

## NORTHEAST INVESTORS GROWTH FUND

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## SHARES OF BENEFICIAL INTEREST STATEMENT OF ADDITIONAL INFORMATION

May 1, 2017

Trading Symbol - NTHFX

*This Statement of Additional Information supplements the Prospectus for the Fund dated May 1, 2017 and should be read in conjunction with the Prospectus. A copy of the Prospectus may be obtained from the Fund at the above address, by calling the telephone number above or by visiting our website at [www.northeastinvestorsgrowthfund.com](http://www.northeastinvestorsgrowthfund.com). This Statement of Additional Information is not a Prospectus.*

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## THE FUND

Northeast Investors Growth Fund, herein called the Fund, is a diversified open-end management company originally organized in 1980 under the laws of The Commonwealth of Massachusetts as a corporation and converted to a Massachusetts business trust in 1987.

## INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS; GENERAL INFORMATION

The Fund's objective is to produce long-term capital appreciation for its shareholders. This objective is pursued through a flexible policy emphasizing investments in common stocks.

In response to adverse market or economic conditions, the Fund may invest for relatively short periods of time in short-term, highly liquid securities with maturities of 180 days or less, or bank deposits. These securities may include commercial paper or securities issued or guaranteed by the U.S. Government. This would be likely to happen when management believes that liquidity is highly desirable in response to adverse market or economic conditions and that therefore the Fund should adopt a temporary defensive policy. The Fund may also invest in securities convertible into common stocks, preferred stocks, corporate bonds, warrants or money market instruments.

### *Bank Deposits*

The Fund may invest in a federally insured interest bearing bank deposit account in order to meet cash needs, both actual and anticipated. For this purpose the Fund will utilize Union Bank's Institutional Deposit Account II ("ITDA-II"). ITDA-II is a federally insured interest bearing bank deposit account. The interest rate is based on market conditions and is determined at the bank's discretion. The applicable interest rate may change as often as daily. Interest accrues on the principal amount in the account each day and is credited monthly. The Federal Deposit Insurance Corporation ("FDIC") insures deposits of federally insured banks and savings and loan associations up to \$250,000. The Fund anticipates holding cash in ITDA-II at levels which - at times - will exceed the FDIC limit.

### *Cyber Security Risk*

As the use of technology has become more prevalent in the course of business, the Fund has become more susceptible to operational, financial and information security risks resulting from cyber-attacks and/or technological malfunctions. Cyber-attacks have occurred and will continue to occur. Cyber-attacks include - among other things - the attempted theft, loss, misuse, improper release, corruption or destruction of, or unauthorized access to, confidential or highly restricted data relating to the Fund and its shareholders; and attempted compromises or failures to systems, networks, devices and applications relating to the operations of the Fund and its service providers. Cyber security breaches may result from unauthorized access to digital systems (*e.g.*, through "hacking" or malicious software coding) or from outside attacks, such as denial-of-service attacks on websites (*i.e.*, efforts to make network services unavailable to intended users).

Successful cyber-attacks and/or technological malfunctions affecting the Fund or its service providers (including, but not limited to, its investment adviser, administrator, transfer agent and custodian or their agents) can result in: financial losses to the Fund and its shareholders; the inability of the Fund to transact business with its shareholders; delays or mistakes in the calculation of the Fund's net asset value or other materials provided to shareholders; the inability to process transactions with shareholders or other parties; the release of private shareholder information or confidential Fund information; violations of privacy and other laws; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. Similar types of cyber security risks are also present for issuers of securities in which the Fund may invest, which could result in material adverse consequences for such issuers and may cause the Fund's investment therein to lose value. While measures have been developed which are designed to reduce the risks associated with cyber security, there are inherent limitations in such measures and there is no guarantee those measures will be effective, particularly since the Fund does not directly control the cyber security measures of its service providers, financial intermediaries and companies in which it invests or with which it does business.

## *Fund Policies*

In pursuing this objective it is the fundamental policy of the Fund not to engage in any of the following activities or investment practices. These restrictions may not be changed without the approval of a majority of the outstanding shares. The Fund may not: (1) Purchase the securities of any issuer if such purchase, at the time thereof, would cause more than 5% of the value of the Fund's total assets at market value to be invested in the securities of such issuer (other than obligations of the U.S. Government and its instrumentalities); (2) Purchase the securities of any issuer if such purchase, at the time thereof, would cause more than 10% of any class of securities, or of the outstanding voting securities, of such issuer to be held in the Fund's portfolio; (3) Purchase securities of other investment companies except in the open market where no commission other than the ordinary broker's commission is paid, or as part of a merger, and in no event may investments in such securities exceed 10% of the value of the total assets of the Fund. The Fund may not purchase or retain securities issued by another open-end investment company; (4) Purchase any securities if such purchase, at the time thereof would cause more than 25% of the value of the Fund's assets to be invested in securities of companies in any one industry; (5) Invest in the securities of companies which, including predecessors, have a record of less than three years continuous operation, although it may invest in the securities of regulated public utilities or pipe-line companies which do not have such a record; (6) Purchase any securities or other property on margin, engage in short sales (unless by virtue of its ownership of other securities equivalent in kind and amount to the securities sold without incurring additional costs) or purchase or sell puts or calls, or combinations thereof; (7) Invest in companies for the purpose of exercising control or management; (8) Buy or sell real estate, commodities or commodity (futures) contracts unless acquired as a result of ownership of securities; (9) Underwrite securities issued by others; (10) Make loans to other persons (except by purchase of bonds and other obligations constituting part of an issue, limited, in the case of privately offered securities, to 10% of the Fund's total assets). However, the Fund may lend its portfolio securities to broker-dealers or other institutional investors if, as a result thereof, the aggregate value of all securities loaned does not exceed 33 1/3% of the total assets of the Fund; (11) Purchase or retain securities issued by an issuer if the officers, Trustees and Directors of the Fund and of the Adviser, together, own beneficially more than 5% of any class of securities of such issuer; (12) Issue senior securities, except that the Fund may borrow from banks to raise money for investment or to meet redemption requests in an amount which does not exceed 25% of the Fund's total assets.

