

BusinessWeek

Personal Finance | The Best Fund Managers

Winners Come in All Shapes and Sizes

Meet the champs of the 2007 Standard & Poor's/*BusinessWeek* Excellence in Fund Management Awards. **BY LAUREN YOUNG AND AARON PRESSMAN**

THERE ARE MORE THAN 6,000 mutual funds, but, hey, how many can you name? Chances are the ones you know are offered by giants such as Fidelity, T. Rowe Price, and Vanguard. 📌 The biggies have some fine funds, but excellence is not a matter of size. Scores of outstanding funds run by small investment management outfits fly below the radar. Ever heard of Keeley Small Cap Value? What about Kinetics Paradigm? They're both among our 24 winners of this year's Standard & Poor's/*BusinessWeek* Excellence in Fund Management Awards. "Year after year we unearth these tiny gems," says Phil Edwards, S&P's managing director of funds research. (Standard & Poor's, like *BusinessWeek*, is a unit of The McGraw-Hill Companies.)

To find our winners, we start with the 830 funds rated A or B+ in their categories for the five years ending on Dec. 31, 2006, in the *BusinessWeek* Mutual Fund Scoreboard (BW—Jan. 22). Our highest ratings don't necessarily go to the funds that racked up the biggest numbers. What counts are the risk-adjusted returns.

To be considered for the award, a fund must have assets of at least \$100 million, a manager with at least five years' tenure, and a minimum investment of less

than \$26,000. It should also be open to new investors. Once a fund clears those hurdles, S&P analysts conduct in-depth, face-to-face interviews with managers to quiz them on investment practices.

In the four years since we started these awards, our Best Managers have lived up to their billing. The average stock fund finalist beat the Standard & Poor's 500-stock index by 5.6 percentage points annually. (That's two years of gang-buster stock fund performance, and two



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years when our stock funds were within a hair's breadth of the index.) Among bonds, our finalists handily beat the Lehman Brothers Aggregate Bond Index in three of the four years.

On the pages that follow you'll discover the secrets that made four of the smaller fund companies successful and a chart of all 24 finalists. For more information on the other 20, plus a slide show, free S&P reports, and updates on our previous winners, go to businessweek.com/extras.

In the Winner's Circle

FUND / SYMBOL	CATEGORY	MANAGER(S)	AVERAGE ANNUAL TOTAL RETURN**
AMERICAN CENTURY VISTA TWCVX	Mid-cap Growth	Glenn Fogle	9.2%
DODGE & COX INCOME* DODIX	Intermediate Bond (Gen.)	Team Managed	5.5
DODGE & COX INTL. STOCK DODFX	Foreign	Team Managed	20.8
EATON VANCE INCOME BOSTON A EVIBX	High-yield Bond	T. Huggins/M. Weilheimer	10.5
EATON VANCE NATL. MUNICIPALS A EANAX	Municipal National Long	Thomas Metzhold	8.9
FIDELITY SHORT-TERM BOND FSHBX	Short Bond (Gen.)	Andrew Dudley	3.8
FIRST AMERICAN REAL ESTATE A* FREAX	Real Estate	J. Wenker/J. Rosenberg	25.8
GOLDMAN SACHS HIGH YIELD A GSHAX	High-yield Bond	A. Jessop/D. Gordon/R. Cignarella	10.7
GROWTH FUND OF AMERICA A* AGTHX	Large-cap Growth	Team Managed	8.0
HARBOR BOND INSTITUTIONAL HABDX	Intermediate Bond (Gen.)	William Gross	5.5
JULIUS BAER TOTAL RETURN BJBGX	Intermediate Bond (Gen.)	R. Pell/D. Quiqley	7.2
KEELEY SMALL CAP VALUE KSCVX	Small-cap Value	John Keeley Jr.	18.7
KINETICS PARADIGM WWPX	All Cap	P. Doyle/M. Stahl	20.4
LEGG MASON VALUE TRUST P* LMVTX	Large-cap Blend	W. Miller/M. Gay	7.8
MANAGERS BOND* MGFIX	Intermediate Bond (Gen.)	Daniel Fuss	7.4
METROPOLITAN WEST TOTAL RETURN M MWTRX	Intermediate Bond (Gen.)	T. Rivelle/S. Kane/L. Landmann	5.5
RS VALUE A RSVAX	Mid-cap Value	D. Kelley/A. Pilara Jr./J. Wolf	23.1
SSGA INTERNATIONAL STOCK SELECTION SSAIX	Foreign	C. Scholl/D. Rosenfeld	17.9
STRATTON SMALL-CAP VALUE STSCX	Small-cap Value	J. Stratton/G. Van Horn	16.7
T. ROWE PRICE GROWTH STOCK* PRGFX	Large-cap Growth	Robert Smith	6.2
TCW TOTAL RETURN BOND I* TGLMX	Intermediate Govt.	P. Barach/J. Gundlach	5.5
TEMPLETON GLOBAL BOND A* TPINX	International Bond	Michael Hasenstab	12.9
THORNBURG CORE GROWTH A THCGX	All Cap	Alex Motola	13.9
WESTCORE MIDCO GROWTH WTMGX	Mid-cap Growth	William Chester	8.9

* Previous winner **Appreciation plus reinvestment of dividends and capital gains before taxes. Jan. 1, 2002-Dec. 31, 2006 Data: Standard & Poor's

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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. The value of a debt security is affected by changes in interest rates and is subject to any credit risk of the issuer or guarantor of the security.

RS Value Fund Performance Update†

Data as of March 31, 2007

	First Quarter 2007	1 Year Total Return	3 Year Annualized Return	5 Year Annualized Return	10 Year Annualized Return	Since Inception 6/30/93
RS Value Fund, Class A (without sales load)	5.72%	17.71%	18.68%	23.93%	6.95%	9.16%
(with maximum sales load)	0.69%	12.12%	16.78%	22.72%	6.43%	8.78%
Russell Midcap® Value Index*	4.86%	17.13%	18.58%	15.22%	14.00%	14.22%
S&P 500® Index**	0.64%	11.83%	10.05%	6.27%	8.20%	10.73%

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. Please keep in mind that any high double-digit returns are highly unusual and cannot be sustained. The Fund's total gross annual operating expense ratio is 1.39%. Please refer to the most current Fund prospectus for complete details on expenses including fees. The performance quoted, "with maximum sales load" reflects the current maximum sales charge of 4.75% that became effective on October 9, 2006. 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. Current and month-end performance information, which may be lower or higher than that cited, is available by contacting RS Investments at 1-800-766-FUND and is frequently updated on our Web site: www.RSinvestments.com.

* The Russell Midcap® Value Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell Midcap Index with lower price-to-book ratios and lower forecasted growth values. (The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which consists of the 1,000 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.

** S&P 500® Index is an unmanaged market capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. 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.

1 The Fund's holdings are allocated to each sector by percentages. Cash includes short-term investments and net other assets and liabilities.

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

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