

# NORTHEAST INVESTORS TRUST

A NO LOAD FUND



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Semi-Annual Report

For the Period Ending

March 31, 2019

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### **Important information about access to shareholder reports**

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Trust's shareholder reports like this one will no longer be sent by mail, unless you specifically request paper copies of the reports from the Trust or your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be posted to the Trust's website ([www.northeastinvestors.com/downloads/](http://www.northeastinvestors.com/downloads/)) and you will be notified by mail each time a report is posted and you will be provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. To receive your shareholder reports or other communications electronically, please contact the Trust or your financial intermediary if you do not invest directly with the Trust.

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact them to request that you continue to receive paper copies of your shareholder reports. If you invest directly with the Trust, you can call 800-225-6704 to inform the Trust that you wish to continue receiving paper copies of your shareholder reports.



## Dear Fellow Shareholders:

During the first half of fiscal 2019, Northeast Investors Trust posted a total return of -2.2%, which compares with +2.4% for the ICE Bank of America Merrill Lynch US High Yield Index. The difference is almost entirely due to the performance of out-of-index securities in the Trust's portfolio.

At the start of the fiscal year in October, the predominant market concern was related to the risk of rising interest rates, but market attention quickly swung to a concern over economic activity and the possibility of a recession. Overweight with short-term securities, Northeast's core bond portfolio was well positioned for either risk and saw limited volatility. On the other hand, there was noticeable weakness in the Trust's out-of-index securities, which masked the stability of the bonds in the portfolio.


In late December, investor sentiment abruptly changed, with recession fears ebbing, but with market participants holding intact their view of continued lower interest rates. As a result, the high yield market recovered sharply, with Northeast's fixed income seeing only a modest bounce – akin to the modest weakness it had witnessed during the tumultuous October-December time period. However, we also saw limited appreciation from the out-of-index securities that had weakened during the autumn sell-off.

Looking forward, current conditions in the Treasury market are essentially predicting a recession, while on the other hand the equity market and high yield spreads can be said to anticipate strong economic activity. To the extent that either embedded prophesy comes true, the high yield market therefore may come under pressure and our defensive posture could prove well-chosen.

Given the magnitude of the potential risks facing the market, particularly of the geopolitical nature which we believe are hard to predict, we are relatively comfortable with the positioning of the Trust. Should markets sell off on the news of either a downside or upside surprise, we are positioned to consider extending the maturities in our portfolio in order to take advantage of such volatility.

We remain significant shareholders in the Trust personally, and have a strong mutuality of interest in providing strong, risk-adjusted returns.

Sincerely,



Bruce H. Monrad  
Chairman of the Trustees

May 18, 2018

## Historical Information (unaudited)

Fiscal Year Ended Sept. 30	At End of Fiscal Year		Total Net Assets	Distribution Per Share During Fiscal Year		Average Monthly Net Asset Value
	Full Shares Outstanding	Net Asset Value Per Share		From Net Income	From Capital Gain	
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	63,155,485	4.82	303,915,087	0.30	0.0000	4.70
2018	56,897,420	4.53	257,206,545	0.26	0.0000	4.64
2019(b)	51,372,066	4.35	223,161,579	0.10	0.0000	4.39

(b) Six months ended March 31, 2019

## Average Annual Total Return (unaudited)

One year ended March 31, 2019	(0.28%)
Five years ended March 31, 2019	(1.86%)
Ten years ended March 31, 2019	8.43%

## SEC Yield (unaudited)\*

**Yield calculated as of March 31, 2019: 3.75%**

\* The 30-Day SEC yield is derived using a formula specified by the U.S. Securities and Exchange Commission. The Statement of Additional Information contains additional information regarding the computation of the SEC yield.

