First Quarter 2012 Mutual Fund Commentary
RS Small Cap Growth Fund

Market Commentary

Positive economic news supported solid market performance in the first quarter, aided by signs of improvement in the employment and housing markets, as well as indications from Federal Reserve Chairman Ben Bernanke that interest rates will remain low in the near-term even as the economy improves. Against this backdrop, small cap stocks delivered strong performance, aided by more attractive valuations and a pickup in IPO and merger and acquisition activity. The Russell 2000® Index[1] gained 12.44% for the three-month period, its strongest first quarter of performance since 2006. Growth stocks performed particularly well, as investors sought to position themselves for potential improvement in consumer and enterprise spending. Among small cap growth stocks, as measured by the Russell 2000® Growth Index[2] the strongest performing sectors were consumer discretionary, healthcare and technology. The health care sector's gains were helped by several acquisitions that boosted shares of biotech and medical equipment companies. Meanwhile, shares in more defensive economic sectors, such as utilities and consumer staples, underperformed the broader small cap growth market.

Performance Review

For the three-month period ended March 31, 2012, RS Small Cap Growth Fund (Class A Shares) returned 15.55%, outperforming a 13.28% return by the benchmark Russell 2000 Growth Index. The Fund's relative performance was aided by stock selection in the technology sector. Stock selection in the health care, consumer staples, producer durables, consumer discretionary, and energy sectors also contributed positively to relative performance. The Fund's stock selection in the materials and processing, financial services, and utilities sectors detracted from relative results.

Portfolio Strategy

RS Small Cap Growth Fund is managed according to our philosophy that long-term share price appreciation is driven by sustainable earnings growth. We are focused on finding innovative companies whose core business can grow from a small market-cap company to a mid- or even large- capitalization company over time. We seek out innovation in products or services that are growing organically, creating new markets or taking market share away from existing companies and are focused on finding companies that we believe will achieve an appreciation in business value regardless of the underlying market environment. The Fund is managed by three co-portfolio managers who have worked together for over ten years and who, along with five research analysts, serve as sector specialists. Our team members have, on average, 16 years of investment experience. All are sector specialists who draw on years of experience and relationships with industry experts and company management teams. Together, we conduct over 2,000 company meetings each year, through in-person meetings, conference calls, trade shows, etc. We then back up our findings through discussions with industry leaders and third-party sources.

We are long-term investors and seek to establish definable “anchor points,” or quantifiable metrics indicating a company’s potential long-term growth trajectory. Anchor points allow us to maintain our research focus as a company executes its business strategy, and they arise out of our high-level discussions of a company’s long term capabilities and performance goals over three to five years. The RS Growth Team translates these goals into quantifiable metrics to be evaluated over the company’s growth cycle. These long-term anchor points serve as guide posts to help us measure a company’s progress toward its goals, regardless of what is taking place in the overall market. Anchor points help us to align our research with management’s stated goals and to prevent distraction caused by short-term stock price movements and inevitable market volatility.

In constructing the portfolio, we combine investments in companies with established business models and demonstrated financial success with exposure to promising and developing companies that are in the earlier stages of their growth cycle. We believe that this multi-tiered approach allows us to capitalize on the growth potential across the small cap spectrum, while also managing risk and seeking a well diversified portfolio for our investors.

Portfolio Review

In the recent quarter, we were pleased to see many of our holdings rewarded for their strong fundamentals and long-term secular growth potential. We continued our strategy of holding investments in proven small cap companies with established earnings performance, in developing secular growth companies, and in promising early stage companies that may not have products on the market yet, but benefit from proprietary technology or competitive advantages that we believe put them on a path for long term growth potential. While we shifted more resources into proven investments during last year’s market volatility, we started to add back exposure to many of the promising and developing investments early in 2012 as economic fundamentals began to improve. Our focus remains on companies with strong competitive advantages and compelling long-term secular growth stories that we believe can drive top line-revenue growth over the next three to five years.

The improved outlook for the economy, and for corporate technology spending in particular, also led us to raise our weighting in the technology sector. As corporations have gained more clarity and confidence in the underlying macroeconomic outlook, we are beginning to see enterprise spending plans ramp up following several years in which companies may have delayed much needed investments in networking efficiency, cloud computing, and data storage and security. The Fund’s stock selection in the technology sector continued to benefit relative performance in the first quarter, due in part to our investment in Cree, (1.56%) a leading supplier of electronic semiconductor components used in LED lighting. Our interest in Cree stems from our view that energy efficient LED lighting technology has tremendous potential for wider adoption in the $20 to 30 billion general lighting market.