In addition, the Fund may not purchase warrants in excess of 5% of the value of the Fund's net assets. Included within that amount, but not to exceed 2% of the value of the Fund's net assets, may be warrants which are not listed on the New York or American Stock Exchange. Warrants acquired by the Fund at any time in units or attached to securities are not subject to this restriction.

The Fund will not purchase securities which are not readily marketable (including repurchase agreements with maturities in excess of seven days) if such purchase, at the time thereof, would result in more than 10% of the Fund's net assets being invested in such securities.

The restrictions in the two preceding paragraphs are not fundamental and may be changed by the Board of Trustees without shareholder approval or notification.

The Fund does not intend to engage in trading for short-term profits, and portfolio turnover will be limited in accordance with the Fund's objective of producing long-term capital appreciation. This does not, however, preclude an occasional investment for the purpose of short-term capital appreciation. During the fiscal years ended December 31, 2016 and 2015 the rates of total portfolio turnover were 20% and 28% respectively. Although investment policy or changed circumstances may require, in the opinion of management, an increased rate of such portfolio turnover, the Adviser does not anticipate that such turnover will be substantially in excess of that experienced by the Fund in recent years.

The Fund has adopted policies and procedures with respect to the disclosure of portfolio securities. The Fund will file a complete portfolio schedule 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 Fund will also file a complete portfolio schedule with the SEC on form N-Q not later than sixty (60) days after the close of the first and third fiscal quarters. The Fund 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 certain third party providers for services which require access the Fund's portfolio. For example, our independent registered public

accounting firm performs annual audits which require access to the Fund's portfolio. Also the Fund's custodian and transfer agent maintain an up-to-date list of the Fund's holdings. Each of these parties is contractually and ethically prohibited from sharing or trading on the Fund's portfolio information. The Fund may also 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. No arrangements for selective disclosure of portfolio holdings outside of this policy currently exist, and it is the Fund's policy not to honor any requests for such disclosure. The Fund does not receive any compensation for holdings information.

The Fund and its investment adviser have adopted a Code of Ethics governing personal securities transactions by persons (access persons) associated with the Fund who have access to information about its investment operations. The Code does permit Fund and advisor personnel to make investments for their own accounts but requires pre-approvals for certain types of investments and – by law - systematic reporting. The Code of Ethics of the Fund is on file as an exhibit to this registration statement and may be obtained through the Securities Exchange Commission.

## TRUSTEES AND OFFICERS

The Trustees of the Fund are Nancy M. Mulligan, Michael Baldwin, John C. Emery and F. Washington Jarvis. Under Massachusetts law, the Trustees are generally responsible for overseeing the operation and management of the Fund. The table below provides certain information about the Fund's Trustees and Officers. The mailing address for the Trustees and Officers of the Fund is 100 High Street, Suite 1000, Boston, MA 02110-2301.

Name/Age/Service *		Position	Principal Occupation(s) and Other Directorships During the Past Five Years ****
<i>Interested Trustees and Fund Officers</i>			
Nancy M. Mulligan** Age: 49 Years of Service: 0		Trustee; Chairman; President	Trustee, Chairman and President of Northeast Investors Growth Fund (since 2017); Formerly, Vice President of Northeast Investors Growth Fund; President (since 2017) and Director (since November 2012) of Northeast Investment Management, Inc.; President (since 2017) and Director Northeast Management & Research Co., Inc.
Robert B. Minturn Age: 77 Years of Service: 36		Clerk; Vice President; Chief Legal Officer	Officer of Northeast Investors Growth Fund; Officer of Northeast Investors Trust (until December 2014); Director and Officer of Northeast Investment Management, Inc. (until June 2015)
John F. Francini, Jr. Age: 49 Years of Service: 9		Chief Financial Officer	Officer of Northeast Investors Growth Fund; Director (since November 2012) and Officer of Northeast Investment Management, Inc. and Northeast Management & Research Co., Inc.
Richard M. Manoogian Age: 54 Years of Service: 5		Chief Compliance Officer	Chief Compliance Officer of Northeast Investors Growth Fund; Director (since November 2012) and Chief Compliance Officer of Northeast Investment Management, Inc.; Chief Compliance Officer of Northeast Management & Research Co., Inc.
Robert M. Kane Age: 42 Years of Service: 16		Vice President	Officer of Northeast Investors Growth Fund (Chief Compliance Officer until Feb. 2012); Officer of Northeast Investment Management, Inc. (since September 2013).

### *Independent Trustees*

Michael Baldwin Age: 76 Years of Service: 17	Trustee	Partner, Baldwin Brothers, Registered Investment Advisor
John C. Emery Age: 86 Years of Service: 36	Trustee	Counsel, Law Firm of Sullivan & Worcester LLP; President of Boston Investment Company
F. Washington Jarvis Age: 77 Years of Service: 13	Trustee	Director, ELM Program, Yale Divinity School; Headmaster <i>Emeritus</i> , Roxbury Latin School

- \* The Trustees serve until their resignation or the appointment of a successor and the officers serve at the pleasure of the Trustees.
- \*\* Ms. Mulligan is an interested Trustee because of her affiliation with the Fund's investment adviser.
- \*\*\* None of the Trustees are directors or trustees of any other affiliated or unaffiliated registered investment companies nor do they hold directorships in other public companies.
- \*\*\*\* Unless otherwise noted in the table each Trustee and officer has served in the listed capacities for at least the past five years.

### *The Trustees*

#### Nancy M. Mulligan (Interested Trustee)

Ms. Mulligan has been an officer and co-portfolio manager of the Fund since 2007. She holds the Certified Financial Planner™ designation. She is also the President and a portfolio manager for and director of Northeast Investment Management, Inc. – a registered investment advisor and manager of private accounts and the President and a director of Northeast Management & Research Company, Inc., the Fund's investment advisor. She began her business career with Chase Private Banking as an Investment Associate where she was responsible for investment management and trust administration of Investment Management, Trust and IRA accounts.

#### Michael Baldwin (Independent Trustee)

After previously working at Morgan Guaranty, in 1974 Mr. Baldwin founded Baldwin Brothers Inc., an asset manager servicing both private accounts and private investment companies.

