

Third Quarter 2011 Mutual Fund Commentary**RS Greater China Fund****Market Review**

Investors are clearly nervous. Volatility has spiked again to levels not seen since the global financial crisis amidst worries about the resolution of the Greek crisis, subsequent Eurozone chaos and concern that the US will struggle to prosper given the hefty liabilities still accruing. Economic data across much of the developed world has been disappointing, and confidence in the authorities' ability to cope is rapidly waning. Stock markets have fallen in response as investors seek the elusive safe haven, made all the more challenging when previously risk-free assets (the Swiss franc) need to be relabelled overnight. Economically sensitive companies have fared particularly badly across the world, and we are reminded of the blind panic which drove asset prices to such extreme levels in late 2008 and early 2009. Performance of the Greater China region has not been spared this downdraft despite the economies of the region, and the corporate sector, remaining in relatively rude health. The region has fallen by -over 20% in US dollar terms with valuations in aggregate some way below long run averages. It remains an unfortunate consequence of the modern world that financial markets –are still resolutely interconnected in ways that are unlikely to change for some time to come.

The Chinese mainland remains unashamedly removed from events unfolding in the developed world. GDP growth in the second quarter 'moderated' to a mere 9.5% year over year, with investment and consumption still robust. The contribution from net exports was actually marginally negative during the first half of the year, dispelling myths about China's ability to prosper in a world where an over leveraged Western consumer stops spending. If there is an area to dwell upon it is the stickiness of inflation despite government attempts to control credit through both monetary and fiscal measures. Whilst some of the contributory factors remain temporary in nature, such as poor weather or the hog cycle, we do recognise that significant 'underground' lending is ensuring that monetary growth is being maintained ahead of levels sanctioned by the authorities. There is likely to be harsher regulation in the face of these illicit funding avenues and indeed we have already seen some measures to further rein in off-balance sheet bank lending, particularly to the property sector – two areas of the market (Chinese banking and property) that remain key underweight positions for the fund. As a last thought on inflation, in an economy growing at the rate China is, why isn't a higher level of price inflation acceptable? It is certainly in a better position than the low growth developed economies that are walking a particularly treacherous tightrope.

Aside from continued strong macroeconomic performance there have been a couple of events worthy of comment. First, corporate governance, or rather lack of it, remains an area of focus. There have been further apparent scandals, particularly in agricultural sectors, which we have been fortunate enough to avoid. An area we do maintain exposure to is Chinese companies listed on US exchanges. The convoluted ownership structure behind some of these companies has yet again become an area of attention, with the holdings in Baidu (3.65%) and Focus Media (1.26%) performing poorly as a result, despite both posting exceptional first half results. Second, there has been continued negative newsflow for the rail infrastructure sector. Following on from the corruption allegations earlier in the year, there was a fatal collision between two 'high speed' trains. This appears to have been a fault with the warning systems rather than any problem with the trains or track per se, however, all rail related companies have been very weak subsequently. With management of one affected company buying stock (CSR Corp) (1.42%), we have followed suit and modestly increased the fund's holding during this time of fear.

As we have noted many times before, the fortunes of Hong Kong remain heavily intertwined with those of the mainland. This was once again underlined during Li Keqiang's, the current Vice-Premier, visit to the region during the quarter. This marked further evidence of Hong Kong's emerging status as China's key avenue towards -renminbi internationalisation. Additional measures were also announced to allow more investment in the Chinese financial sector by Hong Kong corporates, opening the door to a number of opportunities for existing holdings such as Wing Hang Bank (2.18%) and Hong Kong Exchanges (0.65%) and also the only new holding taken during the period, Bank of China (Hong Kong) (1.96%). This company is a leading HK commercial bank with strong ties with the mainland and ideally placed to reap the benefits of further development of China's capital markets.

Portfolio and Performance Review

For the three-month period ended September 30, 2011, RS Greater China Fund (Class A Shares) declined 27.27%, underperforming a 21.79% decline by the benchmark MSCI Golden Dragon Index¹. The Greater China region clearly hasn't been immune to the recent market moves across the globe. The quarter was particularly volatile with a number of stocks experiencing price moves in excess of 30%.

