NORTHEAST INVESTORS TRUST

Paying Dividends for Over 60 Years

March 2019

Dear Fellow Shareholders:

During the first half of fiscal 2019, Northeast Investors Trust posted a total return of -2.2%, which compares with a gain of 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 could 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

Bruce H. Monrad is chairman and portfolio manager of Northeast Investors Trust (ticker: NTHEX), a no-load, high-yield bond fund whose primary objective is the production of income. Bruce is among the longest-tenured fixed income fund managers in the industry, having run Northeast Investors Trust since 1989.

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Past performance does not guarantee future results, and an investment in the Trust is not guaranteed. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that quoted. Additional performance data may be obtained by calling 1-800-225-6704 or by visiting http://northeastinvestors.com/fund/performance-information

The ICE BofA Merrill Lynch US High Yield Index is an unmanaged market value-weighted index comprised of approximately 2,200 domestic and Yankee high yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3, but are not in default.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information about the Trust is contained in the prospectus or summary prospectus, either of which may be obtained by calling 1-800-225-6704 or by visiting www.northeastinvestors.com. Please read either one carefully before investing.

Mutual fund investing involves risk. The Trust invests in lower rated debt securities which may be subject to increased market volatility based on factors such as: the ability of an issuer to make current interest payments, the potential for principal loss if an issuer declares bankruptcy, and the potential difficulty in disposing of certain securities in a timely manner at a desired price and therefore can present an increased risk of investment loss.