#### John Emery (Independent Trustee)

Mr. Emery became a partner in the law firm of Sullivan and Worcester, LLP in 1968; he counsels clients on all issues relating to their wills, trusts and gifts with particular emphasis on taxation. He also settles estates and administers trusts.

#### F. Washington Jarvis (Independent Trustee)

Mr. Jarvis served for 30 years as Headmaster of Roxbury Latin School, where he was responsible for executive and management oversight of all aspects of the School. He is currently Director, ELM Program, Yale Divinity School.

### *The Board/Committees*

The Fund's Board of Trustees (the "Board") is comprised of four Trustees, three of whom (75%) are Independent Trustees. The Board has overall responsibility for overseeing the investment program of the Fund and its management

and operations and for engaging an investment adviser that is responsible for the day-to-day management of the Fund's portfolio. The Board exercises the powers, authority and responsibilities on behalf of the Fund as are customarily exercised by the directors of an investment company registered under the 1940 Act organized as a Massachusetts business trust and has authority to oversee and establish policies regarding the management, conduct and operation of the Fund's business. The Board has appointed Ms. Mulligan, an Interested Trustee, to serve in the role of Chairman. The Chairman's primary role is to participate in the preparation of the agenda for meetings of the Board and the identification of information to be presented to the Board with respect to matters to be acted upon by the Board. The Chairman also presides at all meetings of the Board and acts as a liaison with service providers, officers, attorneys, and other Board members generally between meetings. The Chairman may perform such other functions as may be requested by the Board from time to time. Except for any duties specified herein or pursuant to the Trust's Declaration of Trust or By-laws, the designation of a person as Chairman does not impose on such person any duties, obligations or liability that is greater than the duties, obligations or liability imposed on such person as a member of the Board, generally.

The Board has two standing committees: the Audit Committee, and the Nominating and Governance Committee, each of which consists of Messrs. Baldwin, Emery and Jarvis. These committees are therefore composed entirely of Independent Trustees, and all of the Independent Trustees serve on each committee. The Audit Committee met three times in the Fund's last fiscal year; the Nominating and Governance Committee did not meet. 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 Fund's independent accountants. The provision of audit and non-audit services by the Fund'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 and therefore meets only when necessary. 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 does not currently consider shareholder nominees and has not established a procedure for shareholders to nominate trustees.

The Board (including all the Independent Trustees) believes that an interested Chairman is appropriate and benefits shareholders because an interested Chairman has a personal and professional stake in the quality and continuity of services provided to the Fund and is best suited to appropriately fulfill the Chairman's role (as described above) given the specific characteristics and circumstances of the Fund. Independent Trustees exercise their informed business judgment to appoint an individual of their choosing to serve as Chairman, regardless of whether the Trustee happens to be independent or a member of management. The Independent Trustees have determined that they can act independently and effectively without having an Independent Trustee serve as Chairman and without appointing an Independent Trustee as lead Independent Trustee, and that a key structural component for assuring that they are in a position to do so is for the Independent Trustees to constitute a substantial majority for the Board and to constitute all the members of the Fund's Nominating and Governance Committee and Audit Committee. 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 also routinely meet in executive session and have engaged their own independent counsel to advise them on matters relating to their responsibilities in connection with the Fund.

Senior management, on a regular basis, undertakes risk assessments aimed at identifying key risks that the Fund may face, as described in the Fund'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 Fund is subject. The Board reviews the Fund'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 Fund, as described in the Fund'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 Fund's performance. It reviews the Fund'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 Fund's operations.

On February 16, 2017, the Fund’s Board, including all the Fund’s Trustees who are not “interested persons” (within the meaning of the Investment Company Act of 1940) of the Fund, approved a new investment advisory agreement with the Adviser. The terms of the new investment advisory agreement are the same as the terms of the Fund’s previous investment advisory agreement with the Adviser (including the same rate at which the investment advisory fee is calculated), except that the new investment advisory agreement is dated February 16, 2017 and will terminate on July 14, 2017. The Fund’s previously investment advisory agreement with the Adviser terminated by its terms in accordance with the requirements of the Investment Company Act of 1940 upon the death of Mr. William A. Oates, who was a controlling person of the Adviser. In approving the new investment advisory agreement, the Trustees relied upon the factors that they previously considered when most recently approving the Fund’s previous investment advisory agreement with the Adviser, which were as follows: The factors considered by the Trustees included among others the nature, quality and extent of services provided by the Adviser to the Fund, investment performance both of the Fund itself and relative to appropriate peer groups and market indices, investment management fees, expense ratios and asset sizes of the Fund itself and relative to appropriate peer groups, the Adviser’s profitability from managing the Fund before marketing expenses paid by the Adviser, possible economies of scale and possible financial and other benefits to the Adviser from serving as investment adviser. Based upon its review, the Trustees concluded that it is in the best interest of the Fund to continue the previous investment advisory agreement with the Adviser and to continue to retain the Adviser under the Fund’s new investment advisory agreement. In reaching this conclusion with respect to the previous investment advisory agreement the Trustees made the following determinations: (1) NMR has demonstrated competitive return results versus both its peer group and relative market index for the 1, 3, 5 and 10 year periods; (2) the expense ratio and management fee remain comparable to the category average; and (3) NMR utilizes the necessary resources, capabilities, and personnel required to manage the Fund effectively. Additional information is included in the Fund’s semi-annual report to shareholders for the six-month period ended June 30, 2016.