While we have long believed in Cree’s growth prospects in the LED space, during 2011 the company dealt with an inventory overhang that resulted in disappointing earnings and share price performance. We remained constructive on Cree’s prospects and believed the price cutting required to draw down inventories could increase market penetration by Cree’s superior LED technology, since one hurdle to wider adoption has been the higher initial cost of LED bulbs. This thesis is beginning to play out thus far in early 2012, as orders have begun to stabilize and inventories appear lean in the distribution channel. The company continues to innovate and its cutting-edge technology allows the company to offer the brightest and the most cost-effective LED lighting in the market. Cree is also vertically integrating and acquired one of the largest lighting fixture companies in North America, Ruud Lighting, which we believe gives the company an edge through making both the LED chip and the light fixture. The stock performed well in the first quarter, and we remain optimistic on its long-term prospects.

Stock selection in the consumer discretionary space also aided relative performance, due in part to the steps we took early in the quarter to position the Fund for an improving consumer spending climate. While our focus in recent years has been on companies catering to higher end consumers less sensitive to economic concerns, we have started to add exposure to retailers and other companies that cater to more mid-market consumers. One addition is our new investment in Body Central, (1.19%) a retailer of young women's apparel that focuses on trendy and value-conscious female consumers. The company has an innovative retailing model that tests new styles in 10 to 20 stores, and then places orders for the best selling items for delivery to the entire chain within four weeks. This test and reorder model keeps individual store inventories low, while allowing the company to quickly respond to changing fashion trends. Among the anchor points we focus on in the retailing space is the potential for an expansion in the geographic store base. Body Central currently owns 226 stores in the South, Midwest, and Atlantic, but we think it has potential to expand its market presence into the West, doubling its store base over the next five years. The company already has plans to open 35 new locations in 2012, and has been able to recoup the cost of new store build-outs within 8 months due to its lean cost structure and healthy operating margins. We believe the company has additional opportunities to strengthen its profit margins even as it continues to extend its store model to new markets, and we believe in the long-term potential of the company.

The Fund's relative performance was also aided by stock selection in the health care sector. Two of our holdings announced in the first quarter that they will be acquired. Inhibitex, (0.00%) an early-stage biotech company focused on oral, small molecule compounds to treat viral infections such as Hepatitis C, announced it will be acquired by pharmaceutical company Bristol-Myers Squibb (0.00%) for $2.4 billion, at a significant premium. The fund also benefited from our investment in ZOLL Medical, (0.98%) a developer of high-end resuscitation equipment and technology used in hospital emergency rooms and other medical settings. In the fall, the stock came under pressure due to concerns over Medicare reimbursement for its LifeVest product, which is a wearable automatic defibrillator. These concerns proved unfounded, as Medicare affirmed its coverage of the LifeVest, and the stock performed well for the Fund in the first few months of 2012. On March 12, Japanese chemical and healthcare conglomerate Asahi Kasei (0.00%) announced plans to acquire ZOLL for more than $2 billion, around a 25% premium over its then market value.

Another focus for the team in the health care sector is on companies that we believe may be part of the solution to rising health care costs. These companies are using innovation, unique business strategies, or competitive strengths to bend the cost curve, that is, to reduce the rate at which health care spending is rising. TEAM Health (0.93%) is one of the largest suppliers of outsourced medical professional staffing and administrative services to hospitals, particularly hospital emergency rooms. The company has a number of competitive advantages that we believe will distinguish its services as hospitals and reimbursement agents become more focused on cost controls, quality, and patient outcomes. TEAM Health's stock has recently come under pressure after several new contracts signed late in 2011 proved to be less profitable than previously expected. As a result, TEAM Health was one of the Fund's largest detractors in the first quarter. In light of the lower transparency for the company's near-term earnings prospects, we trimmed our investment but continue to believe in the company's long-term growth potential.

