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FILER

**NORTHEAST INVESTORS GROWTH FUND INC**

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Mailing Address  
50 CONGRESS ST  
BOSTON MA 02109

Business Address  
50 CONGRESS ST RM 1000  
BOSTON MA 02109  
6175233588

NORTHEAST INVESTORS GROWTH FUND  
150 Federal Street  
Boston, Massachusetts 02110  
(800) 225-6704  
www.northeastinvestors.com

SHARES OF BENEFICIAL INTEREST  
PROSPECTUS  
May 1, 2005

This prospectus explains the investment objective, policies, strategies and risks associated with the Fund. Please read it carefully before you invest. We suggest that you keep this prospectus for future reference.

Like securities of all mutual funds, neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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#### Fund Profile

##### Investment Objectives

The objective of Northeast Investors Growth Fund (the 'Fund') is to produce long-term growth for its shareholders.

##### Principal Investment Strategies

The Fund maintains a flexible investment policy which primarily targets common stocks of large companies who are established leaders in their industries with histories of consistent earnings growth. The Fund emphasizes well-known companies which it believes to have strong management and solid financial fundamentals. The Fund generally invests in large and mid-cap companies with market capitalizations in excess of \$5 billion. These companies offer the potential for accelerated earnings and revenue growth. For this reason, stocks of these companies are often called 'growth' stocks. These may include common stocks not currently paying a dividend.

The investment policy allows the Fund to achieve its objective through the purchase of common stocks of both domestic and foreign issuers (ADRs). The Fund may also invest in securities convertible into common stocks, preferred stocks, corporate bonds, warrants or money market instruments. Over the past decade, common stocks have represented at least 95% of the Fund's portfolio.

From time to time the Fund will make use of borrowed funds in order to raise additional funds for investment or to avoid liquidating securities for cash needs such as redemptions. Leverage is limited to one quarter of the Fund's total assets. The amount of leverage outstanding at any one time cannot be determined in advance. Management may vary the amount of borrowing from time to time within the authorized limits, including having no borrowings at all.

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. 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. When so invested, the Fund may not achieve its investment objective.

## Principal Risks

**Stock Market Risks.** The value of your investment has the potential to depreciate due to stock market volatility. This may be in response to changes in investor psychology or to developments in economic, political, regulatory, issuer or market conditions, here or abroad. Different market sectors and different types of equity securities can react differently to these changing conditions.

**Portfolio Risks.** Changing economic and market conditions as well as declining fundamentals, such as revenues or earnings per share, associated with individual companies or industries that the Fund is invested in, can affect the value of your investment. The degree to which the Fund's share price reacts to these factors will depend upon the Fund's level of exposure to the areas that are being affected.

**"Growth Stock" Volatility.** Growth stocks can perform differently and be more volatile than other types of stocks and the market as a whole. Growth stocks may be more sensitive to changes in revenues or earnings news than other types of stocks.

**Foreign Exposure.** There is an increased risk associated with investments in foreign securities. Declining foreign currencies or adverse economic or political events overseas can make the foreign markets more volatile than the U.S. market.

**Manager Risk.** There is the chance that poor security selection may result in losses or poor performance even in a rising market as compared to other funds with similar investment philosophies.

**Leverage.** Borrowed funds can cause the net asset value to decrease faster in a falling market. If, for example, the Fund makes a \$1,000 investment for which it had borrowed \$200 (20%) of the purchase price and the investment lost 20% of its value, to \$800, the Fund would have a loss of \$200 on an \$800 investment, or 25% of the amount invested and be obligated to repay the borrowed \$200 with interest. Leverage can, therefore involve additional risk.

## Suitability

The Fund may be appropriate for investors who seek one or more of the following:

- capital appreciation of their investment over the long-term;
- a fund emphasizing established companies with consistent earnings growth.

You should also consider the following:

- an investment in the Fund involves risk and should be part of a balanced investment program;
- the Fund is generally for equity investors with longer-term investment horizons willing to wait out bear markets;
- there is a risk that you could lose money by investing in the Fund, and there is no assurance that it will achieve its investment objectives;
- Fund shares are not bank deposits and are not guaranteed, endorsed or insured by any financial institution, government entity or the FDIC.

## Performance

The following performance related information provides some indication of the risks of investing in the Fund. The bar chart shows how the Fund's performance (including operating expenses) varied from one calendar year to another over the past ten years. The table shows the average annual returns (including operating expenses) compared with those of a relevant market index over set periods of time. The table also presents the impact of taxes on the Fund's returns. To calculate these figures, we used the highest individual federal marginal income and capital gains tax rates in effect at the time of each distribution, but we do not take into consideration state or local income taxes. Return after taxes on distributions and sale of Fund shares may be higher than other returns for the same period due to the tax benefit of realizing a capital loss on the sale of Fund shares. Actual after-tax returns depend on the individual investor's tax situation and may differ from those shown.

Please note that if you own the Fund in a tax-deferred account, such as an individual retirement account or a 401(k) plan, the after tax information does not apply to your investment, because such accounts are subject to taxes only upon distribution. Keep in mind that past performance - whether before taxes or after taxes - does not guarantee future results.

The following bar chart shows the Fund's annual total return for each of the ten years ended December 31, 2004:

Chart Omitted

<table>

<s>

	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>
Calendar Years	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004

</table>

Best quarter: 4th quarter 1998, up 27.50%  
 Worst quarter: 1st quarter 2000, down -16.61%

Average Annual Total Returns  
 Periods Ended December 31, 2004

	1 Year	5 Years	10 Years
Northeast Investors Growth Fund			
Return before taxes	8.56%	-5.36%	11.80%
Return after taxes on distributions	8.46%	-6.09%	10.98%
Return after taxes on distributions and sale of Fund Shares	5.57%	-4.67%	10.28%
Standard & Poor's 500 Index*	10.88%	-2.29%	12.04%

\*The unmanaged Standard & Poor's 500 Index is shown for comparative purposes only and reflects no adjustments for fees, expenses or taxes.

FEEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees (Fees Paid Directly From Your Investment)	Annual Fund Operating Expenses (Expenses That Are Deducted From Fund Assets)
Maximum Sales Charge (Load) Imposed on Purchases.....None	Management Fee..... .57%
Maximum Deferred Sales Charge (Load).....None	Distribution (12b-1 Fees)..... None
	Other Expenses..... .75%
	Including:
Maximum Sales Charge (Load) Imposed on Reinvested Dividends.....None	Interest Expense..... .07%
Redemption Fee..... None	Operating Expense..... .68%
	Total Annual Fund Operating Expenses..... 1.32%

Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and redeem at the end of the period. The example also assumes that your investment has a 5% return each year, including reinvested dividends and distributions, and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 year	3 years	5 years	10 years
	\$134	\$418	\$723	\$1,590

FUND MANAGEMENT

Northeast Management & Research Company, Inc. ("NMR"), located at 150 Federal Street, Boston, MA 02110, is the Fund's investment manager. As the manager, NMR is responsible for choosing the Fund's investments and handling the general affairs of the Fund. NMR is subject to the general supervision of the Fund's Trustees.

