

NORTHEAST INVESTORS TRUST
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Shares of Beneficial Interest

STATEMENT OF ADDITIONAL INFORMATION

February 1, 2021

This Statement of Additional Information supplements the Prospectus for the Trust dated February 1, 2021 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.

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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, 2020 and 2019 the rates of total portfolio turnover were 43.75% and 45.13% respectively. Although investment policy or changed circumstances may require, in the opinion of the Trustees, an increased rate of such portfolio turnover, 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 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>		
Bruce H. Monrad Age: 58 Years of Service: 27	Trustee and Chairman	Trustee and Chairman of Northeast Investors Trust
Gordon C. Barrett Age: 63 Years of Service: 32	Executive Vice President, Chief Financial Officer	Chief Financial Officer of Northeast Investors Trust; President of Sippican Capital Advisors LLC
David A. Randall Age: 54 Years of Service: 20	Chief Compliance Officer, Vice President of Operations	Officer of Northeast Investors Trust
<u>Independent Trustees</u>		
Peter J. Blampied Age: 78 Years of Service: 20	Trustee	Director of A.W. Perry, Inc.
George P. Beal Age: 67 Years of Service: 16	Trustee	Managing Partner, Boston Family Office LLC; Director of Breckinridge Capital Advisors
Charles R. Daugherty Age: 67 Years of Service: 16	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.

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

Interested Trustees

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 Fund Group and served as 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.

Name of Trustee	Dollar Range of Equity Securities in the Trust
<i>Trustees Who Are "Interested Persons" of the Trust</i>	
Bruce H. Monrad	Over \$2,000,000
<i>Trustees Who Are Not "Interested Persons" of the Trust</i>	
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, 2020 was 3,801,354 shares (8.55%).

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 1/2 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, 2018, 2019 and 2020 was \$1,326,840, \$1,081,308 and \$855,204 respectively.

The following table shows the aggregate compensation paid during the fiscal year ended September 30, 2020 to the Trustees and officers of the Trust from the Trustees' fee or otherwise.

Name and Position	Aggregate Compensation Paid
Bruce H. Monrad, Trustee, Chairman and President	\$ 705,204
Gordon C. Barrett, Executive Vice President, and CFO*	\$ 304,230
David A. Randall, Vice President, and CCO*	\$ 308,861
Peter J. Blampied, Trustee	\$ 40,000
George P. Beal, Trustee	\$ 40,000
Charles R. Daugherty, Trustee	\$ 40,000
Ernest E. Monrad, Trustee	\$ 30,000

* 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, 2020, 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 non-audit 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, 2020, the Trust engaged in portfolio transactions involving principal trades totaling \$ 81,188,468 with market makers and other dealers. The Trust paid broker commissions of \$0 for the year ended September 30, 2020. During the fiscal years ended September 30, 2018 and 2019 brokerage commissions paid totaled \$9,803 and \$0.00 respectively. All such portfolio transactions completed by the Trust during the year ended September 30, 2020 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) or at the website of the Trust (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, 2020 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, 2020
2. Statement of Assets and Liabilities as of September 30, 2020
3. Statement of Operations for the Year Ended September 30, 2020
4. Statements of Changes in Net Assets for each of the two years in the period ended September 30, 2020
5. Financial Highlights for each of the five years in the period ended September 30, 2020
6. Notes to Financial Statements for the year ended September 30, 2020
7. Report of RSM US LLP, Independent Registered Public Accounting Firm.

NORTHEAST INVESTORS TRUST

A NO LOAD FUND



Annual Report

For the Year Ending

September 30, 2020

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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 (“SEC”), 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/) 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.

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Dear Fellow Shareholders:

During Fiscal Year 2020, Northeast Investors Trust recorded a total return of -4.69%, which compares to the 2.30% return of the ICE Bank of America/Merrill Lynch High Yield Index. We are disappointed with these results.

Out-of-index securities, mostly emanating from former bond positions, remained a challenge for the Trust and were the primary reason for the divergence. The price action of distressed securities has been a wide-spread issue for the credit markets, albeit one that does not manifest itself in the high yield indices or ETFs, which are typically governed by non-discretionary rules that mandate the immediate removal or sale of such securities from the relevant portfolios.

On the other hand, the performance of the fixed income securities in the portfolio largely met expectations during the fiscal year, particularly on a risk-adjusted basis. Notwithstanding Covid, we have seen very few credit problems in the securities purchased in recent years.

