

DIAMONDS TRUST SERIES I
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PROSPECTUS DATED MARCH 1, 2005

DIAMONDS® TRUST, SERIES 1

(A Unit Investment Trust organized in the United States)

PROSPECTUS ISSUED PURSUANT TO
DIVISION 2 OF PART XIII OF THE SECURITIES
AND FUTURES ACT, CHAPTER 289 OF SINGAPORE

This Prospectus incorporates the Prospectus dated February 28, 2005
issued by the DIAMONDS Trust, attached hereto

The collective investment scheme offered in this Prospectus is a recognised scheme under the Securities and Futures Act Chapter 289 of Singapore. A copy of the Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of the Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act Chapter 289 of Singapore, or any other legal or regulatory requirements have been complied with. The Authority has not, in any way, considered the investment merits of the collective investment scheme. The date of registration of this Prospectus with the Authority is March 1, 2005. This Prospectus will expire on March 1, 2006 (12 months after the date of registration).

The DIAMONDS Trust, Series 1 has been admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST"), and permission has been granted by the SGX-ST to deal in and for quotation on the SGX-XTRANET of all the DIAMONDS already issued as well as those DIAMONDS which may be issued from time to time. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus and admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the DIAMONDS Trust, Series 1 or the DIAMONDS.

DIAMONDS TRUST, SERIES 1

PROSPECTUS

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DIAMONDS TRUST, SERIES 1

This Prospectus, relating to the DIAMONDS Trust, Series 1 ("Trust"), which is issued pursuant to Division 2 of Part XIII of the Securities and Futures Chapter 289 of Singapore, has been lodged with and registered by the Authority who assumes no responsibility for its contents.

This Prospectus incorporates the attached Prospectus dated February 28, 2005 issued by the Trust ("US Prospectus"). Terms defined in the US Prospectus shall have the same meaning when used in this Prospectus.

The Trust is a unit investment trust organised in the United States ("US") that issues securities called "DIAMONDS," which represent an undivided ownership interest in the portfolio of stocks held by the Trust. DIAMONDS intend to provide investment results that, before expenses, generally correspond to the price and yield performance of the Dow Jones Industrial AverageSM ("DJIA"). The Trust's portfolio consists of substantially all of the component common stocks which comprise the DJIA and are weighted in accordance with the terms of the Trust Agreement (defined below). For additional details, please consult pages 36 to 40 in the US Prospectus attached hereto. All DIAMONDS are denominated in US dollars (\$).

PDR Services LLC ("Sponsor"), the sponsor of the Trust, accepts full responsibility for the accuracy of information contained in this Prospectus, other than that given in the US Prospectus under the heading "Report of Independent Registered Public Accounting Firm," and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Statement misleading.

The Trust is governed by a trust agreement ("Trust Agreement") between State Street Bank and Trust Company ("Trustee"), the trustee of the Trust, and the Sponsor dated and executed as of January 13, 1998. Terms defined in the Trust Agreement shall have the same meaning when used in this Prospectus.

Copies of the Trust Agreement are available for inspection, free of charge, at the offices of State Street Bank and Trust Company at 225 Franklin Street, Boston, Massachusetts, US 02110, or by contacting Hon Cheung, Managing Director, State Street Global Advisors Singapore Limited, at 8 Shenton Way, #17-01 Temasek Tower, Singapore 068811, by telephone at 68839505¹, during normal Singapore business hours.

Investors should seek professional advice to ascertain (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they may encounter under

¹State Street Global Advisors Singapore Limited will hold copies of the Trust Agreement for inspection by investors; however, it is not in any way acting as an agent for or acting as the Trustee.
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the laws of the countries of their citizenship, residence or domicile and which may be relevant to the subscription, holding or disposal of DIAMONDS.

Investors in the Trust are advised to carefully consider the risk factors set out under the heading "RISK FACTORS" on pages 11 to 14 of the US Prospectus, and to refer to paragraph 16 of this Prospectus for a discussion of the US and Singapore tax consequences of an investment in DIAMONDS.

ENQUIRIES

All enquiries about the Trust or requests for additional copies of this Prospectus should be directed to an investor's local broker.

IMPORTANT: READ AND RETAIN THIS PROSPECTUS FOR FUTURE REFERENCE

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CORPORATE INFORMATION

Sponsor to the Trust:	PDR Services LLC c/o The American Stock Exchange 86 Trinity Place New York, New York US 10006
Legal advisers to the Sponsor as to US law:	Carter Ledyard & Milburn LLP 2 Wall Street New York, New York US 10005
Legal advisers to the Sponsor as to Singapore law:	Stamford Law Corporation 9 Raffles Place, #32-00 Republic Plaza, Singapore 048619 Singapore Attn: Lee Suet Fern
Trustee:	State Street Bank and Trust Company 225 Franklin Street Boston, Massachusetts

Legal advisers to the Trustee as to Singapore law:	US 02110 Allen & Gledhill One Marina Boulevard, #28-00 Singapore, Singapore 018989 Attn: Leonard Ching
Independent Registered Public Accounting Firm:	PricewaterhouseCoopers LLP 125 High Street Boston, Massachusetts US 02110
US Distributor of Creation Units:	ALPS Distributors, Inc. (formerly ALPS Mutual Funds Services, Inc.) 1625 Broadway, Suite 2200 Denver, Colorado US 80202

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TRADING AND SETTLEMENT

DIAMONDS are listed for trading under the market symbol DIA on the SGX-ST where they may be bought and sold in the secondary market at any time during the trading day. Market prices for DIAMONDS traded on the SGX-ST are available on the SGX-ST website (<http://esite.sgx.com/scripts/amexprice.asp>). DIAMONDS may also be purchased by Authorized Participants directly from the Trust in the US by placing orders through the US Distributor in a minimum unit, called a "Creation Unit," of 50,000 DIAMONDS or multiples thereof. Creation Units may also be redeemed through a tender to the Trustee in the US. All Creation Unit purchases and redemptions are done "in kind" only in the US, that is, through the delivery or receipt of a specified portfolio of securities. For additional details, please consult pages 26 to 36 in the US Prospectus attached hereto.

As with other securities, investors will pay negotiated brokerage commissions and typical Singapore clearing fees and applicable taxes. In addition, cash dividends to be distributed to investors in Singapore will be net of expenses incurred by CDP (defined below), and where such expenses exceed the amount of the dividends, the investors will not receive any distributions. Brokerage commissions may be subject to Goods and Services Tax ("GST") of 5%. There will be a Singapore clearing fee, which is currently at the rate of 0.05% of the transacted value (up to a maximum of SGD200 per transaction or its equivalent in foreign currencies). Clearing fees may be subject to GST in Singapore of 5%. DIAMONDS are traded in US dollars (\$) on the SGX-ST in 10 unit round lots. The primary trading market for DIAMONDS is in the US, where DIAMONDS are listed on The American Stock Exchange LLC ("American Stock Exchange"). The term "market day" as used in this Statement means a business day in which transactions in DIAMONDS can be executed and settled. Trading of DIAMONDS on the SGX-ST may be halted if the Trust fails to comply with continuing listing requirements and advertising guidelines of the SGX-ST.

With respect to holders of DIAMONDS in Singapore, the trading and settlement process, the system through which they receive distributions or the manner in which information may be made available, among other aspects, may differ from the information set forth in the US Prospectus. Holders of DIAMONDS in Singapore should read this Prospectus carefully and all enquiries in relation hereto should be directed to their local brokers.

1. General

DIAMONDS are issued by the Trust in the form of certificateless securities which are eligible "book-entry-only" securities of The Depository Trust Company ("DTC"). As "book-entry-only" securities, DIAMONDS are represented as global securities on the DTC system and are registered in the name of Cede & Co. as nominee for DTC and deposited with, or on behalf of, DTC.

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The Central Depository (Pte) Limited ("CDP") has entered into linking agreements with the National Securities Clearing Corporation ("NSCC"), by which CDP has access to DTC's depository and custodial services for subdepositing US securities. CDP, through such linking agreements, has an account sponsored by NSCC which is known as Sponsored Account No. 5700 ("Sponsored Account"), and is recognized by NSCC as a record owner for DIAMONDS credited to the Sponsored Account. CDP through the linking agreements may receive DIAMONDS from or deliver DIAMONDS to accounts maintained by member participants in DTC ("DTC Participants").

Settlement of dealings through the CDP system may be effected only by Depository Agents of CDP or holders of DIAMONDS who have their own direct securities accounts with CDP. Investors may open a direct securities account with CDP or a securities sub-account with any Depository Agent to hold their DIAMONDS in CDP. The term "Depository Agent" shall have the same meaning ascribed to it in section 130A of the Companies Act, Chapter 50 of Singapore.

Through the delivery mechanisms discussed below, it is possible for investors to purchase DIAMONDS in Singapore and sell them in the US and vice versa. Although both CDP and DTC, within their own respective market settlements, provide for Delivery Versus Payment and Free-of-Payment transfers of securities, all of the linked transfers between the two depositories are effected only on a Free-of-Payment basis (i.e., there is no related cash movement to parallel the securities movement. Any related cash transfers may only be effected outside DTC and CDP directly between the buyer and seller through their own arrangements). Investors should be aware that Singapore time is generally 12 hours ahead of Eastern Day Light Savings time (13 hours Eastern Standard time) in New York, and that the American Stock Exchange and the SGX-ST are not open at the same time. Because of this time difference between the Singapore and US markets, trading in DIAMONDS between the two markets cannot simultaneously occur.

All dealings in, and transactions of, DIAMONDS in Singapore must be effected for settlement through the computerised book-entry (scripless) settlement system in CDP. Investors should ensure that DIAMONDS sold on the SGX-ST are available for settlement in their CDP account no later than the third market day following the transaction date.

Investors' holdings of DIAMONDS in their CDP account will be credited or debited for settlement on the third market day following the transaction date. A transaction will fail if DIAMONDS are not in an investor's CDP account for settlement on such day, and will be subject to the buy-in cycle on the fourth market day following the transaction date.

In the absence of unforeseen circumstances, the delivery of DIAMONDS into and out of CDP will take a minimum of one market day after the duly

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completed documentation has been submitted to CDP for processing, assuming that the investor has given proper instructions to his or her DTC Participant. Instructions and forms received by CDP after 10 a.m. Singapore time on a given market day will be treated as being received on the next market day and, as such, will be processed on the next market day.

2. Delivery of DIAMONDS to CDP for Trading on the SGX-ST

Investors who hold DIAMONDS in DTC's system in the US and wish to trade them on the SGX-ST can direct delivery of the DIAMONDS to CDP; this book-entry transfer to CDP's Sponsored Account at DTC may be effected only on a Free-of-Payment basis, and is subject to special procedures that will help to identify the relevant CDP Depository Agent. Investors may deliver their DIAMONDS by informing their Singapore broker or Depository Agent to submit delivery instructions to CDP, together with the applicable CDP delivery fee and GST, no later than 10 a.m. Singapore time on the specified delivery date. Investors must concurrently instruct their DTC Participant to deliver such DIAMONDS into the Sponsored Account on the delivery date. Upon notification that its Sponsored Account has been credited, CDP will accordingly credit DIAMONDS to the investor's account.

Investors should ensure that their DIAMONDS are delivered into their securities account with CDP in time for settlement. In the event an investor cannot deliver DIAMONDS for settlement pursuant to the trade, the SGX-ST may buy-in against him or her.

3. Delivery of DIAMONDS out of CDP for Trading on the American Stock Exchange

(a) Investors who hold DIAMONDS with CDP and wish to trade on the American Stock Exchange must arrange to deliver the DIAMONDS into their accounts with their DTC Participant for settlement of any such trade, which will occur on the third market day following the transaction date. For such delivery, investors must submit a duly completed CDP delivery form together with the applicable CDP delivery fee and GST through their Singapore broker or Depository Agent, no later than 10 a.m. Singapore time on the third market day following the specified delivery date in the US. Investors must concurrently instruct their DTC Participant to expect receipt of the relevant number of DIAMONDS from the Sponsored Account. Upon receipt of the duly completed CDP delivery form, CDP will debit the investor's securities account for the relevant number of DIAMONDS and then instruct DTC to deliver the DIAMONDS to the DTC Participant account as specified by the investor.

(b) An investor who buys DIAMONDS on the SGX-ST and sells on the American Stock Exchange on the same day must instruct CDP to deliver the DIAMONDS to his or her DTC Participant account no later than 10 a.m. Singapore time on the US settlement date PROVIDED that the investor is a

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sub-account holder of CDP's Depository Agent and the purchase on the SGX-ST is tagged as a Delivery Versus Payment ("DVP") settlement. The Depository Agent of the investor must send an instruction to deliver the relevant number of DIAMONDS from its sub-account to CDP via CDP's Delivery Versus Payment Foreign Broker ("DVP-FB") Computer System no later than 10 a.m. Singapore time on the US settlement date. Upon affirming the delivery instruction, CDP will instruct DTC to deliver DIAMONDS from the Sponsored Account to the DTC Participant account as specified by the investor.