NMR is a corporation organized in July, 1980 to manage the Fund, and at present engages in no other activities. William A. Oates, Jr. is President of NMR and is also the portfolio manager of the Fund. He has served in these capacities since the Fund's inception in 1980. Mr. Oates has day-to-day responsibility for managing the Fund's portfolio, and works with Gordon C. Barrett, the Chief Financial Officer of the Fund, in developing and executing the Fund's investment program. Mr. Barrett has served as CFO of the Fund since 2002.

NMR serves the Fund pursuant to an 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. It also provides the Fund's executive management and office space.

From time to time a Trustee or an employee of Northeast Investors Growth Fund may express views regarding a particular company, security, industry or market sector. The views expressed by any such person are the views of only that individual as of the time expressed and do not necessarily represent the views of the Fund or any other person in the Northeast Investors organization. Any such views are subject to change at any time based upon market or other conditions and Northeast Investors disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for Northeast Investors Growth Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of the Fund.

Northeast Investors Growth Fund and NMR personnel may invest in securities for their own investment accounts, including securities that may be purchased or held by the Fund, pursuant to Codes of Ethics that establish procedures for personal investing and restrict certain transactions.

#### EXPENSES

Pursuant to the Advisory and Service contract, the Fund pays NMR a fee at the end of each month calculated by applying a monthly rate, based on an annual percentage fee of 1% of the Fund's average daily net assets for the month up to and including \$10,000,000, .75% of such average daily net assets for the month above \$10,000,000 up to and including \$30,000,000 and .50% of such average daily net assets for the month in excess of \$30,000,000 during such month. For the fiscal year ended December 31, 2004, the management fee by the Fund to NMR was .57% of the Fund's average net assets. Additional disclosure regarding compensation and Fund shares held beneficially by the Trustees and Portfolio Managers may be found in the Statement of Additional Information.

Other than the management fee, the Fund pays no compensation to any person other than in the ordinary course of business. There are other expenses of the Fund which are paid by it directly. These include expenses such as taxes, custodian fees and expenses, legal and auditing fees and expenses, bookkeeping expenses, and the expense of qualifying shares for sale under federal and state laws. The Fund also acts as its own transfer agent and, as such, carries out all functions relating to the maintenance of its shareholder accounts, transfers and redemption of shares, and mailings to shareholders. It pays the expenses relating thereto, including the compensation of persons performing these functions and data processing expenses.

#### SALES WITHOUT "SALES CHARGE"

The Fund offers investors an opportunity to share in the benefits of a mutual fund without requiring that they pay a sales commission or distribution expense. It has no "sales charge", "load charge" or "12b-1 fee". The purchase of shares of numerous other mutual funds requires the investor to pay amounts for a selling commission and related expenses. This reduces the net amount invested which these funds actually receive.

#### SHAREHOLDER INFORMATION

##### General Information

For account, product and service information, please use the following website, telephone number or address:

For information over the Internet including on-line access to your account, visit the Fund's website at [www.northeastinvestors.com](http://www.northeastinvestors.com):

For information over the telephone use 1-800-225-6704;

For information by mail use

Northeast Investors Growth Fund

150 Federal Street

Boston, MA 02110-1745

Backup withholding - By law Northeast Investors Growth Fund must withhold 28% of any taxable distributions or redemptions from your account if you do not:

Provide us with your correct taxpayer identification number;

Certify that the taxpayer identification is correct; and

Confirm that you are not subject to backup withholding.

Similarly, Northeast Investors Growth Fund must withhold taxes from your account if the IRS instructs us to do so.

Foreign investors - Northeast Investors Growth Fund is not sold outside the United States, except under limited circumstances to certain qualifying investors at the discretion of the Fund. Foreign investors should be aware that U.S. withholding and estate taxes may apply to any investments in the Fund.

Invalid addresses - If a dividend or capital gains distribution check mailed to your address of record is returned as undeliverable, Northeast Investors Growth Fund will automatically reinvest all future distributions until you provide us with a valid mailing address.

Tax consequences - This prospectus provides general tax information only. If you are investing through a tax-deferred retirement account, such as an IRA, special tax rules apply. Please consult your tax adviser for detailed information about the Fund's tax consequences for you.

#### Account Registrations

Some of the different ways to register your account with the Fund are listed below. For certain accounts, beneficiary designation forms and agreements are available permitting the designated beneficiary(ies) to own the account after the death of the original owner(s) without probate or similar legal steps. These materials are available from the Fund.

Individual or Joint Tenant

For your general investment needs

Transfer on Death (TOD)/Pay on Death (POD)

Beneficiary designation on account (special application required)

Retirement

For tax-advantaged retirement savings

Traditional Individual Retirement Accounts (IRAs)

Roth IRAs

Roth Conversion IRAs

Rollover IRAs

Coverdell Education Savings Plan (formerly Educational IRAs)

Simplified Employee Pension Plans (SEP-IRAs)

Gifts or Transfers to a Minor (UGMA, UTMA)

To invest for a child's education or other future needs

Trust

For money being invested by a trust

Business or Organization

For investment needs of corporations, associations, partnerships or other groups

Buying Shares

Your initial investment must be accompanied by a completed application. The form is included along with the Prospectus, or one can be obtained from our website. You may purchase shares of the Fund at the per share net asset value ("NAV") next determined after the Fund or an authorized broker or agent receives a purchase order. There is no sales charge or commission. The Fund computes net asset value per share by dividing the market value of all securities plus other assets, less liabilities, by the total number of shares outstanding. NAV is determined as of the close of the New York Stock Exchange on each day when it is open, based upon market quotations for the Fund's portfolio securities. When reliable market quotations for certain securities are not readily available, such securities are priced at their fair value as determined in good faith under consistently applied procedures approved by the Board of Trustees.

Methodologies 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, and the nature of the existing market for securities with characteristics similar to such obligations. The Fund may use fair value pricing for foreign securities if a material event occurs that may effect 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 Fund prices its portfolio, generally at 4:00 p.m. ET. Brokers or dealers may accept purchase and sale orders for shares of the Fund and may impose a transaction charge for this service. Any investor may, however, purchase or redeem shares without such additional charge by dealing directly with the Fund. The Fund no longer issues certificates for purchases.

Short-term or excessive trading into and out of the Fund may harm performance by disrupting portfolio management strategies and by increasing expenses. Excessive trading can increase costs as it may cause the Fund to utilize its line of credit or initiate portfolio transactions during unfavorable periods in markets in which the Fund trades. Excessive trading can also cause the Fund to maintain higher cash balances than it otherwise would, which may lower the Fund's performance in times of rising markets. The costs incurred from the short-term traders are borne by all investors. While the Fund cannot assure that it can detect and prevent all excessive and short-term trading, especially as it relates to the activity occurring in omnibus account maintained with Intermediaries where the Fund does not receive the underlying individual trading activity, the Fund's Board of Trustees has adopted policies and procedures designed to identify such short-term trading activity. The Fund reserves the right to reject any purchase request, including exchanges, that it regards as potentially disruptive to efficient portfolio management.

