

NORTHEAST INVESTORS TRUST  
125 High Street – Suite 1802  
Boston, Massachusetts 02110  
(800) 225-6704

Shares of Beneficial Interest

STATEMENT OF ADDITIONAL INFORMATION

February 1, 2020

This Statement of Additional Information supplements the Prospectus for the Trust dated February 1, 2020 and should be read in conjunction with the Prospectus. A copy of the Prospectus may be obtained from the Trust at the above address. This Statement of Additional Information is not a prospectus.

TABLE OF CONTENTS	Page
The Trust	B-2
Investment Objectives, Policies, and Restrictions; General	B-2
Trustees and Officers	B-3
Compensation of Trustees	B-6
Custodian and Independent Registered Public Accounting Firm	B-7
Brokerage	B-7
Price and Net Asset Value	B-7
Shareholder Plans	B-8
Tax-Advantaged Retirement Plans	B-8
Anti-Money Laundering Compliance	B-9
Dividends, Distributions & Federal Taxes	B-9
Capital Shares	B-10
Proxy Voting Guidelines	B-10
Historical Performance Information	B-12
Financial Statements	B-14

## THE TRUST

Northeast Investors Trust, herein called the Trust, is a diversified open-end management investment company organized March 1, 1950 by an Agreement and Declaration of Trust executed under the laws of The Commonwealth of Massachusetts.

### INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS; GENERAL

As explained in the Prospectus, the purpose of the Trust is to provide investors with a vehicle for investment under the management of the Trustees. The Trust's primary objective is the production of income. Capital appreciation is also an objective of the Trust, but its achievement must be compatible with the primary objective.

In addition to the investment objectives and policies described in the Prospectus, the Trust has adopted certain investment restrictions. So long as these restrictions remain in effect, the Trust may not: (1) Purchase any securities which would cause more than 5% of the Trust's total assets at the time of such purchase to be invested in the securities of any issuer, except the United States Government. (2) Purchase any securities which would cause the Trust at the time of such purchase to own more than 10% of any class of any issuer. (3) Purchase the securities of any issuer that together with any predecessor thereof have been engaged in continuous operation for less than three years, for which purpose the Trustees consider an issuer resulting from an acquisition or reorganization to be engaged in the same business as any party to the acquisition or reorganization transaction. (4) Purchase real estate or commodities or commodities contracts; however, this limitation does not preclude an investment in the securities of organizations which deal in real estate or commodities or commodities contracts or in securities secured by interests in real estate. (5) Purchase the securities of any investment company, except in connection with a merger, consolidation or acquisition or by purchase of securities of closed-end investment companies in regular transactions in the open market. (6) Purchase securities on margin or effect short sales of securities. (7) Make loans, except that the Trust may acquire publicly distributed bonds, debentures, notes and other debt securities, for which purposes the Trust considers securities which are covered by Rule 144A under the Securities Act of 1933 or offered to a class of security holders of an issuer to be publicly distributed. (8) Act as an underwriter of securities except insofar as the Trust might technically be deemed to be an underwriter for purposes of the Securities Act of 1933 upon the disposition of certain securities. (9) Invest in companies for the purpose of exercising management or control. (10) Invest in puts, calls, straddles, spreads or any combinations thereof. (11) Purchase or retain the securities of any issuer if all Trustees together own more than 1/2 of 1% of the securities of such issuer. (12) Deal as principal with the Trust in the purchase or sale of portfolio securities. (13) Deal as agent with the Trust in the purchase or sale of portfolio securities. (14) Invest in securities for which there is no readily available market, if at the time of acquisition more than 15% of the Trust's assets would be invested in such securities. (15) Purchase participation or other direct interests in oil, gas or other mineral exploration or development programs. (16) Invest in warrants if at the time of acquisition more than 2% of the Trust's assets would be invested in warrants. (17) Invest in securities of foreign issuers if at the time of acquisition more than 10% of the Trust's assets would be invested in such securities. (18) Purchase any security if, after giving effect to such purchase, more than 25% of the Trust's assets would be invested in any one industry. (19) Issue senior securities or borrow money, except that the Trust may borrow funds up to a maximum amount equal to 25% of the Trust's total assets and may pledge assets as security for such borrowings.

For the purposes of the above, issuer refers to a consolidated corporate entity based on its most recent financials. Classes of securities are similarly determined based on most recent financials and thus may, for example, include debt at a subsidiary level, or debt representing different issuances. The purchase of or investment in securities does not encompass participation in exchange offers in or out of formal reorganization proceedings.