Another detractor was Intermolecular, (0.44%) a promising, early stage technology company that provides research and development services and intellectual property primarily for the semiconductor industry. As the semiconductor industry approaches a ceiling of performance allowable with current materials and manufacturing processes, demand is high for new production technology that will enable the manufacturing of even smaller, more powerful, and more cost-effective chips for smart phones and tablets. With its unique technology platform and highly skilled workforce, we believe that Intermolecular is well positioned to capitalize on this demand. Its state-of-the-art processing tools and equipment enable R&D experimentation that can be up to 100 times faster than more traditional methods, reducing time-to-market for new client products from 2 to 5 years to under 12 months. Unfortunately, at this time the company depends on a limited number of customers, and one of its largest, the Japanese DRAM chip maker Elpida Memory, (0.00%) recently filed for bankruptcy. This news created some near-term uncertainty for the company, and dampened its recent share price performance. Our analysis, however, suggests that this development will not materially affect Intermolecular's long-term business prospects, and we continue to hold the investment.

Energy holding CARBO Ceramics (0.00%) was another detractor. CARBO Ceramics makes a ceramic proppant, a key material used in hydraulic fracturing, or fracking, in which fluids are pumped at high speeds and pressures into reservoirs to improve oil and natural gas drilling production. While we believe this technology has tremendous potential for improving well production in both the natural gas and oil shale industries, CARBO Central has been heavily focused on the natural gas market. This left the company's revenues highly exposed to the recent downward volatility in natural gas prices. While the company has been trying to shift capacity toward oil shale production, where we believe there is tremendous upside potential, this shift will take time to execute given the logistics of moving equipment and inventory from one drilling region to another. Our ground-level analysis left us concerned that it could take longer than the company anticipates for the business to stabilize, and we chose to exit the position.

Outlook

As we look ahead, we welcome signs of improvement in the U.S. economic backdrop, even as we caution that rising commodity prices and the potential for slowing growth in Europe and China remain risks for the broader climate. Nonetheless, we believe that improving economic growth and low interest rates in the United States will prove a favorable environment for small cap growth stocks. We continue to seek out innovative secular growth companies with sustainable competitive advantages that we believe will lead to solid earnings growth over the entire business cycle.
We are pleased to announce a new addition to our team with the hiring of technology analyst Paul Leung, CFA. Paul joins RS Investments with more than 13 years of experience covering the global technology sector, and we believe that his career-long focus on growth and technology investing will be instrumental in expanding our global technology coverage. Paul will be covering software, internet and technology services. We believe Paul will be a great asset for our team as we work to deliver exceptional long-term performance to our shareholders.

Thank you for your continued investment.

Sincerely,

Steve Bishop	Melissa Chadwick-Dunn	D. Scott Tracy, CFA
Co-Portfolio Manager	Co-Portfolio Manager	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 smaller 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 March 31, 2012.

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[4]
(As of 3/31/12)

Technology	23.64%
Health Care	19.58%
Consumer Discretionary	17.81%
Producer Durables	11.79%
Energy	8.33%
Financial Services	8.03%
Materials & Processing	6.40%
Consumer Staples	1.98%
Utilities	1.35%
Cash	1.08%

Top Ten Holdings[5]
(As of 3/31/12)

Ulta Salon, Cosmetics & Fragrance, Inc.	1.91%
Old Dominion Freight Line, Inc.	1.83%
Wright Express Corp.	1.76%
Halozyme Therapeutics, Inc.	1.75%
Vitamin Shoppe, Inc.	1.70%
Graco, Inc.	1.56%
Fortinet, Inc.	1.56%
Align Technology, Inc.	1.56%
Cree, Inc.	1.56%
HEICO Corp., Class A	1.54%

Performance
(Average Annual Total Returns as of 3/31/12)

	First Quarter 2012	1-Year	3-Year	5-Year	10-Year	Since Inception[6]
RS Small Cap Growth Fund, Class A						
without sales charge	15.53%	3.02%	29.39%	5.48%	4.93%	13.21%
with maximum sales charge	10.04%	-1.88%	27.32%	4.45%	4.42%	12.98%
Russell 2000® Growth Index[2]	13.28%	0.68%	28.36%	4.15%	6.00%	8.33%

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 1.47%. 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. Current performance may be lower or higher than performance data quoted. Performance current to the most recent month-end is available by contacting RS Investments at 800-766-3863 and is frequently updated on our Web site: www.RSinvestments.com.

Please refer to the most current Fund prospectus for complete details on expenses including fees and also 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.

1 The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which consists of the 3,000 largest U.S. companies based on total market capitalization. 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 Russell 2000® Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 2000® Index with higher price-to-book ratios and higher forecasted growth values. (The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which consists of the 3,000 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.
3 Source: Bank of America Merrill Lynch, Small Cap Strategy, Steven Desanctis, January 3, 2012.
4 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.
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 November 30, 1987.

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