Depending on the availability of transaction information, purchase and sale transactions of Fund shares are monitored daily. Whenever such monitoring discloses that a shareholder has made purchases and sales of Fund shares within a three-month period, further reviews are made to determine if the trading was excessive and whether the effect upon the Fund could be harmful. If it is determined that there could be such an effect, the shareholder will be notified that further purchases, including exchanges, of shares of the Fund will not be accepted. The Fund does not have any arrangement with any person to permit frequent purchases and redemptions of Fund shares. The Fund does not consider transactions from automatic purchase or redemption plans in this category.

How to purchase shares

By Check

Mail your check and a completed account registration form to Northeast.

When adding to an existing account, send your check with an Invest-By-Mail form detached from your last statement. Make your check payable to:

Northeast Investors Growth Fund and mail to 150 Federal Street, Boston,

**By Telephone**

You may make purchases to your already existing account via the telephone. The trade will be processed on the same day if received prior to the close of the New York Stock Exchange. A trade confirmation is generated and mailed the following day. Your payment must be received within 14 days of the transaction.

**By Exchange Purchase**

You can purchase shares with the proceeds of an exchange from Northeast Investors Trust. The Fund accepts exchange orders in writing, by fax or by telephone.

NOTE: If you place an order to purchase shares and your payment is not received within 14 calendar days, your transaction will be canceled and you will be prohibited from placing orders in the future unless such orders are accompanied with payment. You may also be responsible for any losses or fees the Fund may have incurred as a result. Telephone purchases may dilute the future appreciation of the net asset value if payment is not made promptly.

**Your purchase price**

You buy shares at the next determined NAV after Northeast Investors Growth Fund receives your purchase request. As long as your request is received before the close of regular trading on the New York Stock Exchange (generally 4 p.m., Eastern time), you will buy your shares at that day's NAV. This is known as trade date.

When you place an order to buy shares, note the following:

The minimum initial investment in the Fund for each account is \$1,000 (\$500 for IRAs);

Checks must be drawn on U.S. banks and must be in U.S. dollars. Third party checks are not acceptable;

The Fund does not accept cash, money orders, starter checks or post dated checks for payment of share purchases;

There is no minimum for subsequent investment either by mail, telephone or exchange;

There is a \$50,000 maximum for telephone investments. Net account payables resulting from telephone purchases outstanding at any one time cannot exceed this limit;

No cancellations. Northeast will not cancel any transaction at the request of an investor once it has been initiated;

Future purchases - Northeast reserves the right to stop selling shares at any time, or to reject specific purchase requests, including purchases by exchange;

The Fund may reject initial investments if certain required information is not provided on the new account application;

Under applicable anti-money laundering regulations and other federal regulations, purchase orders may be suspended, restricted or canceled and the monies withheld.

You may participate in an automatic investment plan by completing the appropriate section of the application. Under the Fund's automatic investment plan, regularly scheduled purchases (minimum \$50) will be funded from your bank checking or savings account.

No specific election is required on the Application to obtain telephone exchange or purchase privileges. The Fund will employ reasonable procedures, including requiring personal identification, prior to acting on telephone instructions to confirm that such instructions are genuine. If the Fund does not follow such procedures it may be liable for losses due to unauthorized or fraudulent instructions. Otherwise it will not be liable for following instructions communicated by telephone that it reasonably believes to be genuine.

**Selling Shares**

You are entitled to redeem all or any portion of the shares credited to your account by submitting a written request for redemption to the Fund. Within seven days after the receipt of such a request in "good order" as described below, a check will be sent to you in an amount equal to the NAV of the redeemed shares. This will be the next determined NAV at the close of the New York Stock Exchange after the redemption request has been received. The Fund does not wire redemption proceeds to individual shareholders. You will not receive interest on amounts represented by uncashed redemption checks.

A redemption request will be considered to be in "good order" if it meets the following requirements:

The request is in writing, indicates the number of shares or dollars to be redeemed and identifies your account. The letter must be signed by all registered owners. The letter can be mailed or can be faxed to (617)742-5666 or (617) 523-5412 before the close of the NYSE;

The request includes any certificates issued representing the shares to be redeemed, endorsed for transfer (or accompanied by a stock power in customary

form) exactly as the shares are registered. The Fund no longer issues certificates;

For redemptions in excess of \$5,000, your signature has been guaranteed by a U.S. bank or trust company, member of a national securities exchange or other eligible guarantor institution. Mere witnessing of a signature is not sufficient; a specific signature guarantee must be made with respect to all signatures. Signature guarantees are designed to protect you and the Fund from fraudulent activity. A notary public is not an acceptable guarantor;

In the case of corporations, executors, administrators, trustees or other organizations you must enclose evidence of authority to sell (i.e. a corporate resolution);

If shares to be redeemed represent an investment made by check, the Fund reserves the right to delay payment until the check has been cleared up to a maximum of 10 days;

Redemption checks will only be made payable to the registered shareholder(s);

A signature guarantee as described above is required on all redemptions when the check is mailed to an address other than the address of record or if an address change occurred in the past 30 days;

Telephone redemptions will not be made;

Telephone instructions from the registered owner to exchange shares of the Fund for shares of Northeast Investors Trust will be accepted;

The Fund reserves the right not to process redemption requests from shareholders who request redemptions of less than \$5,000 without a signature guarantee on consecutive days;

Under the applicable anti-money laundering regulations and other federal regulations, redemption orders may be suspended, restricted or canceled and monies withheld.

The Fund reserves the right to deliver assets, in whole or in part, in kind in lieu of cash. The Fund is obligated to redeem shares solely in cash up to the lesser of \$250,000 or 1 percent of the net asset value of the Fund during any 90 day period for any one shareholder. Shareholders receiving redemptions in kind will incur brokerage costs in converting securities received to cash.

If you are an investor in a tax-advantaged retirement plan you should consider specific taxpayer restrictions, penalties and procedures that may be associated with redemptions from your retirement plan in order to qualify under the provisions of the Internal Revenue Code. The Fund assumes no responsibility for determining whether any specific redemption satisfies the conditions of federal tax laws. That determination is your responsibility. Penalties, if any, apply to withdrawals from the plan, not to redemptions from the Fund, and are governed by federal tax law alone.

#### Exchanging Shares

An exchange involves the redemption of all or a portion of the shares of one fund and the purchase of shares in another fund. As a shareholder, you have the privilege of exchanging shares of the Fund for shares of Northeast Investors Trust without any charge.

