

# **NORTHEAST INVESTORS TRUST**

**A NO LOAD FUND**



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**Semi-Annual Report**

**For the Period Ending**

**March 31, 2017**

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*Dear Fellow Shareholders:*

During the first half of fiscal 2017, Northeast Investors Trust reported a total return of 6.7%, which compares favorably with the 4.6% return on the Bank of America Merrill Lynch High Yield Index. We are pleased with these results.


Strong relative performance was aided by the Trust's defensive posture versus rising interest rates, which somewhat pressured the more interest-sensitive securities in the high yield index, particularly during the December quarter. On the other hand, the Trust's weakest performers were credit-specific, with laggards including both Jack Cooper and Cenveo. Although the companies operate in two very different industries, the former in transportation and the latter in printing, both companies have struggled to integrate properly the acquisition of their largest competitor. Performance in equities acquired by the Trust in various reorganizations was mixed, and management continuously evaluates the timing for the sale of these equities in the best interest of the shareholders.

Looking forward, we continue to be concerned about the possibility of rising interest rates. Accordingly, our recent purchases have had relatively short effective maturities, which are typically viewed as lessening that form of risk.

With that said, the general political risk facing the markets seems to have risen in the last year, and, while we have monitored those developments carefully, we consider that aspect of the economic and financial environment hard to predict. Although individual political scenarios may differ, heightened political risk is generally associated with a "flight to safety" and lower government bond interest rates, and it is unclear how our short-duration portfolio would respond to increased uncertainty from that source.

The portfolio managers continue to be significant shareholders in our own right, and so there remains a mutuality of interest in the performance of the fund.

Sincerely,



Bruce H. Monrad  
Chairman of the Trustees

May 18, 2016

## Historical Information (unaudited)

Fiscal Year Ended Sept. 30	At End of Fiscal Year			Distribution Per Share During Fiscal Year		Average Monthly Net Asset Value
	Full Shares Outstanding	Net Asset Value Per Share	Total Net Assets	From Net Income	From Capital Gain	
2007	165,291,354	\$7.68	\$1,268,436,554	\$0.56	\$0.0000	\$7.85
2008	118,452,760	5.94	703,572,671	0.56	0.0000	6.95
2009	154,496,180	5.74	885,806,723	0.44	0.0000	4.57
2010	120,110,979	6.03	723,592,180	0.44	0.0000	5.93
2011	84,950,722	5.52	468,925,715	0.44	0.0000	6.15
2012	99,735,587	6.03	601,338,130	0.41	0.0000	5.86
2013	135,886,143	6.44	875,171,812	0.37	0.0000	6.31
2014	83,921,225	6.48	543,360,576	0.47	0.0000	6.57
2015	69,240,411	4.86	335,875,302	0.43	0.0000	5.63
2016	70,765,064	4.58	323,791,971	0.32	0.0000	4.34
2017(a)	64,643,111	4.73	305,622,080	0.16	0.0000	4.70

(a) Six months ended March 31, 2017

## Average Annual Total Return (unaudited)

One year ended March 31, 2017	31.78%
Five years ended March 31, 2017	2.21%
Ten years ended March 31, 2017	2.23%

## SEC Yield (unaudited)

Yield calculated as of March 31, 2017: 5.01%

## About Your Fund's Expenses (unaudited)

	<i>Annualized Expense Ratio</i>	<i>Beginning Account Value 9/30/2016</i>	<i>Ending Account Value 3/31/2017</i>	<i>Expenses Paid During Period 9/30/2016 - 3/31/2017*</i>
Actual Return 6.75%	1.37%	\$1,000.00	\$1,067.54	\$7.01
Hypothetical (5% return before expenses)	1.37%	\$1,000.00	\$1,018.03	\$6.89

\* Expenses are equal to the Trust's annualized expense ratio, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (182), and divided by the days in the year (365) to reflect the half-year period.

As a shareholder of the Trust, you incur ongoing costs, which include costs for portfolio management, administrative services and other fund expenses. The above example is intended to help you understand the ongoing costs (in dollars) of investing in the Trust and to compare these costs with those of other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period shown and held for the entire period.

### Actual Expenses:

The first line of the table above provides information about actual account values and actual expenses based on the Trust's actual returns. You may use the information in this line, together with your account balance, to estimate the expenses you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes:

The second line of the table above provides information about hypothetical account values and hypothetical expenses based on the Trust's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Trust's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Trust and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

## *Fixed Income Portfolio Composition (unaudited)*

### **Distribution by Maturity (% of portfolio)**

Under 1 Year	21%
1-5 Years	68%
6-10 Years	10%
11-15 Years	0%
Over 15 Years	1%
<hr/>	
Total	100%

## *Quarterly Portfolio Holdings*

Each fiscal quarter-end the Trust is required to file a complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC"). The schedules of portfolio holdings for the second and fourth quarters are incorporated in and filed as part of the semi-annual and annual reports to shareholders. The schedules of portfolio holdings for the first and third quarters are filed with the SEC on Form N-Q. The Trust makes the information on Form N-Q available on its website at [www.northeastinvestors.com](http://www.northeastinvestors.com) or upon request.

Shareholders may also access and review information and reports of the Trust, including Form N-Q, at the SEC's Public Reference Room in Washington, D.C. You can call the SEC at 1-202-942-8090 for information about the operation of the Public Reference Room. Reports and other information about the Trust are available on the SEC's website at <http://www.sec.gov> and copies may be obtained for a duplicating fee by electronic request at the following E-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing the Public Reference Center of the Securities and Exchange Commission, Washington, D.C. 20549-0102. The Trust's reference number as a registrant under the Investment Company Act of 1940 is 811-576.