## About Your Fund's Expenses (unaudited)

	<i>Annualized Expense Ratio</i>	<i>Beginning Account Value 9/30/2018</i>	<i>Ending Account Value 3/31/2019</i>	<i>Expenses Paid During Period 9/30/2018 - 3/31/2019*</i>
Actual Return -2.20%	1.55%	\$1,000.00	\$ 977.98	\$7.56
Hypothetical (5% return before expenses)	1.55%	\$1,000.00	\$1,017.20	\$7.80

\* Expenses are equal to the Trust's annualized prior six month 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 similar 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)*

### **Maturity Schedule (% of portfolio)**

Under 1 Year	12%
1-5 Years	72%
6-10 Years	10%
11-15 Years	0%
Over 15 Years	6%
<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.

The SEC recently passed new modernization reporting rules to broaden and deepen the kinds of information that funds must disclose about their portfolio holdings and investment practices. The Reporting Rules introduce new Forms N-PORT and N-CEN which will replace currently effective Forms N-Q and N-SAR, respectively. They are primarily designed for use by the SEC and its staff to facilitate their oversight of the fund industry. The Trust will commence the new filings in accordance with the compliance dates of the rule.



**Summary of Net Assets**  
**March 31, 2019 (unaudited)**

	Value	% of Net Assets
<b>Corporate Bonds, Loans &amp; Notes</b>		
Coal	\$ 1,107,781	0.50%
Consumer Discretionary	8,250,000	3.70%
Consumer Finance	10,142,663	4.54%
Drug Stores	1,657,500	0.74%
Electrical Components & Equipment	2,722,061	1.22%
Electrical Utility	8,383,440	3.76%
Energy / Natural Resources	849,561	0.38%
Hardware	8,483,129	3.80%
Homebuilders	22,952,514	10.29%
Industrial Servicing / Manufacturing	25,963,263	11.63%
Metals & Mining	6,761,933	3.03%
Oil & Gas Drilling	15,825,778	7.09%
Paper / Forest Products	9,700,315	4.35%
Power Generation	9,325,225	4.18%
Tobacco	19,710,400	8.83%
<b>Total Corporate Bonds, Loans &amp; Notes</b>	<b>\$151,835,563</b>	<b>68.04%</b>
<b>Common and Preferred Stock</b>		
Coal	\$ 212,219	0.09%
Diversified Chemicals	2,043,153	0.92%
Electrical Utility	1,106,690	0.50%
Energy / Natural Resources	1,065,004	0.48%
Food Processing	8,425,273	3.78%
Metals & Mining	16,052,860	7.19%
Oil & Gas Drilling	1,701,826	0.76%
Packaging & Container	139,057	0.06%
Paper / Forest Products	416,660	0.19%
Pipeline	10,240,780	4.59%
Retail Food Chain	2,084,277	0.93%
Transportation	111,484	0.05%
<b>Total Common and Preferred Stock</b>	<b>\$ 43,599,283</b>	<b>19.54%</b>
<b>Total Asset Backed Securities</b>	<b>2,360,366</b>	<b>1.05%</b>
<b>Total GDP-Linked Bond</b>	<b>1,317,006</b>	<b>0.59%</b>
<b>Total Warrants</b>	<b>107,250</b>	<b>0.05%</b>
<b>Total Repurchase Agreement</b>	<b>21,716,182</b>	<b>9.73%</b>
<b>Total Investments</b>	<b>220,935,650</b>	<b>99.00%</b>
<b>Receivables</b>	<b>2,806,023</b>	<b>1.26%</b>
<b>Total Assets</b>	<b>223,741,673</b>	<b>100.26%</b>
<b>Liabilities</b>	<b>(580,094)</b>	<b>-0.26%</b>
<b>Total Net Assets</b>	<b>\$223,161,579</b>	<b>100.00%</b>

**Schedule of Investments (a)**  
**March 31, 2019 (unaudited)**

**Asset Backed Securities — 1.05%**

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value</i>
<b>Airline Lease — 1.05%</b>		
Aircraft Fin Trust, 2.96375% (1 month LIBOR + 0.48%), 5/15/24 ..	\$16,859,760	\$ 2,360,366
<b>Total Asset Backed Securities — (cost—\$7,333,996) .....</b>		<u>\$ 2,360,366</u>