However, you should note the following policies and restrictions governing exchanges:

You may exchange only between accounts that are registered in the same name, address, and taxpayer identification number or social security number;

Before exchanging into a fund, read its prospectus;

Exchanges may have tax consequences for you;

If the shares to be exchanged represent an investment made by check, the Fund reserves the right to delay payment until the check has been cleared up to a maximum of 10 days;

Each fund may temporarily or permanently terminate the exchange privilege of any investor who makes excessive exchanges out of the Fund per calendar year;

Each fund may refuse exchange purchases by any group if, in management's judgment, the fund would be unable to invest the money effectively in accordance with its investment objective and policies, or would otherwise potentially be adversely affected;

If you are exchanging between accounts that are not registered in the same name, address and taxpayer identification number (TIN), there may be additional requirements;

Under applicable anti-money laundering regulations and other federal regulations, exchange orders may be suspended, restricted or canceled and the monies withheld.

The funds may terminate or modify the exchange privileges in the future.

#### Dividends and Distributions

The Fund earns dividends, interest and other income from its investments, and distributes this income (less expenses) to shareholders as dividends. The Fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gains distributions.

When you open an account, specify on your application how you want to



receive your distributions. The following options are available for the Fund's distributions:

- (1) Reinvestment Option. Your dividends and capital gains distributions will be automatically invested in additional shares of the Fund. If you do not indicate a choice on your application, you will be assigned this option;
- (2) Cash/Reinvest Option. Your dividends will be paid in cash. Your capital gains distributions will be automatically reinvested in additional shares of the Fund;
- (3) Cash Option. Your dividends and capital gains distributions will be paid in cash.

Note: The Fund strongly recommends direct deposit for shareholders electing to receive dividends or distributions in cash.

If you elect to receive the distributions paid in cash by check and your checks are not cashed for a period of six months, your distribution option may be converted to the Reinvestment Option. You will not receive interest on amounts represented by uncashed distribution checks.

#### Tax Consequences

As with any investment, your investment in the Fund could have tax consequences for you. If you are not investing through a tax-advantaged retirement account, you should consider these tax consequences.

Taxes on Distributions: Distributions you receive from the Fund are subject to federal income tax, and may also be subject to state or local taxes.

For federal tax purposes, the Fund's dividends made from income and distributions of short-term capital gains are taxable to you as ordinary income. The Fund's distributions of long-term capital gains are taxable to you generally as capital gains.

If you buy shares when the Fund has realized but not yet distributed income or capital gains, you will be "buying a dividend" by paying the full price for the shares and then receiving a portion of the price back in the form of a taxable distribution.

Any taxable distributions you receive from the Fund will normally be taxable to you when you receive them, regardless of your distribution option.

Taxes on transactions: Your redemptions, including exchanges, may result in a capital gain or loss for federal tax purposes. A capital gain or loss on your investment in the Fund is the difference between the cost of your shares and price you receive when you sell them. Reinvested distributions add to the cost basis of your investment.

#### Fund Policies

Statements and reports that the Fund sends to you include the following:

- Confirmation of each purchase and sale;\*
- Confirmation of your dividend/capital gains payments; \*
- Financial reports (every six months);\*
- Prospectus;\*
- Year-end statement.

\* These reports may be transmitted via the internet. Please visit [www.northeastinvestors.com](http://www.northeastinvestors.com) for information on how to register for e-Delivery of confirmations and financial statements.

When you sign your account application, you will be asked to certify that your social security or taxpayer identification number is correct, that you are a U.S. person (including a U.S. resident alien) and that you are not subject to 28% backup withholding for failing to report income to the IRS. If you violate IRS regulations, the IRS can require the Fund to withhold 28% of your taxable distributions and redemptions.

#### FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Fund's financial performance for the past 10 years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Fund (assuming reinvestment of all dividends and distributions).

This information has been audited by Ernst & Young LLP, independent registered public accounting firm, for the years ended December 31, 2003 through December 31, 2004 and by other auditors for the years ended December 31, 1995 through December 31, 2002. The report of Ernst & Young, LLP on the financial statements and financial highlights for the year ended December 31, 2004 is included in the Statement of Additional Information which is available upon request and without charge.

<table>

	Year Ended December 31,									
<s>	2004	2003	2002	2001	2000	1999	1998	1997#	1996#	1995#
	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>
Per Share Data^										
Net Asset Value:										
Beginning of Period	\$15.26	\$11.91	\$15.43	\$20.23	\$26.08	\$20.47	\$15.84	\$12.15	\$10.59	\$8.13
Income From Investment Operations:										
Net investment income (loss)	0.04	0.03	0.02	(0.01)	(0.09)	0.01	0.05	0.06	0.05	0.07
Net realized and unrealized gain(loss) on investment	1.27	3.35	(3.52)	(3.35)	(3.71)	5.93	5.18	4.46	2.54	2.90
Total from investment operations	1.31	3.38	(3.50)	(3.36)	(3.80)	5.94	5.23	4.52	2.59	2.97
Less Distributions:										
Net investment income	(0.05)	(0.03)	(0.02)	0.00	0.00	(0.02)	(0.05)	(0.06)	(0.05)	(0.07)
Capital Gain	0.00	0.00	0.00	(1.44)	(2.05)	(0.31)	(0.55)	(0.77)	(0.98)	(0.44)
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total Distributions	(0.05)	(0.03)	(0.02)	(1.44)	(2.05)	(0.33)	(0.60)	(0.83)	(1.03)	(0.51)
Net Asset Value:										
End of Period	\$16.52	\$15.26	\$11.91	\$15.43	\$20.23	\$26.08	\$20.47	\$15.84	\$12.15	\$10.59
Total Return	8.56%	28.39%	-22.67%	-17.15%	-14.96%	29.13%	33.34%	37.28%	24.60%	36.46%
Ratios & Supplemental Data										
Net assets end of period (in thousands)										
	\$136,238	\$141,561	\$125,986	\$187,218	\$272,222	\$357,650	\$211,259	\$108,590	\$60,275	\$48,337
Ratio of operating expenses to average net assets*										
	1.32%	1.43%	1.31%	1.14%	0.97%	0.85%	0.94%	0.97%	1.21%	1.37%
Ratio of interest expense to average net assets										
	0.07%	0.22%	0.21%	0.14%	0.22%	0.10%	0.12%	0.02%	-	-
Ratio of net investment income to average net assets										
	0.29%	0.21%	0.17%	-0.05%	-0.34%	0.03%	0.44%	0.45%	0.47%	0.74%
Portfolio turnover rate										
	19%	25%	26%	30%	33%	31%	19%	16%	25%	27%

#All per share data has been restated to reflect a 3 for 1 stock split effective September 25, 1997.

^Average share method used to calculate per share data.

\*including Interest Expense

</table>

#### ADDITIONAL INFORMATION

You can find additional information about the Fund in the following documents:

STATEMENT OF ADDITIONAL INFORMATION (SAI). The SAI contains more detailed information about the Fund and its investment limitations and policies. A current SAI has been filed with the Securities and Exchange Commission and is incorporated by reference into this Prospectus (the SAI is legally part of this Prospectus).