**Summary of Net Assets**  
**March 31,2017 (unaudited)**

	Value	% of Net Assets
<b>Corporate Bonds &amp; Notes</b>		
Automobile & Truck	\$ 1,792,075	0.59%
Chemicals	12,999,494	4.25%
Coal	2,820,000	0.92%
Construction & Farming	12,317,500	4.03%
Drug Stores	1,982,500	0.65%
Electrical Components & Equipment	4,473,125	1.46%
Electrical Utility	4,800,556	1.57%
Energy / Natural Resources	34,689,848	11.35%
Financial Services Misc.	7,131,250	2.33%
Food Processing	11,365,200	3.72%
Gaming	24,541,062	8.03%
Homebuilders	12,432,147	4.07%
Metals & Mining	10,842,170	3.55%
Miscellaneous Manufacturing	3,088,710	1.01%
Oil & Gas Drilling	6,778,750	2.22%
Oil Refinery	13,974,000	4.57%
Paper / Forest Products	17,106,250	5.60%
Retail Stores	7,218,700	2.36%
Systems Software	14,431,632	4.72%
Telecom Equipment	24,267,375	7.94%
Tobacco	13,255,000	4.34%
Transportation	7,150,000	2.34%
<b>Total Corporate Bonds &amp; Notes</b>	<b>\$249,457,344</b>	<b>81.62%</b>
<b>Common &amp; Preferred Stocks</b>		
Banks / Money Centers	\$ 24,940,753	8.16%
Diversified Chemicals	3,290,790	1.08%
Energy / Natural Resources	14,462,649	4.73%
Food Processing	7,336,448	2.40%
Metals & Mining	10,747,312	3.52%
Manufacturing	14,031,422	4.59%
Oil & Gas Drilling	151,000	0.05%
Retail Food Chain	2,055,500	0.67%
Transportation	74,151	0.02%
<b>Total Common &amp; Preferred Stocks</b>	<b>\$ 77,090,025</b>	<b>25.22%</b>
<b>Total Asset Backed Securities</b>	<b>3,426,890</b>	<b>1.12%</b>
<b>Total Convertible Bonds</b>	<b>8,550,000</b>	<b>2.80%</b>
<b>Total Foreign Bonds</b>	<b>3,404,271</b>	<b>1.11%</b>
<b>Total Warrants</b>	<b>135,090</b>	<b>0.05%</b>
<b>Total Investments</b>	<b>342,063,620</b>	<b>111.92%</b>
<b>Receivables</b>	<b>4,533,374</b>	<b>1.49%</b>
<b>Total Assets</b>	<b>346,596,994</b>	<b>113.41%</b>
<b>Liabilities</b>	<b>(40,974,914)</b>	<b>-13.41%</b>
<b>Total Net Assets</b>	<b>\$305,622,080</b>	<b>100.00%</b>

**Schedule of Investments (a)**  
**March 31, 2017 (unaudited)**

**Asset Backed Securities — 1.12%**

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value (Note B)</i>
Aircraft Fin Trust, 1.39222%, 5/15/24	\$17,573,793	\$ 3,426,890
<b>Total Asset Backed Securities — (cost—\$7,644,600)</b>		<b>\$ 3,426,890</b>

**Convertible Bonds — 2.80%**

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value (Note B)</i>
Comstock Resources, Inc. PIK, 7.75%, 4/01/19	\$10,000,000	\$ 8,550,000
<b>Total Convertible Bonds — (cost—\$10,015,454)</b>		<b>\$ 8,550,000</b>

**Corporate Bonds & Notes — 81.62%**

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value (Note B)</i>
<b>Automobile &amp; Truck — 0.59%</b>		
Delphi Corp., 6.55%, 6/15/06 (b) (c)	\$36,950,000	\$ 1,792,075

**Chemicals — 4.25%**

Cornerstone Chemical Co., 9.375%, 3/15/18 (d)	12,750,000	12,813,750
Reichhold Industries, Inc., 9%, 5/08/17 (b) (d) (e)	9,287,227	185,744
		12,999,494

**Coal — 0.92%**

Westmoreland Coal Co., 8.75%, 1/01/22 (d)	3,000,000	2,820,000
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**Construction & Farming — 4.03%**

Southern States Co-op, Inc., 10%, 8/15/21 (d)	13,000,000	12,317,500
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**Drug Stores — 0.65%**

Rite Aid Corp., 6.125%, 4/01/23 (d)	2,000,000	1,982,500
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**Electrical Components & Equipment — 1.46%**

Advanced Lighting Technologies PIK, 12.5%, 6/01/19 (d) (e)	17,892,500	4,473,125
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**Electrical Utility — 1.57%**

Homer City Funding LLC, 8.137%, 10/01/19	12,633,042	4,800,556
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**Energy/Natural Resources — 11.35%**

American Eagle Energy Co., 11%, 9/01/19 (b) (d)	15,500,000	155,000
Clayton Williams Energy, 7.75%, 4/01/19	28,000,000	28,126,000
Forest Oil Corporation, 7.25%, 6/15/19 (b)	29,500,000	0
RAAM Global Energy Co., 12.5%, 10/01/15 (b) (c)	23,000,000	345,000
Stone Energy Corp., 7.5%, 5/31/22	422,980	411,348
W & T Offshore, Inc., 8.5%, 6/15/19	7,000,000	5,652,500
		34,689,848