The above policies preclude only direct loans, not the acquisition of debt instruments in a secondary market, including participation in financings, including but not limited to debtor-in-possession financings, arising out of the acquisition of debt securities and do not preclude the lending of portfolio securities to broker-dealers. The Trust is not currently engaged in securities lending.

The Trust does not intend to engage in trading for short-term profits, and portfolio turnover will be limited in accordance with the Trust's objective of producing income. This does not, however, preclude an occasional investment for the purpose of short-term capital appreciation. During the fiscal years ended September 30, 2019 and 2018 the rates of total portfolio turnover were 45.13% and 42.69% respectively. Although investment policy or changed circumstances may require, in the opinion of the Trustees, an increased rate of such portfolio turnover, such as experienced in 2018 and 2019 due to investments in shorter duration securities, the Trustees do not anticipate that such turnover will be substantially in excess of that experienced by the Trust in recent years.

The Trust has adopted policies and procedures with respect to the disclosure of portfolio securities. The Trust will publicly disclose the complete schedule of its holdings, as reported on a fiscal quarter-end basis, by making the information publicly available in a manner consistent with SEC disclosure requirements. The Trust will file a complete portfolio schedule of investments with the SEC on form N-CSR within ten (10) days of the transmission to shareholders of any annual or semiannual report; these are generally transmitted within sixty (60) days after the close of the fiscal period covered by the report. The Trust will also file a complete portfolio schedule of investments with the SEC not later than sixty (60) days after the close of the first and third fiscal quarters. The Trust will not make available any other schedule of portfolio holdings to any person or institution other than in the ordinary course of business, such as to our auditors or custodian. The Trust may make quarterly portfolio holdings available to ranking or ratings agencies, but only after the information has been filed with the SEC or posted on our website. Certain agencies may contract with the Trust to receive the portfolio holdings monthly, but may not make the information available to the public until 60 days after the calendar quarter or until posted on the Trust's website.

The compensation of Bruce H. Monrad as portfolio manager for the Trust is set forth in this Statement of Additional Information under the caption "Compensation of Trustees", and information about his share ownership in the Trust is set forth under the caption "Trustees and Officers". Bruce H. Monrad does not have portfolio management responsibilities for any other investment company or pooled fund and is not primarily responsible for the day to day portfolio management for any accounts other than the Trust.

#### 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 protecting the interests of the shareholders by 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.

Name/Age/Service *	Position	Principal Occupation(s)/Other Directorships During the Past Five Years
<u>Affiliated Trustees and Trust Officers</u>		
Ernest E. Monrad# Age: 89 Years of Service: 59	Trustee	Trustee of Northeast Investors Trust; Director and Chairman of Sippican Capital Advisors LLC
Bruce H. Monrad# Age: 57 Years of Service: 26	Trustee and Chairman	Trustee and Chairman of Northeast Investors Trust
Gordon C. Barrett Age: 62 Years of Service: 31	Executive Vice President, Chief Financial Officer	Chief Financial Officer of Northeast Investors Trust; President of Sippican Capital Advisors LLC
David A. Randall Age: 53 Years of Service: 19	Chief Compliance Officer, Vice President	Officer of Northeast Investors Trust
<u>Independent Trustees</u>		
Peter J. Blampied Age: 77 Years of Service: 19	Trustee	Director of A.W. Perry, Inc.
George P. Beal Age: 66 Years of Service: 15	Trustee	Managing Partner, Boston Family Office LLC; Director of Breckinridge Capital Advisors
Charles R. Daugherty Age: 66 Years of Service: 15	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.

The following is additional information about the background of each of the Trustees:

#### Interested Trustees

##### Mr. E. Monrad

Ernest E. Monrad became a trustee of Northeast Investors Trust in 1960. Mr. Monrad is a member and former director of the Boston Security Analysts Society and a member of the Massachusetts Bar. He is a former director of New America High Income Fund, Inc., former director of Furman Lumber, former trustee of Century Shares Trust and former trustee of Northeast Investors Growth Fund.

##### Mr. B. Monrad

Bruce H. Monrad is trustee and portfolio manager of Northeast Investors Trust, specializing in high yield securities. Previously he worked for Prudential-Bache Securities as a financial analyst.

#### Independent Trustees

##### Mr. Blampied

Peter J. Blampied was President of Corcoran Management Co. Inc, one of the region's leading residential management firms, from 1998-2008. He was previously Chairman, President and CEO of Boston Five Bancorp and Vice Chairman of Citizens Bank of Massachusetts. He is a former director of Access Capital Strategies, LLC. He is a director of A.W. Perry, Inc., a privately owned real estate developer, owner and manager.

