

Fourth Quarter 2009 Mutual Fund Commentary
RS Technology Fund

Performance

The stock market continued to regain ground in the fourth quarter as investors welcomed signs of economic recovery and improving corporate earnings performance. At the same time, we saw a resurgence in growth shares as investors became more discriminating in their choice of investments, rewarding well-capitalized companies positioned to deliver solid earnings performance that transcend short-term economic fluctuations. Many of these stocks were in the technology sector, which delivered strong relative performance for both the quarter and for 2009 as a whole.

Technology companies performed relatively well during the recent market downturn, due in part to the efforts many of these companies had already made to improve their operating efficiencies, trim their expenses, and reduce their debt loads. At the same time, we saw technology spending remain relatively resilient in key market segments, notably data storage, Internet security, and network infrastructure building to accommodate the exploding volume of online data traffic and content delivery. As companies have capitalized on growth opportunities in these areas, they have delivered strong financial performance while attracting continued investor attention.

For the three-month period ending December 31, 2009, RS Technology Fund returned 8.21%, underperforming the S&P North American Technology Sector Index™¹, which returned 10.38%. Nonetheless, the Fund well outperformed the benchmark index for the year overall, delivering a very strong twelve-month return of 75.18%, compared to a 61.65% return for the S&P North American Technology Sector Index. We attribute our outperformance over the past year to our disciplined, research-intensive stock selection process, which enabled us to deliver solid returns even during the difficult market conditions of early 2009.

Investment Strategy

Relying on a team-based investment approach, RS Technology Fund targets the most promising companies capitalizing on technology innovation to meet evolving consumer and commercial needs. In selecting holdings for the portfolio, our investment team continues to balance positions in large-cap industry leaders with investments in innovative, smaller cap companies that are capitalizing on emerging trends in the technology space. From time to time, we may also take small positions in a handful of distressed technology stocks that we believe offer long-term potential that is not fully

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 1.69%. 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.

understood by the broader market. In identifying investments for the Fund, we call upon the deep technology expertise and extensive industry contacts of our research analysts, who work from the ground up to understand companies and the challenges and opportunities they face. Our team of analysts conducts onsite, hands-on fundamental research into prospective companies, then tests their findings through conversations with industry experts and key customers, as well as through proprietary financial modeling. This disciplined process continues even after we invest in a company, as we continue to monitor its progress, measuring its execution against our original investment thesis.

Portfolio Review

While the Fund delivered solid performance for the fourth quarter, our returns lagged those of the benchmark S&P North American Technology Sector Index. Our underperformance for the period reflected in part strong advances by a number of leading technology companies, including Google (4.50% of holdings as of 12/31/09) and Microsoft (4.05%), that are heavily weighted in the benchmark. While the Fund held positions in these stocks, our risk management guidelines and diversification strategy within the technology sector prevent us from making disproportionately large bets on any single holding or company. For this reason, the Fund held underweight positions in both Microsoft and Google, which hurt our performance relative to the benchmark for the period.

A few of our individual holdings also delivered disappointing performance during the quarter. One detractor was Digital River (1.59%), a company that designs and manages online businesses for retailers, software publishers, and other Internet-dependent companies. Digital River suffered a setback in the fourth quarter after its largest customer, security software firm Symantec (0.00%), announced that it had decided against renewing its contract in mid-2010. While this news triggered a sell-off in Digital River's stock, it did not dramatically change our investment thesis on the company. Our interest in Digital River has been tied in part to the company's ongoing efforts to diversify its client base. Even as returns from its Symantec business have deteriorated in recent months, the company has benefited from expanding revenues from new clients such as Microsoft and Kodak (0.00%). The company is continuing to project double-digit revenue growth for the coming year, even excluding the Symantec business. For this reason, we maintained our investment in the company.

Relative performance also suffered from several video game-related holdings, which have faced concerns over weakening sales trends for the industry as a whole. Detractors in this space included interactive video game publisher THQ (0.44%) and Netease.com (0.72%), a company that recently won the rights to market the popular *World of Warcraft* interactive video game in China. Unfortunately, the process of transferring the *World of Warcraft* license to Netease.com has been complicated by Chinese regulatory hurdles, creating a headwind for the stock. Nonetheless, we remain constructive on the long-term prospects tied to this opportunity.

On a positive note, relative performance was aided by our investments in a number of companies taking advantage of the immense growth in e-commerce. One of the biggest beneficiaries of this trend has been online retailer Amazon.com (4.01%), one of the Fund's largest positive contributors for both the quarter and the year. Amazon.com continues to expand its already sizable customer base through new product introductions, discounting, and exceptional service. The company delivered phenomenal performance metrics for the third quarter, including a 77% year-over-year increase in its North American operating income.

Another company capitalizing on the growth in online shopping is GSI Commerce (2.68%), a provider of outsourced e-commerce websites for major retailers such as Toys 'R Us (0.00%) and Dick's Sporting Goods (0.00%). The company continues to expand its revenue base, attracting more retailers interested in a relatively low-cost, low-risk way of establishing an online marketing presence.

The explosion in online commerce and data traffic has also created opportunities for technology companies such as F5 Networks (2.44%) and Akamai Technologies (1.21%), two other strong contributors for the period. F5 Networks manufactures networking equipment that manages the delivery of applications across the entire IT infrastructure. This cash-rich, debt-free company continues to improve its operating margins, enabling it to deliver robust earnings and revenue growth for the third quarter. Akamai, meanwhile, improves the speed of online content delivery by storing large data files closer to the end-user. Akamai counts 90 of the top 100 online retailers as its customers, and continues to capitalize on growing demand for streaming Internet content.

Outlook

We remain steadfast in our research and investment discipline, as we continue to seek out fundamentally strong, conservatively financed secular growth companies capitalizing on emerging trends in the technology space.

Thank you for your ongoing confidence.

Sincerely,



Steve Bishop
Co-Portfolio Manager



Allison Thacker
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 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 high-technology and Internet-related sectors may be highly volatile. Companies in these sectors operate in markets that are characterized by rapid change, evolving industry standards, frequent new service and product announcements, introductions, enhancements and changing customer demands. 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 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 Allocation³
(As of 12/31/09)

Technology	75.23%
Consumer Discretionary	14.44%
Producer Durables	2.23%
Utilities	1.07%
Energy	1.04%
Cash	5.99%

Top Ten Holdings⁴
(As of 12/31/09)

Google, Inc.	4.50%
Apple, Inc.	4.47%
Microsoft Corp.	4.05%
Amazon.com, Inc.	4.01%
QUALCOMM, Inc.	3.68%
Hewlett-Packard Co.	2.90%
GSI Commerce, Inc.	2.68%
Cisco Systems, Inc.	2.65%
F5 Networks, Inc.	2.45%
EMC Corp.	2.27%

Performance

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

	Fourth Quarter 2009	1-Year	3-Year	5-Year	10-Year	Since Inception ⁵
RS Technology Fund, Class A without sales charge	8.21%	75.18%	1.69%	3.03%	-4.26%	7.53%
with maximum sales charge	3.04%	66.93%	0.05%	2.03%	-4.72%	7.15%
S&P North American Technology Sector Index™ ¹	10.38%	61.65%	1.85%	3.06%	-7.01%	6.57%
S&P 500® Index ²	6.04%	26.46%	-5.63%	0.42%	-0.95%	6.43%

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

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¹ The S&P North American Technology Sector Index™ is a modified capitalization-weighted index based on a universe of technology-related stocks. Index results do not 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.

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