**Financial Services Misc. — 2.33%**

Rialto Holdings LLC, 7%, 12/01/18 (d)	7,000,000	7,131,250
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**Corporate Bonds & Notes—(continued)**

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value (Note B)</i>
<b>Food Processing — 3.72%</b>		
Simmons Food, Inc., 7.875%, 10/01/21 (d) . . . . .	\$10,824,000	\$ 11,365,200
<b>Gaming — 8.03%</b>		
Chester Downs & Marina LLC, 9.25%, 2/01/20 (d) . . . . .	10,000,000	10,225,000
Greektown Superholdings, 8.875%, 3/15/19 (d) . . . . .	8,750,000	9,159,062
Isle of Capri Casinos, 5.875%, 3/15/21 . . . . .	5,000,000	<u>5,157,000</u>
		24,541,062
<b>Homebuilders — 4.07%</b>		
AV Homes, Inc., 8.5%, 7/1/19 . . . . .	10,750,000	11,180,000
Tousa, Inc., 9%, 7/01/10 (b) (c) . . . . .	14,111,000	670,272
Tousa, Inc., 8.25%, 4/1/11 (b) (c) . . . . .	12,250,000	<u>581,875</u>
		12,432,147
<b>Metals &amp; Mining — 3.55%</b>		
American Gilsonite Co. PIK, 17%, 12/31/21 (d) . . . . .	5,918,518	6,096,370
International Wire Group, 10.75, 8/01/21 (d) . . . . .	4,880,000	<u>4,745,800</u>
		10,842,170
<b>Miscellaneous Manufacturing — 1.01%</b>		
Park-Ohio Industries, Inc., 8.125%, 4/01/21 . . . . .	3,000,000	3,088,710
<b>Oil &amp; Gas Drilling — 2.22%</b>		
Parker Drilling Co., 7.5%, 8/01/20 . . . . .	7,250,000	6,778,750
<b>Oil Refinery — 4.57%</b>		
PBF Holding Co. LLC, 8.25%, 2/15/20 . . . . .	13,700,000	13,974,000
<b>Paper/Forest Products — 5.60%</b>		
Cenveo Corp., 6%, 8/01/19 (d) . . . . .	2,250,000	1,856,250
Cenveo Corp., 8.5%, 9/15/22 (d) . . . . .	25,000,000	<u>15,250,000</u>
		17,106,250
<b>Retail Stores — 2.36%</b>		
Claire's Stores, Inc., 9%, 3/15/19 (d) . . . . .	12,000,000	4,800,000
Claire's Stores, Inc., 6.125%, 3/15/20 (d) . . . . .	6,365,000	<u>2,418,700</u>
		7,218,700
<b>Systems Software — 4.72%</b>		
Interface Sec. Systems Holdings, 9.25%, 1/15/18 . . . . .	8,500,000	8,500,000
Interface Master Holding PIK, 12.5%, 8/01/18 (d) . . . . .	6,361,000	<u>5,931,632</u>
		14,431,632
<b>Telecom Equipment — 7.94%</b>		
Nortel Networks LTD, 10.75%, 7/15/16 (b) (c) . . . . .	23,850,000	24,267,375
<b>Tobacco — 4.34%</b>		
Alliance One International, Inc., 8.5%, 4/15/21 (d) . . . . .	7,950,000	8,148,750
Vector Group LTD, 6.125%, 2/02/25 (d) . . . . .	5,000,000	<u>5,106,250</u>
		13,255,000

**Corporate Bonds & Notes—(continued)**

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value (Note B)</i>
<b>Transportation — 2.34%</b>		
Jack Cooper Holdings Corp., 9.25%, 6/01/20 .....	\$20,000,000	\$ 7,150,000
<b>Total Corporate Bonds &amp; Notes</b> — (cost—\$384,022,619) .....		<u>\$249,457,344</u>

**Foreign Bonds — 1.11%**

<i>Name of issuer</i>	<i>Principal</i>	<i>Value (Note B)</i>
Republic of Argentina GDP Linked Security, FRN, 12/15/35 (b) . . .	\$34,384,574	\$ 3,404,271
<b>Total Foreign Bonds</b> — (cost—\$1,423,421) .....		<u>\$ 3,404,271</u>

**Common & Preferred Stocks — 25.22%**

<i>Name of issuer</i>	<i>Number of Shares</i>	<i>Value (Note B)</i>
<b>Banks / Money Centers — 8.16%</b>		
Citigroup, Inc. ....	416,930	\$ 24,940,753

**Diversified Chemicals — 1.08%**

NL Industries (b) .....	510,200	3,290,790
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**Energy / Natural Resources — 4.73%**

Energy XXI Gulf Coast, Inc. (b) .....	451,901	13,543,473
Stone Energy (b) .....	35,718	780,081
Swift Energy Co. (b) .....	5,058	<u>139,095</u>
		14,462,649

**Food Processing — 2.40%**

Viskase Cos., Inc. (b) .....	2,096,128	7,336,448
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**Metals & Mining — 3.52%**

American Gilsonite (b) (f) .....	15,980	5,433,200
Horsehead Holding LLC (b) (f) .....	14,659	5,313,888
Ormet Corp. (b) .....	372,638	<u>224</u>
		10,747,312

**Manufacturing — 4.59%**

Amtrol, Inc. (b) (e) (f) .....	7,131	8,241,677
Amtrol, Inc. PFD (b) (e) (f) .....	1,068	<u>5,789,745</u>
		14,031,422

**Oil & Gas Drilling — 0.05%**

Key Energy Services, Inc. (b) (f) .....	6,503	151,000
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**Retail Food Chain — 0.67%**