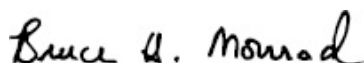
On a tactical note, we increasingly removed portfolio risk during the first half of the fiscal year, positioning nearly 20% of the Trust's assets in so-called "yield-to-call" bonds. These safer bonds' prices remained essentially unchanged during the considerable market weakness in March, and thus the proceeds from their sale were available to take advantage of the broader market sell-off. We are pleased that nearly every security so purchased has risen approximately 10 points since the date of purchase, providing excellent returns. While Covid itself was an unpredictable development, we had felt that the best risk-adjusted value in the high yield market was at the shorter end of the maturity spectrum and that positioning was very helpful.

Looking forward, there are numerous uncertainties facing the markets, starting with Covid and extending to the political realm. Interest rates remain low and high yield spreads over comparable Treasury instruments have also narrowed. Still, we are hopeful that there remain attractive income opportunities, and we have positioned the portfolio with an eclectic overweight of bonds that ETFs would not typically purchase and that we think are attractive because of generally higher relative yields.

Because we have focused our purchases in recent years on "BB" bonds, which are toward the higher quality end of the high yield market, we have recently witnessed fewer credit issues from those purchases. We are endeavoring to reduce our relative exposure to distressed securities, which as we mentioned above remains a very challenging end of the credit markets.

In closing, we are very sorry to report the passing of Trustee Ernest Monrad, who joined Northeast in 1960 and during the next 60 years served as Trustee, Portfolio Manager and also Chairman of the Trustees. Ernie was devoted to Northeast and to our knowledge never sold a share during his lifetime. The Trust benefitted from his dedication, wisdom and thoughtful judgment. He will be missed.

Sincerely,



Bruce H. Monrad

Historical Information (unaudited)

<i>Fiscal Year Ended Sept. 30</i>	<i>At End of Fiscal Year</i>		<i>Distribution Per Share During Fiscal Year</i>			<i>Average Monthly Net Asset Value</i>
	<i>Full Shares Outstanding</i>	<i>Net Asset Value Per Share</i>	<i>Total Net Assets</i>	<i>From Net Income</i>	<i>From Capital Gain</i>	
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	48,736,225	4.14	201,345,500	0.20	0.0000	4.32
2020	44,482,113	3.72	165,376,082	0.23	0.0000	3.85

Average Annual Total Return (unaudited)

One year ended September 30, 2020	-4.69%
Five years ended September 30, 2020	0.58%
Ten years ended September 30, 2020	1.61%

*SEC Yield (unaudited)**

Yield calculated as of September 30, 2020: 6.11%

* 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 3/31/2020</i>	<i>Ending Account Value 9/30/2020</i>	<i>Expenses Paid During Period 3/31/2020 - 9/30/2020*</i>
Actual Return 9.81%	1.66%	\$ 1,000.00	\$ 1,098.14	\$8.85
Hypothetical (5% return before expenses)	1.66%	\$ 1,000.00	\$ 1,016.75	\$8.39

* 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 (183), 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	4%
1-5 Years	77%
6-10 Years	19%
11-15 Years	0%
Over 15 Years	0%
Total	100%

Quarterly Portfolio Holdings

The Trust files its complete Schedule of Investments with the SEC on Form N-CSR (as of the end of the second and fourth quarters) and on Form N-PORT Part F (as of the end of the first and third quarters, previously filed under Form N-Q through 12/31/2019). Form N-PORT is primarily designed for use by the SEC and its staff to facilitate their oversight of the fund industry. Form N-CSR (Annual and Semi-Annual Reports) and N-PORT Part F are available without charge, upon request, by calling the Trust at 800-225-6704, on the website at www.northeastinvestors.com and on the SEC's website at www.sec.gov.

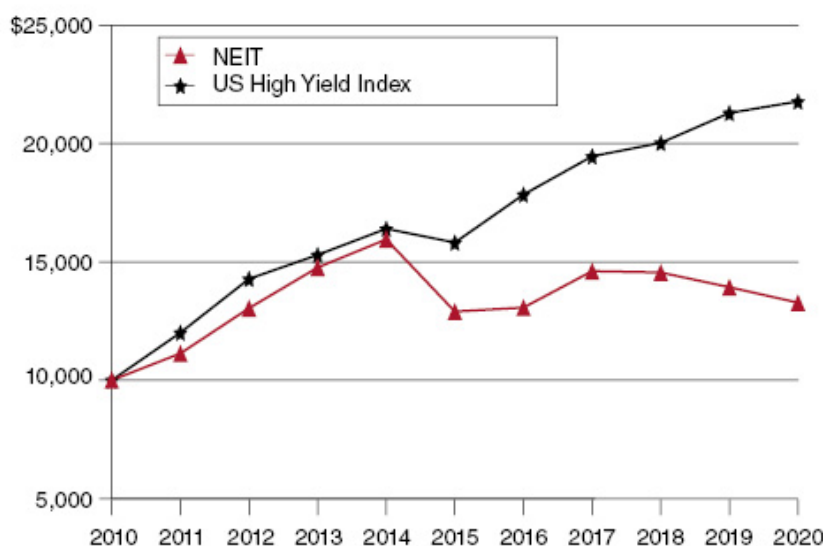
Shareholders may also access and review information and reports of the Trust, at the SEC's Public Reference Room in Washington, D.C. You can call the SEC at 1-202-942-8090 for information about the operation of the Public Reference Room. Reports and other information about the Trust are available on 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 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 811-00576.