**Corporate Bonds, Loans & Notes — 68.04%**

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value</i>
<b>Coal — 0.50%</b>		
Westmoreland Mining Holdings LLC TL, PIK, FRN 17.6218% (3 month LIBOR + 15%), 3/15/29 (f) .....	\$ 1,311,146	\$ 1,107,781

**Consumer Discretionary — 3.70%**

Foot Locker, Inc., 8.5%, 01/15/22 .....	7,500,000	8,250,000
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**Consumer Finance — 4.54%**

Credit Acceptance Corp., 6.125%, 2/15/21 .....	10,130,000	10,142,663
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**Drug Stores — 0.74%**

Rite Aid Corp., 6.125%, 4/01/23 (b) .....	2,000,000	1,657,500
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**Electrical Components & Equipment — 1.22%**

Advanced Lighting Technologies, PIK, FRN 19.795% (3 month LIBOR + 17%) 9/30/23 (b) (c) .....	5,982,388	2,722,061
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**Electrical Utility — 3.76%**

AES, Corp., 7.25%, 10/15/21 .....	7,800,000	8,383,440
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**Energy/Natural Resources — 0.38%**

American Eagle Energy Corp., 11%, 9/01/19 (b) (d) .....	15,500,000	174,375
RAAM Global Energy Co., 12.5%, 10/01/15 (d) (e) .....	23,000,000	230,000
Talos Production LLC, 11%, 4/03/22 (b) .....	422,980	445,186
		849,561

**Hardware — 3.80%**

NCR Corp., 4.625%, 2/15/21 .....	8,498,000	8,483,129
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**Homebuilders — 10.29%**

Brookfield Residential Properties, Inc., 6.125%, 7/01/22 (b) .....	7,211,000	7,247,055
Taylor Morrison Communities, Inc., 5.25%, 4/15/21 (b) .....	5,422,000	5,416,849
Tousa, Inc., 9%, 7/01/10 (d) (e) .....	14,111,000	141,110
Tousa, Inc., 8.25%, 4/1/11 (d) (e) .....	12,250,000	122,500
William Lyons Homes, Inc., 7%, 8/15/22 .....	10,000,000	10,025,000
		22,952,514

**Industrial Servicing / Manufacturing — 11.63%**

Clean Harbors, Inc., 5.125%, 6/01/21 .....	8,610,000	8,620,763
Fortress Transportation and Infrastructure Investors LLC, 6.75%, 3/15/22 (b) .....	7,000,000	7,122,500
XPO Logistics, Inc., 6.5%, 6/15/22 (b) .....	10,000,000	10,220,000
		25,963,263