Romacorp, Inc. (b) (e) (f) .....	82,220	2,055,500
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**Transportation — 0.02%**

Groupe Eurotunnel SA .....	7,349	<u>74,151</u>
<b>Total Common &amp; Preferred Stocks</b> — (cost—\$77,060,259) .....		<u>\$ 77,090,025</u>

## Warrants — 0.05%

<i>Name of issuer</i>	<i>Number of Shares</i>	<i>Value (Note B)</i>
Energy XXI Gulf Coast, Inc. (b) .....	22,515	\$ 135,090
<b>Total Warrants — (cost—\$816,502)</b> .....		<u>\$ 135,090</u>
<b>Total Investments — 111.92%</b> (cost—\$480,982,855) .....		<u>342,063,620</u>
<b>Net Other Assets and Liabilities — (11.92%)</b> .....		<u>(36,441,540)</u>
<b>Net Assets — 100%</b> .....		<u><u>\$305,622,080</u></u>

- (a) Portions of the portfolio may be pledged to collateralize short term borrowings.
- (b) Non-income producing security.
- (c) Security is in principal default.
- (d) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At the period end, the value of these securities amounted to \$126,981,883 which represents 41.55% of total net assets. These securities are generally deemed liquid.
- (e) Security is valued at fair value as determined in good faith under applied procedures approved by the Board of Trustees. The aggregate market value of good faith securities as of March 31, 2017 was \$20,745,791 which represents 6.79% of total net assets.
- (f) All or a portion the security is restricted. The Trust may acquire restricted securities which are subject to legal or contractual restrictions on resale and may be illiquid. The aggregate market value of restricted securities as of March 31, 2017 was \$26,920,528 which represents 8.81% of total net assets. Additional information on each holding is as follows:

<u>Security</u>	<u>Acquisition Date</u>	<u>Acquisition Cost</u>
American Gilsonite	1/13/2014	\$5,273,400
Amtrol, Inc.	6/22/2007 — 12/2/2014	\$6,951,542
Amtrol, Inc. PFD	12/14/12	\$1,068,000
Horsehead Holding LLC	7/19/12 — 9/30/16	\$8,474,521
Key Energy Services, Inc.	3/1/2011	\$ 38,447
Romacorp, Inc.	11/15/06	\$4,118,756
PIK	Payment in Kind	
FRN	Floating Rate Note	
PFD	Preferred Security	

The accompanying notes are an integral part of the financial statements.

# Statement of Assets and Liabilities (unaudited)

**March 31, 2017**

**Assets**

Investments—at market value (cost \$480,982,855) .....	\$ 342,063,620
Receivable for interest .....	4,508,534
Receivable for shares sold .....	24,825
Cash .....	<u>15</u>
<b>Total Assets</b> .....	<u>346,596,994</u>

**Liabilities**

Line of credit .....	37,248,200
Payable for investments purchased .....	3,156,910
Payable for trustee fees .....	382,534
Accrued expenses .....	139,901
Payable for shares repurchased .....	<u>47,369</u>
<b>Total Liabilities</b> .....	40,974,914

<b>Net Assets</b> .....	<u><u>\$ 305,622,080</u></u>
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**Net Assets Consist of:**

Capital, at a \$1.00 par value .....	\$ 64,643,111
Paid in surplus .....	778,791,291
Distribution in excess of net investment income .....	(1,277,947)
Accumulated net realized loss on investments .....	(397,615,140)
Net unrealized depreciation of investments .....	<u>(138,919,235)</u>

<b>Net Assets</b> .....	<u><u>\$ 305,622,080</u></u>
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**Net Asset Value**, offering price and redemption price per share

(\$305,622,080/64,643,111 shares) .....	<u><u>\$4.73</u></u>
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The accompanying notes are an integral part of the financial statements.

## Statement of Operations (unaudited)

### Six Months Ended March 31, 2017

Investment Income	
Interest .....	\$ 9,639,428
Dividends .....	758,151
Other Income .....	<u>14,865</u>
<b>Total Income</b> .....	<b>10,412,444</b>
Expenses	
Trustee fees .....	\$ 843,323
Administrative expenses and salaries .....	803,750
Legal fees .....	176,800
Commitment fees .....	106,732
Computer and related expenses .....	88,875
Interest expense .....	59,449
Auditing fees .....	57,200
Printing, postage and stationery fees .....	53,750
Custodian fees .....	31,850
Registration and filing fees .....	23,075
Insurance .....	21,840
Transfer Agent Fees .....	16,671
Telephone .....	7,280
Other expenses .....	<u>38,600</u>
<b>Total Expenses</b> .....	<b><u>2,329,195</u></b>
<b>Net Investment Income</b> .....	<b><u>8,083,249</u></b>
<b>Realized and Unrealized Gain (Loss) on Investments:</b>	
Net realized gain (loss) from investment transactions .....	(35,377,191)
Change in unrealized appreciation (depreciation) of investments .....	<u>49,490,178</u>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b> .....	<b><u>\$ 22,196,236</u></b>

The accompanying notes are an integral part of the financial statements.