The following table shows the dollar range of shares of the Fund beneficially owned by each Trustee and Portfolio Manager at December 31, 2016. <b>Name of Trustees and Portfolio Managers</b>	<b>Dollar Range of Equity Securities in the Fund</b>	<b>Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Director in Family of Investment Companies</b>
<i>Trustee Who Is an “Interested Person” of the Fund; Portfolio Managers</i>		
John F. Francini, Jr.	Less than \$10,000	Less than \$10,000
Nancy M. Mulligan	Over \$100,000	Over \$100,000

<i>Trustees Who Are Not “Interested Persons” of the Fund</i>		
Michael Baldwin	\$10,001 - \$50,000	\$10,001 - \$50,000
John C. Emery	Over \$100,000	Over \$100,000
F. Washington Jarvis	Over \$100,000	Over \$100,000

The total number of shares owned beneficially by the Trustees, officers and members of their immediate families on March 31, 2017 was 73,030.448 shares (2.18%). As of March 31, 2017 the following persons of record owned 5% or more of the outstanding stock of the Fund:

Name	Address	Percentage Ownership of Record
SEI PRIVATE TRUST COMPANY	1 FREEDOM VALLEY DR	9.68%

OAKS, PA 19456		
NATIONAL FINANCIAL SERVICES, LLC	82 DEVONSHIRE ST MAIL ZONE ZE7F BOSTON, MA 02109	7.29%

## ADVISORY AND SERVICE CONTRACT

Northeast Management & Research Company, Inc. ("NMR") serves the Fund pursuant to an Interim Advisory and Service Contract. Under its terms, NMR is required to provide an investment program within the limitations of the Fund's investment policies and restrictions, and is authorized in its discretion to buy and sell securities on behalf of the Fund. NMR shares its officers and principal place of business with its affiliate, Northeast Investment Management, Inc. ("NIM"), an investment advisor registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

Prior to his death on February 14, 2017, Mr. Oates was deemed to "control" (as that term is defined in the Investment Company Act of 1940) NMR as a result of his ownership interest in NMR, which ownership remains in the estate of Mr. Oates and is controlled by the executor of his estate. Mr. Manoogian is an affiliated person of the Fund in his capacity as Chief Compliance Officer and is an affiliated person of NMR in his capacity as Chief Compliance Officer. Mr. Francini is an affiliated person of the Fund in his capacity as Vice President and Chief Financial Officer and is an affiliated person of NMR in his capacity as Director. Ms. Mulligan is an affiliated person of the Fund in her capacity as President and a Trustee and is an affiliated person of NMR in her capacity as President and a Director.

NMR provides office space to the Fund with the following expenses being the responsibility of the Fund: (a) taxes and other governmental charges, if any, (b) interest on borrowed money, if any, (c) legal fees, (d) auditing fees, (e) insurance premiums, (f) dues and fees for membership in trade associations, if any, (g) fees and expenses of registering and maintaining registrations by the Fund of its shares with the Securities and Exchange Commission and of preparing reports to government agencies and expenses of registering shares under Federal and state laws and regulations and of complying with other laws and regulations of all governmental bodies regulating the Fund, (h) fees and expenses of trustees not affiliated with or interested persons of NMR, (i) fees and expenses of the custodian, (j) fees to the transfer agent/shareholder servicing agent, (k) issue and transfer taxes chargeable to the Fund in connection with securities transactions to which the Fund is a party, (l) cost of reports to shareholders and expense of shareholders' meetings, including the mailing and preparation of proxy material, and trustees meetings, and (m) the cost of share certificates representing shares of the Fund.

The Fund pays NMR a fee at an annual rate of 1% on the first \$10 million of the Fund's average daily net assets, 0.75% on the next \$20 million of such average daily net assets, and 0.50% on amounts in excess of the first \$30 million of the Fund's average daily net assets. For the Fund's fiscal years ended December 31, 2016, 2015, and 2014, the advisory fee was \$367,415, \$411,292, and \$446,023, respectively. The Fund also pays all brokers' commissions in connection with its portfolio transactions.

The Fund is also liable for such non-recurring expenses as may arise, including litigation to which the Fund may be a party. The Fund may have an obligation to indemnify its officers and trustees with respect to such litigation.

## ADMINISTRATION AGREEMENT

Pursuant to an administrative agreement between the Fund and ALPS Fund Services, Inc. ("ALPS"), the Fund pays ALPS for certain administrative services including – but not limited to – preparing financial statements, coordinating meetings of the Fund's board of trustees, managing the invoice approval process, maintaining the Fund's budget, coordinating Blue Sky compliance, obtaining the fidelity bond and other insurance, and overseeing regulatory filings. . For the Fund's fiscal years ended December 31, 2016, 2015, and 2014, the administrative fees earned by ALPS were \$103,254, \$101,277, and \$98,641, respectively.

The following table shows the aggregate compensation paid during the fiscal year ended December 31, 2016 to the Trustees and Officers of the Fund.

<b>Name and Position</b>	<b>Aggregate Compensation Paid by the Fund</b>
Michael Baldwin, Trustee	\$10,000
John C. Emery, Trustee	\$10,000
F. Washington Jarvis, Trustee	\$10,000
Nancy M. Mulligan, Trustee & President	\$0.00
Robert B. Minturn, Clerk & Vice President	\$0.00
John F. Francini, Jr., Chief Financial Officer	\$0.00
Richard G. Manoogian, Chief Compliance Officer	\$0.00
Robert M. Kane, Vice President	\$0.00

The Fund is not currently providing retirement benefits to any Trustee. Portfolio managers of NMR are not compensated based on the value of assets held in the Fund or by the performance of the Fund. Mr. Francini and Ms. Mulligan are not owners of NMR but receive a share of the profits of NMR based on the nature of their responsibilities to NMR and its affiliates and the performance in their roles.

Mr. Francini and Ms. Mulligan also provide portfolio management services to clients of NIM. As of December 31, 2016, Mr. Francini was the principal portfolio manager or co-manager to approximately 347 individual accounts having assets of approximately \$422 million and Ms. Mulligan was the principal portfolio manager to approximately 489 individual accounts having assets of approximately \$669 million.

These individual accounts do not have interests that conflict with the Fund (the Fund would not hold a security long if an individual account were to hold a security short, and vice versa). However, in the course of providing investment advice to each individual account, the Fund and any individual account may transact in the same security at the same, at different times or not at all. Individual accounts as a whole generally utilize a similar investment strategy of highly liquid, freely tradable securities and none of them have incentive or performance based advisory fees.

#### **CUSTODIAN, TRANSFER AGENT AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The custodian for the Fund is Union Bank NA, 350 California St. 6<sup>th</sup> Floor, San Francisco, CA 94104. The custodian maintains custody of the Fund's assets. The custodian of record for qualified retirement accounts is Colorado State Bank & Trust Company, 1600 Broadway, Denver, Colorado. The Transfer and Shareholder Servicing Agent, which also acts as dividend-paying agent, is ALPS Fund Services, Inc., 1290 Broadway, Suite 1100, Denver, Colorado.