## Corporate Bonds, Loans & Notes—(continued)

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value</i>
<b>Metals &amp; Mining — 3.03%</b>		
American Gilsonite Co., PIK 17%, 12/31/21 (b) . . . . .	\$ 7,286,252	\$ 6,761,933
<b>Oil &amp; Gas Drilling—7.09%</b>		
Parker Drilling Co. TL, 13% (11% cash, 2% PIK), 3/26/24 (f) . . . . .	2,982,857	2,982,028
Tidewater, Inc., 8%, 8/01/22 . . . . .	12,500,000	12,843,750
		15,825,778
<b>Paper/Forest Products — 4.35%</b>		
Cenveo Corp., 8.5%, 9/15/22 (b) (d) . . . . .	25,000,000	250,000
Neenah, Inc., 5.25%, 5/15/21 (b) . . . . .	9,474,000	9,450,315
		9,700,315
<b>Power Generation — 4.18%</b>		
Vistra Energy Corp., 7.625%, 11/01/24 . . . . .	5,000,000	5,287,600
Vistra Energy Corp., 8.125%, 1/30/26 (b) . . . . .	3,700,000	4,037,625
		9,325,225
<b>Tobacco — 8.83%</b>		
Pyxus International, Inc., 8.5%, 4/15/21 (b) . . . . .	10,620,000	10,832,400
Vector Group LTD, 6.125%, 2/01/25 (b) . . . . .	10,000,000	8,878,000
		19,710,400
<b>Total Corporate Bonds, Loans &amp; Notes —</b> (cost—\$218,615,915) . . . . .		<u>\$151,835,563</u>
<b>GDP-Linked Bonds — 0.59%</b>		
<i>Name of issuer</i>	<i>Principal</i>	<i>Value</i>
Republic of Argentina GDP Linked Security, FRN (based on the performance of Argentina's GDP), 12/15/35 (d) . . . . .	\$34,386,574	\$ 1,317,006
<b>Total GDP-Linked Bonds —</b> (cost—\$1,423,421) . . . . .		<u>\$ 1,317,006</u>
<b>Common &amp; Preferred Stock — 19.54%</b>		
<i>Name of issuer</i>	<i>Number of Shares</i>	<i>Value</i>
<b>Coal — 0.09%</b>		
Westmoreland Mining Holding LLC, Class A Units (d) . . . . .	22,606	\$ 212,219
<b>Diversified Chemicals — 0.92%</b>		
Ingevity Corp. (d) . . . . .	602	63,577
NL Industries, Inc. (d) . . . . .	510,200	1,979,576
		2,043,153
<b>Electrical Components &amp; Equipment — 0.00%</b>		
Advanced Lighting Technologies PFD (c) (d) . . . . .	104,947	—
<b>Electrical Utility — 0.50%</b>		
Homer City Holdings, LLC (d) (f) . . . . .	221,338	1,106,690
<b>Energy / Natural Resources — 0.48%</b>		
SilverBow Resources, Inc. (d) . . . . .	5,058	116,334
Talos Energy, Inc. (d) . . . . .	35,718	948,670
		1,065,004

**Common & Preferred Stock—(continued)**

<i>Name of issuer</i>	<i>Number of Shares</i>	<i>Value</i>
<b>Food Processing — 3.78%</b>		
Viskase Cos., Inc. (d) .....	3,052,635	\$ 8,425,273
<b>Metals &amp; Mining — 7.19%</b>		
American Gilsonite (d) (f) .....	15,980	7,990,000
American Zinc Recycling, LLC (d) (f) .....	14,659	8,062,450
Ormet Corp. (d) .....	372,638	410
		16,052,860
<b>Oil &amp; Gas Drilling — 0.76%</b>		
Key Energy Services, Inc. (d) .....	6,453	26,199
Parker Drilling Co. (d) .....	140,471	1,675,627
		1,701,826
<b>Packaging &amp; Container — 0.06%</b>		
Westrock Co. ....	3,626	139,057
<b>Paper/Forest Products — 0.19%</b>		
Cenveo Enterprises, Inc. (d) (f) .....	20,833	416,660
<b>Pipeline — 4.59%</b>		
Crestwood Equity Partners LP PFD .....	1,100,000	10,240,780
<b>Retail Food Chain — 0.93%</b>		
Romacorp, Inc. (c) (d) (f) .....	82,220	2,084,277
<b>Transportation — 0.05%</b>		
Getlink SA .....	7,349	111,484
<b>Total Common &amp; Preferred Stock</b> — (cost—\$61,492,489) .....		<b>\$ 43,599,283</b>
<b>Warrants — 0.05%</b>		
<i>Name of issuer</i>	<i>Number of Shares</i>	<i>Value</i>
Advanced Lighting Technologies, DTD 10/04/17 @ \$123.27 expiration 10/04/27 (c) (d) .....	2,006	\$ —
Jack Cooper Enterprises, Inc., DTD 12/30/17 @ \$0.01 expiration 12/30/27 (d) .....	16,500	107,250
<b>Total Warrants</b> — (cost—\$255,833) .....		<b>\$ 107,250</b>
<b>Repurchase Agreement — 9.73%</b>		
State Street Bank & Trust Co. 0.65% dated 3/29/2019, to be repurchased at \$21,717,358 on 4/01/2019 (g) .....		\$ 21,716,182
<b>Total Repurchase Agreement</b> — (cost—\$21,716,182) .....		<b>\$ 21,716,182</b>
<b>Total Investments — 99.00%</b> (cost—\$310,837,836) .....		<b>220,935,650</b>
<b>Net Other Assets and Liabilities — 1.00%</b> .....		<b>2,225,929</b>
<b>Net Assets — 100%</b> .....		<b>\$223,161,579</b>