##### Mr. Beal

George P. Beal is one of the founders of The Boston Family Office LLC, a registered investment adviser, and now is its Managing Partner as well as a portfolio manager. He is a director of Breckinridge Capital Advisors. Previously, Mr. Beal was employed at Cambridge Trust Co. and Bank of New England handling various duties ranging from commercial loans, branch management, operations and retail banking.

##### Mr. Daugherty

Charles R. Daugherty founded Stanwich Advisors, LLC, a leading independent boutique investment bank that provides advisory and fundraising services. Mr. Daugherty spent 26 years at Deutsche Bank/BT Alex Brown where he founded the Private Equity Group and served as Managing Director and Global Group Head.

The majority of the Trust's Board of Trustees (the "Board") are Independent Trustees. The Board has overall responsibility for overseeing the investment program of the Trust and its management and operations. The Board exercises the same powers, authority and responsibilities on behalf of the Trust as are customarily exercised by the directors of an investment company registered under the 1940 Act organized as a corporation and has authority to oversee and establish policies regarding the management, conduct and operation of the Trust's business. The Board has designated Bruce H. Monrad, an Interested Trustee, to serve as Chairman. The Independent Trustees have not designated a lead Trustee.

The Board has two standing committees: the Audit Committee, and the Nominating and Governance Committee, each of which consists of Messrs. Blampied, Daugherty and Beal. These committees are therefore composed entirely of Independent Trustees, and all of the Independent Trustees serve on each committee. Both committees met four times during the last fiscal year. The Audit Committee assists the Board in fulfilling its responsibilities for accounting and financial reporting practices and provides a channel of communication between the Board and the Trust's independent accountants. The provision of audit and non-audit services by the Trust's independent accountants is subject to prior approval by the Audit Committee. The Nominating and Governance Committee considers candidates for Trustee and reviews matters relating to Board governance. The Nominating and Governance Committee will consider the experience, qualifications, attributes and skills of Trustee nominees and Trustees when looking to fill vacant Board or committee seats and will consider the benefits of a diverse Board in enhancing its oversight of management performance, particularly in today's global investment environment. The Committee has not established a procedure for shareholders to nominate Trustees.

The Trust believes that its leadership structure is appropriate because it provides for the effective, independent oversight of management on behalf of the Trust's shareholders by having the independent Trustees as a majority of the Board and through their exclusive service on all committees. The Board conducts a self-evaluation annually, which includes an evaluation of the effectiveness of the Board and its committee structure. In addition, the Independent Trustees have engaged their own independent counsel, who also serves as fund counsel, to advise them on matters relating to their responsibilities in connection with the Trust.

Senior management, on a regular basis, undertakes risk assessments aimed at identifying key risks that the Trust may face, as described in the Trust's prospectus, the probability of occurrence of those risks and the potential impact. The Board and senior management have active discussions regarding the risks to which the Trust is subject. The Board reviews the Trust's portfolio and regular reports provided to it that integrate strategy and operational and investment initiatives with risk exposures.

As part of its oversight, the Board assesses the quality of information it is receiving, how well this information provides a basis for evaluating the risk factors affecting the Trust, as described in the Trust's prospectus, how management evaluates risk, and the quality of the risk management oversight structure. The Board engages in open discussions with management on how economic factors affect or may affect the Trust's performance. It reviews the Trust's periodic and current reports and prospectuses, with a particular focus on risk disclosures. In addition, as deemed appropriate, the Board or the Independent Trustees engage counsel or other parties to advise them on matters relating to risks associated with the Trust's operations.

The following table shows the dollar range of shares of the Trust beneficially owned by each Trustee.

<b>Name of Trustee</b>	<b>Dollar Range of Equity Securities in the Trust</b>
<b><i>Trustees Who Are "Interested Persons" of the Trust</i></b>	
Ernest E. Monrad	Over \$2,000,000
Bruce H. Monrad	Over \$2,000,000
<b><i>Trustees Who Are Not "Interested Persons" of the Trust</i></b>	
Peter J. Blampied	Over \$100,000
George P. Beal	Over \$100,000
Charles R. Daugherty	None

The total number of shares owned beneficially by the Trustees, officers and members of their immediate families on September 30, 2019 was 6,141,077 shares (12.60%).