Performance Graph — Ten Years (unaudited)

The following graph compares the cumulative total shareholder return on Northeast Investors Trust shares over the ten preceding fiscal years to the cumulative total share return on the ICE Bank of America Merrill Lynch US High Yield Index, (US High Yield Index) assuming an investment of \$10,000 in both at their closing prices on September 30, 2010 and reinvestment of dividends and capital gains.

The US High Yield Index is an unmanaged market value-weighted index comprised of all 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. It is shown for comparative purposes only and reflects no deductions for fees, expenses or taxes.

Keep in mind that past performance does not guarantee future returns, and an investment in the Trust is not guaranteed.



Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NEIT	\$ 10,000	\$ 11,133	\$ 13,045	\$ 14,762	\$ 15,952	\$ 12,902	\$ 13,070	\$ 14,610	\$ 14,553	\$13,931	\$13,278
US High Yield Index	\$ 10,000	\$ 12,008	\$ 14,282	\$ 15,295	\$ 16,401	\$ 15,816	\$ 17,844	\$ 19,460	\$ 20,029	\$21,290	\$21,780

Summary of Net Assets
September 30, 2020 (Unaudited)

	Value	% of Net Assets
Corporate Bonds, Loans & Notes		
Auto Manufacturers	\$ 4,669,708	2.82%
Building Products	5,619,563	3.40%
Coal	660,680	0.40%
Communications	10,497,499	6.35%
Consumer Discretionary	7,987,305	4.83%
Drug Stores	1,733,725	1.05%
Electrical Components & Equipment	151,530	0.09%
Electrical Utility	4,448,036	2.69%
Energy / Natural Resources	15,301,181	9.25%
Financial Services	4,988,250	3.02%
Health Care Facility	6,075,000	3.67%
Homebuilders	5,031,250	3.04%
Industrial Servicing / Manufacturing	23,568,375	14.25%
Metals & Mining	10,977,437	6.64%
Oil & Gas Drilling	9,171,432	5.55%
Paper / Forest Products	37,500	0.02%
Technology	1,005,515	0.61%
Tobacco	19,193,824	11.61%
Wireless Telecom	4,982,725	3.01%
Total Corporate Bonds, Loans & Notes	\$ 136,100,535	82.30%
Common Stock		
Coal	\$ 113,030	0.07%
Diversified Chemicals	2,198,113	1.33%
Electrical Utility	664,014	0.40%
Energy / Natural Resources	250,259	0.15%
Food Processing	2,442,108	1.48%
Metals & Mining	7,189,083	4.35%
Oil & Gas Drilling	422,155	0.25%
Packaging & Container	125,967	0.08%
Paper / Forest Products	291,662	0.17%
Retail Food Chain	1,088,182	0.66%
Transportation	99,946	0.06%
Total Common Stock	\$ 14,884,519	9.00%
Total Preferred Stock	6,479,000	3.92%
Total Asset Backed Securities	112,779	0.07%
Total GDP-Linked Bonds	65,335	0.04%
Total Repurchase Agreement	5,949,202	3.59%
Total Investments	\$ 163,591,370	98.92%
Receivables	2,255,368	1.36%
Total Assets	\$ 165,846,738	100.28%
Liabilities	(470,656)	-0.28%
Total Net Assets	\$ 165,376,082	100.00%

Schedule of Investments (a)
September 30, 2020

Asset Backed Securities — 0.07%

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value</i>
Airline Lease — 0.07%		
Aircraft Fin Trust, 0.63238%, FRN (1 month LIBOR + 0.48%), 5/15/24 ^(b)	\$ 15,037,253	\$ 112,779
Total Asset Backed Securities — (cost -\$6,541,205)		\$ 112,779