Of the markets in which we invest, Taiwan is the most obviously impacted from the economic difficulties that developed markets are experiencing. For instance, technology companies – clearly still partly reliant on Western consumer demand – comprise over 50% of the investment universe, and the key is picking those with strong businesses and good long term outlooks. Companies such as TSMC (-4.77%) and Hon Hai (3.08%) remain large holdings for the fund given their unparalleled competitive positions and ability to reinvest capital at very attractive rates of return. The largest holding for the fund is China Life Insurance (Taiwan) (5.17%), a niche life insurance business with an entrepreneurial management team and trading at a lowly level relative to its underlying value. Following strong first half numbers the company has also announced further details of its joint venture with China Construction Bank (3.82%), one of the leading domestic banks in China, underlining the scale of the opportunity still available to this business.

Over the quarter the fund's low weighting to more traditionally defensive sectors such as telecoms and Hong Kong utilities has been a significant detractor. The fund does not hold companies such as China Mobile (0.00%), China Unicom (0.00%) , Chunghwa Telecom (Taiwanese telecom) (0.00%) or Power Assets (Hong Kong electrics) (0.00%) which were all amongst the main detractors during the quarter. We are of the view that long term value is unlikely to emerge for investors in these sectors,

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 1.96%. 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 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.

with significant challenges to the business models likely to materialise in the future. Aside from the weakness in rail-related companies (CSR Corp and China Railway Construction)(1.42% and 0.81%)

mentioned above, materials was another sector where despite holding a relatively low weighting the performance of companies was a notable detractor. Both Aluminium Corp of China (0.88%) and Angang (0.95%), the respective state champions in the aluminium and steel industries, have been weak as demand forecasts come under pressure.

On a happier note, the active decision to have very little in Chinese property appears to be looking better and better by the day. Here the tighter financing conditions in businesses that have relied on using 'other people's money' to fund expansion are starting to tell. Other positive contributors have been difficult to collect into themes, which is perhaps the way a stock picking portfolio should be. For instance, the contrarian call on Mediatek (3.42%) is starting to come good as new products are gaining traction and ENN Energy (1.81%), the gas distribution business, has been buoyed by ongoing strong growth.

The fund's positioning has been relatively unchanged over the quarter. We continue to have a large position in 'new media' at the expense of the old, most reflected in the large Chinese internet holdings and nothing in telecoms. Insurance is still an industry where we are finding a number of attractive companies, and on the flip side commercial banking remains an industry beset by headwinds – the fund's weightings reflect this view.

Outlook

The mad rush for defensive stocks at the expense of those more aligned with continued growth seems to us particularly misplaced, with the risk of a permanent loss of capital in many of these 'safe havens' unchanged. We prefer to invest in those companies with bright growth outlooks, strong competitive positions and sound financial and strategic management rather than pandering to general market sentiment.

We continue to favour a sunnier disposition to world events than most of our investment peers. Whilst clearly risks exist, we remain upbeat on the outlook and the fund reflects this. Our focus is on identifying the individual companies that are likely to generate significant outperformance on a medium to long term view. Valuations are cheap, growth remains exciting and there is no shortage of attractive companies for the long term investor.

We thank you for your continued support.

Sincerely,

Michael Gush
Co-Portfolio Manager

Richard Sneller
Co-Portfolio Manager

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. 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. These risks are even greater when investing in emerging markets.

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, 2011.

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.

Regional Allocation

(As of 9/30/11)

China	48.7%
Taiwan	33.0%
Hong Kong	15.3%
Cash	3.0%

Top Ten Holdings²

(As of 9/30/11)

<u>Company</u>	<u>Country</u>	<u>Percentage of Total Net Assets</u>
China Life Insurance (Taiwan)	Taiwan	5.17%
Taiwan Semiconductor Manufacturing	China	4.77%
CNOOC	China	4.58%
China Construction Bank	China	3.82%
Baidu	China	3.65%
Mediatek	Taiwan	3.42%
Hon Hai Precision Industry Co.	Taiwan	3.08%
Ping An Insurance	China	2.81%
China Shenhua Energy Company Ltd.	China	2.71%
China Steel	Taiwan	2.59%

Performance

(Average Annual Total Returns as of 9/30/11)

	Third Quarter 2011	Since Inception ³
RS Greater China Fund, Class A		
without sales charge	-27.27%	-28.80%
with maximum sales charge	-30.74%	-32.19%
MSCI Golden Dragon Index ¹	-21.79%	-22.86%

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 1.96%. 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.

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¹ The MSCI Golden Dragon Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the China region. The MSCI Golden Dragon Index consists of the following country indices: China, Hong Kong and Taiwan. Index results assume the reinvestment of dividends paid on the stocks constituting the index.

² Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

³ Class A shares inception date May 16, 2011.

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