ANNUAL AND SEMIANNUAL REPORTS. Additional information about the Fund's investments is available in the Fund's Annual and Semiannual reports to shareholders. In the Annual Report, you will find a discussion of the market conditions and investment strategy that significantly affected the Fund's performance during its last fiscal year.

QUARTERLY FUND HOLDINGS. The Fund has adopted policies and procedures relating to disclosure of the Fund's portfolio holdings, a full description of which is available in the SAI. The portfolio holdings are included in the Fund's Annual and Semiannual reports to shareholders. The portfolio holdings for the first and third quarters of the fiscal year are filed with the Securities and Exchange Commission ("SEC") and may be accessed on our website or the SEC's website free of charge.

You may obtain a free copy of the Fund's current Annual/Semiannual report or SAI or make any other shareholder inquiry by writing or calling the Fund at:

Northeast Investors Growth Fund  
150 Federal Street  
Boston, MA 02110  
(800) 225-6704  
[www.northeastinvestors.com](http://www.northeastinvestors.com)

You can also review and copy information about the Fund 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 Fund are available on the SEC's internet site at <http://www.sec.gov> and copies may be obtained for a duplicating fee by sending a request by e-mail to [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing the Public Reference Center of the Securities and Exchange Commission, Washington, D.C. 20549-0102.

The Fund's reference number as a registrant under the Investment Company Act of 1940 is 811-3074.

NORTHEAST INVESTORS GROWTH FUND  
150 Federal Street  
Boston, Massachusetts 02110  
(800) 225-6704

Shares of Beneficial Interest

STATEMENT OF ADDITIONAL INFORMATION

May 1, 2005

This Statement of Additional Information supplements the Prospectus for the Fund dated May 1, 2005 and should be read in conjunction with the Prospectus. A copy of the Prospectus may be obtained from the Fund at the above address. 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

As explained in the Prospectus, the Fund's objective is to produce long-term growth for its shareholders. This objective is pursued through a flexible policy emphasizing investments in common stocks and permitting investments in money market instruments and corporate bonds.

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 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 growth. This does not, however, preclude an occasional investment for the purpose of short-term capital appreciation. During the fiscal years ended December 31, 2004 and 2003 the rates of total portfolio turnover were 19% and 25% 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 maintains an up-to-date list of the Fund's holdings. Each of these parties is contractually and ethically prohibited from sharing 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.

<table>

TRUSTEES AND OFFICERS

The Trustees of the Growth Fund are William A. Oates Jr., Ernest E. Monrad, Robert B. Minturn, John C. Emery, Michael Baldwin, and F. Washington Jarvis. Under Massachusetts law, the Trustees are generally responsible for the management of the Fund. The following table provides certain information about the Fund's Trustees and Officers:

<s>	<c>	<c>	<c>	<c>	<c>
Name, Address and Age	Position(s) Held with Fund	Length of Time Served (1)	Principal Occupation(s) During Last 5 Years	Other Directorships held by Trustee	
Trustees Who Are "Interested Persons" of the Fund and Fund Officers					
William A. Oates, Jr. 150 Federal Street Boston, MA Age 62	President and Trustee	24 years	Trustee and President of Northeast Investors Growth Fund		
Ernest E. Monrad 150 Federal Street	Trustee	24 Years	Trustee of Northeast Investors Trust	Century Shares Trust	

Gordon C. Barrett 150 Federal Street Boston, MA Age 48	Senior Vice President and Chief Financial Officer	11 years	Officer of Northeast Investors Growth Fund, Northeast Investors Trust, Northeast Investment Management, Inc.	
Robert B. Minturn 150 Federal Street Boston, MA Age 65	Trustee, Clerk, Vice President and Chief Legal Officer	24 years	Clerk and Trustee of Northeast Investors Trust	Northeast Investors Trust
Trustees Who Are Not "Interested Persons" of the Fund				
John C. Emery One Post Office Square Boston, MA Age 74	Trustee	24 years	Partner, Law Firm of Sullivan & Worcester	
Michael Baldwin 3 Barnabas Road Marion, MA Age 64	Trustee	5 years	Partner, Baldwin Brothers, Inc.	
F. Washington Jarvis 1241 Adams Street Dorchester, MA Age 65	Trustee	1 year	Retired, Headmaster at Roxbury Latin School until 6/30/04	

</table>

(1)The Trustees serve until their resignation or the appointment of a successor and the officers serve at the pleasure of the Trustees.

The Trustees have an Audit Committee consisting of Messrs. Emery, Baldwin and Jarvis. The Audit Committee assists the Board of Trustees in fulfilling its responsibilities for the accounting and financial reporting practices and provides a channel of communication between the Board of Trustees 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 Committee held four meetings during the last fiscal year.

The Trustees, including the Trustees who are not "Interested Persons" acting separately, acted to approve the Fund's investment advisory contract with Northeast Management and Research, Inc. (NMR). The factors considered by the Trustees included among others the nature, quality and extent of services provided by NMR 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, NMR's profitability from managing the Fund before marketing expenses paid by NMR, possible economies of scale and possible financial and other benefits to NMR from serving as investment adviser.

The following table shows the dollar range of shares of the Fund beneficially owned by each Trustee and Portfolio Manager.

<table>		<c>	
<s>	<c>	<c>	
Name of Trustees and Portfolio Managers		Dollar Range of Equity Securities in the Fund	
Trustees and Portfolio Managers Who Are "Interested Persons" of the Fund			
William A. Oates, Jr.		Over \$1,000,000	
Gordon C. Barrett		Over \$100,000	
Robert B. Minturn		Over \$100,000	
Ernest E. Monrad		Over \$100,000	
Trustees Who Are Not "Interested Persons" of the Fund			
F. Washington Jarvis		Over \$100,000	
John C. Emery		Between \$10,001 - \$50,000	
Michael Baldwin		None	

</table>

The total number of shares owned beneficially by the Trustees, officers and members of their immediate families on February 11, 2005 was 179,820.336 shares (2.22%).

The Fund has adopted a Code of Ethics governing personal securities transactions by persons associated with the Fund who have access to information about its investment operations. The Code does permit investments by Fund personnel for their own accounts, but requires approvals and 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.

#### ADVISORY AND SERVICE CONTRACT

Northeast Management & Research Company, Inc. ("NMR") serves the Fund pursuant to an 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 pays certain executive and administrative salaries of the Fund and provides office space for the Fund, with the following expenses borne by 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, (h) fees and expenses of trustees not affiliated with or interested persons of NMR, (i) fees and expenses of the custodian, (j) expenses of acting as its own dividend disbursing agent and transfer 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 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.

The Fund pays NMR a fee at the end of each month calculated by applying a monthly rate, based on an annual percentage fee of 1% of the Fund's average daily net assets for the month up to and including \$10,000,000, 3/4 of 1% of such average daily net assets for the month above \$10,000,000 up to and including \$30,000,000 and 1/2 of 1% of such average daily net assets for the month in excess of \$30,000,000 during such month.