Corporate Bonds, Loans & Notes — 82.30%

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value</i>
Auto Manufacturers — 2.82%		
Ford Motor Credit Co LLC, 3.219%, 1/09/22	\$ 1,425,000	\$ 1,423,148
Ford Motor Credit Co LLC, 3.35%, 11/01/22	3,296,000	3,246,560
		4,669,708
Building Products — 3.40%		
BMC East LLC, 5.5%, 10/01/24 ^(c)	5,000,000	5,137,500
Builders Firstsource, 6.75%, 6/01/27 ^(c)	450,000	482,063
		5,619,563
Coal — 0.40%		
Westmoreland Mining Holdings LLC TL, PIK 15%, 3/15/29 (d)	1,651,701	660,680
Communications — 6.35%		
Centurylink, Inc., 7.5%, 4/01/24	5,000,000	5,598,000
Expedia Media Group, Inc., 7%, 5/01/25 ^(c)	4,530,000	4,899,499
		10,497,499
Consumer Discretionary — 4.83%		
Foot Locker, Inc., 8.5%, 01/15/22	7,500,000	7,987,305
Drug Stores — 1.05%		
Rite Aid Corp., 7.5%, 7/01/25 ^(c)	734,000	722,990
Rite Aid Corp., 8%, 11/15/26 ^(c)	1,012,000	1,010,735
		1,733,725
Electrical Components & Equipment — 0.09%		
Advanced Lighting Technologies, PIK, FRN 18% (3 month LIBOR +17%) 9/30/23 ^{(b) (c) (e)}	7,933,505	151,530
Electrical Utility — 2.69%		
AES Corp., 5.5%, 4/15/25	4,314,000	4,448,036
Energy/Natural Resources — 9.25%		
American Eagle Energy Corp., 11%, 9/01/19 ^{(b) (c) (e) (f)}	15,500,000	75,950
CNX Resources, Inc., 7.25%, 3/14/27 ^(c)	10,000,000	10,200,000
RAAM Global Energy Co., 12.5%, 10/01/15 ^{(e) (f)}	23,000,000	110,400
Range Resources Corp., 4.875%, 5/15/25	5,000,000	4,513,000
Talos Production LLC, 11%, 4/03/22	422,980	401,831
		15,301,181

Corporate Bonds, Loans & Notes — (continued)

<i>Name of Issuer</i>	<i>Principal</i>	<i>Value</i>
Financial Services — 3.02%		
Synovus Financial Corp., 5.75%, 12/15/25	\$ 5,000,000	\$ 4,988,250
Health Care Facility — 3.67%		
Centene Corp., 4.75%, 5/15/22	6,000,000	6,075,000
Homebuilders — 3.04%		
PulteGroup, Inc., 4.25%, 3/01/21	5,000,000	5,031,250
Industrial Servicing / Manufacturing — 14.25%		
Clean Harbors, Inc., 4.875%, 7/15/27 ^(c)	500,000	518,750
Fortress Transportation and Infrastructure Investors LLC, 6.75%, 3/15/22 ^(c)	6,500,000	6,402,500
Fortress Transportation and Infrastructure Investors LLC, 9.75%, 8/01/27 ^(c)	500,000	533,125
Mueller Industries, Inc., 6%, 3/01/27	6,089,000	6,089,000
XPO Logistics, Inc., 6.5%, 6/15/22 ^(c)	10,000,000	10,025,000
		23,568,375
Metals & Mining — 6.64%		
Allegheny Technologies, Inc., 6.95%, 12/15/25	4,500,000	4,466,250
American Gilsonite Co., PIK 17%, 12/31/21 ^(c)	9,111,865	6,511,187
		10,977,437
Oil & Gas Drilling — 5.55%		
Parker Drilling Co. TL, 13% (11% cash, 2% PIK), 3/26/24 ^(d)	2,553,047	2,284,694
Tidewater, Inc., 8%, 8/01/22	7,027,284	6,886,738
		9,171,432
Paper/Forest Products — 0.02%		
Cenveo Corp., 8.5%, 9/15/22 ^(c) ^(e)	25,000,000	37,500
Technology — 0.61%		
Iron Mountain, Inc., 4.5%, 2/15/31 ^(c)	1,000,000	1,005,515
Tobacco — 11.61%		
Pyxus Holdings Inc., 10%, 8/24/24	10,845,675	9,218,824
Vector Group LTD, 6.125%, 2/01/25 ^(c)	10,000,000	9,975,000
		19,193,824
Wireless Telecom — 3.01%		
Frontier Communications, 8%, 4/01/27 ^(c)	5,000,000	4,982,725
Total Corporate Bonds, Loans & Notes — (cost—\$205,743,031)		\$ 136,100,535
GDP-Linked Bonds — 0.04%		
<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 ^(e)	\$ 34,386,574	\$ 65,335
Total GDP-Linked Bonds — (cost—\$1,423,421)		\$ 65,335