## Statements of Changes in Net Assets

	<i>Six Months Ended March 31, 2017 (unaudited)</i>	<i>Year Ended September 30, 2016</i>
<b>Increase (Decrease) in Net Assets</b>		
<b>From Operations:</b>		
Net investment income .....	\$ 8,083,249	\$ 22,684,332
Net realized gain (loss) from investment transactions .....	(35,377,191)	4,127,588
Change in unrealized appreciation (depreciation) of investments .....	<u>49,490,178</u>	<u>(23,733,493)</u>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations .....</b>	<u>22,196,236</u>	<u>3,078,427</u>
<b>Distributions to Shareholders from Net Investment Income .....</b>		
	(10,948,051)	(21,364,808)
<b>From Net Trust Share Transactions — (See Note D) .....</b>	<u>(29,418,076)</u>	<u>6,203,050</u>
<b>Total Increase (Decrease) in Net Assets .....</b>	(18,169,891)	(12,083,331)
<b>Net Assets:</b>		
Beginning of Period .....	<u>323,791,971</u>	<u>335,875,302</u>
End of Period .....	<u>\$305,622,080</u>	<u>\$323,791,971</u>
<b>Distribution in excess of Net Investment Income/ Undistributed Net Investment Income .....</b>		
	\$ (1,277,947)	\$ 1,586,855

The accompanying notes are an integral part of the financial statements.

## Financial Highlights

Per Share Data	Six Months Ended		Year Ended September 30,			
	March 31, 2017 (unaudited)	2016	2015	2014	2013	2012
<b>Net Asset Value:</b>						
Beginning of Period	\$ 4.58	\$ 4.86	\$ 6.48	\$ 6.44	\$ 6.03	\$ 5.52
<b>Income From Investment Operations:</b>						
Net investment income <sup>^</sup>	0.11	0.33	0.37	0.46	0.40	0.40
Net realized and unrealized gain (loss) on investment	0.20	-0.29	-1.56	0.05	0.38	0.52
Total from investment operations	0.31	0.04	-1.19	0.51	0.78	0.92
<b>Less Distributions:</b>						
Net investment income	-0.16	-0.32	-0.43	-0.47	-0.37	-0.41
<b>Net Asset Value:</b>						
End of Period	\$ 4.73	\$ 4.58	\$ 4.86	\$ 6.48	\$ 6.44	\$ 6.03
Total Return <sup>#</sup>	6.75%	1.30%	-19.12%	8.06%	13.17%	17.17%
<b>Ratios &amp; Supplemental Data</b>						
Net assets end of period (in thousands)	\$305,622	\$323,792	\$335,875	\$543,361	\$875,172	\$601,338
Ratio of operating expenses to average net assets <sup>~</sup>	1.37% <sup>~</sup>	1.60%	1.27%	0.98%	0.96%	1.05%
Ratio of interest expense to average net assets	0.10% <sup>~</sup>	0.29%	0.18%	0.10%	0.03%	0.05%
Ratio of net investment income to average net assets	4.75% <sup>~</sup>	7.66%	6.50%	6.94%	6.26%	6.83%
Portfolio turnover rate	12.27%	3.52%	7.72%	29.34%	20.88%	25.36%

\* Includes Interest Expense when applicable

<sup>^</sup> Calculated using the Average Share Method

<sup>#</sup> Total Return reflects the rate that an investor would have earned on an investment in the Trust during each period, assuming reinvestment of all distributions.

<sup>~</sup> Annualized

The accompanying notes are an integral part of the financial statements.

### Note A—Organization

Northeast Investors Trust (the “Trust”), a diversified open-end management investment company (a Massachusetts Trust), is registered with the United States Securities and Exchange Commission (“SEC”) under the Investment Company Act of 1940, as amended. The primary objective of the Trust is the production of income. The Trust follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services — Investment Companies.

### Note B—Significant Accounting Policies

**Valuation of Investments:** The value of equity securities or equity-like securities such as warrants for which market quotations are readily available, shall be determined on the basis of the last quoted sale prices taken from the primary market or exchange on which they are traded. A bid price may be used instead of the last quoted sales price if it more closely reflects the fair value of the security as of the close of regular trading on the New York Stock Exchange. Fixed income securities, including securities convertible into equity, shall be valued on the basis of evaluated prices furnished by independent pricing services or from quotations received from dealers who make markets in such securities. The evaluations provided by the pricing services are based on expert analysis of market data and other factors such as last sale, dealer bids, yields, quality, coupon rate, maturity, type of issue, trading characteristics and other relevant bond market data.

Securities for which market quotations are not readily available (including restricted securities and private placements, if any) are valued at their fair value as determined in good faith under consistently applied procedures approved by the Board of Trustees. Methodologies and factors used to fair value securities may include, but are not limited to, the analysis of current debt to cash flow, information of any recent sales, the analysis of the company’s financial statements, quotations or evaluated prices from broker-dealers, information obtained from the issuer or analysts and the nature of the existing market for securities with characteristics similar to such obligations. Valuations may be derived following a review of pertinent data (EBITDA, Revenue, etc.) from company financial statements, relevant market valuation multiples for comparable companies in comparable industries, recent transactions, and management assumptions. The Trust may use fair value pricing for foreign securities if a material event occurs that may effect the price of a security after the close of the foreign market or exchange (or on days the foreign market is closed) but before the Trust prices its portfolio, generally at 4:00 p.m. ET. Fair value pricing may also be used for securities acquired as a result of corporate restructurings or reorganizations as reliable market quotations for such issues may not be readily available. For securities valued in good faith, the value of an investment used to determine the Trust’s net asset value may differ from published or quoted prices for the same investment. The valuations for these good faith securities are monitored and reviewed by the Trust’s Pricing Committee on an ongoing basis as information becomes available, but are evaluated at least quarterly. The good faith security valuations and fair value methodologies are reviewed and approved by the Trust’s Board of Trustees on a quarterly basis. There can be no assurance that the Trust could obtain the fair value assigned to an investment if it were to sell the investment at the same time which the Trust determines its net asset value per share. The market value of securities fair valued on March 31, 2017 was \$20,745,791, which represents 6.79% of net assets.

