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TIP SHEET:

RS Select Growth Touts Heavy Focus On Research

By **ROGER CHENG**

NEW YORK (Dow Jones)—RS Select Growth (RSDGX) fund manager Allison Thacker believes her team's focus on research provides an edge in stock picking.

RS Select Growth has a flat team structure, so even the most senior members keep a close eye on certain sectors. The team's focus on research has allowed it to pick up on upcoming trends more effectively, according to the 35-year-old manager. Other funds, she said, often rely on a centralized group of younger analysts for research.

The \$62 million fund, however, wasn't immune to the market collapse last year, sinking 45%. But for the year, it's up nearly 39% and outperforming the Standard & Poor's 500 index by more than 19 percentage points, according to investment Website Morningstar.com.

Over the past three years, it has outdone the S&P 500 by 4.3 percentage points, but hasn't fared so well over the last five years, when it was slightly worse than the benchmark.

The San Francisco fund looks for small to mid-sized companies with sustainable organic growth. One such holding is Urban Outfitters Inc. (URBN), according to Thacker. The retailer sets itself apart from the pack with a more differentiated customer experience, with each store's aesthetics based on its location.

"It's the antithesis of McDonald's model," she said.

The store has a broader assortment of items that are less duplicative, which allows it to sell more products at the initial sales price, Thacker said.

With fewer than 300 stores, Urban Outfitters has a lot of room to grow, she added. The company plans to open 800 new stores over the next five to 10 years.

"We really like the fact that there's a long pathway to open stores at a measured pace," she said.

With an eye towards the small business market, the fund has a significant holding in VistaPrint N.V. (VPRT), which is the dominant player in providing marketing materials such as business cards, posters and flyers to businesses with 10 people or less.

The company uses software to bundle together different print orders, allowing it to get a much cheaper rate. It's the low-cost provider that is consistently growing market share in a market of 50 million of the so-called micro-businesses, she said.

VistaPrint is adding higher margin e-mail and Website-hosting businesses, which Thacker said the company can easily market to its existing customer base.

Overseas, CTrip.com International Ltd. (CTRP) is a more recent acquisition for the fund. Thacker said the company, which books flights and airfare for business travelers in China, had a terrible last year, plagued by earthquakes, floods, and travel restrictions from the Olympics. But that allowed the fund to scoop it up cheaply, she said.

CTrip.com is the top player in the hotel and airfare bookings, but only has a 2% to 3% share in the heavily fragmented market.

The company's growth has slowed dramatically amid the recession, but Thacker said growth will likely reaccelerate next year, propped up by more travelers and higher airfare and hotel rates.

The fund also owns Core Laboratories N.V. (CLB), which provides geological services to the energy industry. The company, which already works on 950 of the world's 4,000 largest oil fields, wants to expand its reach with a modest target of 400 more projects, she said.

At the same time, it's pushing to offer more services to existing energy companies, allowing them to capture more oil from their reserves than they were previously able to, Thacker said.

Among the difficult sectors, Thacker said that she would avoid cyclical sectors such as steel, materials and processing companies, noting that they have all risen together. Looking ahead, individual companies, and not sectors, will rise.

"It's a dangerous area right now with elevated valuations," she said.

The health-care sector has already been difficult this year, mired by the debate over a reform of the system. But valuations have gotten to a point where they're starting to look attractive, she said.

(Roger Cheng covers the telecommunications industry for Dow Jones Newswires.)

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The following are mentioned in the article, portfolio weighting of RS Select Growth Fund listed in parentheses as of 9/30/09: Urban Outfitters Inc. (2.96%), VistaPrint N.V. (1.57%), CTrip.com International Ltd. (1.96%), and Core Laboratories N.V. (1.87%).

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RS Select Growth Fund (RSDGX) Performance[†] (Average Annual Total Returns as of 9/30/09)

	Third Quarter 2009	1-Year	3-Year	5-Year	10-Year	Since Inception (8/1/96)
RS Select Growth Fund, Class A						
without sales charge	18.08%	3.26%	-1.09%	0.86%	0.87%	9.05%
with maximum sales charge	12.49%	-1.65%	-2.69%	-0.11%	0.38%	8.65%
Russell 2500 [®] Growth Index ¹	17.17%	-3.08%	-2.32%	3.74%	2.63%	5.04%
Russell 2000 [®] Growth Index ²	15.95%	-6.32%	-2.60%	2.91%	1.10%	3.27%

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

Sector Allocation³ (As of 9/30/09)

Consumer Discretionary	25.2%
Health Care	18.6%
Technology	16.7%
Financial Services	13.5%
Producer Durables	10.7%
Energy	6.6%
Utilities	2.5%
Materials & Processing	2.4%
Cash	3.8%

Top Ten Holdings⁴ (As of 9/30/09)

Urban Outfitters, Inc.	2.96%
Ross Stores, Inc.	2.61%
Guess?, Inc.	2.58%
Digital River, Inc.	2.55%
United Therapeutics Corp.	2.46%
F5 Networks, Inc.	2.45%
P.F. Chang's China Bistro, Inc.	2.39%
Inverness Medical Innovations, Inc.	2.33%
CyberSource Corp.	2.18%
Akamai Technologies, Inc.	2.13%

† 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 1.72% for the Class A shares. Class A performance quoted "with maximum sales charge" reflects the current maximum sales charge of 4.75%. 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. 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. Total return figures reflect an expense limitation in effect during the periods shown; without such limitation, the performance shown would have been lower. Performance results assume the reinvestment of dividends and capital gains. The return figures shown do not reflect the deduction of taxes that a shareholder may pay on Fund distributions or the redemption of Fund shares. 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.

¹ Russell 2500[®] Growth Index offers investors access to the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set. The Russell 2500 includes the smallest 2500 securities in the Russell 3000. Index results assume the reinvestment of dividends paid on the stocks constituting the index. You may not invest in 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, the index 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.

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