Common Stock — 9.00%

<i>Name of issuer</i>	<i>Number of Shares</i>	<i>Value</i>
Coal — 0.07%		
Westmoreland Mining Holding LLC, Class A Units ^{(d) (e)}	22,606	\$ 113,030
Diversified Chemicals — 1.33%		
Ingevity Corp. ^(e)	602	29,763
NL Industries, Inc.	510,200	2,168,350
		2,198,113
Electrical Components & Equipment — 0.00%		
Advanced Lighting Technologies PFD ^{(b) (e)}	104,947	—
Electrical Utility — 0.40%		
Homer City Holdings, LLC ^{(d) (e)}	221,338	664,014
Energy / Natural Resources — 0.15%		
SilverBow Resources, Inc. ^(e)	5,058	19,878
Talos Energy, Inc. ^(e)	35,718	230,381
		250,259
Food Processing — 1.48%		
Viskase Cos., Inc. ^(e)	3,052,635	2,442,108
Metals & Mining — 4.35%		
American Gilsonite ^{(b) (d) (e)}	15,980	276,294
American Zinc Recycling, LLC ^{(b) (d) (e)}	21,539	6,911,336
Ormet Corp. ^(e)	372,638	1,453
		7,189,083
Oil & Gas Drilling — 0.25%		
Key Energy Services, Inc. ^(e)	129	742
Parker Drilling Co. ^(e)	140,471	421,413
		422,155
Packaging & Container — 0.08%		
Westrock Co.	3,626	125,967
Paper/Forest Products — 0.17%		
Cenveo Enterprises, Inc. ^{(d) (e)}	20,833	291,662
Retail Food Chain — 0.66%		
Romacorp, Inc. ^{(b) (d) (e)}	82,220	1,088,182
Transportation — 0.06%		
Getlink SA	7,349	99,946
Total Common Stock — (cost—\$52,370,160)		\$ 14,884,519
Preferred Stock — 3.92%		
Pipeline — 3.92%		
Crestwood Equity Partners LP PFD, 9.25%, Perpetual	1,100,000	\$ 6,479,000
Total Preferred Stock — (cost—\$10,441,640)		\$ 6,479,000

Warrants — 0.00%

<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 ^{(b) (e)}	2,006	\$ —
Total Warrants — (cost—\$0)		\$ —
Repurchase Agreement — 3.59%	<i>Principal</i>	<i>Value</i>
State Street Bank & Trust Co. 0.00% dated 9/30/2020, to be repurchased at \$5,949,202 on 10/01/2020 ^(g)		
Total Repurchase Agreement — (cost—\$5,949,202)	\$ 5,949,202	\$ 5,949,202
Total Investments — 98.92% (cost—\$282,468,659)		\$ 163,591,370
Net Other Assets and Liabilities — 1.08%		1,784,712
Net Assets — 100%		\$ 165,376,082

- (a) Portions of the portfolio are pledged to collateralize short term borrowings.
- (b) 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 September 30, 2020 was \$8,616,071 which represents 5.21% of total net assets (See Note-I).
- (c) 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 \$62,671,569 which represents 37.90% of total net assets. These securities are generally deemed liquid.
- (d) 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 September 30, 2020 was \$12,289,892 which represents 7.43% of total net assets. Additional information on each holding is as follows:

Security	Acquisition Date	Acquisition Cost
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. Term Loan	3/27/2019	\$ 2,982,857
Romacorp, Inc.	11/15/2006	\$ 4,118,756
Westmoreland Mining Holdings Co. Term Loan	3/15/2019	\$ 2,445,129
Westmoreland Mining Holdings Co. Class A Units	3/15/2019	\$ 641,637

- (e) Non-income producing security.
- (f) Security is in principal default.
- (g) Acquired on September 30, 2020. Collateralized by \$6,068,270 of US Treasury Notes due 5/15/2040. The maturity value is \$5,949,202.