EXCHANGE RATES AND RISKS

DIAMONDS traded on the SGX-ST are denominated and traded in US dollars. DIAMONDS may only be created or redeemed in US dollars in the manner set out in the US Prospectus. Similarly, the distributions which may be made by the Trustee are in US dollars. To the extent a Singapore investor wishes to convert such US dollar holdings or distributions to Singapore dollars, fluctuations in the exchange rate between the Singapore dollar and the US dollar may affect the value of the proceeds from a currency conversion.

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GENERAL AND STATUTORY INFORMATION

1. Appointment of Auditors

The Trust Agreement provides that the accounts of the Trust shall be audited, as required by US law, by independent certified public accountants designated from time to time by the Trustee.

2. Duties and Obligations of the Trustee

The key duties and obligations imposed on the Trustee under the Trust Agreement are summarized as follows:

- (i) the Trustee will accept on behalf of the Trust deposits of Portfolio Deposits and be authorized to effect registration or transfer of the Securities in its name or the name of its nominee or the nominee of its agent;
- (ii) the Trustee must hold money received pursuant to the Trust Agreement as a deposit for the account of the Trust;
- (iii) the Trustee shall not be liable for the disposition of money or securities or evaluation performed under the Trust Agreement except by reason of its own gross negligence, bad faith, wilful misconduct, wilful malfeasance or reckless disregard of its duties and obligations under the Trust Agreement;
- (iv) the Trustee is not obligated to appear in, prosecute or defend any action if it is of the opinion that it may involve it in expense or liability unless it is furnished with reasonable security and indemnity against such expense or liability; if reasonable indemnity is provided, the Trustee shall, in its discretion, undertake such action as it may deem necessary to protect the Trust and the rights and interest of all beneficial owners;
- (v) the Trustee must provide to brokers/underwriters accounts of the Trust audited by the auditors of the Trust, and the brokers/underwriters will deliver such accounts to beneficial owners;
- (vi) in performing its functions under the Trust Agreement the Trustee will not be held liable except by reason of its own gross negligence, bad faith, wilful misconduct or wilful malfeasance for any action taken or suffered to be taken by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred on it or reckless disregard of its duties and obligations;
- (vii) the Trustee must ensure that no payment made to the Sponsor is for expenses of the Trust, except for payments not in excess of amounts and for purposes prescribed by the US Securities and Exchange Commission and authorized by the Trust Agreement;

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(viii) the Trustee must keep proper books of record and account of all transactions under the Trust Agreement, including the creation and redemption of Creation Units, at its offices, and keep such books open for inspection by any beneficial owner at all reasonable times during usual business hours;

(ix) the Trustee must make such reports and file such documents as are required by the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940 and US state or federal tax laws and regulations;

(x) the Trustee must keep a certified copy of the Trust Agreement, together with the Indenture for each Trust Series then in effect and a current list of Securities therein, on file at its office and make the same available for inspection; and

(xi) the Trustee must charge and direct from the assets of the Trust all expenses and disbursements incurred under the Trust Agreement, or shall reimburse itself from the assets of the Trust or the sale of securities in the Trust for any advances made out of its own funds for such expenses and disbursements.

3. Contracts

A holder of DIAMONDS is not required, obliged or entitled in connection with the Trust to enter into any contract with any person or corporation whether by way of lease or otherwise.

4. Vesting of Assets in the Trust

The Trustee has legal title to all securities and other property in which funds of the Trust are invested, all funds held for such investment, all equalisation, redemption, and other special funds of the Trust, and all income upon accretions to, and proceeds of such property and funds, and the Trustee is required to segregate and hold the same in trust until distribution thereof to the holders of DIAMONDS.

5. Redemption

The Trust is not administered by a management company, and there is no obligation on the Sponsor or the Trustee to redeem any DIAMONDS. As described on pages 32 to 36 in the US Prospectus, it is the Trust itself that is obligated to effect the redemption (although it is the Trustee acting as agent for the Trust that will actually effect the redemption).

6. Transfer of DIAMONDS

As described on page S-6 of this Prospectus, Cede & Co., as nominee for DTC, will be the registered owner of all outstanding DIAMONDS on the DTC

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system. Beneficial ownership of DIAMONDS will be shown on the records of DTC or its participants. Beneficial ownership records for holders of DIAMONDS in Singapore will be maintained at CDP.

No certificates will be issued in respect of DIAMONDS. Transfers of DIAMONDS between investors will normally occur through the trading mechanism of the SGX-ST or the American Stock Exchange as described on page 46 in the

US Prospectus and in this Prospectus.

7. Meetings of Holders of DIAMONDS; Voting; Distribution of Annual Reports

The Trust is not required by law to convene meetings of beneficial owners of DIAMONDS.

The Sponsor, the Trustee and CDP have entered into a Depository Agreement dated May 18, 2001 ("CDP Depository Agreement"), pursuant to which CDP has agreed to act as the depository for DIAMONDS in Singapore. CDP's duties under the CDP Depository Agreement include, among other things: (i) acting as a bare trustee on behalf of individuals who hold securities accounts with CDP and Depository Agents authorized to maintain sub-accounts with CDP in respect of DIAMONDS, (ii) distributing to CDP account holders and Depository Agents any applicable payments or cash distributions in respect of DIAMONDS, and (iii) providing the list of its Depository Agents and holders of DIAMONDS who have their own direct securities accounts with CDP, if so requested by the Sponsor or the Trustee.

The Trustee arranges for the annual report of the Trust to be mailed to all holders of DIAMONDS, including the holders of DIAMONDS in Singapore, no later than the 60th day after the end of the Trust's fiscal year.

The Sponsor or Trustee will ensure that in the event that it is necessary to collect and collate any consents or votes of, or distribute notices, statements, reports, prospectuses, consent instructions, consent forms or other written communications to the holders of DIAMONDS in Singapore, the relevant materials will be mailed to the holders of DIAMONDS in Singapore.

8. Declaration

It is hereby declared that no DIAMONDS shall be created or issued pursuant to this Prospectus later than 12 months, or such other period as may be prescribed by the law for the time being in force, after the date of this Prospectus.

9. Allotment of DIAMONDS

A Distribution Agreement, as amended, was entered into as of September 29, 1997 between (1) the Sponsor, (2) the Trust and (3) ALPS Mutual Funds Services, Inc., now ALPS Distributors, Inc. ("ALPS"), the US Distributor, pursuant to which the Trust and the Sponsor retained ALPS to:

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- (i) act as the exclusive distributor for the creation and distribution of DIAMONDS in aggregations of 50,000 DIAMONDS;
 - (ii) hold itself available to receive and process orders for Creation Units of DIAMONDS; and
 - (iii) to enter into arrangements with dealers.

It is the duty of the Trust and the Sponsor to create the aggregations of 50,000 DIAMONDS and to request DTC to record on its books the ownership of such DIAMONDS in such amounts as ALPS has requested, as promptly as practicable after receipt by the Trustee of the requisite portfolio of securities and any applicable cash component from the creator of the Creation Units or other entities having a Participant Agreement with the Trustee. Participant Agreements must be entered into between the Trustee and all other persons who are creating Creation Units.

10. Borrowing Powers

There are no borrowing powers conveyed in the Trust Agreement.

11. Sponsor and Trustee

Sponsor

PDR Services LLC was originally organized as a corporation under Delaware US law, and was subsequently converted into a limited liability company in Delaware on April 6, 1998. It is wholly owned by the American Stock Exchange, and was formed in Delaware to act as sponsor for American Stock Exchange's exchange traded funds and other unit investment trusts. The Sponsor will remain the Sponsor of the Trust until it is removed, it resigns or the Trust Agreement is terminated. Although the Sponsor is entitled to, it receives no remuneration for the services it renders as Sponsor.

Trustee

State Street Bank and Trust Company is a bank and trust company organized under the laws of the Commonwealth of Massachusetts, US in 1961, the culmination of a series of mergers among 13 predecessors, the oldest of which, Union Bank, was founded in 1792. The Trustee is a wholly owned subsidiary of State Street Corporation, a financial holding company. The Trustee will remain the Trustee of the Trust until it is removed, it resigns or the Trust Agreement is terminated. The remuneration received by the Trustee in its capacity as Trustee of the Trust is described in the US Prospectus and reflected in the financial statements contained therein. Absent gross negligence, bad faith, wilful misconduct or wilful malfeasance on its part or reckless disregard of its duties and obligations under the Trust Agreement, the Trustee shall be indemnified from the Trust and held harmless against any loss, liability

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or expense incurred arising out of or in connection with the acceptance or administration of the Trust and any action taken in accordance with the provisions of the Trust Agreement.

12. Exercise of Voting Rights on Underlying Securities

The Trustee (rather than the beneficial owners of DIAMONDS) has the right to vote all of the voting stocks in the Trust, as Trustee. It must vote the voting stocks of each issuer in the same proportionate relationship as all other shares of each such issuer are voted to the extent permissible and, if not permitted, abstain from voting. There are no restrictions on the Trustee's right to vote securities or DIAMONDS when such securities or DIAMONDS are owned by the Trustee in its individual capacity.

13. Adjustments to Securities Held by the Trust

The Trust's portfolio securities are not managed and the Trustee adjusts such securities from time to time to maintain the correspondence between the composition and weightings of the securities held by the Trust and the DJIA.

14. Distributions to Beneficial Owners

The Trustee receives all dividends and other cash distributed with respect to the underlying securities in the Trust (including monies realized by the Trustee from the sale of securities options, warrants or other similar rights received on such securities), and distributes them (less fees, expenses and any applicable taxes) through DTC and the DTC Participants to the beneficial owners of DIAMONDS. A description of the distribution process is contained on pages 56 to 58 of the US Prospectus. These distribution arrangements will be the same for holders of DIAMONDS in Singapore, who will receive their entitlements through CDP. Cash dividends distributed to investors in Singapore will be net of expenses incurred by CDP. Where such expenses exceed the amount of the dividend, investors will not

receive any dividend.

15. Consents

PricewaterhouseCoopers LLP, as the independent registered public accounting firm for the Trust, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of, and reference to, as the case may be, (i) its name and (ii) its report, in the form and context in which it is referred to in this Prospectus. The report referred to in this Prospectus was not prepared by PricewaterhouseCoopers LLP for the purpose of inclusion in this Prospectus.

Carter Ledyard & Milburn LLP (as legal advisers to the Sponsor as to US law) has given and has not withdrawn its written consent to the inclusion in this Prospectus or references to its name in the form and context which it appears in this Prospectus.

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16. Important Tax Information

A. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general description of the material US federal income tax consequences of the ownership and disposition of DIAMONDS applicable to a holder of DIAMONDS who, for purposes of US taxation and any applicable tax treaty or convention, has not been and will not be a US citizen or resident, a corporation organized in the US, or an estate or trust which is taxable by the US on all of its income regardless of source ("non-resident holder").

This description is for general information purposes only and is based on the US Internal Revenue Code of 1986, as amended ("Code"), Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, all as in effect on the date hereof and all of which are subject to change. The tax treatment of a non-resident holder may vary depending upon his or her particular situation. Certain non-resident holders may be subject to special rules not discussed below. The discussion below does not address the effect of any state, local or foreign tax law on a non-resident holder, and does not address non-resident holders engaged in business in the US. Purchasers of DIAMONDS are advised to consult their own tax advisors with respect to an investment in DIAMONDS.

Tax Consequences of Trust Units Ownership

Ordinary Income Dividends

Subject to the discussion of the 2004 Jobs Act below, dividends paid by the Trust from its investment company taxable income (which includes dividends, interest and the excess of net short-term capital gains over net long-term capital losses) to non-resident holders will generally be subject to US withholding tax at a rate of thirty percent (30%). The amount will be withheld by the dividend paying agent from all dividend distributions.

In certain circumstances, the thirty percent (30%) withholding tax rate may be reduced pursuant to an income tax treaty. Treaty benefits are generally available only to persons that are qualified residents of a country with which the US has a treaty, and who provide a US Internal Revenue Service ("IRS") Form W-8BEN certifying entitlement to such benefits. There is currently no income tax treaty between the US and Singapore.

The recently enacted American Jobs Creation Act of 2004 (the "2004 Jobs Act"), provides that certain dividends designated by the Trust as "interest-related dividends" that are received by most non-resident holders (generally those

that would qualify for the portfolio interest exemptions of Section 871(h) or Section 881(c) of the Code) will be exempt from US withholding tax.

