



Investing In a Rising Rate Environment

- **High Yield - A Natural Fit**

High yield risks are compensated by issuing bonds with higher coupon rates and shorter maturities (relative to other fixed income), which produce shorter durations, making high yield less sensitive to interest rate changes. In addition, central banks tend to raise rates when underlying economic conditions are strong, an environment that often reduces the risks associated with high yield. Therefore with shorter durations and favorable conditions, high yield typically outperforms most fixed income strategies during rising rate cycles.

- **Tactical Flexibility**

Being a smaller fund, Northeast Investors Trust (the "Trust") can quickly and efficiently alter its portfolio to navigate the ever-changing market conditions. We are currently overweight short-duration securities in order to mitigate rate risk and feel by actively managing duration we have not had to substantially increase credit risk. Looking forward, we will remain flexible as we keep a keen eye on inflation, focusing on the supply-side impacts of global logistics as well as those sectors where demand is most sensitive to inflation and rates.

- **With a Long-Term Value Strategy**

As long-term value investors, the Trust generally skews towards bonds on the higher-quality end of high yield and with shorter durations as compared to the index. By maintaining a high credit quality, the Trust is well positioned for a potential slowdown or even a recession. Over the last two decades, high yield leverage is at its lowest heading into a tightening cycle, which means the asset class is healthier and may be better equipped to handle an economic downturn

- **Proven Track Record**

The Trust has historically performed well in rising rate environments and this trend has continued over the past 20 months. During the seven rate-hiking cycles over the past three decades the Trust has mostly outperformed both the High Yield* and 10-Year Treasury^ indices on a total return basis.

Rising Rate Periods Since 1989						
			Total Return			
Beginning	End	10-YR UST Δ Yield	10-YR^	High Yield*	Northeast ⁺	Notes
July 31, 2020	April 30, 2022	+2.34	-16.9%	3.1%	6.0%	Pandemic, Inflation, Ukraine
July 8, 2016	November 8, 2018	+1.87	-11.3%	15.6%	18.3%	Fed Tightening
May 1, 2013	December 31, 2013	+1.38	-9.5%	2.3%	5.8%	Taper Tantrum
December 31, 2008	December 31, 2009	+1.60	-9.7%	57.5%	53.8%	Post-Lehman
May 31, 2003	June 30, 2006	+1.78	-1.7%	31.2%	36.3%	Housing Boom, Pre-Great Recession
September 30, 1998	January 31, 2000	+2.24	-10.1%	4.9%	7.0%	Russian Default, LTCM
September 30, 1993	November 30, 1994	+2.51	-10.8%	1.4%	7.7%	Global Bond Sell-Off

*ICE BofA US High Yield Index

^ICE BofA Current 10-Year Treasury Index

⁺Northeast Investors Trust (Ticker: NTHSX)

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

AVERAGE ANNUAL RETURNS (AS OF DECEMBER 31, 2022)							
	3 Months	YTD	1 YR	3-YR	5-YR	10-YR	Since Inception ¹
Northeast Investors Trust	2.66%	-2.49%	-2.49%	-0.39%	-1.08%	0.30%	6.76%
ICE BofA US High Yield Index	3.98%	-11.22%	-11.22%	-0.23%	2.12%	3.94%	N/A

¹ The inception date for the Trust is 3/1/1950; the inception date for the ICE BofA US High Yield Index is 8/31/1986.

*The ICE BofA ML 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. Bonds included in the index have maturities of one year or more and have a below investment grade rating, but are not in default. It is shown for comparative purposes only and reflects no deduction for fees, expenses and taxes.

^The ICE BofA Current 10-Year US Treasury Index is a one-security index comprised of the most recently issued 10-year US Treasury note. The index is rebalanced monthly. In order to qualify for inclusion, a 10-year note must be auctioned on or before the third business day before the last business day of the month and settle before the following calendar month end.

Mutual Fund investing involves risk. The Trust invests in lower rated debt securities which may be subject to increased market volatility based on factors such as: the ability of an issuer to make current interest payments, the potential for principal loss if an issuer declares bankruptcy, and the potential difficulty in disposing of certain securities in a timely manner at a desired price and therefore can present an increased risk of investment loss. Diversification does not eliminate the risk of experiencing investment losses.

Falling Interest rates and bond defaults may negatively impact the Trust's distributable income. In addition, during periods of declining interest rates, higher yield securities may be called and the Trust may be unable to reinvest those proceeds in similar yielding securities. Therefore, shareholders should expect the Trust's quarterly dividend distributions to decline under these circumstances. The Trust is generally for investors with longer-term investment horizons, and should not be used for short-term trading purposes. An investment in the Trust involves risk and should be part of a balanced investment program.

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

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