PIK Payment in Kind

FRN Floating Rate Note - rates reflected are as of September 30, 2020

PFD Preferred Security

TL Term Loan

Statement of Assets and Liabilities

September 30, 2020

Assets

Investments—at market value (cost \$276,519,457)	\$ 157,642,168
Repurchase Agreement - at market value (cost \$5,949,202)	5,949,202
Receivable for interest	2,255,008
Receivable for shares sold	360
Total Assets	165,846,738

Liabilities

Accrued expenses	252,291
Payable for trustee fees	206,829
Payable for shares repurchased	11,536
Total Liabilities	470,656

Net Assets **\$ 165,376,082**

Net Assets Consist of:

Capital, at a \$1.00 par value	\$ 44,482,113
Paid in surplus	434,268,675
Accumulated net investment income	1,966,400
Accumulated net realized gain / (loss)	(196,463,817)
Net unrealized gain / (loss)	(118,877,289)
Total distributable earnings / (loss)	(313,374,706)

Net Assets **\$ 165,376,082**

Net Asset Value, offering price and redemption price per share (\$165,376,082/44,482,113 shares) **\$ 3.72**

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

Statement of Operations

Year Ended September 30, 2020

Investment Income

Interest	\$ 8,644,781
PIK Interest	1,782,702
Dividends	994,886
Other Income	747,374
Total Income	12,169,743

Expenses

Administrative expenses and salaries	\$ 1,372,539
Trustee fees	855,204
Computer and related expenses	215,150
Audit and audit-related fees	133,100
Commitment fees	103,933
Custodian fees	60,050
Printing, postage and stationery fees	54,350
Registration and filing fees	44,600
Interest expense	39,865
Insurance	35,430
Transfer Agent Fees	20,345
Legal Fees	19,754
Telephone	12,640
Other expenses	65,520
Total Expenses	3,032,480
Net Investment Income	9,137,263
Realized and Unrealized Gain (Loss) on Investments:	
Net realized gain (loss) from investment transactions	246,881
Change in unrealized appreciation (depreciation) of investments	(18,097,571)
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ (8,713,427)

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

Statements of Changes in Net Assets

	<i>Year Ended September 30, 2020</i>	<i>Year Ended September 30, 2019</i>
Increase (Decrease) in Net Assets		
From Operations:		
Net investment income	\$ 9,137,263	\$ 10,959,819
Net realized gain (loss) from investment transactions	246,881	(18,328,963)
Change in unrealized appreciation (depreciation) of investments	(18,097,571)	(2,392,284)
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>(8,713,427)</u>	<u>(9,761,428)</u>
Distributions to Shareholders from Operations	(10,630,057)	(10,272,771)
From Net Trust Share Transactions — (See Note D)	(16,625,934)	(35,826,846)
Total Increase (Decrease) in Net Assets	<u>(35,969,418)</u>	<u>(55,861,045)</u>
Net Assets:		
Beginning of Period	201,345,500	257,206,545
End of Period	<u>\$ 165,376,082</u>	<u>\$ 201,345,500</u>

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

Financial Highlights

Per Share Data	Year Ended September 30,				
	2020	2019	2018	2017	2016
Net Asset Value:					
Beginning of Period	\$ 4.14	\$ 4.53	\$ 4.82	\$ 4.58	\$ 4.86
Income From Investment Operations:					
Net investment income [^]	0.20	0.21	0.20	0.28	0.33
Net realized and unrealized gain (loss) on investment	-0.39	-0.40	-0.23	0.26	-0.29
Total from investment operations	-0.19	-0.19	-0.03	0.54	0.04
Less Distributions:					
Net investment income	-0.23	-0.20	-0.26	-0.30	-0.32
Net Asset Value:					
End of Period	\$ 3.72	\$ 4.14	\$ 4.53	\$ 4.82	\$ 4.58
Total Return[#]	-4.69%	-4.27%	-0.39%	11.78%	1.30%
Ratios & Supplemental Data					
Net assets end of period (in thousands)	\$ 165,376	\$ 201,346	\$ 257,207	\$ 303,915	\$ 323,792
Ratio of operating expenses to average net assets*	1.71%	1.56%	1.48%	1.52%	1.60%
Ratio of interest expense and commitment fee to average net assets	0.08%	0.09%	0.15%	0.13%	0.29%
Ratio of net investment income to average net assets	5.14%	4.91%	4.35%	5.98%	7.66%
Portfolio turnover rate	43.75%	45.13%	42.69%	61.33%	3.52%

* Includes Interest Expense when applicable

[^] Calculated using the Average Share Method

[#] 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 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 including FASB Accounting Standard update (“ASU”) 2013-08.

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 sale 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 analysis of market data and other factors such as last sale, dealer bids, yields, quality ratings, coupon rate, maturity, type of issue, trading characteristics and other relevant bond market data.

Securities for which market quotations are not readily available (including certain 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, 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 also 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 affect 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 valued in good faith on September 30, 2020 was \$8,616,071, which represents 5.21% of net assets.

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

The Trust has reviewed the tax positions for the open tax years as of September 30, 2020 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.