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Interest-related dividends are those dividends derived from certain interest income (including bank deposit interest and short term original issue discount that is currently exempt from the withholding tax) earned by the Trust that would not be subject to U.S. tax if earned by a foreign person directly. The 2004 Jobs Act further provides that certain dividends designated by the Trust as "short-term capital gain dividends" that are received by certain non-resident holders (generally those not present in the United States for 183 days or more) will be exempt from US withholding tax. In general, short-term capital gain dividends are those that are derived from the Trust's short-term capital gains over net long-term capital losses. These provisions generally apply, with certain exceptions, only to the taxable years of the Trust that will begin on October 1, 2005, October 1, 2006 and October 1, 2007. Purchasers of DIAMONDS are advised to consult their own tax advisors regarding the specific tax consequences to them related to the 2004 Jobs Act.

Treatment of Capital Gain Distributions and Sales Proceeds

Capital gain distributions (distributions from the excess of net long-term capital gains over net short-term capital losses) to non-resident holders and proceeds from the sale of Trust Units by a non-resident holder will generally not be subject to US withholding tax.

Backup Withholding

The Trust may be required to withhold federal income tax at a current rate of 28% ("backup withholding") from dividends and redemption proceeds paid to non-corporate shareholders. Generally, dividends paid to non-resident holders that are subject to the 30% federal income tax withholding described above under "Tax Consequences of Trust Units Ownership—Ordinary Income Dividends" are not subject to backup withholding. To avoid backup withholding on other dividends and redemption proceeds from the sale of Trust units, non-resident holders should provide a properly completed IRS Form W-8BEN certifying their non-United States status.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from payments made to a non-resident holder may be refunded or credited against such holder's US federal income tax liability, if any, provided that the required information is furnished to the IRS.

Information Reporting

In the case of a non-resident holder, the Trust must report to the IRS and such holder the amount of dividends, capital gain dividends, interest-related dividends, short-term capital gain dividends or redemption proceeds paid that are subject to withholding (including backup withholding, if any) and the amount of tax withheld, if any, with respect to such amounts. This information may also be made available to the tax authorities in the non-resident holder's country of residence.

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US Estate Tax

The estate of a non-resident individual holder of DIAMONDS may be subject to US estate tax on the value of such DIAMONDS, which are considered US situs property for such purposes. An estate tax credit is currently available for the estates of non-residents, the effect of which is to exempt up to \$60,000 of US situs property. US estate tax is imposed at graduated rates, the highest of which is forty-seven percent (47%) in 2004. If the holder is a qualified resident of a country with which the US maintains an estate tax treaty, the DIAMONDS may be exempt from estate tax. There is currently no estate tax treaty between the US and Singapore.

The estate of a non-resident individual holder of Trust Units that is subject to US estate tax must generally file an IRS Form 706-NA ("United States Estate (and Generation-Skipping Transfer) Tax Return—Estate of non-resident not a citizen of the US") within nine months of the non-resident individual holder's date of death. Subject to certain exceptions, if the estate of the non-resident alien takes a tax return position that any estate tax treaty of the US overrules or modifies any provision of the Code and thereby effects (or potentially effects) a reduction of estate tax, the estate must disclose such position on a statement attached to such return in the form required by US Treasury regulations. The requirement of attaching a statement to the estate tax return is generally satisfied by attaching an IRS Form 8833 ("Treaty-Based Return Position Disclosure under Section 6114 or 7701(b)") to such return. If a tax return would not otherwise be required to be filed, a tax return must nevertheless be filed for purposes of making the required disclosures discussed above.

The US estate tax is a lien against a non-resident decedent's assets for ten years unless the tax is paid in full or otherwise provided for in accordance with US Treasury regulations. Upon payment in full (or provision for such payment) of the US estate tax liability, a transfer certificate will be issued permitting the non-resident decedent's assets to be transferred without liability.

The tax discussion set forth above is included for general information only. Prospective investors should consult their own tax advisors concerning the US and foreign tax consequences to them of an investment in DIAMONDS.

B. CERTAIN SINGAPORE TAX CONSIDERATIONS

The following is a general description of material Singapore income tax, capital gains tax, stamp duty and estate duty consequences of the ownership and disposal of DIAMONDS. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership and disposal of DIAMONDS by a person who, for purposes of taxation in Singapore, is regarded as a Singapore resident taxpayer or otherwise. Prospective investors of DIAMONDS should consult their own tax advisors concerning the tax consequences of their particular situations. This description is based

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on laws, regulations and interpretations now in effect and available as of the date of this Statement. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

General

Singapore resident taxpayers who are companies are subject to Singapore income tax on income accruing in or derived from Singapore or received in Singapore from outside Singapore.

A corporate taxpayer is regarded as a tax resident in Singapore if the company's business is controlled and managed in Singapore (for example, if the board of directors meets and conducts the company's business in Singapore). An individual is regarded as a resident in Singapore if the individual is physically present in Singapore or exercises an employment in Singapore (other than as a director of a company) for 183 days or more in a calendar year, or if the individual resides in Singapore.

The corporate tax rate in Singapore is 20% with effect from the Year of Assessment 2005. In addition, 75% of the first S\$10,000 of a company's chargeable income, and 50% of the next S\$90,000 will be exempted from corporate tax.

Non-resident individuals, subject to certain exceptions, are subject to Singapore income tax only on income accruing in or derived from Singapore.

Resident individual tax payers are subject to Singapore income tax on income accruing in or derived from Singapore. All foreign sourced income received or deemed received in Singapore on or after 1 January 2004 by a resident individual (apart from those received through a partnership in Singapore) will be fully exempt from tax.

For a Singapore tax resident individual, the rate of tax will vary according to the individual's circumstances but is subject to a maximum rate of 22% for the Year of Assessment 2005. The Finance Minister, in the 2005 Budget Statement announced on February 18, 2005, proposed to reduce the top personal income tax rate to 20% in two steps: first from 22% to 21% in the Year of Assessment 2006, and then to 20% in the Year of Assessment 2007. The marginal tax rates for all the other income brackets will also be reduced for the Years of Assessment 2006 and 2007.

All tax residents in Singapore will be affected by tax rebates and exemptions granted by the Singapore government from time to time in line with its current financial and fiscal policies.

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Ordinary Income Dividends

Dividends on DIAMONDS received by a Singapore resident company in Singapore will be liable to tax in Singapore at the corporate income tax rate, unless an exemption or concessionary rates are applicable to them.

Gains on Disposal of DIAMONDS

Singapore does not impose tax on capital gains. However, gains or profits from any trade, business, profession or vocation will be subject to Singapore income tax. Any profits from the disposal of DIAMONDS are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature, in which case, such profits would be taxable.

Stamp Duty

Stamp duty is not applicable to electronic transfers of DIAMONDS through the CDP system.

Estate Duty

Singapore estate duty is imposed on the value of most immovable property situated in Singapore owned by individuals who are not domiciled in Singapore, subject to specific exemption limits whilst movable property is exempt from estate duty for such individuals. Singapore estate duty is imposed on the value of most immovable property situated in Singapore and on most movable property, wherever it may be, owned by individuals who are domiciled in Singapore, subject to specific exemption limits.

Accordingly, DIAMONDS held by an individual who is domiciled in Singapore are subject to Singapore estate duty upon such individual's death. Singapore estate duty is payable to the extent that the value of DIAMONDS aggregated with any other assets subject to Singapore estate duty exceeds SGD600,000. Unless other exemptions apply to the other assets, for example, the separate exemption limit for residential properties, any excess beyond SGD600,000 will be taxed at 5% on the first SGD12,000,000 of the individual's Singapore chargeable assets and thereafter at 10%. Prospective investors should consult their own tax advisors regarding the Singapore estate duty consequences of their ownership of DIAMONDS.

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Prospectus

DIAMONDS® TRUST, SERIES 1

(A Unit Investment Trust)

DIAMONDS Trust is an exchange traded fund designed to generally correspond to the price and yield performance of the Dow Jones Industrial Average.

- DIAMONDS Trust holds all of the Dow Jones Industrial Average stocks.

Each DIAMONDS unit represents an undivided ownership interest in the DIAMONDS Trust.

The DIAMONDS Trust issues and redeems DIAMONDS units only in multiples of 50,000 DIAMONDS in exchange for Dow Jones Industrial Average stocks and cash.

Individual DIAMONDS units trade on the American Stock Exchange like any other equity security.

- Minimum trading unit: 1 DIAMONDS unit.

SPONSOR: PDR SERVICES LLC

(Solely Owned by American Stock Exchange LLC)

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES NOR PASSED UPON THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospectus Dated February 28, 2005

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DIAMONDS TRUST, SERIES 1

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SUMMARY

Essential Information as of October 31, 2004*

Glossary:	All defined terms used in this Prospectus and page numbers on which their definitions appear are listed in the Glossary on page 73.
Total Trust Assets:	\$8,202,792,933
Net Trust Assets:	\$8,190,890,646
Number of DIAMONDS:	81,520,136
Fractional Undivided Interest in the Trust Represented by each DIAMONDS unit:	1/81,520,136th
Dividend Record Dates:	Monthly
Dividend Payment Dates:	Monthly
Trustee's Annual Fee:	From 6/100 of one percent to 10/100 of one percent, based on the NAV of the Trust, as the same may be adjusted by certain amounts.
Estimated Ordinary Operating Expenses of the Trust:	18/100 of one percent (0.1800%) (inclusive of Trustee's annual fee).**
NAV per DIAMONDS unit (based on the value of the Portfolio Securities, other net	\$100.48

assets of the Trust and number of
DIAMONDS outstanding):

Evaluation Time: Closing time of the regular trading session on
the New York Stock Exchange, Inc. (ordinarily
4:00 p.m. New York time).

Licensors: Dow Jones & Company, Inc.

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Mandatory Termination Date: The Trust is scheduled to terminate no later
than January 13, 2123, but may terminate
earlier under certain circumstances.

Discretionary Termination: The Trust may be terminated if at any time the
value of the securities held by the Trust is less
than \$350,000,000, as adjusted for inflation.
The Trust may also be terminated under other
circumstances.

Market Symbol: DIAMONDS trade on the American Stock
Exchange under the symbol "DIA".

Fiscal Year End: October 31

CUSIP: 252787106

*The Trust Agreement became effective, the initial deposit was made and the Trust
commenced operation on January 13, 1998.

**Ordinary operating expenses of the Trust currently are being accrued at an annual
rate of 0.1800% and after earnings credits of 0.0013% are applied, the net expenses
of the Trust are 0.1787%. Future accruals will depend primarily on the level of the
Trust's net assets and the level of Trust expenses. The Sponsor has undertaken that
the ordinary operating expenses will not exceed an amount that is 0.1800% of the
daily NAV of the Trust, but this amount may be changed. Therefore, there is no
guarantee that the Trust's ordinary operating expenses will not exceed 0.1800% of
the Trust's daily NAV.

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Highlights

- DIAMONDS are Ownership Interests in the DIAMONDS Trust

DIAMONDS Trust, Series 1 ("Trust") is a unit investment trust that issues securities called "DIAMONDS". The Trust is organized under New York law and is governed by a trust agreement between State Street Bank and Trust Company ("Trustee") and PDR Services LLC ("Sponsor"), dated and executed as of January 13, 1998 ("Trust Agreement"). The Trust is an investment company registered under the Investment Company Act of 1940. DIAMONDS represent an undivided ownership interest in a portfolio of all of the common stocks of the Dow Jones Industrial Average

("DJIA").

- DIAMONDS Should Closely Track the Value of the Stocks Included in the DJIA

DIAMONDS intend to provide investment results that, before expenses, generally correspond to the price and yield performance of the DJIA. Current information regarding the value of the DJIA is available from market information services. Dow Jones obtains information for inclusion in, or for use in the calculation of, the DJIA from sources Dow Jones considers reliable. None of Dow Jones, the Sponsor, the Trust or the Exchange accepts responsibility for or guarantees the accuracy and/or completeness of the DJIA or any data included in the DJIA.

The Trust holds the Portfolio and cash and is not actively "managed" by traditional methods, which typically involve effecting changes in the Portfolio on the basis of judgments made relating to economic, financial and market considerations. To maintain the correspondence between the composition and weightings of stocks held by the Trust ("Portfolio Securities" or, collectively, "Portfolio") and component stocks of the DJIA ("Index Securities"), the Trustee adjusts the Portfolio from time to time to conform to periodic changes in the identity and/or relative weightings of Index Securities. The Trustee generally makes these adjustments to the Portfolio within three (3) Business Days (defined below) before or after the day on which changes in the DJIA are scheduled to take effect. Any change in the identity or weighting of an Index Security will result in a corresponding adjustment to the prescribed Portfolio Deposit effective on any day that the New York Stock Exchange ("NYSE") is open for business ("Business Day") following the day on which the change to the DJIA takes effect after the close of the market.

The value of DIAMONDS fluctuates in relation to changes in the value of the Portfolio. The market price of each individual DIAMONDS may not be identical to the net asset value ("NAV") of such DIAMONDS but, historically, these two valuations have been very close.

