

Fourth Quarter 2011 Mutual Fund Commentary
RS High Yield Fund

Performance

(Average Annual Total Returns as of 12/31/2011)

RS High Yield Fund (Class A – GUHYX)

	Fourth Quarter 2011	1-Year	3-Year	5-Year	10-Year	Since Inception (9/01/98)
without sales charge	6.50%	4.56%	18.16%	5.89%	7.11%	5.67%
with maximum sales charge	2.53%	0.64%	16.67%	5.09%	6.70%	5.37%
Barclays Capital U.S. Corporate High-Yield Bond Index ¹	6.46%	4.98%	24.12%	7.54%	8.85%	6.92%

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 event risk.

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%. 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, 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 Bond Fund; performance shown includes performance of the predecessor fund for periods prior to October 9, 2006. The net expense ratio 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

- Potential for credit spreads to tighten.
- Strong retail fund flows.
- Low default rate.

Fund Commentary

Performance

RS High Yield Fund (Class A Shares) (the “Fund”), returned 4.56% for the year ended December 31, 2011, underperforming its benchmark, the Barclays Capital U.S. Corporate High Yield Bond Index (the “Index”), which returned 4.98% for the same period.¹

(As of 12/31/2011) ²	1-Year	3-Year	5-Year	10-Year
RS High Yield Bond Fund (Class A) Average Annual Total Return	4.56%	18.14%	5.89%	7.11%
Lipper ^{1,2} High Current Yield Funds Average Annual Total Return	2.81%	19.77%	5.10%	6.99%
Lipper High Current Yield Funds Category Ranking*	111/491	329/424	146/356	126/238
Lipper High Current Yield Funds Category Percentile	23%	78%	41%	53%

**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 posted a mixed 2011, as sound corporate fundamentals, a low default rate, modest economic growth and solid mutual fund inflows were partially offset by the ongoing concerns about European sovereign debt and the potential for economic recession in Europe that oftentimes overshadowed everything else occurring in the high yield market. During the fourth quarter, the strong fundamentals in the high yield market led the Index to a strong 6.50% return, while for the full year macroeconomic concerns held down the Index’s return to a more muted 4.98%.¹

In the first half of the year, the high yield market saw a record in the volume of new issues with over \$90 billion being issued in both the first and second quarter, just the second and third time that has occurred in the history of the high yield market. With European concerns and the Greek credit crisis being pushed to the forefront, the market retreated in the third quarter before staging a fourth quarter rebound.³ High yield new issuance trailed off in the second half of the year finishing at \$246 billion, down from last year’s record \$302 billion.³ With improving corporate fundamentals and a robust new issuance market, the high yield default rate remained low during 2011 ending the year at 1.76%, well below the 25 year average of 4.21%.⁴

Portfolio Review

We positioned the portfolio for moderate spread tightening entering the fourth quarter despite the ongoing sovereign concerns in Europe. We believed the high yield sector was attractive on a fundamental basis as well as on a relative basis as compared to other asset classes. For the year, the Fund had first quartile performance finishing in the top 23% of all high yield funds, but had a small underperformance versus the Index of 40 basis points (bps).^{1,2} During the quarter, we overweighted the Energy/Oil Field Services, media and wireless sectors, which we believed had positive fundamentals, and we underweighted Native American gaming, wirelines, and building suppliers and home construction, which we believe may continue to be weak going into 2012.

Turning to individual sectors, the Technology sector outperformed the Index by 20 bps for the year, as we believe our focus on security selection aided performance. Lawson Software, Igate Corp and CDW Corp all led performance in the sector. We have long been a believer in the growth of the software and service industries and how long-term contracts in the sector have the potential to provide for income

statement stability. In a volatile year, these credits outperformed the Index. We continue to be a believer in the software sector. We have a less favorable view of the more cyclical hardware industry as it is more susceptible to economic downturns and has high capital expenditure requirements.

The home construction sector outperformed the Index by 20 bps for the year, 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 for the year 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 markets.

We underperformed in the transportation – services sector by 26 bps as CMA CGM (CMA) 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 five largest shippers worldwide, one of CMA's ships was found transporting a 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 and fourth 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. We held the bond until it appreciated from its lows and then sold off the position before the end of the year because we lost faith in the company's management and the company's ongoing performance after a series of poor earnings releases and conference calls.

