

Third Quarter 2011 Mutual Fund Commentary
RS High Yield Fund

Performance

(Average Annual Total Returns as of 9/30/2011)

RS High Yield Fund (Class A – GUHYX)

	Third Quarter 2011	1-Year	3-Year	5-Year	10-Year	Since Inception (9/01/98)
without sales charge	-6.18%	1.30%	10.68%	5.33%	7.03%	5.28%
with maximum sales charge	-9.66%	-2.55%	9.25%	4.51%	6.63%	4.97%
Barclays Capital U.S. Corporate High-Yield Bond Index ¹	-6.06%	1.78%	13.83%	7.08%	8.78%	6.54%

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

Fund Highlights

Portfolio Overweights

- Energy and media sectors.
- Longer duration higher yielding securities.
- Securities with the potential for positive catalysts

Portfolio Underweights

- Credits with potential for negative event risk.
- The wireline, building materials and Native American gaming sectors.
- Credits with exposure to countries with a weak sovereign profile.

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 performance quoted, “with maximum sales charge” reflects the current maximum sales charge of 3.75%. The Fund’s total gross/net annual operating expense ratio as of the most current prospectus for the Class A Shares is 1.14%/0.85%. 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.

The Fund is the successor to The Guardian High Yield Fund; performance shown includes performance of the predecessor fund for periods prior to October 9, 2006. The net expense ratio quoted above reflects a contractual expense limitation which will continue through 4/30/11. The views expressed in the portfolio manager commentaries are those of the Fund’s portfolio manager(s) and are subject to change without notice. Please refer to the most current Fund prospectus for complete details on expenses including fees. 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. Certain share classes are subject to lower maximum sales charges whether paid at the time of purchase or deferred. A “deferred sales charge” also known as “back end load” or “CDSC” is incurred when liquidating an A share purchase over \$1 million, for example, before a specified holding period. Any sales charges are in addition to the Fund’s fees and expenses as detailed in the Fund’s most current prospectus. Fees and expenses are factored into the net asset value of your shares and any performance numbers we release.

Fund Highlights (cont)

Outlook

- Negative environment due to European credit Crisis
- Potential for credit spreads to tighten.
- Attractive yields after recent market sell-off.
- Low default rate.

Fund Commentary

Performance

RS High Yield Fund (Class A Shares) (the "Fund"), returned -6.18% for the quarter ended September 30, 2011, underperforming its benchmark, the Barclays Capital U.S. Corporate High Yield Bond Index¹, which returned -6.06% for the same period.

(As of 9/30/2011)	1-Year	3-Year	5-Year	10-Year
RS High Yield Fund (Class A) Average Annual Total Return	1.30%	10.67%	5.33%	7.03%
Lipper ¹ High Current Yield Funds Average Annual Total Return	0.71%	9.74%	4.75%	6.98%
Lipper High Current Yield Funds Category Ranking*	191/495	173/427	159/350	134/232
Lipper High Current Yield Funds Category Percentile	39%	41%	46%	58%

*Lipper rankings are based on total return with dividends reinvested and do not take into account or reflect sales charges.

Market Overview

The high yield market endured one of its worst quarters in recent memory as macroeconomic concerns, the ongoing credit crisis in Greece, and shareholder redemptions across high yield mutual funds in general (totaling \$2.1 billion for the quarter)³ sapped demand for high yield bonds. For the quarter ended September 30, 2011, high yield bonds posted negative returns, as reflected by the Barclay's Capital High Yield Index (the "Index"), which returned -6.06%.²

Coming off record new issuance in 2010 and robust new issuance in the first half of 2011 of over \$167 billion, new issue volumes plummeted in the third quarter to \$23.5 billion as the market sold off.⁵ Despite the sell-off in the high yield market and the lack of new issuance, solid corporate fundamentals and healthy cash balances kept the default rates at extremely low levels. The 12 month par weighted default rate stood at approximately 1.20% at the end of the third quarter.⁶

Portfolio Review

The RS High Yield Bond Fund positioned itself to seek to benefit from the strong fundamentals in the credit markets during the third quarter. We believed the high yield sector was attractive on a fundamental basis, as well as on a relative basis, to other fixed income asset classes. Unfortunately, market technicals and exogenous factors weighed on market performance in the high yield sector causing the fund to underperform the Index for the quarter by 0.12%. This underperformance is mainly attributable to an underweighting of higher quality yield-to-call bonds which we believed had limited spread tightening potential.⁷ These bonds outperformed in the third quarter during the market correction. During the quarter, we were overweighted versus the Index in the energy, brokerage and wireless sectors. We believe these sectors have positive fundamentals. We underweighted Native American gaming, wirelines, and building suppliers, which we continue to believe have weak fundamentals moving forward.⁸

Turning to individual sectors, the home construction sector outperformed the Index by 22 bps for the quarter⁸, as we maintained a large underweight in a sector we believe currently offers little value. We

continue to believe that a pickup in housing demand is still at least 2 years away, and that many weaker homebuilders could come under financial pressure. There are also a significant number of Chinese homebuilders in the Index which we avoided due to challenges in properly analyzing their business models and the accuracy of their accounting. The Chinese homebuilders fell precipitously in the third quarter based on a weaker Chinese housing outlook as well as the Sino Forest accounting scandal that tarnished the reputation of many Chinese issuers in the Western markets⁴.