The Trust has adopted a Code of Ethics governing personal securities transactions by persons (access persons) associated with the Trust who have access to information about its investment operations. The Code does permit investments by Trust personnel for their own accounts, but requires systematic reporting of transactions and holdings as required by law. The Code of Ethics of the Trust is on file as an exhibit to this registration statement and may be obtained through the Securities and Exchange Commission.

## COMPENSATION OF TRUSTEES

Under the Declaration of Trust, the Trustees are entitled to receive an annual fee equal to ½ of 1% of the principal of the Trust, computed at the end of each quarter year at the rate of 1/8 of 1% of the principal at the close of such quarter. The principal of the Trust for this purpose is taken as a total of the value of the portfolio and other assets less all liabilities, except accrued Trustees' fees, valued set forth below under "Price and Net Asset Value". The total Trustee fee paid to the Trustees and former officers for each of the fiscal years ended September 30, 2017, 2018 and 2019 was \$1,608,292, \$1,326,840 and \$1,081,308 respectively.

The following table shows the aggregate compensation paid during the fiscal year ended September 30, 2019 to the Trustees and former officers of the Trust from the Trustees' fee or otherwise.

<b>Name and Position</b>	<b>Aggregate Compensation Paid</b>
Ernest E. Monrad, Trustee	\$40,000
Bruce H. Monrad, Trustee, Chairman and President	\$901,308
Gordon C. Barrett, Executive Vice President, and CFO*	\$295,976
Robert B. Minturn~	\$20,000
Peter J. Blampied, Trustee	\$40,000
George P. Beal, Trustee	\$40,000
Charles R. Daugherty, Trustee	\$40,000

~ This compensation was paid as retirement benefits.

\* Paid directly by the Trust; all other amounts shown are paid from the Trustees' fee.

Under the Declaration of Trust, the Trustees are required to furnish the Trust financial and statistical services for the Trust and such office space as the Trust may require. Except as shown above, during the fiscal year ended September 30, 2019, no retirement benefits were paid to any Trustee or former Trustee.

## CUSTODIAN AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The custodian for the Trust is State Street Bank and Trust Company, 1 Iron Street, Boston, Massachusetts. The custodian maintains custody of the Trust's assets. The Trust acts as its own Transfer and Shareholder Servicing Agent.

The Trust has selected RSM US LLP, located at 80 City Square, Boston, Massachusetts 02129, as its independent registered public accounting firm for the current fiscal year. The firm provides services including (i) audit of annual financial statements and (ii) provides other audit, tax, and related services to the Trust.

#### BROKERAGE

Decisions to buy and sell securities for the Trust and as to assignment of its portfolio business and negotiation of its commission rates are made by the Trustees. It is the Trustees' policy to obtain best execution when processing transactions, in doing so, the Trustees assign portfolio executions and negotiate commission rates in accordance with the reliability and quality of a broker/dealer's services and their value and expected contribution to the performance of the Trust. Such portfolio transactions may be carried out with broker-dealers that have provided the Trustees or the Trust with research and other investment related services. Such services may include furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; furnishing portfolio analyses and reports concerning issuers, industries, securities, economic factors and trends; and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). During the fiscal year ended September 30, 2019, the Trust engaged in portfolio transactions involving principal trades totaling \$96,410,585 with market makers and other dealers. The Trust paid broker commissions of \$0 for the year ended September 30, 2019. During the fiscal years ended September 30, 2017 and 2018 brokerage commissions paid totaled \$12,909 and \$9,803 respectively. All such portfolio transactions completed by the Trust during the year ended September 30, 2019 were carried out with broker-dealers that have provided the Trust with research, and other investment related services.

#### PRICE AND NET ASSET VALUE

It is the current policy of the Trust that the public offering price of shares of the Trust equal their net asset value, the Trust receiving the full amount paid by the investor. The net asset value is determined as of the close of the New York Stock Exchange on each day that the Exchange is open. It is the only price available to investors whose orders are received prior to the close of the Exchange on that day. The price to investors whose applications for purchase are received after the close of the New York Stock Exchange or on a non-business day will be the net asset value next determined. The net asset value of the Trust's shares is determined by dividing the market value of the Trust's securities, plus any cash and other assets (including income accrued) less all liabilities by the number of shares outstanding. An adjustment will be made to the Trust's price for fractions of a cent to the next highest cent. The Trust makes no payments to third parties for the daily computation of its net asset value.

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 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 and other assets for which pricing service or market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures approved by the Board of Trustees. For a further description of the Trust's fair value pricing methodologies, see the Prospectus under "Buying Shares".

