

Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

DIAMONDS TRUST SERIES I  
Form N-30D  
January 07, 2008

THE DOW(R) INDUSTRIALS ("DIAMONDS(R)")

DIAMONDS TRUST, SERIES 1

A UNIT INVESTMENT TRUST

ANNUAL REPORT

OCTOBER 31, 2007

"Dow Jones Industrial Average(SM)", "DJIA(R)", "Dow Jones(R)", "The Dow(R)", and "DIAMONDS(R)" are trademarks and service marks of Dow Jones & Company, Inc. ("Dow Jones") and have been licensed for use for certain purposes by State Street Global Markets, LLC pursuant to a License Agreement with Dow Jones. The DIAMONDS Trust, Series 1 (the "Trust"), based on the DJIA, is not sponsored, endorsed, sold, or promoted by Dow Jones and Dow Jones makes no representation regarding the advisability of investing in the Trust.

DIAMONDS TRUST, SERIES 1  
TRUST OVERVIEW

-----  
OBJECTIVE:

To provide investment results that, before expenses, generally correspond to the price and yield performance of the Dow Jones Industrial Average.

STRATEGY:

The Trust's holdings are comprised of the 30 stocks in the Dow Jones Industrial Average, which is designed to capture the price performance of 30 U.S. blue-chip stocks that are generally considered leaders within their respective industries.

PERFORMANCE OVERVIEW:

The Trust ended its fiscal year on October 31, 2007 with a 12-month return of 17.72% on net asset value as compared to the Dow Jones Industrial Average return of 17.94%.

In the early part of the fiscal year, U.S. stock returns were helped by strong growth in corporate profits and accommodating economic conditions. In the latter part of the year, cracks began showing in the economic environment. U.S. residential real estate values fell throughout the year, and this led to lower consumer confidence, fears of a recession caused by falling consumer spending, and a liquidity crunch in some fixed income markets. Despite these issues, the Dow Jones Industrial Average gained nearly 18% during the year, continuing its recent bull run.

Leading performers in the Dow Jones Industrial Average were McDonald's Corp., Alcoa, Inc. and Honeywell International, Inc. McDonald's Corp. results from overseas were very strong, due in part to the weak U.S. Dollar. Alcoa's, Inc. earnings were aided by strong commodity prices. Honeywell International, Inc. posted strong increases in sales and earnings. Citigroup, Inc. was the weakest stock in the Dow Jones Industrial Average during the year. The company was hit

## Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

hard by issues in the sub-prime mortgage securities market.

The performance information presented does not reflect the deduction of taxes that a unitholder would pay on Trust distributions or the redemption of Trust units. Performance data quoted represents past performance and past performance does not guarantee future results. An investment return and principal value of an investment will fluctuate so that an investor's units, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than performance quoted.

1

DIAMONDS TRUST, SERIES 1  
SCHEDULE OF INVESTMENTS  
OCTOBER 31, 2007

COMMON STOCKS	SHARES	VALUE
3M Co. ....	5,446,152	\$ 470,329,687
Alcoa, Inc. ....	5,446,152	215,613,158
Altria Group, Inc. ....	5,446,152	397,187,865
American Express Co. ....	5,446,152	331,942,964
American International Group, Inc. ....	5,446,152	343,761,114
AT&T, Inc. ....	5,446,152	227,594,692
Boeing Co. ....	5,446,152	536,936,126
Caterpillar, Inc. ....	5,446,152	406,337,401
Citigroup, Inc. ....	5,446,152	228,193,769
Coca-Cola Co. ....	5,446,152	336,354,347
Du Pont (E.I.) de Nemours & Co. ....	5,446,152	269,638,986
Exxon Mobil Corp. ....	5,446,152	500,991,522
General Electric Co. ....	5,446,152	224,163,616
General Motors Corp. ....	5,446,152	213,434,697
Hewlett-Packard Co. ....	5,446,152	281,457,135
Home Depot, Inc. ....	5,446,152	171,608,250
Honeywell International, Inc. ....	5,446,152	329,002,042
Intel Corp. ....	5,446,152	146,501,489
International Business Machines Corp. ....	5,446,152	632,407,170
Johnson & Johnson.....	5,446,152	354,925,726
JPMorgan Chase & Co. ....	5,446,152	255,969,144
McDonald's Corp. ....	5,446,152	325,135,274
Merck & Co., Inc. ....	5,446,152	317,292,815
Microsoft Corp. ....	5,446,152	200,472,855
Pfizer, Inc. ....	5,446,152	134,029,801
Procter & Gamble Co. ....	5,446,152	378,616,487
United Technologies Corp. ....	5,446,152	417,120,782
Verizon Communications, Inc. ....	5,446,152	250,904,223
Wal-Mart Stores, Inc. ....	5,446,152	246,220,532
Walt Disney Co. ....	5,446,152	188,600,244
Total Common Stocks -- (Cost \$9,780,925,978).....		\$9,332,743,913
		=====

Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

See accompanying notes to financial statements.