- (a) Portions of the portfolio may be pledged to collateralize short term borrowings.
- (b) 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 \$75,215,799 which represents 33.71% of total net assets. These securities are generally deemed liquid.
- (c) Security is valued at fair value as determined in good faith under consistently applied procedures approved by the Board of Trustees. The aggregate market value of good faith securities as of March 31, 2019 was \$4,806,338 which represents 2.15% of total net assets.

- (d) Non-income producing security.  
 (e) Security is in principal default.  
 (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, 2019 was \$23,749,886 which represents 10.64% 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
American Zinc Recycling, LLC	7/19/2012 - 9/30/2016	\$8,474,521
Cenveo Enterprises, Inc.	9/11/2018	\$ 607,500
Homer City Holdings, LLC	4/6/2017	\$ 588,216
Parker Drilling Co. TL	3/27/2019	\$2,982,857
Romacorp, Inc.	11/15/2006	\$4,118,756
Westmoreland Mining Holdings Co TL	3/15/2019	\$2,445,129
Westmoreland Mining Holdings Co Class A Units	3/15/2019	\$ 641,637

- (g) Acquired on March 29, 2019. Collateralized by \$22,151,159 of US Treasury Notes due 5/15/2048. The maturity value is \$21,717,358.
- PIK Payment in Kind  
 FRN Floating Rate Note - rates reflected are as of March 31, 2019  
 PFD Preferred Security  
 TL Term Loan

# Statement of Assets and Liabilities (unaudited)

**March 31, 2019**

**Assets**

Investments—at market value (cost \$289,121,654) .....	\$ 199,219,468
Repurchase Agreement—at market value (cost \$21,716,182) .....	21,716,182
Receivable for interest .....	2,805,914
Receivable for shares sold .....	<u>109</u>
<b>Total Assets</b> .....	<b>223,741,673</b>

**Liabilities**

Payable for trustee fees .....	277,991
Accrued expenses .....	229,781
Payable for shares repurchased .....	<u>72,322</u>
<b>Total Liabilities</b> .....	<b>580,094</b>

**Net Assets** .....

	<b><u>\$ 223,161,579</u></b>
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**Net Assets Consist of:**

Capital, at a \$1.00 par value .....	\$ 51,372,066
Paid in surplus .....	615,042,745
Undistributed net investment income .....	1,655,234
Accumulated net realized loss on investments .....	(355,006,280)
Net unrealized depreciation of investments .....	<u>(89,902,186)</u>

**Net Assets** .....

	<b><u>\$ 223,161,579</u></b>
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**Net Asset Value**, offering price and redemption price per share  
(\$223,161,579/51,372,066 shares) .....

	<b><u>\$4.35</u></b>
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The accompanying notes are an integral part of the financial statements.

## Statement of Operations (unaudited)

### Six Months Ended March 31, 2019

Investment Income	
Interest .....	\$ 6,282,027
PIK Interest .....	963,012
Dividends .....	467,720
Other Income .....	<u>12,589</u>
<b>Total Income</b> .....	<b>7,725,348</b>
Expenses	
Administrative expenses and salaries .....	732,506
Trustee fees .....	559,754
Computer and related expenses .....	101,550
Legal fees .....	84,400
Commitment fees .....	80,536
Auditing fees .....	63,700
Printing, postage and stationery fees .....	36,575
Custodian fees .....	31,850
Insurance .....	21,840
Registration and filing fees .....	20,325
Transfer agent fees .....	17,000
Interest expense .....	6,155
Telephone .....	4,550
Other expenses .....	<u>35,490</u>
<b>Total Expenses</b> .....	<b><u>1,796,231</u></b>
<b>Net Investment Income</b> .....	<b>5,929,117</b>
<b>Realized and Unrealized Gain (Loss) on Investments:</b>	
Net realized gain (loss) from investment transactions .....	(18,901,541)
Change in unrealized appreciation (depreciation) of investments .....	<u>8,812,466</u>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b> .....	<b><u>\$ (4,159,958)</u></b>