LIBOR Transition Risk: The Trust may invest in fixed income securities that are based on the London Interbank Offered Rate (LIBOR). LIBOR transition risk is the risk that the transition from LIBOR to alternative interest rate benchmarks is not orderly or timely.

Payment-In-Kind (PIK) Risk: Investments in PIK bonds may offer a higher interest rate than other securities however, these bonds also carry additional risk of default as they are generally issued by companies that do not have the cash flow available to make routine cash interest payments to the lenders.

Repurchase Agreement Risk: In the event of default or bankruptcy by either party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings.

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. The Trust adopted the ASU and applied the standard on a retrospective basis with an effective date of October 1, 2019. The Trust recognized a cumulative effect adjustment that decreased cost and increased the unrealized appreciation of the investments by \$327,219. This change had no impact on total distributable earnings (loss) or the net asset value of the Trust.

Note C—Trustees' Compensation

Trustees' compensation was 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 paid certain expenses specified in the Declaration of Trust. For the year ended September 30, 2020 the current Independent Trustees were aggregately paid \$120,000 from the Trustee fees.

The total number of shares owned beneficially by the Trustees, officers and members of their immediate families on September 30, 2020 was 3,801,354 shares (8.55%).

Administrative Expenses & Salaries: Northeast Investors Trust incurs salary and administrative expenses which include 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 September 30, 2020, there were unlimited shares of beneficial interest authorized with a par value of \$1. Transactions in shares of beneficial interest were as follows:

	<i>Year Ended</i> <i>September 30, 2020</i>		<i>Year Ended</i> <i>September 30, 2019</i>	
Shares Sold	605,066	\$ 2,290,926	1,139,356	\$ 4,910,394
Shares issued to shareholders in reinvestment of distributions from net investment income	1,807,430	7,006,984	1,591,633	6,825,365
	<u>2,412,496</u>	<u>\$ 9,297,910</u>	<u>2,730,989</u>	<u>\$ 11,735,759</u>
Shares redeemed	(6,666,608)	(25,923,844)	(10,892,184)	(47,562,605)
Net Increase (Decrease)	<u>(4,254,112)</u>	<u>\$ (16,625,934)</u>	<u>(8,161,195)</u>	<u>\$ (35,826,846)</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 \$73,889,845 and \$84,799,493 respectively, for the year ended September 30, 2020.

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 September 30, 2020 the Trust had an unused line of credit amounting to \$40,000,000. The Trust pays a commitment fee of 0.20% on the unused portion of the line of credit when the loan balance is equal to or greater than \$24,000,000 and otherwise pays 0.25%. The line of credit may be terminated at the bank's option at its annual renewal date, on January 8, 2021. Portions of the Trust's portfolio are pledged to collateralize these short-term borrowings.

The following information relates to aggregate short-term borrowings during the year ended September 30, 2020:

Average amount outstanding (total of daily outstanding principal balances divided by the number of days with debt outstanding during the period)	\$ 4,187,292
Weighted average interest rate	2.08%

Note G—Repurchase Agreement

The Trust invests its 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 years ended September 30, 2020 and 2019 were \$10,630,057 and \$10,272,771, and were classified as ordinary income. 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.

As of September 30, 2020 the components of accumulated earnings (losses) on a tax basis were as follows:

Undistributed Net Investment Income	\$ 1,966,400
Total capital loss carryforward:	(196,498,011)
Net unrealized gains (losses)	(118,843,095)
Total net distributable earnings (losses)	<u>\$ (313,374,706)</u>

At September 30, 2020 the Trust’s aggregate security unrealized gains and losses based on cost for U.S. federal income tax purposes was as follows:

Tax cost	\$ 282,434,465
Gross unrealized gains	6,314,736
Gross unrealized losses	(125,157,831)
Net unrealized gains / (losses)	<u>\$ 118,843,095</u>

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

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.

Notes to Financial Statements
(continued)

The following table summarized the Trust's investment as of September 30, 2020 based on the inputs used to value them:

	Level 1	Level 2	Level 3	Total as of 9/30/2020
Corporate Bonds, Loans & Notes	\$ —	\$ 129,324,368	\$ 6,776,167	\$ 136,100,535
Common Stock	2,997,947	2,542,054	9,344,518	14,884,519
Preferred Stock	6,479,000	—	—	6,479,000
GDP Linked Security	—	65,335	—	65,335
Asset Backed Security	—	—	112,779	112,779
Warrants	—	—	—	—
Repurchase Agreement	—	5,949,202	—	5,949,202
	<u>\$ 9,476,947</u>	<u>\$ 137,880,959</u>	<u>\$ 16,233,464</u>	<u>\$ 163,591,370</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. For the year ended September 30, 2020, there were seven transfers from Level 2 to Level 3 due to an absence of observable inputs at the end of the period.