For 2004, 2003 and 2002, respectively, the advisory fee was \$777,606, \$744,809, and \$864,649.

The following table shows the aggregate compensation paid during the fiscal year ended December 31, 2004 to the Trustees, President and Officers of the Fund.

<s>	<c>	<c>	<c>
Name and Position		Aggregate Compensation	Paid by the Fund
William A. Oates, Jr. President & Trustee		\$0.00	
Ernest E. Monrad, Trustee		\$0.00	
Gordon C. Barrett, Senior Vice President & Chief Financial Officer		\$180,337	
Robert B. Minturn, Trustee, Clerk & Vice President		\$0.00	
John C. Emery, Trustee		\$10,000	
Michael Baldwin, Trustee		\$10,000	
F. Washington Jarvis, Trustee		\$5,000	

The Fund is not currently providing retirement benefits to any Trustee.

#### CUSTODIAN AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The custodian for the Fund is Investors Bank & Trust Company, 200 Clarendon Street, Boston, Massachusetts. The custodian maintains custody of the Fund's assets. The Fund acts as its own Transfer and Shareholder Servicing

Agent.

The independent registered public accounting firm for the Fund is Ernst & Young LLP, 200 Clarendon Street, Boston, Massachusetts. Ernst & Young LLP audits the Fund's annual financial statements included in the annual report to shareholders, consents to the use of their report relating to the financial statements and financial highlights on the Fund's filings with the Securities and Exchange Commission and prepares 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. Such portfolio transactions may be carried out with broker-dealers that have provided NMR or the Fund 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). It is not, however, NMR's policy to pay a higher net price to a broker-dealer or receive a lower net price from a broker-dealer solely because it has supplied such services. During 2004, 2003, and 2002 the Fund paid brokerage commissions of \$104,974, \$142,049 and \$159,503 respectively. All such portfolio transactions completed by the Fund during the year ended December 31, 2004 were carried out with broker-dealers that have provided the Fund with research and other investment related services.

#### 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, 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.

#### 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 open account may request in his application or otherwise in writing that investments be made through automatic deductions (minimum \$50) 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 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 may be invested in shares of Northeast Investors Trust as well as shares of the Fund.

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 participants 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 Fund 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 distributions after age 70 1/2 or excess contributions may result in penalty taxes.

Investors Bank & Trust Company serves as trustee or custodian of 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.

#### Prototype Defined Contribution Plan

The Fund offers a Prototype Defined Contribution Plan suitable for adoption by businesses conducted as sole proprietorships, partnerships or corporations.

The employer establishes a Prototype Defined Contribution Plan by completing an adoption agreement specifying the desired plan provisions. The adoption agreement offers flexibility to choose appropriate coverage, eligibility, vesting and contribution options subject to the requirements of law. Under a supplement to the Prototype Defined Contribution Plan, an employer may establish a salary reduction or 401(k) 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.

#### 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 carry forwards) annually. Dividends and distributions are credited 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.

It is the policy of the Fund 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 Fund 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 carry-over 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 Fund with appropriate information with respect to their tax identification or social security number or who are otherwise subject to back-up withholding may have 28% of distributions withheld by the Fund.

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.

#### ADDITIONAL INFORMATION

##### SECURITY LENDING

The Fund may seek additional income by lending portfolio securities to qualified institutions that have a value of up to 33 1/3% of the Fund's assets. The Fund will receive cash or cash equivalents (e.g. U.S. Government obligations) as collateral in an amount at least equal to 100% of the current market value of the loaned securities. The collateral will generally be held in the form received, although cash may be invested in securities issued or guaranteed by the U.S. Government and/or irrevocable stand-by letters of credit. By reinvesting the cash it receives in these transactions, the Fund could magnify any gain or loss it realizes on the underlying investment. If the borrower fails to return the securities and the collateral is insufficient to cover the loss, the Fund could lose money.

##### REPURCHASE AGREEMENTS

The Fund may buy securities with the understanding that the seller will buy them back with interest at a later date. If the seller is unable to honor its commitment to repurchase the securities, the Fund could lose money.

##### LEVERAGE

In order to raise additional funds for investment or to avoid liquidating securities to meet cash needs, such as for redemptions, the Fund may borrow money from banks. The ability to borrow permits the Fund to minimize cash not invested. Any investment gains made with the additional funds in excess of the interest paid will cause the net asset value of the Fund shares to rise faster than would otherwise be the case. On the other hand, if the investment performance of the additional funds fails to cover their costs to the Fund, the net asset value of the fund will decrease faster than would otherwise be the case. If, for example, the Fund makes a \$1,000 investment for which it had borrowed \$200 (20%) of the purchase price and the investment lost 20% of its value to \$800, the Fund would have a loss of \$200 on an \$800 investment, or 25% of the amount invested.

The amount of leverage to be outstanding at any one time cannot be estimated in advance since the Fund may vary the amount of borrowings from time to time, including having no borrowing at all. Under the Investment Company Act of 1940, as amended, the Fund is required to maintain asset coverage of 300% of outstanding borrowings and could be required to liquidate portfolio securities to reduce borrowings if this requirement is not met.

#### 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 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 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 (Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.) 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 agrees with the use of reasonably designed stock-related compensation plans that align 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 generally oppose "golden parachute" plans providing more than two times the annual salary because they impede potential takeovers that shareholders should be free to consider. 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 that good governance starts with an independent board, unfettered by significant ties to management, all of whose members are elected annually. In addition, key board committees should be entirely independent.

#### 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 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, when available, the Fund'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 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:

$$(ERV/P)^{1/N} - 1$$

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 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, 2004 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:

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

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

1. Schedule of Investments as of December 31, 2004
2. Statement of Assets and Liabilities as of December 31, 2004
3. Statement of Operations for the Year Ended December 31, 2004
4. Statements of Changes in Net Assets for each of the two years in the period ended December 31, 2004
5. Notes to Financial Statements for the year ended December 31, 2004
6. Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

<table>

<s>	<c>	<c>	<c>	<c>
Schedule of Investments	December 31, 2004			
Common Stocks	Number of Shares	Market Value (Note B)	Percent of Net Assets	
Name of Issuer				