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

## Statements of Changes in Net Assets

	Six Months Ended March 31, 2019 (unaudited)	Year Ended September 30, 2018
<b>Increase (Decrease) in Net Assets</b>		
<b>From Operations:</b>		
Net investment income .....	\$ 5,929,117	\$ 11,829,975
Net realized gain (loss) from investment transactions .....	(18,901,541)	(2,584,669)
Change in unrealized appreciation (depreciation) of investments .....	<u>8,812,466</u>	<u>(11,175,424)</u>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations .....</b>	<u>(4,159,958)</u>	<u>(1,930,118)</u>
<b>Distributions to Shareholders from Net Investment Income .....</b>	(5,283,593)	(15,076,212)
<b>From Net Trust Share Transactions—(See Note D) ...</b>	<u>(24,601,415)</u>	<u>(29,702,212)</u>
<b>Total Increase (Decrease) in Net Assets .....</b>	<u>(34,044,966)</u>	<u>(46,708,542)</u>
<b>Net Assets:</b>		
Beginning of Period .....	<u>257,206,545</u>	<u>303,915,087</u>
End of Period .....	<u>\$223,161,579</u>	<u>\$257,206,545</u>
<b>Undistributed Net Investment Income .....</b>	\$ 1,655,234	\$ 1,009,710

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, 2019 (unaudited)	2018	2017	2016	2015	2014
<b>Net Asset Value:</b>						
Beginning of Period	\$ 4.53	\$ 4.82	\$ 4.58	\$ 4.86	\$ 6.48	\$ 6.44
<b>Income From Investment Operations:</b>						
Net investment income <sup>^</sup>	0.11	0.20	0.28	0.33	0.37	0.46
Net realized and unrealized gain (loss) on investment	-0.19	-0.23	0.26	-0.29	-1.56	0.05
Total from investment operations	-0.08	-0.03	0.54	0.04	-1.19	0.51
<b>Less Distributions:</b>						
Net investment income	-0.10	-0.26	-0.30	-0.32	-0.43	-0.47
<b>Net Asset Value:</b>						
End of Period	\$ 4.35	\$ 4.53	\$ 4.82	\$ 4.58	\$ 4.86	\$ 6.48
<b>Total Return<sup>#</sup></b>	-2.20%	-0.39%	11.78%	1.30%	-19.12%	8.06%
<b>Ratios &amp; Supplemental Data</b>						
Net assets end of period (in thousands)	\$223,162	\$257,207	\$303,915	\$323,792	\$335,875	\$543,361
Ratio of operating expenses to average net assets <sup>*</sup>	1.55%	1.48%	1.52%	1.60%	1.27%	0.98%
Ratio of interest expense to average net assets	0.08%	0.15%	0.13%	0.29%	0.18%	0.10%
Ratio of net investment income to average net assets	5.11%	4.35%	5.98%	7.66%	6.50%	6.94%
Portfolio turnover rate	24.75%	42.69%	61.33%	3.52%	7.72%	29.34%

\* 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.

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 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 in accordance with the methodologies described above 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, 2019 was \$4,806,338, which represents 2.15% 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.

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

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.

The Trust has reviewed the tax positions for the open tax years as of September 30, 2018 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. Realized gains and losses on securities sold are determined on the basis of identified cost.

**Use of Estimates and Basis of Accounting:** 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.

**New Accounting Pronouncements:** In March 2017, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU), ASU 2017-08, which amends the amortization period for certain callable debt securities that are held at a premium. The amendment requires the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount. The ASU is effective for annual periods beginning after December 15, 2018.