As indicated in the Prospectus, purchase and redemption orders may be received on behalf of the Trust by brokers. In certain such cases, where the Trust has authorized such transactions (i) such broker may be authorized to designate other intermediaries to receive purchase and redemption orders for the Trust; (ii) the Trust will be deemed to have received a purchase or redemption order when an authorized broker or, if applicable, a broker's authorized designee, receives the order; and (iii) customer orders will be priced at the Trust's net asset value next computed after they are received by an authorized broker or the broker's authorized designee.

## SHAREHOLDER PLANS

### Open Accounts

Upon making an initial investment (minimum amount \$1,000), a shareholder will automatically have an Open Account established for him on the books of the Trust. Once any account is opened there is no limitation to the size or frequency of investment, subject to the policies and procedures described in the prospectus under the caption "Buying Shares". The shareholder will receive a confirmation from the Trust of this and each subsequent transaction in his Account via mail or email showing the current transaction and the current number of shares held. A shareholder may make additional investments in shares of the Trust at any time by ordering the Trust shares at the then applicable public offering price. Share certificates which have been issued to a shareholder may be returned to the Trust at any time for credit to the shareholder's Open Account. Shares held in an Open Account may be redeemed as described in the Prospectus under "Selling Shares". Income dividends and capital gains distributions are credited in shares on the payment date (which may be different than the record date) at the applicable record date closing net asset value, unless a shareholder has elected to receive all income dividends and/or capital gains distributions in cash.

### Automatic Investment and Withdrawal Plans

These Plans have been developed to accommodate those who wish to make scheduled purchases or sales of shares of the Trust on a continuing basis without the imposition of any fee or service charge. Subject to the initial investment minimum of \$1,000, any shareholder maintaining an Open Account may request in his application, in the appropriate Automated Investment Plan (AIP) or Scheduled Withdrawal Plan (SWP) form, online or otherwise in writing that investments be made through automatic deductions from his bank checking or savings account or that withdrawals be made automatically with the redemption price paid by check or electronic funds transfer. The shareholder may cancel his participation in either Plan at any time, and the Trust may modify or terminate either Plan at any time.

An investor should understand that he is investing in a security, the price of which fluctuates, and that under the Plans he will purchase or sell shares regardless of their price level and that if he terminates the Plan and sells his accumulated shares at a time when their market value is less than his cost, he will incur a loss. In the case of the Automatic Investment Plan, he should also take into account his financial ability to continue the Plan through periods of low prices and understand that the Plan cannot protect him against loss in declining markets.

## TAX-ADVANTAGED RETIREMENT PLANS

In addition to regular accounts, the Trust offers tax-advantaged retirement plans which are described briefly below. Contributions to these plans are invested in shares of the Trust; dividends and other distributions are reinvested in shares of the Trust.

Contributions to these retirement plans, within the limits and circumstances specified in applicable provisions of the Internal Revenue Code, are excludable or deductible from the participant's income for federal income tax purposes. In addition, non-deductible or after-tax contributions may be made to these retirement plans to the extent permitted by the Internal Revenue Code. Reinvested dividends and other distributions accumulate free from federal income tax while the shares of the Trust are held in the plan. Distributions from these plans are generally included in income when received; however, after-tax or non-deductible contributions may be recovered without additional federal income tax. Premature distributions, insufficient required minimum distributions or excess contributions may result in penalty taxes.

State Street Bank and Trust Company serves as custodian of each of the following plans. Detailed information concerning each of the following plans and copies of the plan documents are available online or upon request to the Trust at its offices.

An individual investor or employer considering any of these retirement plans should read the detailed information for the plan carefully and should consider consulting an attorney or other competent advisor with respect to the requirements and tax aspects of the plan.



## Traditional IRA, Roth IRA and Education Savings Account

An individual may open his own Individual Retirement Account (IRA), Roth IRA, or Education Savings Account using a custodial account form approved for this purpose by the IRS. An individual may have an IRA even though he is also an active participant in a pension or profit-sharing plan or certain other plans. However, depending on the individual's adjusted gross income and tax return filing status, contributions for an individual who is an active participant in another plan may be partially or entirely non-deductible. Contributions to a Roth IRA are non-deductible, but income and gains accumulate free of income tax and distributions after age 59 1/2 are generally not taxable. An Education Savings Account can be established only for a Designated Beneficiary who is under age 18 as a method of saving for education expenses. Contributions to an Education Savings Account are non-deductible, but income and gains accumulate free of income tax and distributions are not taxable as long as the amount withdrawn is used for qualified educational expenses.