The independent registered public accounting firm for the Fund is Grant Thornton LLP, 757 Third Avenue, New York, NY 10017. Grant Thornton LLP audited the Fund's 2016, 2015, 2014, 2013 and 2012 financial statements included in the annual report to shareholders and reviews the Fund's federal income and excise tax returns.

#### **BROKERAGE**

Decisions to buy and sell securities for the Fund and as to assignment of its portfolio business and negotiation of its commission rates are made by NMR. It is NMR's policy to obtain the best security price available, and, in doing so, NMR assigns portfolio executions and negotiates commission rates in accordance with the reliability and quality of a broker's services and their value and expected contribution to the performance of the Fund. In order to minimize brokerage charges, the Fund seeks to execute portfolio transactions with the principal market maker for the security to which the transaction relates in the over-the-counter market unless it has been determined that best price and execution are available elsewhere. The Fund does not consider the receipt of research services in selecting brokers. No person acting on the Fund's behalf is authorized to pay a broker a higher brokerage commission than another broker might have charged for the same transaction, in recognition of the value of research services provided by the broker. During 2016, 2015, and 2014, the Fund paid brokerage commissions of \$6,139, \$9,404 and \$20,874, respectively.

## **PRICE AND NET ASSET VALUE**

It is the current policy of the Fund that the public offering price of shares of the Fund equals their net asset value, with the Fund 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 were 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 Fund's shares is determined by dividing the market value of the Fund's securities, plus any cash and other assets (including dividends accrued) less all liabilities (including accrued expenses but excluding capital and surplus) by the number of shares outstanding. Securities and other assets for which market quotations are readily available are valued at market values determined on the basis of the last quoted sale prices prior to the close of the New York Stock Exchange (or the last quoted bid prices in the event there are no sales reported on that day) in the principal market in which such securities normally are traded as publicly reported or furnished by recognized dealers in such securities. Securities and other assets for which market quotations are not readily available (including restricted securities, if any) are valued at their fair value as determined in good faith under consistently applied procedures approved by the Board of Trustees. Securities may also be valued on the basis of valuations furnished by a pricing service that uses both dealer supplied valuations and evaluations based on expert analysis of market data and other factors if such valuations are believed to reflect more accurately the fair value of such securities. For a further description of the Fund's fair value pricing methodologies, see the Prospectus. An adjustment will be made for fractions of a cent to the next highest cent. The Fund makes no special payment for the daily computation of its net asset value.

As indicated in the Prospectus, purchase and redemption orders may be received on behalf of the Fund by brokers. In certain such cases, where the Fund has authorized such transactions (i) such broker may be authorized to designate other intermediaries to receive purchase and redemption orders for the fund; (ii) the Fund 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 Fund'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 Fund. Once any account is opened there is no limitation to the size or frequency of investment. The shareholder will receive a confirmation from the Fund of this and each subsequent transaction in his account showing the current transaction and the current number of shares held. A shareholder may make additional investments in shares of the Fund at any time by ordering the Fund shares at the then applicable public offering price. Share certificates which have been issued to a shareholder may be returned to the Fund 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. The Fund no longer issues shares in certificate form.

### *Automatic Investment and Withdrawal Plans*

These Plans have been developed to accommodate those who wish to make purchases or sales of shares of the Fund 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 or otherwise in writing that investments be made through automatic deductions (minimum \$10) from his bank checking or savings account or that withdrawals be

made automatically with the redemption price paid by check, wire or ACH Bank transfer. The shareholder may cancel his participation in either Plan at any time, and the Fund 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 Fund offers tax-advantaged retirement plans which are described briefly below. Contributions to these plans are invested in shares of the Fund; dividends and other distributions are reinvested in shares of the Fund.

Contributions to these retirement plans, within the limits and circumstances specified in applicable provisions of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), may be excludable or deductible from the participant's income for U.S. 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 U.S. federal income tax while the shares of the Fund are held in the plan. Subject to certain exceptions discussed below, distributions from these plans are generally included in income when received; however, after-tax or non-deductible contributions may be recovered without additional U.S. federal income tax. Premature distributions, insufficient distributions after age 70 1/2 or excess contributions may result in penalty taxes.

Colorado State Bank & Trust Company serves as custodian of record for each of the following plans. It is entitled to receive specified fees for its services. Detailed information concerning each of the following plans (including schedules of trustee or custodial fees) and copies of the plan documents are available upon request to the Fund 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 generally accumulate free of income tax and distributions are not taxable as long as the amount withdrawn is used for qualified educational expenses.

## **DIVIDENDS, DISTRIBUTIONS & FEDERAL TAXES**

It is the Fund'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 reinvested in shares of the Fund 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, are subject to income taxes.

The Fund has elected, has qualified, and intends to continue to qualify for the special tax treatment afforded regulated

investment companies under the Internal Revenue Code. If the Fund continues to qualify for such tax treatment, the Fund will not be liable for U.S. federal income taxes on income and capital gains that the Fund timely distributes to its shareholders. If in any taxable year the Fund fails to so qualify, but is eligible for statutory relief, the Fund may be required to pay penalty taxes (or interest charges in the nature of a penalty) and/or to dispose of certain assets in order to continue to qualify for such tax treatment. If the Fund is not so eligible or if the Fund does not choose to avail itself of such relief, all of the Fund's taxable income will be taxed to the Fund at regular corporate rates and when such income is distributed, such distributions will be further taxed at the shareholder level. Assuming the Fund continues to qualify for the favorable tax treatment afforded to a regulated investment company, it will be subject to a 4% non-deductible excise tax on certain amounts that are not distributed or treated as having been distributed on a timely basis each calendar year. The Fund intends to distribute to its shareholders each year an amount adequate to avoid the imposition of this excise tax.