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

In August 2018, the FASB issued ASU 2018-13, which changes certain fair value measurement disclosure requirements. The new ASU, in addition to other modifications and additions, removes the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and the policy for the timing of transfers between levels. The ASU is effective for annual periods beginning after December 15, 2019.

Management is currently evaluating the potential impact of these changes to the financial statements.

### 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, 2019 and the year ended September 30, 2018 the current Independent Trustees were aggregately paid \$60,000 and \$120,000 respectively from the Trustee fees.

The total number of shares owned beneficially by the Trustees, officers and members of their immediate families on March 31, 2019 was 6,090,895 shares (11.86%).

**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, 2019, 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, 2019</i>		<i>Year Ended</i> <i>September 30, 2018</i>	
Shares Sold .....	416,029	\$ 1,806,952	5,463,809	\$ 25,206,799
Shares issued to shareholders in reinvestment of distributions from net investment income .....	<u>806,267</u>	<u>3,503,204</u>	<u>2,238,339</u>	<u>10,306,601</u>
	<u>1,222,296</u>	<u>\$ 5,310,156</u>	<u>7,702,148</u>	<u>\$ 35,513,400</u>
Shares redeemed .....	<u>(6,747,650)</u>	<u>(29,911,571)</u>	<u>(13,960,213)</u>	<u>(65,215,612)</u>
Net Increase (Decrease) .....	<u>(5,525,354)</u>	<u>\$(24,601,415)</u>	<u>(6,258,065)</u>	<u>\$(29,702,212)</u>

### 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 \$55,941,272 and \$128,331,643 respectively, for the six months ended March 31, 2019.

### 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, 2019 the Trust has an unused line of credit amounting to \$50,000,000. The Trust pays a commitment fee of 0.20% on the unused portion of the line of credit

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

when the loan balance is equal to or greater than \$30,000,000 and otherwise pays 0.25%. The line of credit may be terminated at the bank's option at its annual renewal date on January 10, 2020.

The following information relates to aggregate short-term borrowings during the six months ended March 31, 2019:

Average amount outstanding (total of daily outstanding principal balances divided by the number of days with debt outstanding during the period)	\$3,952,981
Weighted average interest rate	3.53%

### 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. 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.

### Note H—Additional Tax Information

The amount of distributions paid during the six months ended March 31, 2019 and the year ended September 30, 2018 were \$5,283,593 and \$15,076,212, 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. The Trust's expired unused 2018 Pre-RIC Mod Act capital loss carryforward of \$15,862,511 is reflected in paid in surplus. Capital accounts within the financial statements are adjusted for permanent book-tax differences. These adjustments have no impact on net assets or the results of operations. Temporary book-tax differences will reverse in future periods.

The difference between book and tax basis cost of investments and net unrealized gains (losses) is primarily attributable to accretion and amortization differences.

As of September 30, 2018 the components of accumulated earnings (losses) on a tax basis were as follows:

Undistributed Net Investment Income .....	\$ 1,009,710
Capital Loss Carryforward Pre-RIC Mod Act:	
2019 .....	<u>(159,796,299)</u>
Capital Loss Carryforward Post-RIC Mod Act: .....	(175,855,036)
Unrealized gains (losses)—net .....	<u>(99,168,056)</u>
Total distributable earnings (losses)—net .....	<u><u>\$ (433,809,681)</u></u>

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

At March 31, 2019 the Trust's aggregate security unrealized gains and losses based on cost for U.S. federal income tax purposes was as follows:

Tax cost . . . . .	\$310,729,782
Gross unrealized gain . . . . .	7,620,151
Gross unrealized loss . . . . .	<u>(97,414,283)</u>
Net unrealized security gain (loss) . . . . .	<u>\$ (89,794,132)</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 (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, 2019 based on the inputs used to value them.