At September 30, 2020, the reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value, is as follows:

	Asset Backed Securities	Corporate Bonds, Loans & Notes	Common and PFD Stock	Totals as of 9/30/2020
Beginning Balance @ 9/30/19	\$ —	\$ 1,928,586	\$ 11,913,013	\$ 13,841,599
Purchases	—	—	1,319,310	1,319,310
Sales	—	—	—	—
Realized Gain(Loss)	—	—	—	—
Net Change in Unrealized Appreciation/(Depreciation)	—	(1,777,056)	(4,956,511)	(6,733,567)
Transfers into Level 3 from Level 2	112,779	6,624,637	1,068,706	7,806,122
Ending Balance @ 09/30/2020	<u>\$ 112,779</u>	<u>\$ 6,776,167</u>	<u>\$ 9,344,518</u>	<u>\$ 16,233,464</u>

	Change in Unrealized Gain / (Loss) for Positions Still Held at September 30, 2020
Corporate Bonds, Loans & Notes	\$ (1,777,056)
Common Stock	(4,956,511)
Totals	<u>\$ (6,733,567)</u>

Notes to Financial Statements
(continued)

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 September 30, 2020:

Investment Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range	Impact to Valuation from an Increase in Input ⁽¹⁾
Asset Backed Security					
Airline Lease	\$ 112,779	Discounted Cash Flow	Discount Rate	20%	Decrease
Common Stock					
Metals and Mining	276,294	Market Comparable ⁽³⁾	Forward EBITDA Multiple	9x-15x	Increase
Metals and Mining	6,911,336	Market Comparable ⁽³⁾	Forward EBITDA Multiple	10x-11.3x	Increase
	<u>\$ 7,376,359</u>				

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

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

(3) Earnings multiples are based on comparable companies and transactions of comparable companies.

The above table does not include 7 securities value at \$8,933,055 which were valued by inputs not derived by management such as third party vendor pricing series, broker quotes, acquisition analysis, and recovery analysis.

Note J—Subsequent Events

Management has evaluated whether any other events or transactions occurred subsequent to September 30, 2020 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.

To the Shareholders and the Board of Trustees of Northeast Investors Trust

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Northeast Investors Trust (the Trust) as of September 30, 2020, the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the related notes to the financial statements (collectively, the financial statements), and the financial highlights for each of the five years in the period then ended. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Trust as of September 30, 2020, the results of its operations for the year then ended, the changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on the Trust's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Trust in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2020, by correspondence with the custodians and brokers or by other appropriate procedures, where replies were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the auditor of one or more Northeast Investors Trust since 2016.

Boston, Massachusetts
November 24, 2020

Trustees & Officers

The Trustees of Northeast Investors Trust are 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.

Name/Age/Service*	Position	Principal Occupation(s) / Other Directorships During the Past Five Years
<i>Affiliated Trustees and Fund Officers</i>		
Bruce H. Monrad Age: 58 Years of Service: 27	Trustee and Chairman	Trustee and Chairman of Northeast Investors Trust
Gordon C Barrett Age: 63 Years of Service: 32	Executive Vice President and Chief Financial Officer	Chief Financial Officer of Northeast Investors Trust; President of Sippican Capital Advisors
David A. Randall Age: 53 Years of Service: 20	Chief Compliance Officer and Vice President of Operations	Officer of Northeast Investors Trust
<i>Independent Trustees</i>		
Peter J. Blampied Age: 78 Years of Service: 20	Trustee	Director of A.W. Perry, Inc.
George P. Beal Age: 67 Years of Service: 16	Trustee	Managing Partner, Boston Family Office, LLC; Director and Trustee of Breckenridge Capital Advisors
Charles R. Daugherty Age: 67 Years of Service: 16	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.

Trustees

Peter J. Blampied
Charles R. Daugherty

Bruce H. Monrad
George P. Beal

Officers

Bruce H. Monrad, Chairman
Gordon C. Barrett, Executive Vice President & Chief Financial Officer
David A. Randall, Vice President of Operations & 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

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

Legal Counsel

Dechert LLP
90 State House Square
Hartford, CT 06103

Transfer Agent

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/proxyvotetrust.txt, call 1-800-225-6704 or visit the Securities and Exchange Commission (SEC)'s web site at 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

The share price for Northeast Investors Trust is made available at www.northeastinvestors.com or by calling 800-225-6704.