**Federal Income Taxes:** It is the Trust’s policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute each year substantially all of its investment company taxable income and capital gains to its shareholders. Accordingly, no federal tax provisions are required. Income distributions, if any, are declared and paid quarterly for the Trust. Capital gains distributions, if any, are declared and paid annually.



## Notes to Financial Statements (unaudited) (continued)

The Trust has reviewed the tax positions for the open tax years as of September 30, 2016 and has determined that no provision for income tax is required in the Trust's financial statements. The Trust's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service. The Trust recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense on the Statement of Operations.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with income tax rules. Therefore, the source of the Trust's distributions may be shown in the accompanying financial statements as either from net investment income or net realized gain on investment transactions, or from paid in capital, depending on the type of book/ tax differences that may exist.

**State Income Taxes:** Because the Trust has been organized by an Agreement and Declaration of Trust executed under the laws of the Commonwealth of Massachusetts, it is not subject to state income or excise taxes.

**Net Asset Value:** In determining the net asset value per share, rounding adjustments are made for fractions of a cent to the next higher cent.

**Distributions and Income:** Income and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles in the United States of America. These differences are primarily due to differing treatments for capital loss carryforwards and losses deferred due to wash sales. Permanent book and tax differences relating to shareholder distributions will result in reclassifications to paid in surplus. The Trust's distributions and dividend income are recorded on the ex-dividend date. Interest income, which includes accretion of market discount and amortization of premium, is accrued as earned. Certain securities held by the Trust pay interest in the form of cash or additional securities (known as Payment-in-kind or PIK); interest on such securities is recorded on the accrual basis.

**Security Transactions:** Security transactions are accounted for as of trade date. Gains and losses on securities sold are determined on the basis of identified cost.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Credit Risk:** Investments in high-yield securities involve greater degrees of credit and market risks than investments in higher-rated securities. Bonds which are rated as less than investment grade tend to be more susceptible to real or perceived adverse economic conditions.

### Note C—Trustees' Compensation

Trustees' compensation has been computed at the rate of 1/8 of 1% of the net assets (before deduction of accrued Trustees' compensation) at the close of each quarter, from which the Trustees have paid certain expenses specified in the Declaration of Trust. For the six months ended March 31, 2017 the current Independent Trustees were aggregately paid \$60,000 from the Trustee fees.

## Notes to Financial Statements (unaudited) (continued)

The total number of shares owned beneficially by the Trustees, officers and members of their immediate families on March 31, 2017 was 5,672,011 shares (8.77%).

**Administrative Expenses & Salaries:** Northeast Investors Trust incurs salary and administrative expenses which includes such expenses for personnel performing transfer agent and dividend disbursement related functions and other administrative functions of the Trust.

### Note D—Shares of Beneficial Interest

At March 31, 2017, there were unlimited shares of beneficial interest authorized with a par value of \$1. Transactions in shares of beneficial interest were as follows:

	<i>Six Months Ended</i> <i>March 31, 2017</i>		<i>Year Ended</i> <i>September 30, 2016</i>	
Shares Sold .....	16,207,145	\$ 75,595,653	37,816,572	\$163,341,212
Shares issued to shareholders in reinvestment of distributions from net investment income .....	1,653,581	7,683,607	3,438,436	14,916,580
	17,860,726	83,279,260	41,255,008	178,257,792
Shares repurchased .....	(23,982,679)	(112,697,336)	(39,730,356)	(172,054,742)
Net Increase (Decrease) .....	(6,121,953)	\$ (29,418,076)	1,524,652	\$ 6,203,050

### Note E—Purchases and Sales of Investments

The cost of purchases and the proceeds from sales and maturities of securities, other than short-term and government securities, aggregated \$40,545,026 and \$66,422,823 respectively, for the six months ended March 31, 2017.

### Note F—Line of Credit

The Trust's line of credit, which does not require maintenance of compensating balances, is generally on a demand basis and is at a rate equal to the applicable margin (1.25%) plus the higher of (a) the Federal Funds Rate or (b) the one-month LIBOR Rate during the period in which such loan is outstanding. At March 31, 2017 the Trust has an unused line of credit amounting to \$37,751,800. The Trust pays a commitment fee of 0.20% on the unused portion of the line of credit when the loan balance is equal to or greater than \$45,000,000 and otherwise pays 0.25%. The line of credit may be terminated at the bank's option at its annual renewal date, on January 12, 2018.

The following information relates to aggregate short-term borrowings during the six months ended March 31, 2017:

Average amount outstanding (total of daily outstanding principal balances divided by the number of days with debt outstanding during the period)	\$22,151,794
Weighted average interest rate	2.18%

### Note G—Repurchase Agreement

On a daily basis, the Trust invests cash balances into repurchase agreements secured by U.S. Government obligations. Securities pledged as collateral for repurchase agreements are held by the Trust's custodian bank until maturity of the repurchase agreement. Provisions of the agreement ensure that the market value of the collateral is sufficient in the event of default.

## Notes to Financial Statements (unaudited) (continued)

However, in the event of default or bankruptcy by the other party to the agreement, realization and/ or retention of the collateral may be subject to legal proceedings. There were no repurchase agreements on March 31, 2017.

### Note H—Additional Tax Information

The amount of distributions paid during the six months ended March 31, 2017 and the year ended September 30, 2016 were \$10,948,051 and \$21,364,808, respectively, and were classified as ordinary income.