	Level 1	Level 2	Level 3	Total as of 3/31/2019
Corporate Bonds, Loans & Notes . . . . .	\$ —	\$149,113,502	\$2,722,061	\$151,835,563
Common and Preferred Stock . .	13,514,603	28,000,403	2,084,277	43,599,283
GDP Linked Security . . . . .	—	1,317,006	—	1,317,006
Asset Backed Security . . . . .	—	2,360,366	—	2,360,366
Warrants . . . . .	—	107,250	—	107,250
Repurchase Agreement . . . . .	—	<u>21,716,182</u>	—	<u>21,716,182</u>
	<u>\$13,514,603</u>	<u>\$202,614,709</u>	<u>\$4,806,338</u>	<u>\$220,935,650</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 months ended March 31, 2019, there was one transfer from Level 1 to Level 2 due to an absence of observable trading activity at the end of the period. There were no other transfers recognized during the period.

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

At March 31, 2019, the reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value, is as follows:

	<b>Corporate Bonds, Loans &amp; Notes</b>	<b>Common and PFD Stock</b>	<b>Totals as of 3/31/2019</b>
Beginning Balance @ 9/30/18 .....	\$3,352,322	\$2,452,623	\$ 5,804,945
Purchases .....	275,183	—	275,183
Sales .....	—	—	—
Realized Gain(Loss) .....	—	—	—
Net Change in Unrealized Appreciation/ (Depreciation) .....	(905,444)	(368,346)	(1,273,790)
Transfers into Level 3 from Level 2 .....	—	—	—
Transfers out of Level 3 to Level 2 .....	—	—	—
Ending Balance @ 03/31/2019 .....	<u>\$2,722,061</u>	<u>\$2,084,277</u>	<u>\$ 4,806,338</u>

	<b>Change in Unrealized Gain / (Loss) for Positions Still Held at March 31, 2019</b>
Corporate Bonds & Notes .....	\$ (905,444)
Common Stock .....	(368,346)
Totals .....	<u>\$(1,273,790)</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, 2019:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Significant Unobservable Inputs</b>	<b>Range</b>	<b>Increase to Valuation from an Increase in Input<sup>(1)</sup></b>
<b>Corporate Bonds, Loans &amp; Notes</b>					
Electrical Components & Equipment	\$2,722,061	Market Comparable <sup>(2)</sup>	EBITDA Multiple	7x	Increase
<b>Common Stock</b>					
Retail Food Chains	2,084,277	Market Comparable <sup>(2)</sup>	EBITDA Multiple	8x	Increase
	<u>\$4,806,338</u>				

<sup>(1)</sup> 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.

<sup>(2)</sup> Earnings multiples are based on comparable companies and transactions of comparable companies.

**Note J—Subsequent Events**

Management has evaluated whether any other events or transactions occurred subsequent to September 30, 2018 and through the date of issuance of the Trust's financial statements and determined that there were no material events or transactions that would require recognition or disclosure in the Trust's financial statements.

**Note K—Other**

In the normal course of business, the Trust enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. However, based on experience, the Trust expects the risk of loss to be minimal.



## 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><i>Affiliated Trustees and Fund Officers</i></b>		
Ernest E. Monrad# Age: 88 Years of Service: 57	Trustee	Trustee of Northeast Investors Trust; Chairman of Sippican Capital Advisors
Bruce H. Monrad# Age: 57 Years of Service: 25	Trustee and Chairman	Trustee and Chairman of Northeast Investors Trust
Gordon C Barrett Age: 62 Years of Service: 31	Executive Vice President and Chief Financial Officer	Chief Financial Officer of Northeast Investors Trust; President of Sippican Capital Advisors
David A. Randall Age: 52 Years of Service: 18	Chief Compliance Officer	Officer of Northeast Investors Trust
<b><i>Independent Trustees</i></b>		
Peter J. Blampied Age: 76 Years of Service: 18	Trustee	Director of A.W. Perry, Inc.
George P. Beal Age: 65 Years of Service: 14	Trustee	Managing Partner, Boston Family Office, LLC; Director and Trustee of Breckinridge Capital Advisors
Charles R. Daugherty Age: 65 Years of Service: 14	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