- DIAMONDS Trade on the American Stock Exchange

DIAMONDS are listed for trading on the American Stock Exchange ("Exchange" or "AMEX"), and are bought and sold in the secondary market

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like ordinary shares of stock at any time during the trading day. DIAMONDS are traded on the Exchange in 100 DIAMOND round lots, but can be traded in odd lots of as little as one DIAMOND. The Exchange may halt trading of DIAMONDS under certain circumstances.

- Brokerage Commissions on DIAMONDS

Secondary market purchases and sales of DIAMONDS are subject to ordinary brokerage commissions and charges.

- The Trust Issues and Redeems DIAMONDS in "Creation Units"

The Trust issues and redeems DIAMONDS only in specified large lots of 50,000 DIAMONDS or multiples thereof referred to as "Creation Units." Creation Units are issued by the Trust to anyone who, after placing a creation order with ALPS Distributors, Inc. ("Distributor"), deposits with the Trustee a specified portfolio of Index Securities and a cash payment generally equal to dividends (net of expenses) accumulated up to the time of deposit.

Fractional Creation Units may be created or redeemed only in limited circumstances. * Creation Units are redeemable in kind only and are not redeemable for cash. Upon receipt of one or more Creation Units, the Trust delivers to the redeeming holder a portfolio of Index Securities (based on NAV of the Trust), together with a cash payment. Each redemption has to be accompanied by a Cash Redemption Payment that on any given Business Day is an amount

identical to the Cash Component of a Portfolio Deposit.

If the Trustee determines that one or more Index Securities are likely to be unavailable, or available in insufficient quantity, for delivery upon creation of Creation Units, the Trustee may permit the cash equivalent value of one or more of these Index Securities to be included in the Portfolio Deposit as a part of the Cash Component in lieu thereof. If a creator is restricted by regulation or otherwise from investing or engaging in a transaction in one or more Index Securities, the Trustee may permit the cash equivalent value of such Index Securities to be included in the Portfolio Deposit based on the market value of such Index Securities as of the Evaluation Time on the date such creation order is deemed received by the Distributor as part of the Cash Component in lieu of the inclusion of such Index Securities in the stock portion of the Portfolio Deposit. If the Trustee determines that one or more Index Securities are likely to be unavailable or available in insufficient quantity for delivery by the Trust upon the redemption of Creation Units, the Trustee may deliver the cash equivalent value of one or more of these Index Securities, based on their

*See the discussion of termination of the Trust in this Summary and "Dividend Reinvestment Service" for a description of the circumstances in which DIAMONDS may be redeemed or created by the Trustee in less than a Creation Unit size aggregation of 50,000 DIAMONDS.

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market value as of the Evaluation Time on the date the redemption order is deemed received by the Trustee, as part of the Cash Redemption Payment in lieu thereof.

- **Creation Orders Must be Placed with the Distributor**

All orders to create Creation Units must be placed with the Distributor. To be eligible to place these orders, an entity or person must be (a) a "Participating Party," or (b) a DTC Participant, and in each case must have executed an agreement with the Distributor and the Trustee ("Participant Agreement"). The term "Participating Party" means a broker-dealer or other participant in the DIAMONDS Clearing Process, through the Continuous Net Settlement ("CNS") System of the National Securities Clearing Corporation ("NSCC"), a clearing agency registered with the Securities and Exchange Commission ("SEC"). Payment for orders is made by deposits with the Trustee of a portfolio of securities, substantially similar in composition and weighting to Index Securities, and a cash payment in an amount equal to the Dividend Equivalent Payment, plus or minus the Balancing Amount. "Dividend Equivalent Payment" is an amount equal, on a per Creation Unit basis, to the dividends on the Portfolio (with ex-dividend dates within the accumulation period), net of expenses and accrued liabilities for such period (including, without limitation, (i) taxes or other governmental charges against the Trust not previously deducted, if any, and (ii) accrued fees of the Trustee and other expenses of the Trust (including legal and auditing expenses) and other expenses not previously deducted), calculated as if all of the Portfolio Securities had been held for the entire accumulation period for such distribution. The Dividend Equivalent Payment and the Balancing Amount collectively are referred to as "Cash Component" and the deposit of a portfolio of securities and the Cash Component collectively are referred to as a "Portfolio Deposit." Persons placing creation orders with the Distributor must deposit Portfolio Deposits either (i) through the CNS clearing process of NSCC, as such processes have been enhanced to effect creations and redemptions of Creation Units, such processes referred to herein as the "DIAMONDS Clearing Process," or (ii) with the Trustee outside the DIAMONDS Clearing Process (i.e., through the facilities of DTC).

The Distributor acts as underwriter of DIAMONDS on an agency basis. The Distributor maintains records of the orders placed with it and the confirmations of acceptance and furnishes to those placing such orders confirmations of acceptance of the orders. The Distributor also is responsible for delivering a prospectus to persons creating

DIAMONDS. The Distributor also maintains a record of the delivery instructions in response to orders and may provide certain other administrative services, such as those related to state securities law compliance. The Distributor is a corporation organized under the laws of the State of Colorado and is located at 1625 Broadway, Suite 2200, Denver, CO 80202, toll free number: 1-800-843-2639. The Distributor is a

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registered broker-dealer and a member of the National Association of Securities Dealers, Inc. PDR Services LLC, as Sponsor of the Trust, pays the Distributor for its services a flat annual fee. The Sponsor will not seek reimbursement for such payment from the Trust without obtaining prior exemptive relief from the SEC.

• Expenses of the Trust

The expenses of the Trust are accrued daily and reflected in the NAV of the Trust. After reflecting waivers but before reflecting credits, the Trust currently is accruing ordinary operating expenses at an annual rate of 0.1800%.

Shareholder Fees:*

None*

(fees paid directly from your investment)

Estimated Trust Annual Ordinary Operating Expenses:

	As a % of
	Trust Net
	Assets
Current Trust Annual Ordinary Operating Expenses	.0685%
Trustee's Fee	.0532%
Dow Jones License Fee	.0010%
Registration Fees	.0571%
Marketing	.0002%
Other Operating Expenses	.1800%
Total:**	(.0013)%
Trustee Reduction for Balance Credits**	.1787%
Net Expenses after Reduction	

Future expense accruals will depend primarily on the level of the Trust's net assets and the level of expenses.

*Investors do not pay shareholder fees directly from their investment, but purchases and redemptions of Creation Units are subject to Transaction Fees (described below in "A Transaction Fee is Payable For Each Creation and For Each Redemption of Creation Units"), and purchases and sales of DIAMONDS in the secondary market are subject to ordinary brokerage commissions and charges (described above in "Brokerage Commissions on DIAMONDS").

**Until the Sponsor otherwise determines, the Sponsor has undertaken that the ordinary operating expenses of the Trust will not be permitted to exceed 0.1800% of the Trust's daily NAV. Gross expenses of the Trust for the year ending October 31, 2004, without regard to this undertaking, were also 0.1800% of the NAV of the Trust

and therefore no expenses of the Trust were assumed by the Sponsor. The Sponsor reserves the right to discontinue this undertaking in the future. Therefore, there is no guarantee that the Trust's ordinary operating expenses will not exceed 0.1800% of the Trust's daily net asset value. Trust expenses were further reduced during the same period by a Trustee's earnings credit of 0.0013% of the Portfolio's daily NAV as a result of uninvested cash balances in the Trust.

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• Bar Chart and Table

The bar chart below and the table on the next page entitled "Average Annual Total Returns (For Periods Ending December 31, 2004)" ("Table") provide some indication of the risks of investing in the Trust by showing the variability of the Trust's returns based on net assets and comparing the Trust's performance to the performance of the DJIA. Past performance (both before and after tax) is not necessarily an indication of how the Trust will perform in the future.

The after-tax returns presented in the Table are calculated using the highest historical individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Your actual after-tax returns will depend on your specific tax situation and may differ from those shown below. After-tax returns are not relevant to investors who hold DIAMONDS through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. The total returns in the bar chart below, as well as the total and after-tax returns presented in the Table, do not reflect Transaction Fees payable by those persons purchasing and redeeming Creation Units, nor brokerage commissions incurred by those persons purchasing and selling DIAMONDS in the secondary market (see footnotes (2) and (3) to the Table).

This bar chart shows the performance of the Trust for each full calendar year since its inception on January 13, 1998. During the period shown above (January 1, 1999 through December 31, 2004), the highest quarterly return for the Trust was 13.75% for the quarter ended 12/31/2001, and the lowest was -17.44% for the quarter ended 9/30/2002.

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Average Annual Total Returns (For Periods Ending December 31, 2004)

	Past One Year	Past Five Years	Since Inception ⁽⁴⁾
DIAMONDS Trust, Series I			
Return Before Taxes ⁽¹⁾⁽²⁾⁽³⁾	5.11%	0.53%	6.70%
Return After Taxes on Distributions ⁽¹⁾⁽²⁾⁽³⁾	4.34%	-0.07%	6.07%
Return After Taxes on Distributions and Redemption of Creation Units ⁽¹⁾⁽²⁾⁽³⁾	3.30%	0.01%	5.45%
DJIA ⁽⁵⁾	5.31%	0.65%	6.85%

-
- (1) Includes all applicable ordinary operating expenses set forth above in the section of "Highlights" entitled "Expenses of the Trust".
- (2) Does not include the Transaction Fee which is payable to the Trustee only by persons purchasing and redeeming Creation Units as discussed below in the section of "Highlights" entitled "A Transaction Fee is Payable For Each Creation and For Each Redemption of Creation Units". If these amounts were reflected, returns would be less than those shown.
- (3) Does not include brokerage commissions and charges incurred only by persons who make purchases and sales of DIAMONDS in the secondary market as discussed above in the section of "Highlights" entitled "Brokerage Commissions on DIAMONDS". If these amounts were reflected, returns would be less than those shown.
- (4) Investment operation commenced on January 13, 1998.
- (5) Does not reflect deductions for taxes, operating expenses, Transaction Fees, brokerage commissions, or fees of any kind.

DIAMONDS TRUST, SERIES 1

GROWTH OF \$10,000 INVESTMENT SINCE INCEPTION⁽¹⁾

¹Past performance is not necessarily an indication of how the Trust will perform in the future.

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• A Transaction Fee is Payable for Each Creation and for Each Redemption of Creation Units

The transaction fee payable to the Trustee in connection with each creation and redemption of Creation Units made through the DIAMONDS Clearing Process ("Transaction Fee") is non-refundable, regardless of the NAV of the Trust. This Transaction Fee is \$1,000 per Participating Party per day, regardless of the number of Creation Units created or redeemed on such day. The \$1,000 charge is subject to a limit not to exceed 10/100 of one percent (10 basis points) of the value of one Creation Unit at the time of creation ("10 Basis Point Limit").

For creations and redemptions outside the DIAMONDS Clearing Process, an additional amount not to exceed three (3) times the Transaction Fee applicable for one Creation Unit is charged per Creation Unit per day. Under the current schedule, therefore, the total fee charged in connection with creation or redemption outside the DIAMONDS Clearing Process would be \$1,000 (the Transaction Fee for the creation or redemption of one Creation Unit) plus an additional amount up to \$3,000 (3 times \$1,000), for a total not to exceed \$4,000. Creators and redeemers restricted from engaging in transactions in one or more Index Securities may pay the Trustee the Transaction Fee and may pay an additional amount per Creation Unit not to exceed three (3) times the Transaction Fee applicable for one Creation Unit.

• DIAMONDS are Held in Book Entry Form Only

The Depository Trust Company ("DTC") or its nominee is the record or registered owner of all outstanding DIAMONDS. Beneficial ownership of DIAMONDS is shown on the records of DTC or its participants. Individual certificates are not issued for DIAMONDS. See "The Trust—Securities Depository; Book-Entry-Only System."

- DIAMONDS Make Periodic Dividend Payments

DIAMONDS holders receive each calendar month an amount corresponding to the amount of any cash dividends declared on the Portfolio Securities during the applicable period, net of fees and expenses associated with operation of the Trust, and taxes, if applicable. Because of such fees and expenses, the dividend yield for DIAMONDS is ordinarily less than that of the DJIA. Investors should consult their tax advisors regarding tax consequences associated with Trust dividends, as well as those associated with DIAMONDS sales or redemptions.

Monthly distributions based on the amount of dividends payable with respect to Portfolio Securities and other income received by the Trust, net of fees and expenses, and taxes, if applicable, are made via DTC and its participants to Beneficial Owners on each Dividend Payment Date. Any

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capital gain income recognized by the Trust in any taxable year that is not previously treated as distributed during the year ordinarily is to be distributed at least annually in January of the following taxable year. The Trust may make additional distributions shortly after the end of the year in order to satisfy certain distribution requirements imposed by the Internal Revenue Code of 1986, as amended ("Code"). Although all income distributions are currently made monthly, the Trustee may vary the periodicity with which distributions are made. Those Beneficial Owners interested in reinvesting their monthly distributions may participate through DTC Participants in the DTC Dividend Reinvestment Service ("Service") available through certain brokers. See "The Trust—Securities Depository; Book-Entry-Only System."