Air Freight & Logistics United Parcel Service, Inc.	30,900	\$ 2,640,714	1.94%
Asset Management & Custodian Eaton Vance Corp.*	100,000	5,215,000	3.83%
Automobile & Truck Harley-Davidson, Inc.	8,600	522,450	0.38%
Biotechnology Amgen, Inc.^	28,900	1,853,935	
Genentech, Inc.^	45,100	2,455,244	
Gilead Sciences, Inc.^	76,000	2,659,240	
		-----	
		6,968,419	5.11%
Communications Equipment Cisco Systems, Inc.^	95,000	1,835,400	
Corning, Inc.*^	348,000	4,095,960	
		-----	
		5,931,360	4.35%
Computer & Electronics Best Buy Co., Inc.*	31,300	1,859,846	1.37%
Computer Hardware Apple Computer, Inc.^	35,000	2,254,000	
Dell, Inc.*^	86,600	3,649,324	
International Business Machines Corp.	32,300	3,184,134	
		-----	
		9,087,458	6.67%
Conglomerate 3M Co.*	48,000	3,939,360	
General Electric Co.*	170,500	6,223,250	
		-----	
		10,162,610	7.46%
Consumer Finance American Express Co.	37,500	2,113,875	1.55%
Data Processing First Data Corp.	68,000	2,892,720	
Iron Mountain, Inc.^	67,575	2,060,362	
		-----	
		4,953,082	3.64%
Diversified Banks Bank of America Corp.	108,870	5,115,801	3.76%
Diversified Financial Services Citigroup, Inc.*^	63,300	3,049,794	2.24%
Food Retail Whole Foods Market, Inc.*	44,200	\$ 4,214,470	3.09%
Health Care Equipment Boston Scientific Corp.^	59,500	2,115,225	
Kinetic Concepts, Inc.^	6,000	457,800	
Medtronic, Inc.	24,800	1,231,816	
Zimmer Holdings, Inc.*^	49,000	3,925,880	
		-----	
		7,730,721	5.67%
Home Improvement Retail Home Depot, Inc.	77,300	3,303,802	2.43%
Household Products Procter & Gamble Co.	58,800	3,238,704	2.38%
Integrated Oil & Gas B P Amoco, PLC	51,200	2,990,080	
ChevronTexaco Corp.	43,600	2,289,436	
Exxon Mobil Corp.*	115,882	5,940,111	
		-----	
		11,219,627	8.24%
Internet Retail eBay, Inc.^	49,200	5,723,928	4.20%
Investment Bank & Brokerage Goldman Sachs Group^	8,800	915,552	0.67%
Major Regional Banks			

Fifth Third Bancorp	53,050	2,509,265	
Zions Bancorporation*	47,700	3,245,031	
		-----	
		5,754,296	4.22%
Managed Health Wellpoint, Inc.^	33,200	3,818,000	2.80%
Movies & Entertainment Time Warner, Inc.^	130,000	2,528,500	
Walt Disney Co.*	97,000	2,696,600	
		-----	
		5,225,100	3.84%
Oil/Gas Exploration Encana Corp.	17,500	998,550	0.73%
Personal Products Gillette Co.	59,600	2,668,888	1.96%
Pharmaceuticals/Drug Johnson & Johnson*	42,900	2,720,718	
Teva Pharmaceutical Industries, LTD	87,000	2,597,820	
		-----	
		5,318,538	3.90%
Radio XM Satellite Radio Holdings, Class A^	63,000	2,370,060	1.74%
Restaurants Starbucks Corp.^	27,000	1,683,720	1.24%
Retail-General Wal-Mart Stores, Inc.	50,100	2,646,282	1.94%
Semiconductors Analog Devices, Inc.	54,000	1,993,680	
Intel Corp.*	91,400	2,137,846	
		-----	
		4,131,526	3.03%
Soft Drinks PepsiCo, Inc.	54,100	2,824,020	2.07%
Systems Software Microsoft Corp.*	155,000	4,141,600	3.04%
Total Common Stocks (Cost-\$106,449,716)		\$135,547,793	99.49%
		-----	
Repurchase Agreement Investors Bank & Trust Co. Repurchase Agreement, 1.75% due 1/3/05 @		839,025	
Total Repurchase Agreement (Cost-\$839,025)		\$ 839,025	0.62%
		-----	
Total Investment Portfolio (Cost-\$107,288,741)		136,386,818	100.11%
		-----	
Net Other Assets		(148,816)	-0.11%
Total Net Assets		\$136,238,002	100.00%
		-----	
		-----	

@Acquired on December 31, 2004. Collateralized by \$880,494 of market value of U.S. Government mortgage-backed securities due through 12/25/33. The maturity value is \$839,147.

\* All or a portion of this security is pledged to collateralize short-term borrowings

^ Non-income producing security

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

</table>

Statement of Assets and Liabilities  
December 31, 2004

Assets

Investments-at market value (cost \$107,288,741)	\$136,386,818
Dividends receivable	110,076
Other receivables	11,061
Receivable for shares sold	4,160
	-----
Total Assets	136,512,115

Liabilities

Payable for shares repurchased	117,973
Accrued investment advisory fee	66,428
Accrued expenses	89,712
	-----

Total Liabilities	274,113
Net Assets	\$136,238,002
Net Assets Consist of:	
Capital paid-in	\$118,030,209
Undistributed net investment income	417
Accumulated net realized loss on investment transactions	(10,890,701)
Net unrealized appreciation of investments	29,098,077
Net Assets	\$136,238,002
Net Asset Value, offering price and redemption price per share (\$136,238,002/8,250,017 shares)	\$16.52

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

Statement of Operations  
December 31, 2004

Investment Income	
Dividend income	2,158,780
Interest income	6,298
Other income	22,107
Total Income	2,187,185
Expenses	
Investment advisory fee	777,606
Administrative expenses and salaries	457,396
Interest fee	92,267
Printing, postage, and stationary	90,000
Audit fees	73,125
Legal fees	70,400
Computer and related expenses	68,480
Registration and Filing fees	41,625
Insurance	39,000
Trustee fees	25,000
Telephone expense	22,150
Commitment fee	22,091
Custodian fees	10,910
Miscellaneous fees	8,345
Total Expenses	1,798,395
Net Investment Income	388,790
Realized and Unrealized Gain (Loss) on Investments:	
Net realized gain from investment transactions	\$6,290,650
Net change in unrealized appreciation of investments	4,404,129
Net realized and unrealized gain on investments	10,694,779
Net Increase (Decrease) in Net Assets Resulting from Operations	\$11,083,569

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

Statements of Changes in Net Assets	Year Ended December 31, 2004	Year Ended December 31, 2003
Increase (Decrease) in Net Assets		
From Operations:		
Net investment income	\$388,790	\$271,509
Net realized gain (loss) from investment transactions	6,290,650	(3,955,081)
Net change in unrealized appreciation of investments	4,404,129	36,617,308
Net Increase in Net Assets Resulting from Operations	11,083,569	32,933,736
Distributions to Shareholders from Net Investment Income	(388,373)	(279,662)
From Net Fund Share Transactions	(16,017,737)	(17,079,254)
Total Increase (Decrease) in Net Assets	(5,322,541)	15,574,820

Net Assets:		
Beginning of Year	141,560,543	125,985,723
	-----	-----
End of Year	\$136,238,002	\$141,560,543
	-----	-----
	-----	-----

</table>

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

#### Notes to Financial Statements

##### Note A-Organization

Northeast Investors Growth Fund (the "Fund") is a diversified, no-load, open-end, series-type management investment company registered under the Investment Company Act of 1940, as amended. The Fund presently consists of one portfolio and is organized as a Massachusetts business trust.