For U.S. federal income tax purposes, distributions from the Fund generally will be taxable whether a shareholder takes them in cash or they are reinvested in additional shares of the Fund. In general, assuming that the Fund has sufficient earnings and profits, dividends from investment company taxable income are taxable either as ordinary income, or, if certain conditions are met, as "qualified dividend income" taxable to individual shareholders at a reduced maximum U.S. federal income tax rate. Dividend income distributed to individual shareholders will qualify for such reduced maximum U.S. federal income tax rate to the extent that such dividends are attributable to "qualified dividend income" as that term is defined in Section 1(h)(11)(B) of the Internal Revenue Code from the Fund's investment in common and preferred stock of U.S. companies and stock of certain foreign corporations, provided that certain holding period and other requirements are met by both the Fund and the shareholders.

A dividend that is attributable to qualified dividend income of the Fund that is paid by the Fund to an individual shareholder will not be taxable as qualified dividend income to such shareholder if (1) the dividend is received with respect to any share of the Fund held for fewer than 61 days during the 121-day period beginning on the date which is 60 days before the date on which such share became ex-dividend with respect to such dividend, (2) to the extent that the shareholder is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property, or (3) the shareholder elects to have the dividend treated as investment income for purposes of the limitation on deductibility of investment interest.

Distributions from net capital gain that are reported to you as capital gain dividends, if any, are taxable as long-term capital gains for U.S. federal income tax purposes without regard to the length of time the shareholder has held shares of the Fund. Capital gain dividends distributed by the Fund to individual shareholders generally will qualify for the reduced maximum federal income tax rate on long-term capital gains. The applicable reduced maximum federal income tax rate on qualified dividend income and capital gains varies depending on the taxable income and status of the shareholder, but generally is 20% for individual shareholders with taxable income in excess of \$415,050 (\$466,950 if married and file jointly/\$233,475 if married and file separately) and 15% for individual shareholders with taxable income less than such amounts (unless such shareholders are in the 10% or 15% income tax brackets and meet certain other conditions, in which case the applicable tax rate is 0%). A shareholder should also be aware that the benefits of the favorable tax rate on long-term capital gains and qualified dividend income may be impacted by the application of the alternative minimum tax to individual shareholders.

A 3.8% Medicare tax is now imposed on the net investment income of certain U.S. individuals, estates and trusts whose income exceeds certain thresholds. For this purpose, "net investment income" generally includes taxable dividends (including capital gain dividends) and capital gains recognized from redemptions or sales of shares of mutual funds, such as the Fund. For U.S. individuals, this threshold generally will be exceeded if an individual has adjusted gross income that exceeds \$200,000 (\$250,000 if married and file jointly/\$125,000 if married and file separately). This 3.8% Medicare tax is in addition to the income taxes that are otherwise imposed on ordinary income, qualified dividend income and capital gains as discussed above.

Distributions by the Fund in excess of the Fund's current and accumulated earnings and profits will be treated as a return of capital to the extent of (and in reduction of) the shareholder's tax basis in its shares and any such amount in excess of that basis will be treated as gain from the sale of shares, as discussed below.

Ordinarily, you are required to take distributions by the Fund into account in the year in which they are made. However, a

distribution declared as of a record date in October, November, or December of any year and paid during the following January is treated as received by shareholders on December 31 of the year in which it is declared. The Fund will send you annual information concerning the tax treatment of dividends and other distributions paid to you by the Fund.

While the Fund's net capital losses for any year cannot be passed through to you any such losses incurred by the Fund in a taxable year of the Fund commencing prior to December 23, 2010 can be carried forward for a period of up to eight years to offset the Fund's capital gains in those years and any such losses incurred by the Fund in taxable years commencing on or after such date may be carried forward indefinitely to offset future capital gains of the Fund. Pursuant to a new ordering rule, however, net capital losses incurred in taxable years of the Fund beginning before December 23, 2010 may not be used to offset the Fund's future capital gains until all net capital losses incurred in taxable years of the Fund beginning after December 22, 2010 have been utilized. As a result of the application of this rule, certain net capital losses incurred in taxable years of the Fund beginning before December 23, 2010 may expire unutilized. To the extent capital gains are offset by such losses, they do not result in tax liability to the Fund and are not expected to be distributed to you as capital gain dividends.

Dividends paid by the Fund to corporate shareholders may qualify for the dividends-received deduction to the extent they are derived from dividends paid to the Fund by domestic corporations. If you are a corporation, you must have held your Fund shares for more than 45 days to qualify for the dividends-received deduction. The dividends-received deduction may be limited if you incur indebtedness to acquire Fund shares, and may result in a reduction to the basis of your shares in the Fund if the dividend constitutes an extraordinary dividend at the Fund level.

A shareholder may realize a capital gain or capital loss on the sale or redemption of shares of the Fund. The tax consequences of a sale or redemption depend upon several factors, including the shareholder's adjusted tax basis in the shares sold or redeemed and the length of time the shares have been held. Initial basis in the shares will be the actual cost of those shares (net asset value of Fund shares on purchase or reinvestment date). In general, if Fund shares are sold or redeemed, the shareholder will recognize gain or loss equal to the difference between the amount realized on the sale or redemption and the shareholder's adjusted tax basis in the shares. Such gain or loss generally will be treated as long-term capital gain or loss if the shares were held for more than one year and otherwise generally will be treated as short-term capital gain or loss. In addition, capital gains recognized from redemptions of Fund shares generally will be included in the calculation of "net investment income" for purposes of the 3.8% Medicare tax applicable to certain U.S. individuals, estates and trusts.

Any loss realized by shareholders upon the sale or redemption of shares within six months of the date of their purchase will generally be treated as a long-term capital loss to the extent of any distributions of net long-term capital gains with respect to such shares. Moreover, a loss on a sale or redemption of Fund shares will be disallowed to the extent that shares of the Fund are purchased (including through the reinvestment of dividends) within 30 days before or after the shares are sold or redeemed.