- The Trust Intends to Qualify as a Regulated Investment Company

For the fiscal year ended October 31, 2004, the Trust believes that it qualified for tax treatment as a "regulated investment company" under Subchapter M of the Code. The Trust intends to continue to so qualify and to distribute annually its entire investment company taxable income and net capital gain. Distributions that are taxable as ordinary income to Beneficial Owners generally are expected to constitute dividend income for federal income tax purposes and to be eligible for the dividends-received deduction available to many corporations to the extent of qualifying dividend income received by the Trust. The Trust's regular monthly distributions are based on the dividend performance of the Portfolio during such monthly distribution period rather than the actual taxable income of the Trust. As a result, a portion of the distributions of the Trust may be treated as a return of capital or a capital gain dividend for federal income tax purposes or the Trust may be required to make additional distributions to maintain its status as a regulated investment company or to avoid imposition of income or excise taxes on undistributed income.

- Termination of the Trust

The Trust has a specified lifetime term. The Trust is scheduled to terminate on the first to occur of (a) January 13, 2123 or (b) the date 20 years after the death of the last survivor of fifteen persons named in the Trust Agreement, the oldest of whom was born in 1994 and the youngest of whom was born in 1997. Upon termination, the Trust may be liquidated and pro rata shares of the assets of the Trust, net of certain fees and expenses, distributed to holders of DIAMONDS.

- Restrictions on Purchases of DIAMONDS by Investment Companies

Purchases of DIAMONDS by investment companies are subject to restrictions set forth in Section 12(d)(1) of the Investment Company Act of 1940. The Trust has received an SEC order that permits registered investment

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companies to invest in DIAMONDS beyond these limits, subject to certain conditions and terms. One such condition is that registered investment companies relying on the order must enter into a written agreement with the Trust. Registered investment companies wishing to learn more about the order and the agreement should telephone 1-800-THE-AMEX.

The Trust itself is also subject to the restrictions of Section 12(d)(1). This means that (a) the Trust cannot invest in any registered investment company, to the extent that the Trust would own more than 3% of that regulated investment company's outstanding share position, (b) the Trust cannot invest more than 5% of its total assets in the securities of any one registered investment company, and (c) the Trust cannot invest more than 10% of its total assets in the securities of registered investment companies in the aggregate.

Risk Factors

Investors can lose money by investing in DIAMONDS. Investors should carefully consider the risk factors described below together with all of the other information included in this Prospectus before deciding to invest in DIAMONDS.

Investment in the Trust involves the risks inherent in an investment in any equity security. An investment in the Trust is subject to the risks of any investment in a portfolio of large-capitalization common stocks, including the risk that the general level of stock prices may decline, thereby adversely affecting the value of such investment. The value of Portfolio Securities may fluctuate in accordance with changes in the financial condition of the issuers of Portfolio Securities (particularly those that are heavily weighted in the DJIA), the value of common stocks generally and other factors. The identity and weighting of Index Securities and the Portfolio Securities also change from time to time.

The financial condition of the issuers may become impaired or the general condition of the stock market may deteriorate (either of which may cause a decrease in the value of the Portfolio and thus in the value of DIAMONDS). Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. These investor perceptions are based on various and unpredictable factors including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic and banking crises.

Holders of common stocks of any given issuer incur more risk than holders of preferred stocks and debt obligations of the issuer because the rights of common stockholders, as owners of the issuer, generally are inferior to the rights of creditors of, or holders of debt obligations or preferred stocks issued by, such issuer. Further, unlike debt securities that typically have a stated

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principal amount payable at maturity, or preferred stocks that typically have a liquidation preference and may have stated optional or mandatory redemption provisions, common stocks have neither a fixed principal amount nor a maturity. Common stock values are subject to market fluctuations as long as the common stock remains outstanding. The value of the Portfolio may be expected to fluctuate over the entire life of the Trust.

There can be no assurance that the issuers of Portfolio Securities will pay dividends. Distributions generally depend upon the declaration of dividends by the issuers of Portfolio Securities and the declaration of such dividends generally depends upon various factors, including the financial condition of the issuers and general economic conditions.

The Trust is not actively managed. The Trust is not actively "managed" by traditional methods, and therefore the adverse financial condition of an issuer will not result in the elimination of its stocks from the Portfolio unless the stocks of such issuer are removed from the DJIA.

A liquid trading market for certain Portfolio Securities may not exist. Although most of the Portfolio Securities are listed on a national securities exchange, the principal trading market for some may be in the over-the-counter market. The existence of a liquid trading market for certain Portfolio Securities may depend on whether dealers will make a market in such stocks. There can be no assurance that a market will be made for any Portfolio Securities, that any market will be maintained or that any such market will be or remain liquid. The price at which Portfolio Securities may be sold and the value of the Portfolio will be adversely affected if trading markets for Portfolio Securities are limited or absent.

The Trust may not always be able exactly to replicate the performance of the DJIA. It is possible that, for a short period, the Trust may not fully replicate the performance of the DJIA due to the temporary unavailability of certain Index Securities in the secondary market or due to other extraordinary circumstances. In addition, the Trust is not able to replicate exactly the performance of the DJIA because the total return generated by the Portfolio is reduced by Trust expenses and transaction costs incurred in adjusting the actual balance of the Portfolio.

Investment in the Trust may have adverse tax consequences. Investors in the Trust should also be aware that there are tax consequences associated with the ownership of DIAMONDS resulting from the distribution of Trust dividends and sales of DIAMONDS as well as under certain circumstances the sales of stocks held by the Trust in connection with redemptions.

NAV may not always correspond to market price. The NAV of DIAMONDS in Creation Unit size aggregations and, proportionately, the NAV per DIAMONDS unit, changes as fluctuations occur in the market value of Portfolio Securities. Investors should be aware that the aggregate public

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trading market price of 50,000 DIAMONDS may be different from the NAV of a Creation Unit (i.e., 50,000 DIAMONDS may trade at a premium over, or at a discount to, the NAV of a Creation Unit) and similarly the public trading market price per DIAMONDS unit may be different from the NAV of a Creation Unit on a per DIAMONDS unit basis. This price difference may be due, in large part, to the fact that supply and demand forces at work in the secondary trading market for DIAMONDS is closely related to, but not identical to, the same forces influencing the prices of Index Securities trading individually or in the aggregate at any point in time. Investors also should note that the size of the Trust in terms of total assets held may change substantially over time and from time to time as Creation Units are created and redeemed.

The Exchange may halt trading in DIAMONDS. DIAMONDS are listed for trading on the Exchange under the market symbol DIA. Trading in DIAMONDS may be halted due to market conditions or, in light of Exchange rules and procedures, for reasons that, in the view of the Exchange, make trading in DIAMONDS inadvisable. In addition, trading is subject to trading halts caused by extraordinary market volatility pursuant to Exchange "circuit breaker" rules that require trading to be halted for a specified period based on a specified market decline. There can be no

assurance that the requirements of the Exchange necessary to maintain the listing of DIAMONDS will continue to be met or will remain unchanged. The Trust will be terminated if DIAMONDS are delisted from the Exchange.

DIAMONDS are subject to market risks. DIAMONDS are subject to the risks other than those inherent in an investment in equity securities, discussed above, in that the selection of the stocks included in the Portfolio, the expenses associated with the Trust, or other factors distinguishing an ownership interest in a trust from the direct ownership of a portfolio of stocks may affect trading in DIAMONDS.

Additionally, DIAMONDS may perform differently than other investments in portfolios containing large capitalization stocks based upon or derived from an index other than the DJIA. For example, the great majority of component stocks of the DJIA are drawn from among the largest of the large capitalization universe, while other indexes may represent a broader sampling of large capitalization stocks. Also, other indexes may use different methods for assigning relative weights to the index components than the price weighted method used by the DJIA. As a result, DJIA accords relatively more weight to stocks with a higher price to market capitalization ratio than a similar market capitalization weighted index.

The regular settlement period for Creation Units may be reduced. Except as otherwise specifically noted, the time frames for delivery of stocks, cash, or DIAMONDS in connection with creation and redemption activity within the DIAMONDS Clearing Process are based on NSCC's current "regular way" settlement period of three (3) days during which NSCC is open for business

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(each such day an "NSCC Business Day"). NSCC may, in the future, reduce such "regular way" settlement period, in which case there may be a corresponding reduction in settlement periods applicable to DIAMONDS creations and redemptions.

Clearing and settlement of Creation Units may be delayed or fail. The Trustee delivers a portfolio of stocks for each Creation Unit delivered for redemption substantially identical in weighting and composition to the stock portion of a Portfolio Deposit as in effect on the date the request for redemption is deemed received by the Trustee. If redemption is processed through the DIAMONDS Clearing Process, the stocks that are not delivered are covered by NSCC's guarantee of the completion of such delivery. Any stocks not received on settlement date are marked-to-market until delivery is completed. The Trust, to the extent it has not already done so, remains obligated to deliver the stocks to NSCC, and the market risk of any increase in the value of the stocks until delivery is made by the Trust to NSCC could adversely affect the NAV of the Trust. Investors should note that the stocks to be delivered to a redeemer submitting a redemption request outside of the DIAMONDS Clearing Process that are not delivered to such redeemer are not covered by NSCC's guarantee of completion of delivery.

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To the Trustee and Unitholders of DIAMONDS Trust Series 1

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of DIAMONDS Trust Series 1 (the "Trust") at October 31, 2004, and the results of its operations, the changes in its net assets and the financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trustee; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Trustee, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2004 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
 Boston, Massachusetts
 December 17, 2004

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DIAMONDS Trust Series 1
 Statement of Assets and Liabilities
 October 31, 2004

Assets

Investments in securities, at value	\$8,177,959,708
Cash	12,130,898
Receivable for income related to DIAMONDS issued in-kind	371,097
Dividends receivable	12,331,230
Total Assets	8,202,792,933

Liabilities

Distribution payable	6,400,141
Accrued Trustee fees	299,588
Accrued expenses and other liabilities	5,202,558
Total Liabilities	11,902,287

Net Assets

\$8,190,890,646

Net Assets Represented By:

Paid in surplus	\$9,306,840,593
Undistributed net investment income	5,063,559
Accumulated net realized gain (loss) on investments	(313,286,412)
Net unrealized appreciation (depreciation) on investments	(807,727,094)
Net Assets	\$8,190,890,646

Net asset value per DIAMOND	\$ 100.48
Units of fractional undivided interest ("DIAMONDS") outstanding, unlimited units authorized, \$0.00 par value	81,520,136
Cost of investments	\$8,985,686,802

See accompanying notes to financial statements.

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DIAMONDS Trust Series 1
Statements of Operations

	For the Year Ended October 31, 2004	For the Year Ended October 31, 2003	For the Year Ended October 31, 2002
Investment Income			
Dividend income	\$ 145,895,782	\$ 120,911,703	\$ 71,072,353
Expenses:			
Trustee expense	4,708,689	3,480,020	2,450,305
Marketing expense	4,019,534	3,230,848	1,549,601
DJIA license fee	3,750,004	1,947,815	1,567,729
Legal and audit services	89,900	249,444	64,908
SEC registration expense	73,883	116,131	30,592
Printing and postage expense	43,194	338,844	151,203
Miscellaneous expense	661	715	687
Amortization of organization costs	—	101,829	502,266
Total expenses	12,685,865	9,465,646	6,317,291
Trustee earnings credit	(88,355)	(61,870)	(61,606)
Net expenses after Trustee earnings credit	12,597,510	9,403,776	6,255,685
Net Investment Income	133,298,272	111,507,927	64,816,668
Realized and Unrealized Gain (Loss) on Investments			
Net realized gain on investment transactions	213,134,509	276,147,528	173,854,529
Net increase in unrealized depreciation	(133,449,812)	636,501,507	(496,933,157)
Net realized and unrealized gain (loss) on investments	79,684,697	912,649,035	(323,078,628)
Net Increase (Decrease) in Net Assets from Operations	\$ 212,982,969	\$1,024,156,962	\$ (258,261,960)

See accompanying notes to financial statements.