The healthcare sector suffered a tumultuous year 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 that hung over the sector. The Fund's underperformance compared to the Index is also due in part to its investments in Apria Healthcare (Apria) and Alliance Imaging. Apria traded down on the year as higher leveraged lower rated Healthcare names came under pressure. We believe the selloff is overdone and expect to continue to hold our position. 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. With no turnaround in their core business in sight we decided to exit our position in the fourth quarter.

Outlook

The outlook for the high yield market in 2012 is somewhat cloudy and hard to predict. Factors that will determine high yield returns lie outside of the high yield market itself. On a fundamental basis, we expect to see moderate spread contraction in the high yield market during 2012 and expanded risk tolerance from investors. We expect positive corporate earnings momentum and balance sheet improvement for high yield issuers, which would indicate strong fundamentals moving forward. Further, improved corporate liquidity and a lack of bond maturities should continue to support a low default rate over the next two years and provide a positive tone for the market. 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 2.0%. 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 the high yield market.

We believe that the European debt crisis will loom heavily over the market and could overwhelm all the positive fundamentals that we are seeing. As we enter year three of the European sovereign crisis, we believe that the crisis is much like an incurable virus that flares up at the most inopportune times. As the world's finance ministers race to search for a cure, their efforts always seem a step behind the latest viral mutation. Unfortunately, whether or not the virus will be managed appropriately and stay benign or flare

up in dramatic fashion may ultimately determine the fate of the global markets this year, more so than market fundamentals.

Despite our concerns about the global backdrop we are positive on the high yield market entering 2012. 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, many investors should seek 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 of 750 bps to treasuries, the asset class remains attractive.¹ We expect to see inflows from retail investors as well as institutional accounts, as institutional investors directing more assets into high yield while the Federal Reserve maintains its accommodative stance. We expect that investors' thirst for yield, improving corporate earnings, and a strong new issue market, should be favorable for the market. We anticipate that any rise in Treasury yields for 2012 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 higher-rated high yield credits, which have offered value on a historical basis, while also adding to lower-rated paper where we see opportunity as there is tightening potential. We also expect to sell low duration paper issued by companies where we believe the yields do not support the potential credit risk. While being concerned about the potential for rising interest rates, we are currently favorably inclined on taking on some extra duration in credits that we think may have favorable upside. We also expect to avoid any credits with direct exposure to the European crisis. The risk reward relationship is not there for the credits and we may be punished in a negative European Sovereign debt scenario.

Taking advantage of companies with potential positive event risk and avoiding companies with potential negative event risk will be a key to the Fund's performance in 2012. We believe that mergers and acquisitions (M&A) and leveraged buyout (LBO) activity should dramatically increase in 2012, as should leveraged recapitalization. Seeking companies with tight covenants, where the bonds might be called at a premium, will be a major focus of the Fund. Likewise, many companies have weak covenants such as no "change of control" provision or limited restrictions on incurring additional debt. The bonds of these companies typically are at risk of falling precipitously in an LBO scenario. We believe there may 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 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 refining, gaming, building suppliers and construction machinery. We believe that the high yield sector has the potential to post solid returns moving forward in-line with the performance we have seen over the last two years. We will be keeping an extremely close eye on Europe and be ready to adopt a more cautious stance if appropriate.

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 December 31, 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 Quality⁵

(As of 12/31/2011)	% Fund
Other Assets and Liabilities	6.1%
AAA	0.0%
BBB	0.0%
BB	24.7%
B	50.9%
CCC	16.9%
Below CCC	0.3%
Not Rated	1.2%

Top Ten Holdings⁶

(As of 12/31/2011)	Coupon Rate	Maturity Date	% Fund
Reynolds Group Issuer, Inc.	9.875	08/15/19	1.15%
Clear Channel Communication, Inc.	3.946	01/28/16	1.15%
E*Trade Financial Corp.	12.500	11/30/17	1.11%
Michael Foods, Inc.	9.750	07/15/18	1.04%
Sabra Health Care, Inc.	8.125	11/01/18	1.02%
The Neiman Marcus Group, Inc.	10.375	10/15/15	1.01%
Dolphin Subsidiary II, Inc.	7.250	10/15/21	0.98%
Block Communications, Inc.	8.250	12/15/15	0.97%
ARAMARK Holdings Corp.	8.625	05/01/16	0.95%
Apria Healthcare Group, Inc.	12.375	11/01/14	0.88%

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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
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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 Source: JP Morgan High Yield Market Monitor, 1/3/2012, pg 8.

⁴ Source: JP Morgan High Yield Market Monitor, 1/3/2012, pg 17.

⁵ 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.

⁶ Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual bonds.