RS Investments™

RS VALUE STRATEGIES

The case for return on invested capital

Investor challenge

> Many value investment philosophies focus narrowly on valuation metrics like price-to-earnings, price-to-book, or price-to-sales.[1]

> Investors who focus on valuation and dividends could be ignoring the potential for long-term value creation.

A different approach

> The RS Value Team approaches it a different way, analyzing a company's potential for improving its return on invested capital (ROIC)[2] as an essential measure of its value-creating capability.

> ROIC compares a company's after-tax cash flow with the amount of capital it has invested.

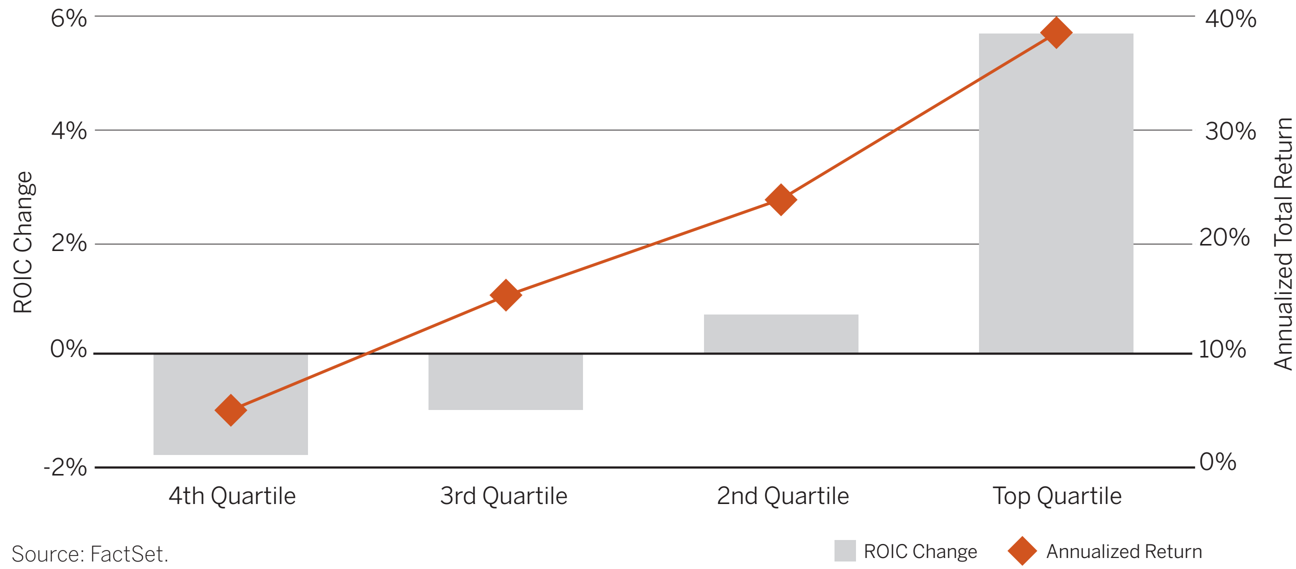
> Value is created when companies earn an ROIC that exceeds the cost of capital (CoC).[3] Additional value can be created when companies reinvest in their business (i.e., grow their capital base) at rates of return above their CoC.

Companies with the greatest improvement in return on invested capital (ROIC) delivered the best stock performance.*

* Over a 5-year investment horizon. While this relationship applies irrespective of valuation, we believe taking an active, disciplined approach to valuation enhances this investment case even further.

S&P Composite 1500® Index Medians: 5 Year

FOR PERIOD ENDING 12/31/13



Source: FactSet.

> This analysis looks at the 12/31/13 constituents of the S&P Composite 1500 Index, which combines three leading indexes: the S&P 500,® the S&P MidCap 400,® and the S&P SmallCap 600.®

> The companies were sorted by total shareholder return (TSR), and then medians were calculated for each return quartile.

Indexes are unmanaged and you cannot invest in an index. Index performance assumes the reinvestment of dividends paid on the stocks constituting the index and does not reflect any fees, costs or expenses.

1 Price-to-earnings is used to evaluate whether a company is attractively valued. It is calculated by dividing current share price by its annual per-share earnings. Price-to-book is used to compare a stock's market value to its book value. It is calculated by dividing the share price by the book value per share. Price-to-sales compares a company's current stock price to its revenues.

2 ROIC is a financial ratio often favored by "value-style" investors that measures how well a company is using its money to generate returns.

3 CoC is the weighted average of a company's funds (both debt and equity) used for financing business operations or new projects.

Why ROIC

> ROIC is a critical component in quantifying the true value and trajectory of a business.

> Stock performance has been highly correlated with changes in ROIC over longer time horizons.

> Companies with improving ROIC often drive shareholder value irrespective of underlying market or economic conditions.

> An ROIC-focused approach can help uncover businesses poised for improvement in cases where intrinsic value may not be currently reflected.

ROIC in practice: RS Value Team process

The RS Value Team consists of experienced, specialized business analysts who strive to identify companies undergoing structural changes that can lead to meaningful investment opportunities and value creation. Our high-conviction approach focuses our efforts on a limited number of stocks to build portfolios with only those companies that we believe have the highest likelihood of improving ROIC.

The RS Value Team follows the same process and philosophy for each of the following RS Investments products.

		Share Class	Ticker Symbol
RS Partners Fund*	Small Cap	A Y	RSPFX RSPYX
RS Value Fund	Mid Cap	A Y	RSVAX RSVYX
RS Large Cap Alpha Fund	Large Cap	A Y	GPAFX RCEYX
RS Investors Fund	All Cap	A Y	RSINX RSIYX

* *RS Partners Fund is closed to most new investments. Please refer to the prospectus for more information.*

As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. Investing in small and mid-size 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. Foreign securities are subject to political, regulatory, economic, and exchange-rate risks not present in domestic investments.

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