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DIAMONDS Trust Series 1
Statements of Changes in Net Assets

	For the Year Ended October 31, 2004	For the Year Ended October 31, 2003	For the Year Ended October 31, 2002
Increase (decrease) in net assets resulting from operations:			
Net investment income	\$ 133,298,272	\$ 111,507,927	\$ 64,816,668
Net realized gain on investment transactions	213,134,509	276,147,528	173,854,529
Net increase in unrealized depreciation	(133,449,812)	636,501,507	(496,933,157)
Net increase (decrease) in net assets resulting from operations	212,982,969	1,024,156,962	(258,261,960)
Undistributed net investment income included in price of units issued and redeemed, net	(1,282,877)	(398,863)	913,179
Distributions to unitholders from net investment income	(130,617,261)	(110,187,836)	(62,477,206)
Net increase in net assets from issuance and redemption of DIAMONDS	2,118,716,178	959,445,015	1,703,425,938
Net increase in net assets during period	2,199,799,009	1,873,015,278	1,383,599,951
Net assets at beginning of period	5,991,091,637	4,118,076,359	2,734,476,408
Net assets end of period*	\$8,190,890,646	\$5,991,091,637	\$4,118,076,359
*Includes undistributed net investment income	\$ 5,063,559	\$ 2,382,548	\$ 1,062,457

See accompanying notes to financial statements.

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DIAMONDS Trust Series 1
Financial Highlights
Selected Data for a DIAMOND Outstanding During the Year

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	For the Year Ended 10/31/04	For the Year Ended 10/31/03	For the Year Ended 10/31/02	For the Year Ended 10/31/01	For the Year Ended 10/31/00
Net Asset Value, Beginning of Year Investment Operations:					
Net investment income (1)	\$ 98.20	\$ 84.12	\$ 90.84	\$ 109.73	\$ 107.31
Net realized and unrealized gain (loss) on investments	1.94	1.91	1.73	1.56	1.43
Total from investment operations	2.28	14.06	(6.77)	(18.86)	2.47
Undistributed net investment income included in price of units issued and redeemed, net	4.22	15.97	(5.04)	(17.30)	3.90
Less Distributions From:					
Net investment income	0.00(5)	(0.01)	0.00(5)	0.00(5)	0.00(5)
Net asset value, end of year	(1.94)	(1.88)	(1.68)	(1.59)	(1.48)
Total investment return (2)	\$ 100.48	\$ 98.20	\$ 84.12	\$ 90.84	\$ 109.73
Ratios and Supplemental Data	4.27%	19.22%	(5.71)%	(15.91)%	3.68%
Ratios to average net assets:					
Net investment income	1.89%	2.12%	1.85%	1.51%	1.34%
Total expenses	0.18%	0.18%	0.18%	0.18%	0.36%
Net expenses excluding trustee earnings credit	0.18%	0.18%	0.18%	0.18%	0.18%
Net expenses excluding rebates, trustee earnings credit and waivers (3)	0.18%	0.18%	0.18%	0.17%	0.17%
Portfolio turnover rate (4)	3.88%	8.71%	0.26%	12.66%	23.85%
Net asset value, end of year (000's)	\$8,190,891	\$5,991,092	\$4,118,076	\$2,734,476	\$2,002,605

(1)Per share numbers have been calculated using the average shares method, which more appropriately presents the per share data for the period.

(2)Total returns for periods of less than one year are not annualized and do not include transaction fees.

- (3) Excludes expenses reimbursed by the Sponsor and Trustee from the period November 1, 1998 through February 29, 2000 and the Sponsor from the period March 1, 2000 through October 31, 2000.
- (4) Portfolio turnover ratio excludes securities received or delivered from processing creations or redemptions of DIAMONDS.
- (5) Amount shown represents less than \$0.01.

See accompanying notes to financial statements.

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DIAMONDS Trust Series 1
Notes to Financial Statements
October 31, 2004

NOTE 1—ORGANIZATION

DIAMONDS Trust Series 1 (the "Trust") is a unit investment trust created under the laws of the State of New York and registered under the Investment Company Act of 1940. The Trust was created to provide investors with the opportunity to purchase units of beneficial interest in the Trust representing proportionate undivided interests in the portfolio of securities consisting of substantially all of the component common stocks, which comprise the Dow Jones Industrial Average (the "DJIA"). Each unit of fractional undivided interest in the Trust is referred to as a "DIAMOND". The Trust commenced operations on January 14, 1998 upon the initial issuance of 500,000 DIAMONDS (equivalent to ten "Creation Units" —see Note 4) in exchange for a portfolio of securities assembled to reflect the intended portfolio composition of the Trust.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates. The following is a summary of significant accounting policies followed by the Trust.

Security Valuation

Portfolio securities are valued based on the closing sale price on the exchange which is deemed to be the principal market for the security, except for securities listed on the NASDAQ which are valued at the NASDAQ official closing price. If no closing sale price or official closing price is available, then the security is valued at the previous closing sale price on the exchange which is deemed to be the principal market for the security, or at the previous official closing price if the security is listed on the NASDAQ. If there is no closing sale price or official closing price available, valuation will be determined by the Trustee in good faith based on available information.

Investment Transactions

Investment transactions are recorded on the trade date. Realized gains and losses from the sale or disposition of securities are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date.

DIAMONDS Trust Series 1
Notes to Financial Statements
October 31, 2004

Distributions to Unitholders

The Trust declares and distributes dividends from net investment income to its unitholders monthly. The Trust will distribute net realized capital gains, if any, at least annually.

Federal Income Tax

The Trust has qualified and intends to qualify as a "regulated investment company" under Subchapter M of the Internal Revenue Code of 1986, as amended. By so qualifying and electing, the Trust will not be subject to federal income taxes to the extent it distributes its taxable income, including any net realized capital gains, for each fiscal year. In addition, by distributing during each calendar year substantially all of its net investment income and capital gains, if any, the Trust will not be subject to federal excise tax. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to differing treatments for income equalization, in-kind transactions and losses deferred due to wash sales. Net investment income per share calculations in the financial highlights for all years presented exclude these differences.

During the fiscal year ended October 31, 2004, the Trust reclassified \$434,348,797 of non-taxable security gains realized in the in-kind redemption of Creation Units (Note 4) as an increase to paid in surplus in the Statements of Assets and Liabilities.

At October 31, 2004, the Trust had the following capital loss carryforwards which may be used to offset any net realized gains, expiring October 31:

2007	\$ 9,197,094
2008	11,386,433
2010	2,065,467
2011	68,716,435
2012	221,460,584

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October 31, 2004

The tax character of distributions paid during the year ended October 31, 2004, 2003, and 2002 were as follows:

Distributions paid from:	2004	2003	2002
Ordinary Income	\$ 130,617,261	\$ 110,187,836	\$ 62,477,206
Long Term Capital Gain	—	—	—
Return of Capital	—	—	—
Total	\$ 130,617,261	\$ 110,187,836	\$ 62,477,206

As of October 31, 2004, the components of distributable earnings (excluding unrealized appreciation (depreciation) on a federal income tax basis were undistributed ordinary income of \$11,463,700 and undistributed long term capital gain of \$0.

NOTE 3—TRANSACTIONS WITH THE TRUSTEE AND SPONSOR

In accordance with the Trust Agreement, State Street Bank and Trust Company (the "Trustee") maintains the Trust's accounting records, acts as custodian and transfer agent to the Trust, and provides administrative services, including filing of all required regulatory reports. The Trustee is also responsible for determining the composition of the portfolio of securities which must be delivered and/or received in exchange for the issuance and/or redemption of Creation Units of the Trust, and for adjusting the composition of the Trust's portfolio from time to time to conform to changes in the composition and/or weighting structure of the DJIA. For these services, the Trustee received a fee at the following annual rates for the year ended October 31, 2004:

Net Asset Value of the Trust	Fee as a Percentage of Net Asset Value of the Trust
\$0 — \$499,999,999	10/100 of 1% per annum plus or minus the Adjustment Amount
\$500,000,000 — \$2,499,999,999	8/100 of 1% per annum plus or minus the Adjustment Amount
\$2,500,000,000 — and above	6/100 of 1% per annum plus or minus the Adjustment Amount

The Adjustment Amount is the sum of (a) the excess or deficiency of transaction fees received by the Trustee, less the expenses incurred in processing orders for creation and redemption of DIAMONDS and (b) the amounts earned by the Trustee with respect to the cash held by the Trustee for the benefit of the Trust. During the year ended October 31, 2004, the Adjustment Amount decreased the Trust's expenses by \$208,288.

PDR Services LLC (the "Sponsor", a wholly-owned subsidiary of the American Stock Exchange LLC) agreed to reimburse the Trust for, or assume,

DIAMONDS Trust Series 1
Notes to Financial Statements
October 31, 2004

the ordinary operating expenses of the Trust which exceeded 18.00/100 of 1% per annum of the daily net asset value of the Trust. The amounts of such reimbursements by the Sponsor for the fiscal years ended October 31, 2002, October 31, 2003 and October 31, 2004 were \$0.

Dow Jones & Company, Inc. ("Dow Jones"), the American Stock Exchange LLC (the "AMEX"), and the Sponsor have entered into a License Agreement pursuant to which certain Dow Jones marks may be used in connection with the Trust subject to the payment of license fees.

NOTE 4—TRUST TRANSACTIONS IN DIAMONDS

Transactions in DIAMONDS were as follows.

	Year Ended October 31, 2004	
	DIAMONDS	Amounts
DIAMONDS sold	72,900,000	\$ 7,485,525,585
DIAMONDS issued upon dividend reinvestment	11,705	1,201,305
DIAMONDS redeemed	(52,400,000)	(5,369,293,589)
Net income equalization	—	1,282,877
Net Increase	20,511,705	\$ 2,118,716,178

	Year Ended October 31, 2003	
	DIAMONDS	Amounts
DIAMONDS sold	70,850,000	\$ 6,167,457,123
DIAMONDS issued upon dividend reinvestment	4,321	385,016
DIAMONDS redeemed	(58,800,000)	(5,208,795,987)
Net income equalization	—	398,863
Net Increase	12,054,321	\$ 959,445,015

	Year Ended October 31, 2002	
	DIAMONDS	Amounts
DIAMONDS sold	85,000,000	\$ 8,317,016,274
DIAMONDS issued upon dividend reinvestment	2,297	210,273
DIAMONDS redeemed	(66,150,000)	(6,612,887,430)
Net income equalization	—	(913,179)
Net Increase	18,852,297	\$ 1,703,425,938

DIAMONDS Trust Series 1
Notes to Financial Statements
October 31, 2004

Except for under the Trust's dividend reinvestment plan, DIAMONDS are issued and redeemed by the Trust only in Creation Unit size aggregations of 50,000 DIAMONDS. Such transactions are only permitted on an in-kind basis, with a separate cash payment which is equivalent to the undistributed net investment income per DIAMOND (income equalization) and a balancing cash component to equate the transaction to the net asset value per unit of the Trust on the transaction date. A transaction fee of \$1,000 is charged in connection with each creation or redemption of Creation Units through the DIAMONDS Clearing Process per Participating party per day, regardless of the number of Creation Units created or redeemed. Transaction fees are received by the Trustee and used to offset the expense of processing orders.

NOTE 5—INVESTMENT TRANSACTIONS

For the fiscal year ended October 31, 2004, the Trust had gross in-kind contributions, gross in-kind redemptions, purchases and sales of investment securities of \$6,761,423,192, \$4,644,218,488, \$988,307,215 and \$993,544,047, respectively. At October 31, 2004, the cost of investments for federal income tax purposes was \$8,986,147,201 accordingly, gross unrealized appreciation was \$113,734,724, and gross unrealized depreciation was \$921,922,217, resulting in net unrealized depreciation of \$808,187,493.

NOTE 6—TAX INFORMATION (UNAUDITED)

For Federal income tax purposes, the percentage of Trust ordinary distributions which qualify for the corporate dividends received deduction for the fiscal year ended October 31, 2004 is 100%.

For the fiscal year ended October 31, 2004, certain dividends paid by the Trust may be designated as qualified dividend income and subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. Complete information will be reported in conjunction with your 2004 Form 1099-DIV.

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DIAMONDS Trust Series 1
Schedule of Investments
October 31, 2004

Common Stocks	Shares	Value
3M Co.	6,013,869	\$ 466,495,818
Alcoa, Inc.	6,013,869	195,450,742
Altria Group, Inc.	6,013,869	291,432,092
American Express Co.	6,013,869	319,156,028
American International Group, Inc.	6,013,869	365,101,987
Boeing Co.	6,013,869	300,092,063
Caterpillar, Inc.	6,013,869	484,357,009

Citigroup, Inc.	6,013,869	266,835,368
Coca-Cola Co. (The)	6,013,869	244,523,914
Disney (Walt) Co. (The)	6,013,869	151,669,776
Du Pont (E.I.) de Nemours	6,013,869	257,814,564
Exxon Mobil Corp.	6,013,869	296,002,632
General Electric Co.	6,013,869	205,193,210
General Motors Corp.	6,013,869	231,834,650
Hewlett-Packard Co.	6,013,869	112,218,796
Home Depot, Inc.	6,013,869	247,049,739
Honeywell International, Inc.	6,013,869	202,547,108
Intel Corp.	6,013,869	133,868,724
International Business Machines Corp.	6,013,869	539,744,743
J.P. Morgan Chase & Co.	6,013,869	232,135,343
Johnson & Johnson Co.	6,013,869	351,089,672
McDonald's Corp.	6,013,869	175,304,281
Merck & Co., Inc.	6,013,869	188,294,238
Microsoft Corp.	6,013,869	168,328,193
Pfizer Inc.	6,013,869	174,101,508
Procter & Gamble Co.	6,013,869	307,789,764
SBC Communications Inc.	6,013,869	151,910,331
United Technologies Corp.	6,013,869	558,207,321
Verizon Communications Inc.	6,013,869	235,142,278
Wal-Mart Stores, Inc.	6,013,869	324,267,816
Total Common Stocks—(Cost \$8,985,686,802)		\$8,177,959,708

See accompanying notes to financial statements.