In addition to reporting gross proceeds from redemptions or sales of mutual fund shares, federal law requires mutual funds, such as the Fund, to report to the Internal Revenue Service ("IRS") and shareholders the "cost basis" of shares acquired by shareholders on or after January 1, 2012 ("covered shares") that are redeemed or sold on or after such date. These requirements generally do not apply to investments through a tax-deferred arrangement or to certain types of entities (such as C corporations). S corporations, however, are not exempt from these new rules. Please note that if you are a C corporation, unless you have previously notified us in writing that you are a C corporation, you must complete a new Form W-9 exemption certificate informing us of your C corporation status or the Fund will be obligated to presume that you are an S corporation and to report the cost basis of covered shares that are redeemed or sold after January 1, 2012 to the IRS and to you pursuant to these rules. Also, if you hold Fund shares through a broker (or another nominee), please contact that broker (nominee) with respect to the reporting of cost basis and available elections for your account.

If you hold Fund shares directly, you may request that your cost basis be calculated and reported using any one of a number of IRS-approved alternative methods. Please contact the Fund to make, revoke or change your election. If you do not affirmatively elect a cost basis method, the Fund will use the average cost basis method as its default method for determining your cost basis.

Please note that you will continue to be responsible for calculating and reporting the cost basis, as well as any corresponding gains or losses, of Fund shares that were purchased prior to January 1, 2012 that are subsequently redeemed or sold. You are encouraged to consult your tax advisor regarding the application of the new cost basis reporting rules to you and, in particular, which cost basis calculation method you should elect. In addition, because the Fund is not required to, and in many cases does not possess the information to, take into account all possible basis, holding period or other adjustments into account in reporting cost basis information to you, you also should carefully review the cost basis information provided to you by the Fund and make any additional basis, holding period or other adjustments that are required when reporting these amounts on your federal income tax return.

Under Treasury regulations, if you are an individual and recognize a loss with respect to Fund shares of \$2 million or more (if you are a corporation, \$10 million or more) in any single taxable year (or greater amounts over a combination of years), you may be required to file a disclosure statement with the IRS. A shareholder who fails to make the required disclosure may be subject to substantial penalties.

Shareholders that are exempt from U.S. federal income tax, such as retirement plans that are qualified under Section 401 of the Internal Revenue Code, generally are not subject to U.S. federal income tax on Fund dividends or distributions or on sales or redemptions of Fund shares. However, a tax-exempt shareholder may recognize unrelated business taxable income if (1) the acquisition of Fund shares was debt financed or (2) the Fund recognizes certain "excess inclusion income" derived from direct or indirect investments (including from an investment in a REIT) in (a) residual interests in a real estate mortgage investment conduit or (b) equity interests in a taxable mortgage pool if the amount of such income that is recognized by the Fund exceeds the Fund's investment company taxable income (after taking into account the deductions for dividends paid by the Fund).

A plan participant whose retirement plan invests in the Fund, whether such plan is qualified or not, generally is not taxed on Fund dividends or distributions received by the plan or on sales or of Fund shares by the plan for U.S. federal income tax purposes. However, distributions to plan participants from a retirement plan account generally are taxable as ordinary income and different tax treatment, including penalties on certain excess contributions and deferrals, certain pre-retirement and post-retirement distributions and certain prohibited transactions, is accorded to accounts maintained as qualified retirement plans. Shareholders and plan participants should consult their tax advisors for more information.

For shareholders who fail to furnish to the Fund their social security or taxpayer identification numbers and certain related information or who fail to certify that they are not subject to backup withholding, dividends, distributions of capital gains and redemption proceeds paid by the Fund will be subject to a U.S. federal 28% "backup withholding" requirement. In addition, the Fund may be required to backup withhold if it receives notice from the IRS or a broker that the number provided is incorrect or backup withholding is applicable as a result of previous under reporting of interest or dividend income. If the withholding provisions are applicable, any such dividends or capital gain distributions to these shareholders whether taken in cash or reinvested in additional shares, and any redemption proceeds will be reduced by the amounts required to be withheld.

The foregoing discussion addresses only the U.S. federal income tax consequences applicable to shareholders who are subject to U.S. federal income tax, hold their shares as capital assets, and are U.S. persons (generally, U.S. citizens or residents (including certain former citizens and former long-term residents), domestic corporations or domestic entities taxed as corporations for U.S. tax purposes, estates the income of which is subject to U.S. federal income taxation regardless of its source, and trusts if a court within the U.S. is able to exercise primary supervision over their administration and at least one U.S. person has the authority to control all substantial decisions of the trusts). The treatment of the owner of an interest in an entity that is a pass-through entity for U.S. tax purposes (e.g., partnerships and disregarded entities) and that owns Fund shares generally will depend upon the status of the owner and the activities of the pass-through entity. Except as otherwise provided, this description does not address the special tax rules that may be applicable to particular types of investors, such as financial institutions, insurance companies, securities dealers, or tax-exempt or tax-deferred plans, accounts or entities. If you are not a U.S. person or are the owner of an interest in a pass-through entity that owns Fund shares, you should consult your tax advisor regarding the U.S. and foreign tax consequences of the ownership of Fund shares, including the applicable rate of U.S. withholding tax on amounts treated as ordinary dividends from the Fund (other than certain dividends derived from short-term capital gains and qualified interest income of the Fund currently only for certain taxable years of the Fund, provided that the Fund chooses to report such

dividends in a manner qualifying for such favorable tax treatment) and the applicability of U.S. gift and estate taxes.

While the Fund does not expect its shares will constitute U.S. real property interests, if the Fund's direct and indirect investments in U.S. real property (which includes investments in REITs and certain other regulated investment companies that invest in U.S. real property) were to exceed certain levels, a portion of the Fund's distributions may be attributable to gain from the sale or exchange of U.S. real property interests. In such case, if a non-U.S. shareholder were to own more than 5% of a class of the Fund's shares within a one-year period prior to such a distribution, the non-U.S. shareholder would be (1) subject to a 35% U.S. federal withholding tax on the portion of the Fund's distributions attributable to such gain, (2) required to file a U.S. federal income tax return to report such gain, and (3) subject to certain "wash sale" rules if the shareholder disposes of Fund shares just prior to a distribution and reacquires Fund shares shortly thereafter. If a non-U.S. shareholder were to own 5% or less of each class of the Fund's shares at all times within such one-year period, any such distribution by the Fund would not be subject to these requirements, but if the distribution might otherwise have been reported as a capital gain dividend or short-term capital gain dividend to such shareholder, the distribution would be re-characterized as an ordinary dividend and would be subject to the applicable rate of non-resident alien U.S. withholding tax.