We outperformed by 20 bps in the technology sector, as our focus on security selection aided performance.⁸ Softbrands, Lender Processing Services, Transunion, Dupont Fabros, GXS Worldwide, Amkor Technology, Sanmina Corp and Igate all outperformed and contributed to performance. We continue to believe that technology is an attractive sector, but we are avoiding highly cyclical semiconductor and hardware names and focusing on less cyclical software and services names.

We underperformed in the transportation – services sector by 17 bps as CMA CGM posted disappointing returns. We purchased CMA bonds as a new issue believing that the company offered good relative value. During the second quarter, as the European Union launched an anti-trust investigation into the shipping industry of the 5 largest shippers worldwide, one of CMA's ships was caught with a large shipment of Iranian weapons violating sanctions on Iran, and the bonds continued to fall in the third quarter. Negative worldwide shipping trends and disappointing earnings fueled the drop in the third quarter. Due to the company's European focus, it may also be susceptible to a European slowdown, caused by the ongoing European sovereign debt crisis. Although we recognize the weakness in the shipping market and the ongoing pressure the company faces, in our opinion CMA continues to have a strong market position, and is one of the youngest and most advanced shipping fleets in the industry, which should help the company weather the current crises. We continue to believe the bonds are oversold and believe we may see an eventual recovery in their price.

The healthcare sector suffered a tumultuous quarter as the federal government announced cutbacks to the reimbursement rate for post-acute healthcare providers and the specter of further cutbacks due to the ongoing deficit reduction talks in Washington hung over the sector. The Fund's underperformance compared to the Index is also due in part to its investments in Convatec and Alliance Imaging.⁴ Convatec traded down in the quarter as some market participants were disappointed by the company's earnings and concerned about their European market exposure. Alliance Imaging traded down considerably as they continue to suffer from erosion to their core medical imaging segment. The continued erosion in the market for MRI scans and CAT scans caused the company to seek relief under their bank loan covenants. Alliance Imaging appears to be oversold at this point. We are hopeful for a recovery, although we continue to be concerned with the credit and will monitor the company closely.

Outlook

We expect that we will see moderate spread contraction in high yield during the fourth quarter, as we believe that prices of high yield bonds are attractive on a fundamental basis and the market's selloff was overdone, based more on fear than fundamentals. We believe the recent weakness across the high yield sector has created an attractive entry point for investors. The average high yield spread of 845 bps to treasuries¹ should bring investors into high yield bonds in the fourth quarter. We expect corporate earnings to be somewhat soft moving forward, but to be strong enough to enable spreads to tighten. In our opinion, current spreads are pricing in a US economic recession and we believe that a US recession, while definitely possible, is not the most likely scenario for the economy at this time.

High yield issuers have maintained strong balance sheet profiles and substantial cash balances, which we believe should help shield the companies from any potential softening of the economy. The strong liquidity positions among high yield issuers should continue to support a low default rate over the next two years and should also provide a positive tone for the market. Companies have already taken advantage of robust capital market conditions, and we believe refinancing needs over the next 2 years are negligible. Even if U.S. economic growth were to disappoint over the next 12 months, we do not believe that our outlook for a benign default rate would substantially change. We believe that high yield bond valuations reflect the current fiscal and global uncertainty and that there is additional upside

potential for the market even if the U.S. economy grows at a pace below 1.5%. In fact, our view that positive growth is not currently strong enough to force the Federal Reserve to raise interest rates should be a positive scenario for high yield. Improving growth, together with low inflation, has proven to be an ideal backdrop for higher yielding assets in the past. With money market rates near zero and low investment grade bond yields, we believe many investors will be seeking additional yield. With unemployment remaining stubbornly high and inflation remaining low, Federal Fund rates are likely to remain low for an extended period of time. With the Index trading at a spread in excess of 800 bps to Treasuries, the asset class remains attractive.¹⁰ We expect to see inflows from retail investors as well as institutional accounts as institutional investors direct more assets into high yield while the Federal Reserve maintains its accommodative stance. We anticipate that Treasury yields will rise in the fourth quarter of 2011 after plummeting in the third quarter, but that the rise will be manageable and will be absorbed by the excess spread in high yield as high yield spreads remain above their long-term average.

Based on our fundamental and technical outlook, we expect to add to the Fund's holdings in areas where we see the potential for tightening, irrespective of the company's ratings. We also expect to sell low duration paper issued by companies where we believe the yields do not support the potential credit risk. Although we are concerned with the potential for rising interest rates, we are currently favorably inclined to take on some extra duration in credits that we think have favorable credit upside and tightening potential.