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THE TRUST

The Trust, an exchange traded fund or "ETF", is a registered investment company which both (a) continuously issues and redeems "in-kind" its shares, known as DIAMONDS, only in large lot sizes called Creation Units at their once-daily NAV and (b) lists DIAMONDS individually for trading on the Exchange at prices established throughout the trading day, like any other listed equity security trading in the secondary market on the Exchange.

Creation of Creation Units

Portfolio Deposits may be made through the DIAMONDS Clearing Process or outside the DIAMONDS Clearing Process only by a person who executed a Participant Agreement with the Distributor and the Trustee. The Distributor shall reject any order that is not submitted in proper form. A creation order is deemed received by the Distributor on the date on which it is placed ("Transmittal Date") if (a) such order is received by the Distributor not later than the Closing Time (as defined below) on such Transmittal Date and (b) all other procedures set forth in the Participant Agreement are properly followed. The Transaction Fee is charged at the time of creation of a Creation Unit, and an additional amount not to exceed three (3) times the Transaction Fee applicable for one Creation Unit is charged for creations outside the DIAMONDS Clearing Process, in part due to the increased expense associated with settlement.

The Trustee, at the direction of the Sponsor, may increase*, reduce or waive the Transaction Fee (and/or the additional amounts charged in connection with creations and/or redemptions outside the DIAMONDS Clearing Process) for certain lot-size creations and/or redemptions of Creation Units. The Sponsor has the right to vary the lot-size of Creation Units subject to such an increase, reduction or waiver. The existence of any such variation shall be disclosed in the then current DIAMONDS Prospectus.

The DJIA is a price-weighted stock index; that is, the component stocks of the DJIA are represented in exactly equal share amounts and therefore are accorded relative importance in the DJIA based on their prices. The shares of common stock of the stock portion of a Portfolio Deposit on any date of deposit will reflect the composition of the component stocks of the DJIA on such day. The portfolio of Index Securities that is the basis for a Portfolio Deposit varies as changes are made in the composition of the Index Securities.

*Such increase is subject to the 10 Basis Point Limit.

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The Trustee makes available to NSCC* before the commencement of trading on each Business Day a list of the names and required number of shares of each of the Index Securities in the current Portfolio Deposit as well as the amount of the Dividend Equivalent Payment for the previous Business Day. Under certain extraordinary circumstances which may make it impossible for the Trustee to provide such information to NSCC on a given Business Day, NSCC shall use the information regarding the identity of the Index Securities of the Portfolio Deposit on the previous Business Day. The identity of each Index Security required for a Portfolio Deposit, as in effect on October 31, 2004, is set forth in the above Schedule of Investments. The Sponsor makes available (a) on each Business Day, the Dividend Equivalent Payment effective through and including the previous Business Day, per outstanding DIAMONDS unit, and (b) every 15 seconds throughout the day at the Exchange a number representing, on a per DIAMONDS unit basis, the sum of the Dividend Equivalent Payment effective through and including the previous Business Day, plus the current value of the securities portion of a Portfolio Deposit as in effect on such day (which value may occasionally include a cash in lieu amount to compensate for the omission of a particular Index Security from such Portfolio Deposit). Such information is calculated based upon the best information available to the Sponsor and may be calculated by other persons designated to do so by the Sponsor. The inability of the Sponsor to provide such information will not in itself result in a halt in the trading of DIAMONDS on the Exchange. Investors interested in creating DIAMONDS or purchasing DIAMONDS in the secondary market should not rely solely on such information in making investment decisions but should also consider other market information and relevant economic and other factors (including, without limitation, information regarding the DJIA, the Index Securities and financial instruments based on the DJIA).

Upon receipt of one or more Portfolio Deposits, following placement with the Distributor of an order to create DIAMONDS, the Trustee (a) delivers one or more Creation Units to DTC, (b) removes the DIAMONDS unit position from its account at DTC and allocates it to the account of the DTC Participant acting on behalf of the investor creating Creation Unit(s), (c) increases the aggregate value of the Portfolio, and (d) decreases the fractional undivided interest in the Trust represented by each DIAMONDS unit.

Under certain circumstances, (a) a portion of the stock portion of a Portfolio Deposit may consist of contracts to purchase certain Index Securities or (b) a portion of the Cash Component may consist of cash in an amount

*As of December 31, 2004, the Depository Trust and Clearing Corporation ("DTCC") owned 100% of the issued and outstanding shares of common stock of NSCC. Also,

as of such date, the Exchange owned 3.71% of the issued and outstanding shares of common stock of DTCC ("DTCC Shares"), and the Trustee owned 4.65% of DTCC Shares.

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required to enable the Trustee to purchase such Index Securities. If there is a failure to deliver Index Securities that are the subject of such contracts to purchase, the Trustee will acquire such Index Securities in a timely manner. To the extent the price of any such Index Security increases or decreases between the time of creation and the time of its purchase and delivery, DIAMONDS will represent fewer or more shares of such Index Security. Therefore, price fluctuations during the period from the time the cash is received by the Trustee to the time the requisite Index Securities are purchased and delivered will affect the value of all DIAMONDS.

Procedures for Creation of Creation Units

All creation orders must be placed in Creation Units and must be received by the Distributor by no later than the closing time of the regular trading session on the New York Stock Exchange, Inc. ("Closing Time") (ordinarily 4:00 p.m. New York time) in each case on the date such order is placed in order for creation to be effected based on the NAV of the Trust as determined on such date. Orders must be transmitted by telephone or other transmission method acceptable to the Distributor and the Trustee, pursuant to procedures set forth in the Participant Agreement and described in this prospectus. Severe economic or market disruptions or changes, or telephone or other communication failure, may impede the ability to reach the Distributor, the Trustee, a Participating Party or a DTC Participant.

DIAMONDS may be created in advance of receipt by the Trustee of all or a portion of the Portfolio Deposit. In these circumstances, the initial deposit has a value greater than the NAV of the DIAMONDS on the date the order is placed in proper form, because in addition to available Index Securities, cash collateral must be deposited with the Trustee in an amount equal to the sum of (a) the Cash Component, plus (b) 115% of the market value of the undelivered Index Securities ("Additional Cash Deposit"). The Trustee holds such Additional Cash Deposit as collateral in an account separate and apart from the Trust. The order is deemed received on the Business Day on which the order is placed if the order is placed in proper form before the Closing Time, on such date and federal funds in the appropriate amount are deposited with the Trustee by 11:00 a.m., New York time, the next Business Day. If the order is not placed in proper form by the Closing Time or federal funds in the appropriate amount are not received by 11:00 a.m. the next Business Day, the order may be deemed to be rejected and the investor shall be liable to the Trust for any losses, resulting therefrom. An additional amount of cash must be deposited with the Trustee, pending delivery of the missing Index Securities to the extent necessary to maintain the Additional Cash Deposit with the Trustee in an amount at least equal to 115% of the daily mark-to-market value of the missing Index Securities. If missing Index Securities are not received by 1:00 p.m., New York time, on the third Business Day following the day on which the purchase order is deemed received and if a mark-to-market payment is not made within

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one Business Day following notification by the Distributor that such a payment is required, the Trustee may use the Additional Cash Deposit to purchase the missing Index Securities. The Trustee will return any unused portion of the

Additional Cash Deposit once all of the missing Index Securities have been properly received or purchased by the Trustee and deposited into the Trust. In addition, a Transaction Fee of \$4,000 is charged in all cases. The delivery of Creation Units so created will occur no later than the third Business Day following the day on which the purchase order is deemed received. The Participant Agreement for any Participating Party intending to follow these procedures contains terms and conditions permitting the Trustee to buy the missing portion(s) of the Portfolio Deposit at any time and will subject the Participating Party to liability for any shortfall between the cost to the Trust of purchasing such stocks and the value of such collateral. The Participating Party is liable to the Trust for the costs incurred by the Trust in connection with any such purchases. The Trust will have no liability for any such shortfall.

All questions as to the number of shares of each Index Security, the amount of the Cash Component and the validity, form, eligibility (including time of receipt) and acceptance for deposit of any Index Securities to be delivered are resolved by the Trustee. The Trustee may reject a creation order if (a) the depositor or group of depositors, upon obtaining the DIAMONDS ordered, would own 80% or more of the current outstanding DIAMONDS, (b) the Portfolio Deposit is not in proper form; (c) acceptance of the Portfolio Deposit would have certain adverse tax consequences; (d) the acceptance of the Portfolio Deposit would, in the opinion of counsel, be unlawful; (e) the acceptance of the Portfolio Deposit would otherwise have an adverse effect on the Trust or the rights of Beneficial Owners; or (f) circumstances outside the control of the Trustee make it for all practical purposes impossible to process creations of DIAMONDS. The Trustee and the Sponsor are under no duty to give notification of any defects or irregularities in the delivery of Portfolio Deposits or any component thereof and neither of them shall incur any liability for the failure to give any such notification.

Placement of Creation Orders Using DIAMONDS Clearing Process

Creation Units created through the DIAMONDS Clearing Process must be delivered through a Participating Party that has executed a Participant Agreement. The Participant Agreement authorizes the Trustee to transmit to the Participating Party such trade instructions as are necessary to effect the creation order. Pursuant to the trade instructions from the Trustee to NSCC, the Participating Party agrees to transfer the requisite Index Securities (or contracts to purchase such Index Securities that are expected to be delivered through the DIAMONDS Clearing Process in a "regular way" manner by the third NSCC Business Day) and the Cash Component to the Trustee, together with such additional information as may be required by the Trustee.

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Placement of Creation Orders Outside DIAMONDS Clearing Process

Creation Units created outside the DIAMONDS Clearing Process must be delivered through a DTC Participant that has executed a Participant Agreement and has stated in its order that it is not using the DIAMONDS Clearing Process and that creation will instead be effected through a transfer of stocks and cash. The requisite number of Index Securities must be delivered through DTC to the account of the Trustee by no later than 11:00 a.m. of the next Business Day immediately following the Transmittal Date. The Trustee, through the Federal Reserve Bank wire transfer system, must receive the Cash Component no later than 2:00 p.m. on the next Business Day immediately following the Transmittal Date. If the Trustee does not receive both the requisite Index Securities and the Cash Component in a timely fashion, the order will be cancelled. Upon written notice to the Distributor, the cancelled order may be resubmitted the following Business Day using a Portfolio Deposit as newly constituted to reflect the current NAV of the Trust. The delivery of DIAMONDS so created will occur no later than the third (3rd) Business Day following the day on which the creation order is deemed received by the Distributor.

Securities Depository; Book-Entry-Only System

DTC acts as securities depository for DIAMONDS. DIAMONDS are represented by one or more global securities, registered in the name of Cede & Co., as nominee for DTC and deposited with, or on behalf of, DTC.

DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities of its participants ("DTC Participants") and to facilitate the clearance and settlement of securities transactions among the DTC Participants through electronic book-entry changes in their accounts, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC.* Access to the DTC system also is available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants").

Upon the settlement date of any creation, transfer or redemption of DIAMONDS, DTC credits or debits, on its book-entry registration and transfer system, the amount of DIAMONDS so created, transferred or

*As of December 31, 2004, DTCC owned 100% of the issued and outstanding shares of the common stock of DTC.

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redeemed to the accounts of the appropriate DTC Participants. The accounts to be credited and charged are designated by the Trustee to NSCC, in the case of a creation or redemption through the DIAMONDS Clearing Process, or by the Trustee and the DTC Participant, in the case of a creation or redemption outside of the DIAMONDS Clearing Process. Beneficial ownership of DIAMONDS is limited to DTC Participants, Indirect Participants and persons holding interests through DTC Participants and Indirect Participants. Ownership of beneficial interests in DIAMONDS (owners of such beneficial interests are referred to herein as "Beneficial Owners") is shown on, and the transfer of ownership is effected only through, records maintained by DTC (with respect to DTC Participants) and on the records of DTC Participants (with respect to Indirect Participants and Beneficial Owners that are not DTC Participants). Beneficial Owners are expected to receive from or through the DTC Participant a written confirmation relating to their purchase of DIAMONDS. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability of certain investors to acquire beneficial interests in DIAMONDS.