The Fund's objective is to produce long term growth for its shareholders.

##### Note B-Significant Accounting Policies

Significant accounting policies of the Fund are as follows:

**Valuation of Investments:** Investments in securities traded on national securities exchanges are valued based upon closing prices on the exchanges. Securities traded in the over-the-counter market and listed securities with no sales on the date of valuation are valued at closing bid prices. Repurchase agreements are valued at cost with earned interest included in interest receivable. Other short-term investments, when held by the Fund, are valued at cost plus earned discount or interest which approximates market value.

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.

**Security Transactions:** Investment security transactions are recorded on the date of purchase or sale. Net realized gain or loss on sales of investments is determined on the basis of identified cost.

**Federal Income Taxes:** No provision for federal income taxes is necessary since the Fund has elected to qualify under subchapter M of the Internal Revenue Code and its policy is to distribute all of its taxable income, including net realized capital gains, within the prescribed time periods.

**State Income Taxes:** Because the Fund 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.

**Distributions and Income:** Income and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. generally accepted accounting principles. These differences are primarily due to differing treatments for capital loss carryovers and losses deferred due to wash sales. Permanent book and tax differences relating to shareholder distributions will result in reclassifications to paid-in-capital. The Fund's distributions and dividend income are recorded on the ex-dividend date. Interest income, which consists of interest from repurchase agreements, is accrued as earned.

**Use of Estimates:** The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**Note C-Investment Advisory and Service Contract and Affiliated Expenses**  
The Fund has its investment advisory and service contract with Northeast Management & Research Company, Inc. (the "Advisor"). Under the contract, the Fund pays the Advisor an annual fee at a maximum rate of 1% of the first \$10,000,000 of the Fund's average daily net assets, 3/4 of 1% of the next \$20,000,000 and 1/2 of 1% of the average daily net assets in excess of \$30,000,000, in monthly installments on the basis of the average daily net assets during the month preceding payment. All trustees except Messrs. John C. Emery, Michael Baldwin and F. Washington Jarvis are officers or directors of the Advisor. The compensation of all disinterested trustees of the Fund is borne by the Fund.

Under the Fund's Investment Advisory Agreement (the "Agreement"), personnel of the Advisor provide the Fund with advice and assistance in the choice of investments and the execution of securities transactions, and otherwise maintain the Fund's organization. The Advisor also provides the Fund with necessary office space and portfolio accounting and bookkeeping services. The salaries of



all officers of the Fund and of all Directors who are "affiliated persons" of the Fund or of the Advisor, and all personnel of the Fund or of the Advisor performing services relating to research, statistical and investment activities are paid by the Advisor.

The Fund pays expenses, including the salaries of employees engaged in activities, related to its role as transfer, dividend paying and shareholder servicing agent.

Note D-Purchases and Sales of Investments

The cost of purchases and proceeds from sales of investments, other than short-term securities, aggregated \$27,110,560 and \$60,567,603, respectively, for the year ended December 31, 2004.

Note E-Shares of Beneficial Interest

At December 31, 2004, there was an unlimited number of shares of beneficial interest authorized with no par value. Transactions in shares of beneficial interest were as follows:

	2004		2003	
	Shares	Amount	Shares	Amount
Shares sold	286,607	\$ 4,460,343	441,531	\$ 5,812,191
Shares issued to shareholders in reinvestment of distributions from net investment income and realized gains from security transactions	20,568	338,969	16,607	244,620
Shares repurchased	(1,335,365)	\$(20,817,049)	(1,764,370)	\$(23,136,065)
Net Increase	(1,028,190)	\$(16,017,737)	(1,306,232)	\$(17,079,254)

Note F-Repurchase Agreement

On a daily basis, the Fund invests any cash balances into repurchase agreements hypothecated by U.S. Government obligations. Securities pledged as collateral for repurchase agreements are held by the Fund'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 G-Committed Line of Credit

Short-term bank borrowings, which do not require maintenance of compensating balances, are generally on a demand basis and are at rates equal to adjusted money market interest rates in effect during the period in which such loans are outstanding. At December 31, 2004, the Fund had unused lines of credit amounting to \$25,000,000 and there was no outstanding balance. In addition the fund pays a commitment fee of 0.10% per annum, payable at the end of each quarter based on the unused portion of the line of credit. The committed lines of credit may be terminated at the banks' option at their annual renewal dates.

The following information relates to aggregate short-term borrowings during the year ended December 31, 2004:

Average amount outstanding (total of daily outstanding principal balances divided by number of days during the period)	\$10,229,962
Weighted average interest rate (actual interest expense on short-term borrowing divided by average short-term borrowings outstanding)	0.90%

Note H-Additional Tax Information

The tax character of distributions paid during the fiscal year ended December 31, 2003 and 2004 were \$279,662 and \$388,373 respectively, and were classified as ordinary income.

As of December 31, the components of accumulated earnings (losses) on a tax basis were as follows:

	2004
Capital loss carryforward*	\$(9,792,426)
Unrealized gains (losses)-net	29,004,038
Total accumulated unrealized earnings (losses-net)	\$ 19,211,612

\* The capital loss carryforward will expire as follows:

Expiration

Year	Amount
----	-----
2009	\$1,698,159
2011	\$8,094,267

At December 31, the Fund's aggregate security unrealized gains and losses based on cost for U.S. federal income tax purposes was as follows:

	2004
	----
Tax cost	\$107,560,788
Gross unrealized gain	32,283,830
Gross unrealized loss	(3,279,792)
Net unrealized security gain (loss)	\$ 29,004,038

The difference between book-basis and tax-basis unrealized gains (losses) is primarily attributable to wash sales.

#### Note I-Securities Lending

The Fund may seek additional income by lending portfolio securities to qualified institutions. The Fund will receive cash or securities as collateral in an amount equal to at least 102% of the current market value of any loaned securities plus accrued interest. By reinvesting any cash collateral it receives in these transactions, the Fund could realize additional gains and losses. If the borrower fails to return the securities and the value of the collateral has declined during the term of the loan, the Fund will bear the loss. At December 31, 2004, there were no securities on loan. During the year ended December 31, 2004, income from securities lending amounted to \$3,302.

Report of Independent Registered  
Public Accounting Firm

To the Shareholders and Board of Trustees of  
Northeast Investors Growth Fund:

We have audited the accompanying statement of assets and liabilities of Northeast Investors Growth Fund (the Fund), including the schedule of investments, as of December 31, 2004, and the related statement of operations for the year then ended, and the statements of changes in net assets and the financial highlights for each of the two years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the three years in the period ended December 31, 2002 were audited by other auditors whose report dated February 14, 2003 expressed an unqualified opinion on those financial statements and financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2004, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Northeast Investors Growth Fund at December 31, 2004, the results of its operations for the year then ended, the changes in its net assets and financial highlights for each of the two years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP  
Boston, Massachusetts  
February 11, 2005