## ANTI-MONEY LAUNDERING COMPLIANCE

Money laundering is the process by which the financial proceeds of criminal activities are given the appearance of legitimacy, thereby concealing their origin and enabling criminals to reap the benefit of their crimes. Typically, illegally obtained cash is passed through legitimate financial institutions and businesses or converted into hard assets. These techniques make it difficult or impossible to trace the money to its illegal origins. The money launderer's goal is to make its financial transactions appear normal, thus creating an apparent legitimate source for the illicit cash, while simultaneously enabling the criminal to evade payment of taxes on the unlawful proceeds.

The Trustees of Northeast Investors Trust (the "Trust") have determined to comply with all applicable anti-money laundering ("AML") laws and regulations and to carry out measures to detect, prevent and deter money laundering, terrorist financing and related illegal activities. It is the policy of the Trust to seek to prevent the misuse of the funds it manages and its personnel and facilities for purposes of money laundering and terrorist financing. The Trust has adopted and enforces policies, procedures and controls to detect and deter the occurrence of money laundering and other illegal activity. These policies and procedures are designed to assure as far as possible that the Trust accepts investments only from legitimate, law-abiding investors.

Consequently, the Trust may request additional information from you to verify your identity and the source of your funds. If you do not provide the requested information, the Trust may not establish your new account. The Trust may also be required to "freeze" a shareholder's account if the Trust believes the investor is involved in suspicious activity or if certain account information matches that of government lists of suspicious persons. If such information is discovered, the Trust may be required to report this information to a government agency and the law may not permit the Trust to inform the shareholder that such actions have taken place.

## DIVIDENDS, DISTRIBUTIONS & FEDERAL TAXES

It is the Trust's policy to distribute net investment income and net realized capital gains on sales of investments (less any available capital loss carryforwards) annually. Dividends and distributions are credited in shares of the Trust unless the shareholder elects to receive cash.

Any dividends or distributions paid shortly after a purchase of shares by an investor will have the effect of reducing the per share net asset value of his shares by the per share amount of the dividends or distributions. Furthermore, such dividends or distributions, although in effect a return of capital, may be subject to income taxes, including the 3.8% tax imposed by the Affordable Care Act.

It is the policy of the Trust to distribute its net investment income and net realized gains for each year in taxable dividends and capital gain distributions so as to qualify as a "regulated investment company" under the Internal Revenue Code. The Trust did so qualify during its last taxable year.

A regulated investment company which meets the diversification of assets and source of income requirements prescribed by the Internal Revenue Code is accorded conduit or "pass through" treatment if it distributes to its shareholders at least 90% of its taxable income exclusive of net capital gains, i.e., it will be taxed only on the portion of such income which it retains.

To the extent that a regulated investment company distributes the excess of its net long-term capital gain over its net short-term capital loss (including any capital loss carryforward from prior years), such capital gain is not taxable to the company but it is taxable to the shareholder.

Income dividends and capital gain distributions are taxable as described, whether received in cash or additional shares. Shareholders who have not supplied the Trust with appropriate information with respect to their tax identification or social security number or who are otherwise subject to back-up withholding may have 24% of distributions withheld by the Trust.

The foregoing discussion relates to federal income taxation. Dividends and capital gain distributions may also be subject to state and local taxes, and shareholders should consult with a qualified tax advisor.

## CAPITAL SHARES

The Trust has only one class of securities--shares of beneficial interest without par value--of which an unlimited number are authorized. Each share has one vote and when issued, is fully paid and nonassessable. Fractional shares may be issued and when issued, have the same rights proportionately as full shares. The shares are transferable by endorsement or stock power in the customary manner, but the Trust is not bound to recognize any transfer until it is recorded on the books of the Trust. Each share is entitled to participate equally in any dividends or distributions declared by the Trustees. In the event of liquidation of the Trust, the holders of shares are entitled to all assets remaining for distribution after satisfaction of all outstanding liabilities. Distributions would be in proportion to the number of shares held. No shares carry any conversion, subscription, or other preemptive rights.

Under Massachusetts law, shareholders could, under certain circumstances, be held personally liable for the obligations of the Trust. However, the Declaration of Trust provides that the Trustees shall have no power to bind the shareholders personally and requires that all contracts and other instruments shall recite that the same are executed by the Trustees as Trustees and not individually and are solely binding upon the Trust's assets. The Trust has been advised by legal counsel that under the applicable Massachusetts decisions, no personal liability can attach to the shareholders under contracts of the Trust containing this recital. Moreover, the Declaration of Trust provides that any shareholder of the Trust shall be indemnified by the Trust for all loss and expense incurred by reason of his being or having been a shareholder of the Trust. Thus the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Trust itself would be unable to meet its obligations.