Under the Foreign Account Tax Compliance Act ("FATCA"), the Fund may be required to withhold 30% from payments of dividends and gross redemption proceeds by the Fund to (i) certain foreign financial institutions unless they agree to collect and disclose to the IRS (or in certain cases to their country of residence) information regarding their direct and indirect U.S. account holders, and (ii) certain other foreign entities unless they certify certain information about their direct and indirect U.S. owners. This withholding tax was phased in commencing on January 1, 2014 for payments made by the Fund on or after such date.

In order to avoid this withholding, non-exempt foreign financial institutions will have to enter into an agreement with the IRS (unless they are resident in a country that has entered into an Intergovernmental Agreement with the U.S. that provides for an alternative regime) stipulating that they will (1) provide the IRS with certain information about direct and indirect U.S. account holders (such as the name, address, and taxpayer identification number of the holders), (2) will comply with verification and due diligence procedures with respect to the identification of U.S. accounts, (3) report to the IRS certain additional information with respect to U.S. accounts maintained by them, and (4) agree to withhold tax on certain payments made to non-compliant foreign financial institutions or to account holders who fail to provide the required information. Certain other foreign entities will need to provide the name, address, taxpayer identification number of each substantial U.S. owner or a certification of no substantial U.S. ownership, unless certain exceptions apply. The scope of these requirements is potentially subject to material change and shareholders are urged to consult their tax advisers regarding the potential applicability of FATCA to their own situation.

Because everyone's tax situation is unique, you should consult your tax advisor regarding the treatment of distributions under the federal, state, local, and foreign tax rules that apply to you, as well as the tax consequences of gains or losses from the sale or redemption of your Fund shares.

## **CAPITAL SHARES**

The Fund 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 non-assessable. 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 Fund is not bound to recognize any transfer until it is recorded on the books of the Fund. Each share is entitled to participate equally in any dividends or distributions declared by the Trustees. In the event of liquidation of the Fund, 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 Fund. 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 that the same are executed by the Trustees as not binding upon the Fund's assets. The

Fund is advised by counsel (Wilmer Cutler Pickering Hale and Dorr LLP) that under the applicable Massachusetts decisions, no personal liability can attach to the shareholders under contracts of the Fund containing this recital. Moreover, the Declaration of Trust provides that any shareholder of the Fund shall be indemnified by the Fund for all loss and expense incurred by reason of his being or having been a shareholder of the Fund. Thus the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Fund 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 Fund. The purpose of these guidelines is simple: 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 proxy voting guidelines generally address proposals submitted to shareholders of six types:

- 1) Proposals seeking approval of equity-based compensation, including stock option plans
- 2) Proposals relating to changes in corporate control
- 3) Proposals that affect shareholder rights, including voting rights
- 4) Proposals for the election of directors
- 5) Proposals relating to social and corporate responsibility issues
- 6) Proposals for the approval of independent auditors

### *Equity-based Compensation Plans*

In general, the Fund opposes stock-related compensation unless it is a reasonably designed plan that aligns the interests of corporate management with those of shareholders by providing officers and employees with an incentive to increase shareholder value. It will consider the dilutive effects, pricing and re-pricing issues and other factors in voting on specific proposals. The Fund will vote in favor of proposals for the expensing of stock options.

### *Corporate Control*

The Fund generally opposes measures that are designed to prevent or obstruct corporate takeovers. Such measures tend to entrench current management. We believe the active trading of a company's securities and the potential transfer of corporate control through takeover - hostile or otherwise - must generally be permitted to occur. In the case of shareholder rights plan, often referred to as "poison pills", we believe the best approach is for the company to put its case to shareholders by letting them vote on a plan. We will carefully review proposals to increase capital stock and generally oppose so-called "blank check" preferred stock. We favor non-classified boards of directors.

### *Shareholder Rights*

The Fund 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. We generally favor cumulative voting and confidential voting and oppose supermajority voting and dual class capitalizations.

### *Election of the board of directors*

The Fund believes the election of directors and an independent board is key to good corporate governance. Directors are expected to be competent, qualified individuals and they should be accountable, responsive to shareholders and should exercise reasonable judgment. The Fund supports an independent board of directors and generally prefers that committees such as audit and nominating committees be comprised of independent members.

### *Corporate and social policy issues*

The Fund believes that "ordinary business matters" are primarily the responsibility of management and should be approved solely by the corporation's board of directors. Proposals in this category, initiated primarily by shareholders, typically request that the company disclose or amend certain business practices. Ordinarily the Fund would not vote for such proposals unless supported by management.

*Approval of independent registered public accounting firm*

The Fund believes that the relationship between the company and its independent registered public accounting firm should be limited primarily to the audit engagement although it may include certain closely related activities that do not, in the aggregate, raise any appearance of impaired independence.

*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 Fund, on the one hand, and any affiliated person of the Fund, on the other, the voting of such proxy will be referred to the Trustees of the Fund who are not "interested persons" of the Fund 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.

The foregoing is a summary. A copy of the complete Proxy Voting Guidelines and the Fund's voting record for the most recent 12-month period ended June 30 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 web site of the Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)).

## HISTORICAL PERFORMANCE INFORMATION

From time to time, the Fund 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:

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 Fund 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 Fund's average annual total return as described above. The Fund's total returns for the one, five and ten year periods ended December 31, 2016 are set forth in the Prospectus.

From time to time, the Fund 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:

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

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 Fund 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 Fund might satisfy their investment objective, advertisements regarding the Fund, as well as other publications, may discuss various measures of Fund performance, including current performance ratings and/or rankings appearing 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 Growth Fund's performance to performance as reported by other indices and averages or other investments for which reliable performance information, and will be made available to investors upon request and without charge.

## **FINANCIAL STATEMENTS**

The financial statements and financial highlights for the year ended December 31, 2016 have been audited by Grant Thornton LLP, Independent Registered Public Accounting Firm, as indicated in their report thereon, and are incorporated herein by reference. You can obtain additional copies of such Annual Report at no charge by writing or telephoning the Fund at the address or toll-free number on the front page of this SAI.