

Northeast Investors Trust



June 30, 2017

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Performance Update

The high yield markets ended the quarter higher as measured by the Bank of America Merrill Lynch US High Yield Index ("BAML") which returned +2.14% for the quarter. Over the same period the Northeast Investors Trust (the "Trust") outperformed the benchmark by returning +2.76%. As of June 30, the Trust reported a fiscal year total return of +9.70% continuing its recovery from the lows experienced in February of 2016. This again compares favorably to the BAML which returned +6.89% for the same period (click here for additional performance data).

By way of overview, the volatility in the energy markets in the quarter weighed on the portfolio's holdings in this sector and thus detracted from the overall performance. Expectations for rising U.S. crude production in combination with better than anticipated output from Libya and Nigeria put into question OPEC's ability to address the supply/demand imbalance. This resulted in the price of crude-oil declining throughout the period, and the energy/natural resources sector of the Trust following suit.

Energy aside, some of the other portfolio sectors saw positive returns. More specifically, the strong quarterly performance was aided in large part by the Trust's holdings of Claire's Stores, Citigroup and Jack Cooper, which recovered in the quarter consistent with the announcement of an offer to purchase the company, but continues to lag for the fiscal period.

The high yield market absorbed the third Federal Reserve interest rate hike in the past six months with little disruption as this event was well anticipated. Management continues to position the portfolio with the expectation of future rate hikes. To this end, recent additions such as Clearwire Communications, Enpro Industries and Platform Specialty Products were purchased as short duration securities as we continue to search for value within the high yield space.

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

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