Nonetheless, the company's share price advanced in the fourth quarter as the company continued to augment its revenue growth through its aftermarket sales, maintaining healthy margins through this challenging period. We have now seen some early signs of inventory restocking in the commercial aircraft supplier chain, which could bode well for the company's revenue growth into the coming year.

On a negative note, a number of the Fund's technology holdings weighed on relative performance in the third quarter. One of our largest detractors was video game software publisher Activision Blizzard (1.86%), which has been hurt by investor concerns over weakening sales trends in the overall video gaming market. Nonetheless, Activision Blizzard remains a leader in the gaming software space, and its newly released *Call of Duty: Modern Warfare 2* is already on track to be one of the top-selling video games of all time. As a result, we remain optimistic on prospects for Activision Blizzard's earnings growth in 2010, especially given the line-up of new gaming titles it plans to launch in the coming year.

Another detractor in the video game space was Netease.com (1.62%), a leading distributor of online video games in China, one of the world's largest markets for interactive, Internet-based video games as measured by the number of users. We initiated a position in Netease.com earlier this year after the company won the rights to market Activision Blizzard's blockbuster *World of Warcraft* video game in China. Unfortunately, the process of transferring this license to Netease.com has met with a number of regulatory hurdles within China, creating downdraft for the company's share price performance.

We were also disappointed with the recent performance of casino and resort management company Wynn Casinos (1.27%). The company has faced some uncertainty over how the opening of the rival City Center casino on the Las Vegas strip will affect its own prospects in an already weakened Las

Vegas tourism market. Nonetheless, we remain constructive on the long-term prospects for this well-run, well-capitalized casino and tourism company, both in Las Vegas and at its new Macau facility in China. For that reason, we took some profits on the position but maintained a stake in the company.

Outlook

Going forward, we remain cautiously optimistic on prospects for moderate economic growth and a relatively benign interest rate environment in 2010. Nonetheless, we caution the stock market could face renewed downward volatility over the coming months as investors digest their gains while they await more clarity on the strength of the economic recovery. Regardless of what 2010 has in store for the broader market, we remain confident that our stock selection will continue to deliver solid relative performance to our investors over the long-term. We continue to rely on exacting fundamental research to test our ideas and identify new opportunities, and our team will spend the coming weeks visiting many of our companies in person to see how they are adjusting to evolving market realities.

We appreciate your continued confidence and support.

Sincerely,



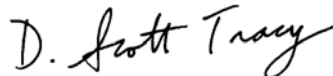
Steve Bishop
Co-Portfolio Manager



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 Allocation²

(As of 12/31/09)

Technology	22.62%
Health Care	17.06%
Consumer Discretionary	15.70%
Producer Durables	14.09%
Financial Services	9.99%
Energy	8.32%
Materials & Processing	6.04%
Consumer Staples	2.29%
Cash	3.88%

Top Ten Holdings³

(As of 12/31/09)

Akamai Technologies, Inc.	3.02%
Silicon Laboratories, Inc.	2.64%
Southwestern Energy Co.	2.60%
Core Laboratories N.V.	2.43%
Starbucks Corp.	2.30%
Human Genome Sciences, Inc.	2.28%
CommScope, Inc.	2.20%
Inverness Medical Innovations, Inc.	2.18%
Yum! Brands, Inc.	2.12%
Amphenol Corp.	2.08%

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 Mid Cap Growth Fund, Class A (formerly RS MidCap Opportunities Fund)						
without sales charge	8.83%	39.32%	-8.03%	-1.39%	-0.80%	7.23%
with maximum sales charge	3.69%	32.74%	-9.52%	-2.35%	-1.28%	6.87%
Russell Midcap [®] Growth Index ¹	6.69%	46.29%	-3.18%	2.40%	-0.52%	6.85%

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

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¹ The Russell Midcap[®] Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell Midcap[®] Index with higher price-to-book ratios and higher forecasted growth values. (The Russell Midcap[®] Index measures the performance of the 800 smallest companies in the Russell 1000[®] Index, which consists of the 1,000 largest U.S. companies based on total market capitalization.) 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 July 12, 1995.

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