The Regulated Investment Company Modernization Act of 2010 (the “RIC Mod Act”) was enacted to update some of the federal income and excise tax rules related to regulated investment companies. The RIC Mod Act allows new capital losses to be carried forward indefinitely rather than for a maximum of eight years. The capital losses also now retain the character of the original loss rather than be carried forward as short-term losses as under previous law. The provisions of the RIC Mod Act are effective for taxable years beginning after December 22, 2010. Losses incurred during these years (Post-RIC Mod Act) will be required to be utilized prior to the losses incurred in the pre-enactment taxable years. As a result the Pre-RIC Mod Act capital loss carryforwards may expire unused.

As of September 30, 2016 the components of accumulated earnings (losses) on a tax basis were as follows:

Undistributed Net Investment Income .....	\$ 3,236,207
Capital Loss Carryforward Pre-RIC Mod Act:	
2017 .....	(100,070,501)
2018 .....	(15,862,511)
2019 .....	<u>(159,796,299)</u>
Total Capital Loss Carryforward Pre-RIC Mod Act: .....	(275,729,311)
Capital Loss Carryforward Post-RIC Mod Act: .....	(86,746,995)
Timing Differences .....	(1,649,352)
Unrealized gains (losses)—net .....	<u>(188,171,056)</u>
Total distributable earnings (losses)—net .....	<u><u>\$(549,060,507)</u></u>

At March 31, 2017 the Trust’s aggregate security unrealized gains and losses based on cost for U.S. federal income tax purposes was as follows:

Tax cost .....	480,744,497
Gross unrealized gain .....	28,213,319
Gross unrealized loss .....	<u>(166,894,196)</u>
Net unrealized security gain (loss) .....	<u><u>(138,680,877)</u></u>

### Note I—Fair Value Measurements

Accounting Standards Codification ASC 820, “Fair Value Measurements and Disclosures” (ASC 820) defines fair value as the price that would be received to sell an investment in an orderly transaction between two market participants at the measurement date. ASC 820 establishes a fair value hierarchy that distinguishes between market data obtained from independent sources

**Notes to Financial Statements (unaudited)**  
**(continued)**

(observable inputs) and the Trust's own market assumptions (unobservable inputs). The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of certain inputs to the fair value measurement requires judgments and considers factors that may be specific to each security. The various inputs that may be used to determine the value of the Trust's investments are summarized in the following fair value hierarchy:

Level 1 — Unadjusted quoted prices in active markets for identical securities.

Level 2 — Other significant observable inputs based on data obtained from various pricing sources (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 — Significant unobservable inputs including the Trust's own assumptions used to determine the fair value of investments. Factors considered in making such determinations may include, but are not limited to, information obtained directly from the company or analysts and the analysis of the company's financial statements or other documents.

The following table summarized the Trust's investment as of March 31, 2017 based on the inputs used to value them.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total as of 3/31/2017</u>
Corporate Bonds & Notes . . . . .	—	\$244,798,475	\$ 4,658,869	\$249,457,344
Common and Preferred Stock . . . . .	\$42,694,416	\$ 18,308,687	\$16,086,922	\$ 77,090,025
Convertible Bonds . . . . .	—	\$ 8,550,000	—	\$ 8,550,000
Foreign Bonds . . . . .	—	\$ 3,404,271	—	\$ 3,404,271
Asset Backed Security . . . . .	—	\$ 3,426,890	—	\$ 3,426,890
Warrants . . . . .	\$ 135,090	—	—	\$ 135,090
	<u>\$42,829,506</u>	<u>\$278,488,323</u>	<u>\$20,745,791</u>	<u>\$342,063,620</u>

Transfers between hierarchy levels may occur due to market fluctuation, changes in valuation techniques and/or changes in the availability of market data used in the determination of an investment's valuation. The Trust recognizes transfers between the levels at the end of each period. For the six month period ended March 31, 2017, there was one transfer from Level 2 to Level 1 due to observable trading activities for \$7,336,448.

At March 31, 2017, the reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value, is as follows:

	<u>Corporate Bonds &amp; Notes</u>	<u>Common &amp; PFD Stock</u>	<u>Totals as of 3/31/2017</u>
Beginning Balance @ 9/30/16 . . . . .	\$ 614,456	\$28,956,260	\$29,570,716
Purchases . . . . .	—	—	—
Sales . . . . .	(609,596)	(7,333,050)	(7,942,646)
Realized Gain (Loss) . . . . .	(7,545,850)	1,556,053	(5,989,797)
Net Change in Unrealized Appreciation/(Depreciation) . . . . .	7,540,990	(1,778,453)	5,762,537
Transfers into Level 3 from Level 2 . . . . .	4,658,869	—	4,658,869
Transfers out of Level 3 to Level 2 . . . . .	—	<u>(5,313,888)</u>	<u>(5,313,888)</u>
Ending Balance @ 03/31/2017 . . . . .	<u>\$ 4,658,869</u>	<u>\$16,086,922</u>	<u>\$20,745,791</u>

**Notes to Financial Statements (unaudited)**  
**(continued)**

	<b>Change in Unrealized Gain /(Loss) for Positions Still Held at March 31, 2017</b>
Corporate Bonds & Notes .....	\$ (557,927)
Common & Preferred Stocks .....	<u>(904,417)</u>
Totals .....	<u><u>\$ (1,462,344)</u></u>

The Financial Accounting Standard Board (“FASB”) issued guidance that a reporting entity should disclose quantitative information about the unobservable inputs used in the fair value determinations that are categorized in the Level 3 hierarchy. The guidance also required additional disclosure regarding the valuation process used and the sensitivity of the fair value measurements to changes in unobservable inputs and the interrelationships between those unobservable inputs within Level 3.