## PROXY VOTING GUIDELINES

Written guidelines have been established for proxy voting by the Board of Trustees of the Trust. The purpose of these guidelines is to promote the accountability of a company's management and board of directors to its shareholders; to align the interests of management with those of shareholders; and to increase disclosure of a company's business and operations.

The Trust's proxy voting guidelines generally address proposals submitted to shareholders in the following categories:

### Routine Matters

Proposals for the election of directors

The Trust generally supports management's recommendations in selecting director nominees as the Trust believes the company is in the best position to recommend and evaluate a qualified board. Directors should be competent, qualified individuals and should be accountable, responsive to shareholders and should exercise reasonable judgment. The Trust generally supports a board of directors comprised of a majority of independent directors and prefers committees such as audit and nominating committees to also be comprised of independent members.

#### Proposals for the approval of independent auditors

The Trust generally will rely on the audit committee's recommendation in selecting independent auditors who will provide the best service to the company. The Trust believes the relationship between the company and its auditors should be independent and will vote against proposed auditors whose independence may be compromised.

#### Compensation Matters

##### Proposals seeking approval of equity-based compensation, including stock option plans

Companies often offer compensation plans for its officers and employees as a means to attract or maintain desirable employees. These plans may include equity-based compensation (stock options or restricted stock). In general, the Trust will vote for stock-related compensation plans that are reasonably designed and that align the interest of management with those of shareholders by providing officers and employees with an incentive to maximize shareholder value. It will consider the dilutive effects, pricing and re-pricing issues, and other factors in voting on specific proposals.

##### Proposals related to executive compensation

The Trust believes that executive compensation matters are best left to the discretion of the directors, not the shareholders. The Trust will generally vote against advisory votes on executive compensation (Say-On-Pay) unless such compensation is deemed problematic or does not appear aligned with shareholder interests.

#### Corporate Control

##### Proposals relating to changes in corporate control

The Trust generally opposes measures that are designed to prevent or obstruct corporate takeovers. Such measures tend to entrench current management, discourage other offers for the company and depress shareholder value. In most cases, the acquisition or takeover of a company - hostile or otherwise - will increase shareholder value and therefore must be permitted to occur.

##### Shareholder Rights Plans (Poison Pills)

Shareholder Rights Plans or Poison Pills are instigated by an unwanted takeover attempt and can ultimately make the company appear financially less attractive to potential suitors. Typically, directors have used poison pills without shareholder approval. The Trust will generally vote against all forms of poison pills unless backed by sound business strategy that will likely result in a greater benefit to the shareholders.

##### Increases in Authorized Common Stock

The Trust will generally approve of increases in authorized shares, provided that the increase will not expose shareholders to excessive dilution and is sought for appropriate corporate purposes.

##### "Blank Check" Preferred Stock

The Trust will generally vote against "blank check" preferred stock proposals unless the proposal discloses that the stock is specifically required to be issued for valid corporate financing objectives.

##### Classified or Staggered Boards

Although these types of board structures may provide stability and continuity of board members, they can also be viewed as anti-takeover devices; therefore the Trust will generally vote against classified or staggered boards.

#### Shareholder Rights

##### Proposals that affect shareholder rights, including voting rights

The Trust views the exercise of shareholders' rights - including the rights to act by written consent, to call special meetings and to remove directors - to be fundamental to corporate governance.

##### Cumulative Voting

The Trust generally supports proposals to adopt cumulative voting and will generally vote against proposals to eliminate cumulative voting which may constitute an anti-takeover measure.

#### Confidential voting

The Trust generally supports proposals to require that voting be confidential because they increase the independence of shareholders who are voting.

#### Supermajority Voting

The Trust favors simple majority votes by shareholders on matters submitted for their approval and generally will vote in support of shareholders proposals that eliminate supermajority voting requirements.

#### Dual Class or Super Voting Share Class Capitalizations

The Trust will generally vote against the adoption of a dual or super voting share class capitalization structures that provide disparate voting rights to different groups of shareholders with similar economic investments.

#### Other Matters

Proposals relating to social and corporate responsibility issues

The Trust will generally vote with management's recommendations on proposals pertaining to social, moral, ethical or corporate matters. These proposals are primarily initiated by shareholders and the effect on shareholder value of such proposals is often unclear, and therefore the Trust will rely on management's assessment of the economic effect of such proposals.