Taking advantage of companies with potential positive event risk and avoiding companies with potential negative event risk will be a key to performance in the fourth quarter. We believe that mergers and acquisitions (M&A) and leveraged buyout (LBO) activity will continue to take place during the fourth quarter, as will leveraged recapitalizations. Seeking companies with tight covenants, where the bonds might be called at a premium, will be a major focus of the Fund. In contrast, many companies have weak covenants, such as no "change of control" provision, or limited restrictions on incurring additional debt which cause the prices of the bonds of these companies typically to be at risk of falling in an LBO scenario. We believe there will be events throughout the year that will be both positive and negative and we will seek to take advantage of favorable opportunities for the Fund.

Sectors that we currently believe offer favorable fundamentals include food and beverage, media non-cable, technology, and independent energy, and we expect to make selective investments in sectors about which we remain cautious, such as, gaming, building suppliers and construction machinery. We believe that the high yield sector has the potential to post solid returns moving forward; however, we expect returns to be below those seen over both the last 12 months and the last quarter.

We thank you for your continued support.

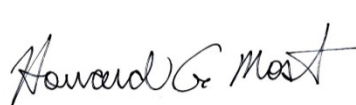
Sincerely,



Kevin Booth
Co-Portfolio Manager



Marc Gross
Co-Portfolio Manager



Howard G. Most
Co-Portfolio Manager

Guardian Investor Services LLC, the Fund's sub-adviser

The foregoing is the opinion of the Fund's management team as of the date of this report and is subject to change without notice.

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. Bond funds are subject to interest rate risk, credit risk and prepayment risk. When interest rates rise, bond prices generally fall, and when interest rates fall, bond prices generally rise. Currently, interest rates are at relatively low levels. Please keep in mind that in this kind of environment, the risk

that bond prices may fall when interest rates rise is potentially greater.

Derivative transactions can create leverage and may be highly volatile. It is possible that a derivative transaction will result in a loss greater than the principal amount invested and the Fund may not be able to close out a derivative transaction at a favorable time or price.

High yield bond investing includes special risks. Investments in lower rated and unrated debt securities are subject to a greater loss of principal and interest than investments in higher rated securities. 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.

Mutual funds are offered 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.

**Bond Quality⁷
(As of 9/30/2011)**

	% Fund
Other Assets and Liabilities	6.3%
AAA	0.0%
BBB	0.0%
BB	22.1%
B	54.1%
CCC	16.0%
Below CCC	0.3%
Not Rated	1.2%

**Top Ten Holdings⁸
(As of 9/30/2011)**

	Coupon Rate	Maturity Date	% Fund
CIT Group, Inc.	7.000	05/01/2017	1.26%
E*Trade Financial Corp.	12.500	11/30/2017	1.21%
Clear Channel Communication, Inc.	3.890	01/28/2016	1.19%
Reynolds Group Issuer, Inc.	9.880	08/15/2019	1.14%
Michael Foods, Inc.	9.750	07/15/2018	1.12%
Block Communications, Inc.	8.250	12/15/2015	1.04%
Sabra Health Care, L.P.	8.130	11/01/2018	1.03%
ARAMARK Holdings Corp.	8.630	05/01/2016	1.00%
Apria Healthcare Group, Inc.	12.380	11/01/2014	0.97%
Dolphin Subsidiary II, Inc.	7.250	10/15/2021	0.97%

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¹ The Barclays Capital U.S. Corporate High Yield Bond Index is generally considered to be representative of the investable universe of the U.S.-dominated high-yield debt market. The Barclays Capital U.S. Corporate High Yield Bond Index is not available for direct investment and there are no expenses associated with it, while there are expenses associated with the Fund. The Lipper High Current Yield Objective Average is the average of the funds in the group in existence in the Lipper database for the periods and does not reflect any deduction for sales charges.

² Lipper, Inc. is an independent mutual fund monitoring and rating service. Its database of performance information is based on historical returns, which assume the reinvestment of dividends and distributions and the deduction of all fund expenses. Lipper return figures do not reflect the deduction of any sales charges that an investor may pay when purchasing or redeeming shares of the Fund.

- 3** JP Morgan High Yield and Leveraged Loan Research Credit Strategy Weekly Update, September 30, 2011.
- 4** Barclays Capital High Yield Corporate Update, October 3, 2011.
- 5** JP Morgan High Yield and Leveraged Loan Research Credit Strategy Weekly Update, September 30, 2011.
- 6** Barclays Capital High Yield Corporate Update, October 3, 2011
- 7** The credit rating table displays the % of fund assets allocated to each rating. Rating agencies' independent ratings of individual securities are aggregated by Barclays and market weights are reported using Standard & Poor's letter rating conventions. Rating methodology uses the middle rating of Moody's, Standard & Poor's and Fitch. When a rating from only two of the rating agencies is available the lower rating is used.
- 8** Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual bonds.