As long as Cede & Co., as nominee of DTC, is the registered owner of DIAMONDS, references to the registered or record owner of DIAMONDS shall mean Cede & Co. and shall not mean the Beneficial Owners of DIAMONDS. Beneficial Owners of DIAMONDS are not entitled to have DIAMONDS registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form and will not be considered the record or registered holders thereof under the Trust Agreement. Accordingly, each Beneficial Owner must rely on the procedures of DTC, the DTC Participant and any Indirect Participant through which such Beneficial Owner holds its interests, to exercise any rights under the Trust Agreement.

The Trustee recognizes DTC or its nominee as the owner of all DIAMONDS for all purposes except as expressly set forth in the Trust Agreement. Pursuant to the agreement between the Trustee and DTC ("Depository Agreement"),

DTC is required to make available to the Trustee upon request and for a fee to be charged to the Trust a listing of the DIAMONDS holdings of each DTC Participant. The Trustee inquires of each such DTC Participant as to the number of Beneficial Owners holding DIAMONDS, directly or indirectly, through the DTC Participant. The Trustee provides each such DTC Participant with copies of such notice, statement or other communication, in the form, number and at the place as the DTC Participant may reasonably request, in order that the notice, statement or communication may be transmitted by the DTC Participant, directly or indirectly, to the Beneficial Owners. In addition, the Trust pays to each such DTC Participant a fair and reasonable amount as reimbursement for the expense attendant to such transmittal, all subject to applicable statutory and regulatory requirements.

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Distributions are made to DTC or its nominee, Cede & Co. DTC or Cede & Co., upon receipt of any payment of distributions in respect of DIAMONDS, is required immediately to credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in DIAMONDS, as shown on the records of DTC or its nominee. Payments by DTC Participants to Indirect Participants and Beneficial Owners of DIAMONDS held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in a "street name," and will be the responsibility of such DTC Participants. Neither the Trustee nor the Sponsor has or will have any responsibility or liability for any aspects of the records relating to or notices to Beneficial Owners, or payments made on account of beneficial ownership interests in DIAMONDS, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between DTC and the DTC Participants or the relationship between such DTC Participants and the Indirect Participants and Beneficial Owners owning through such DTC Participants.

DTC may discontinue providing its service with respect to DIAMONDS at any time by giving notice to the Trustee and the Sponsor and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Trustee and the Sponsor shall take action either to find a replacement for DTC to perform its functions at a comparable cost or, if such a replacement is unavailable, to terminate the Trust.

REDEMPTION OF DIAMONDS

DIAMONDS are redeemable only in Creation Units. Creation Units are redeemable in kind only and are not redeemable for cash except as described under "Summary—Highlights—Termination of the Trust."

Procedures for Redemption of Creation Units

Redemption orders must be placed with a Participating Party (for redemptions through the DIAMONDS Clearing Process) or DTC Participant (for redemptions outside the DIAMONDS Clearing Process), as applicable, in the form required by such Participating Party or DTC Participant. A particular broker may not have executed a Participant Agreement, and redemption orders may have to be placed by the broker through a Participating Party or a DTC Participant who has executed a Participant Agreement. At any given time, there may be only a limited number of broker-dealers that have executed a Participant Agreement. Redeemers should afford sufficient time to permit (a) proper submission of the order by a Participating Party or DTC Participant to the Trustee and (b) the receipt of the DIAMONDS to be redeemed and any Excess Cash Amounts by the Trustee in a timely manner. Orders for

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redemption effected outside the DIAMONDS Clearing Process are likely to require transmittal by the DTC Participant earlier on the Transmittal Date than orders effected using the DIAMONDS Clearing Process. These deadlines vary by institution. Persons redeeming outside the DIAMONDS Clearing Process are required to transfer DIAMONDS through DTC and the Excess Cash amounts, if any, through the Federal Reserve Bank wire transfer system in a timely manner.

Requests for redemption may be made on any Business Day to the Trustee and not to the Distributor. In the case of redemptions made through the DIAMONDS Clearing Process, the Transaction Fee is deducted from the amount delivered to the redeemer. In the case of redemptions outside the DIAMONDS Clearing Process, the Transaction Fee plus an additional amount not to exceed three (3) times the Transaction Fee applicable for one Creation Unit per Creation Unit redeemed, and such amount is deducted from the amount delivered to the redeemer.

The Trustee transfers to the redeeming Beneficial Owner via DTC and the relevant DTC Participant(s) a portfolio of stocks for each Creation Unit delivered, generally identical in weighting and composition to the stock portion of a Portfolio Deposit as in effect (a) on the date a request for redemption is deemed received by the Trustee or (b) in the case of the termination of the Trust, on the date that notice of the termination of the Trust is given. The Trustee also transfers via the relevant DTC Participant(s) to the redeeming Beneficial Owner a "Cash Redemption Payment," which on any given Business Day is an amount identical to the amount of the Cash Component and is equal to a proportional amount of the following: dividends on the Portfolio Securities for the period through the date of redemption, net of expenses and liabilities for such period including, without limitation, (i) taxes or other governmental charges against the Trust not previously deducted if any, and (ii) accrued fees of the Trustee and other expenses of the Trust, as if the Portfolio Securities had been held for the entire accumulation period for such distribution, plus or minus the Balancing Amount. The redeeming Beneficial Owner must deliver to the Trustee any amount by which the amount payable to the Trust by such Beneficial Owner exceeds the amount of the Cash Redemption Payment ("Excess Cash Amounts"). For redemptions through the DIAMONDS Clearing Process, the Trustee effects a transfer of the Cash Redemption Payment and stocks to the redeeming Beneficial Owner by the third (3rd) NSCC Business Day following the date on which request for redemption is deemed received. For redemptions outside the DIAMONDS Clearing Process, the Trustee transfers the Cash Redemption Payment and the stocks to the redeeming Beneficial Owner by the third (3rd) Business Day following the date on which the request for redemption is deemed received. The Trustee will cancel all DIAMONDS delivered upon redemption.

If the Trustee determines that an Index Security is likely to be unavailable or available in insufficient quantity for delivery by the Trust upon redemption,

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the Trustee may elect to deliver the cash equivalent value of any such Index Securities, based on its market value as of the Evaluation Time on the date such redemption is deemed received by the Trustee as a part of the Cash Redemption Payment in lieu thereof.

If a redeemer is restricted by regulation or otherwise from investing or engaging in a transaction in one or more Index Securities, the Trustee may elect to deliver the cash equivalent value based on the market value of any such Index

Securities as of the Evaluation Time on the date of the redemption as a part of the Cash Redemption Payment in lieu thereof. In such case, the investor will pay the Trustee the standard Transaction Fee, and may pay an additional amount equal to the actual amounts incurred in connection with such transaction(s) but in any case not to exceed three (3) times the Transaction Fee applicable for one Creation Unit.

The Trustee upon the request of a redeeming investor, may elect to redeem Creation Units in whole or in part by providing such redeemer, with a portfolio of stocks differing in exact composition from Index Securities but not differing in NAV from the then-current Portfolio Deposit. Such a redemption is likely to be made only if it were determined that it would be appropriate in order to maintain the Trust's correspondence to the composition and weighting of the DJIA Index.

The Trustee may sell Portfolio Securities to obtain sufficient cash proceeds to deliver to the redeeming Beneficial Owner. To the extent cash proceeds are received by the Trustee in excess of the required amount, such cash proceeds shall be held by the Trustee and applied in accordance with the guidelines applicable to residual cash set forth under "The Portfolio—Portfolio Securities Conform to the DJIA".

All redemption orders must be transmitted to the Trustee by telephone or other transmission method acceptable to the Trustee so as to be received by the Trustee not later than the Closing Time on the Transmittal Date, pursuant to procedures set forth in the Participant Agreement. Severe economic or market disruption or changes, or telephone or other communication failure, may impede the ability to reach the Trustee, a Participating Party, or a DTC Participant.

The calculation of the value of the stocks and the Cash Redemption Payment to be delivered to the redeeming Beneficial Owner is made by the Trustee according to the procedures set forth under "Valuation" and is computed as of the Evaluation Time on the Business Day on which a redemption order is deemed received by the Trustee. Therefore, if a redemption order in proper form is submitted to the Trustee by a DTC Participant not later than the Closing Time on the Transmittal Date, and the requisite DIAMONDS are delivered to the Trustee prior to DTC Cut-Off Time on such Transmittal Date, then the value of the stocks and the Cash Redemption Payment to be delivered to the Beneficial Owner is determined by the Trustee

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as of the Evaluation Time on such Transmittal Date. If, however, a redemption order is submitted not later than the Closing Time on a Transmittal Date but either (a) the requisite DIAMONDS are not delivered by DTC Cut-Off Time on the next Business Day immediately following such Transmittal Date or (b) the redemption order is not submitted in proper form, then the redemption order is not deemed received as of such Transmittal Date. In such case, the value of the stocks and the Cash Redemption Payment to be delivered to the Beneficial Owner is computed as of the Evaluation Time on the Business Day that such order is deemed received by the Trustee, i.e., the Business Day on which the DIAMONDS are delivered through DTC to the Trustee by DTC Cut-Off Time on such Business Day pursuant to a properly submitted redemption order.

The Trustee may suspend the right of redemption, or postpone the date of payment of the NAV for more than five (5) Business Days following the date on which the request for redemption is deemed received by the Trustee (a) for any period during which the New York Stock Exchange is closed, (b) for any period during which an emergency exists as a result of which disposal or evaluation of the Securities is not reasonably practicable, (c) or for such other period as the SEC may by order permit for the protection of Beneficial Owners. Neither the Sponsor nor the Trustee is liable to any person or in any way for any loss or damages that may result from any such suspension or postponement.

Placement of Redemption Orders Using DIAMONDS Clearing Process

A redemption order made through the DIAMONDS Clearing Process is deemed received on the Transmittal Date if (a) such order is received by the Trustee not later than the Closing Time on such Transmittal Date and (b) all other procedures set forth in the Participant Agreement are properly followed. The order is effected based on the NAV of the Trust as determined as of the Evaluation Time on the Transmittal Date. A redemption order made through the DIAMONDS Clearing Process and received by the Trustee after the Closing Time will be deemed received on the next Business Day immediately following the Transmittal Date. The Participant Agreement authorizes the Trustee to transmit to NSCC on behalf of the Participating Party such trade instructions as are necessary to effect the Participating Party's redemption order. Pursuant to such trade instructions from the Trustee to NSCC, the Trustee transfers the requisite stocks (or contracts to purchase such stocks which are expected to be delivered in a "regular way" manner) by the third (3rd) NSCC Business Day following the date on which the request for redemption is deemed received, and the Cash Redemption Payment.

Placement of Redemption Orders Outside DIAMONDS Clearing Process

A DTC Participant who wishes to place an order for redemption of DIAMONDS to be effected outside the DIAMONDS Clearing Process need

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not be a Participating Party, but its order must state that the DTC Participant is not using the DIAMONDS Clearing Process and that redemption will instead be effected through transfer of DIAMONDS directly through DTC. An order is deemed received by the Trustee on the Transmittal Date if (a) such order is received by the Trustee not later than the Closing Time on such Transmittal Date, (b) such order is preceded or accompanied by the requisite number of DIAMONDS specified in such order, which delivery must be made through DTC to the Trustee no later than 11:00 a.m. on the next Business Day immediately following such Transmittal Date ("DTC Cut-Off Time") and (c) all other procedures set forth in the Participant Agreement are properly followed. Any Excess Cash Amounts owed by the Beneficial Owner must be delivered no later than 2:00 p.m. on the next Business Day immediately following the Transmittal Date.

The Trustee initiates procedures to transfer the requisite stocks (or contracts to purchase such stocks that are expected to be delivered within three Business Days and the Cash Redemption Payment to the redeeming Beneficial Owner by the third Business Day following the Transmittal Date.

THE PORTFOLIO

Because the objective of the Trust is to provide investment results that, before expenses, generally correspond to the price and yield performance of the DJIA, the Portfolio at any time will consist of as many of Index Securities as is practicable. It is anticipated that cash or cash items (other than dividends held for distribution) normally would not be a substantial part of the Trust's net assets. Although the Trust may at any time fail to own certain of Index Securities, the Trust will be substantially invested in Index Securities and the Sponsor believes that such investment should result in a close correspondence between the investment performance of the DJIA and that derived from ownership of DIAMONDS.

Portfolio Securities Conform to the DJIA

The DJIA is a price-weighted index of 30 component common stocks, the components of which are determined by the editors of