#### Potential Conflicts of Interest

In the event that any matter for which a proxy is solicited creates a potential conflict of interest between interests of the shareholders of the Trust, on the one hand, and any affiliated person of the Trust, on the other, the voting of such proxy will be referred to the Trustees of the Trust who are not "interested persons" of the Trust as such term is defined under the Investment Company Act of 1940 (the "independent Trustees"); if the potential conflict is with an independent Trustee, such Trustee will abstain from voting on the matter.

#### Other Situations

With respect to proposals not mentioned above, the Trust will act in the best interest of the shareholders and vote in a manner which will enhance the value of the investment and maximize shareholder value.

The foregoing is a summary. A copy of the complete Proxy Voting Guidelines and the Trust's voting record may be obtained by calling the toll free number in the address set forth on the cover page of this Statement of Additional Information and at the website of the Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)) or at the website of the Trust ([www.northeastinvestors.com](http://www.northeastinvestors.com)).

#### HISTORICAL PERFORMANCE INFORMATION

From time to time, the Trust may advertise average annual total return. Average annual total return quotations will be computed by finding the average annual compounded rates of return over 1, 5 and 10 year periods that would equate the initial amount invested to the ending redeemable value, according to the following formula:

$$\left( \frac{ERV}{P} \right)^{1/N} - 1$$

Where:

P = a hypothetical initial payment of \$1,000

N = number of years

ERV = ending redeemable value of a hypothetical \$1,000 payment made at the beginning of the 1, 5 and 10 year periods at the end of the 1,5 or 10 year periods (or fractional portion thereof)

The calculation of average annual total return assumes the reinvestment of all dividends and distributions. The Trust may also advertise total return (a "nonstandardized quotation") which is calculated differently from average annual total return. A nonstandardized quotation of the total return may be a cumulative return which measures the percentage change in the value of an account between the beginning and end of a period, assuming no activity in the account other than reinvestment of dividends and capital gains distributions. A nonstandardized quotation may also indicate average annual compounded rates of return over periods other than those specified for average annual total return. A nonstandardized quotation of total return will always be accompanied by the Trust's average annual total return as described above. The Trust's total returns for the one, five and ten year periods ended December 31, 2019 are set forth in the Prospectus.

From time to time, the Trust may also advertise its yield. A yield quotation is based on a 30-day (or one month) period and is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period, according to the following formula:

$$\text{Yield} = 2\left[\left(\frac{a-b}{cd} + 1\right)^6 - 1\right]$$

Where:

- a = dividends and interest earned during the period
- b = expenses accrued for the period (net of reimbursements)
- c = the average daily number of shares outstanding during the period that were entitled to receive dividends.
- d = the maximum offering price per share on the last day of the period

Solely for the purpose of computing yield, dividend income is recognized by accruing 1/360 of the stated dividend rate of the security each day that the Trust owns the security. Generally, interest earned (for the purpose of "a" above) on debt obligations is computed by reference to the yield to maturity of each obligation held based on the market value of the obligation (including actual accrued interest) at the close of business on the last business day prior to the start of the 30-day (or one month) period for which yield is being calculated, or, with respect to obligations purchased during the month, the purchase price (plus actual accrued interest). With respect to the treatment of discount and premium on mortgage or other receivables-backed obligations which are expected to be subject to monthly paydowns of principal and interest, gain or loss attributable to actual monthly paydowns is accounted for as an increase or decrease to interest income during the period and discount or premium on the remaining security is not amortized.

The performance quotations described above are based on historical experience and are not intended to indicate future performance.

To help investors better evaluate how an investment in the Trust might satisfy their investment objective, advertisements regarding the Trust, as well as other publications, may discuss various measures of Trust performance, including current performance ratings and/or rankings appearing online or in financial magazines, newspapers and publications which track mutual fund performance or other information prepared by recognized mutual fund statistical services. Advertisements and other publications may also compare Northeast Investors Trust's performance to performance as reported by other indices and averages or other investments for which reliable performance information is available. The Trust's annual report contains additional performance information and will be made available to investors upon request and without charge.

#### FINANCIAL STATEMENTS

The following financial statements are included in this Statement of Additional Information:

1. Schedule of Investments as of September 30, 2019
2. Statement of Assets and Liabilities as of September 30, 2019
3. Statement of Operations for the Year Ended September 30, 2019
4. Statements of Changes in Net Assets for each of the two years in the period ended September 30, 2019
5. Financial Highlights for each of the five years in the period ended September 30, 2019

6. Notes to Financial Statements for the year ended September 30, 2019
7. Report of RSM US LLP, Independent Registered Public Accounting Firm.