The following table presents a summary of valuation techniques, inputs and quantitative information used in determining the fair value of the Trust’s Level 3 securities as of March 31, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Range</u>	<u>Increase to Valuation from an Increase in Input<sup>(1)</sup></u>
<b>Corporate Bonds &amp; Notes</b>					
Diversified Chemicals	\$ 185,744	Market Approach <sup>(2)</sup>	Recovery Rate	not applicable	Increase
Electrical Components & Equipment	\$ 4,473,125	Recent Transaction Price <sup>(3)</sup>	not applicable	not applicable	not applicable
<b>Equity</b>					
Misc Manufacturing	\$14,031,422	Recent Transaction Price <sup>(3)</sup>	not applicable	not applicable	not applicable
Retail Food Chains	\$ 2,055,500	Recent Transaction Price <sup>(3)</sup>	not applicable	not applicable	not applicable
	<u>\$20,745,791</u>				

(1) This column represents the direction change in the fair value of the Level 3 securities that would result from an increase to the corresponding unobservable input. A decrease to the unobservable inputs would have the opposite effect. Significant increases and decreases of these inputs could result in significantly higher or lower fair value determinations.

(2) A market approach using the value of the underlying assets of the company.

(3) Certain securities are values based on recent transactions (generally within six months of valuation date). In some cases, the fair value may be based on a pending transaction expected to occur after the valuation date.

## Trustees & Officers

The Trustees of Northeast Investors Trust are Ernest E. Monrad, Bruce H. Monrad, Peter J. Blampied, George P. Beal, and Charles R. Daugherty. Under Massachusetts Law, the Trustees are generally responsible for overseeing the operation and management of the Trust. The table below provides certain information about the Trust's Trustees and Officers. The mailing address for the Trustees and Officers of the Trust is 125 High Street, Suite 1802, Boston, MA 02110-2301.

The Trust's Statement of Additional Information (SAI) contains additional information about the Trustees. To request a free copy, call the Trust at 800-225-6704 or visit our website at [www.northeastinvestors.com](http://www.northeastinvestors.com).

<u>Name/Age/Service *</u>	<u>Position</u>	<u>Principal Occupation(s) / Other Directorships During the Past Five Years</u>
<b>AFFILIATED TRUSTEES AND FUND OFFICERS</b>		
Ernest E. Monrad# Age: 86 Years of Service: 55	Trustee	Trustee of Northeast Investors Trust; Director of New America High Income Fund, Inc. (until Jan. 2013); Chairman of Sippican Capital Advisors
Bruce H. Monrad# Age: 55 Years of Service: 23	Trustee and Chairman	Trustee and Chairman of Northeast Investors Trust
Gordon C Barrett Age: 60 Years of Service: 29	Executive Vice President and Chief Financial Officer	Chief Financial Officer of Northeast Investors Trust; President of Sippican Capital Advisors
David A. Randall Age: 50 Years of Service: 16	Chief Compliance Officer	Officer of Northeast Investors Trust
<b>INDEPENDENT TRUSTEES</b>		
Peter J. Blampied Age: 74 Years of Service: 16	Trustee	Director of A.W. Perry, Inc.
George P. Beal Age: 63 Years of Service: 12	Trustee	Managing Partner, Boston Family Office, LLC; Director and Trustee of Breckinridge Capital Advisors
Charles R. Daugherty Age: 63 Years of Service: 12	Trustee	Managing Partner, Stanwich Advisors, LLC

\* The Trustees serve until their resignation or either the appointment or election of a successor, and the Officers serve at the pleasure of the Trustees.

# Ernest E. Monrad and Bruce H. Monrad are father and son respectively.



## Trustees

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Ernest E. Monrad  
Peter J. Blampied  
Charles R. Daugherty

Bruce H. Monrad  
George P. Beal

## Officers

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Bruce H. Monrad, Chairman  
Gordon C. Barrett, Executive Vice President & Chief Financial Officer  
David A. Randall, Vice President & Chief Compliance Officer  
Chapin P. Mechem, Vice President  
Matthew D. Fratolillo, Vice President  
Joseph R. Morrison, Vice President  
Nancy A. Holler, Assistant Vice President

## Custodian

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State Street Bank & Trust Co.  
1 Iron Street  
Boston, Massachusetts 02110

## Transfer Agent

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Northeast Investors Trust  
125 High St.  
Boston, Massachusetts 02110

*This report is prepared for the information of the shareholders of Northeast Investors Trust and must not be given to others unless preceded or accompanied by a copy of the current Prospectus by which all offerings of the Trust shares are made. It should be noted in reading this report and the letter to shareholders that the record of past performance is not a representation as to the Trust's future performance, and that the Trust's investments are subject to market risks.*

*For a free copy of the Trust's proxy voting guidelines or information on how the Trust voted proxies during the most recent 12 month period ended on June 30 visit [www.northeastinvestors.com/media/proxyvotestrust.txt](http://www.northeastinvestors.com/media/proxyvotestrust.txt), call 1-800-225-6704 or visit the Securities and Exchange Commission (SEC)'s web site at [www.sec.gov](http://www.sec.gov).*

*Shares of the Trust are sold to investors at net asset value by*

**Northeast Investors Trust**  
125 High St.  
Boston, Massachusetts 02110  
(800) 225-6704