2

DIAMONDS TRUST, SERIES 1  
STATEMENT OF ASSETS AND LIABILITIES  
OCTOBER 31, 2007

-----	
ASSETS	
Investments in securities, at value.....	\$9,332,743,913
Cash.....	12,471,541
Receivable for DIAMONDS issued in-kind.....	42,195
Dividends receivable.....	10,397,747
	-----
Total Assets.....	9,355,655,396
	-----
LIABILITIES	
Income distribution payable.....	10,509,644
Accrued Trustee expense.....	303,036
Accrued expenses and other liabilities.....	4,951,926
	-----
Total Liabilities.....	15,764,606
	-----
NET ASSETS.....	\$9,339,890,790
	=====
NET ASSETS REPRESENTED BY:	
Paid in surplus.....	10,068,602,839
Undistributed net investment income.....	17,835,012
Accumulated net realized loss on investments.....	(298,364,996)
Net unrealized depreciation on investments.....	(448,182,065)
	-----
NET ASSETS.....	\$9,339,890,790
	=====
NET ASSET VALUE PER DIAMOND.....	\$139.17
	=====
UNITS OF FRACTIONAL UNDIVIDED INTEREST	
("DIAMONDS") OUTSTANDING, UNLIMITED UNITS AUTHORIZED, \$0.00	
PAR VALUE.....	67,109,070
	-----
COST OF INVESTMENTS.....	\$9,780,925,978
	=====

Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

See accompanying notes to financial statements.

3

DIAMONDS TRUST, SERIES 1  
STATEMENTS OF OPERATIONS

	FOR THE YEAR ENDED OCTOBER 31, 2007	FOR THE YEAR ENDED OCTOBER 31, 2006	FOR THE YEAR ENDED OCTOBER 31, 2005
INVESTMENT INCOME			
Dividend income.....	\$ 172,683,551	\$ 154,659,959	\$ 177,120,900
EXPENSES			
Trustee expense.....	4,232,050	4,562,765	4,928,700
Marketing expense.....	4,437,144	3,903,738	4,307,100
DJIA license fee.....	2,555,000	2,555,000	2,655,700
Legal and audit services.....	174,890	100,378	149,800
SEC registration fee.....	--	--	324,200
Printing and postage expense.....	119,920	275,241	403,100
Other expenses.....	98,163	109,678	120,300
Total expenses.....	11,617,167	11,506,800	12,889,300
Trustee earnings credits.....	(965,742)	(418,803)	(280,300)
Net expenses after Trustee earnings credits.....	10,651,425	11,087,997	12,608,900
NET INVESTMENT INCOME.....	162,032,126	143,571,962	164,511,900
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS			
Net realized gain on investment transactions.....	854,766,927	413,807,291	651,853,900
Net change in unrealized appreciation (depreciation).....	139,514,977	517,345,427	(297,315,300)
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS.....	994,281,904	931,152,718	354,538,500
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....	\$1,156,314,030	\$1,074,724,680	\$ 519,050,500

See accompanying notes to financial statements.

Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

DIAMONDS TRUST, SERIES 1  
STATEMENTS OF CHANGES IN NET ASSETS

	FOR THE YEAR ENDED OCTOBER 31, 2007	FOR THE YEAR ENDED OCTOBER 31, 2006	FOR THE YEAR ENDED OCTOBER 31, 2005
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS:			
Net investment income.....	\$ 162,032,126	\$ 143,571,962	\$ 164,511,962
Net realized gain on investment transactions.....	854,766,927	413,807,291	651,853,927
Net change in unrealized appreciation (depreciation).....	139,514,977	517,345,427	(297,315,927)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....	1,156,314,030	1,074,724,680	519,050,962
NET EQUALIZATION CREDITS AND CHARGES...	(13,594,558)	(1,800,594)	(2,410,927)
DISTRIBUTIONS TO UNITHOLDERS FROM NET INVESTMENT INCOME.....	(147,731,248)	(141,435,357)	(168,178,927)
NET INCREASE (DECREASE) IN NET ASSETS FROM ISSUANCE AND REDEMPTION OF DIAMONDS.....	1,785,284,683	(1,781,857,294)	(1,129,366,927)
NET INCREASE (DECREASE) IN NET ASSETS DURING PERIOD.....	2,780,272,907	(850,368,565)	(780,904,927)
NET ASSETS AT BEGINNING OF YEAR.....	6,559,617,883	7,409,986,448	8,190,890,375
NET ASSETS END OF YEAR*.....	\$9,339,890,790	\$ 6,559,617,883	\$ 7,409,986,448
*INCLUDES UNDISTRIBUTED NET INVESTMENT INCOME.....	\$ 17,835,012	\$ 3,534,134	\$ 1,397,927

See accompanying notes to financial statements.

Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

DIAMONDS TRUST, SERIES 1  
 FINANCIAL HIGHLIGHTS  
 SELECTED DATA FOR A DIAMOND OUTSTANDING DURING THE YEAR

	FOR THE YEAR ENDED 10/31/07	FOR THE YEAR ENDED 10/31/06	FOR THE YEAR ENDED 10/31/05	FOR THE YEAR ENDED 10/31/04
NET ASSET VALUE, BEGINNING OF YEAR.....	\$ 120.69	\$ 104.31	\$ 100.48	\$ 98.20
INVESTMENT OPERATIONS:				
Net investment income(1).....	2.85	2.45	2.39(5)	1.94
Net realized and unrealized gain (loss) on investments.....	18.57	16.37	3.91	2.28
TOTAL FROM INVESTMENT OPERATIONS..	21.42	18.82	6.30	4.22
NET EQUALIZATION CREDITS AND CHARGES (1).....	(0.24)	(0.03)	(0.03)	0.00(2)
LESS DISTRIBUTIONS FROM:				
Net investment income.....	(2.70)	(2.41)	(2.44)	(1.94)
NET ASSET VALUE, END OF PERIOD....	\$ 139.17	\$ 120.69	\$ 104.31	\$ 100.48
TOTAL INVESTMENT RETURN(3).....	17.72%	18.23%	6.23%	4.27%
RATIOS AND SUPPLEMENTAL DATA				
Ratios to average net assets:				
Net investment income.....	2.19%	2.21%	2.27%	1.89%
Total expenses.....	0.16%	0.18%	0.18%	0.18%
Net expenses excluding trustee earnings credit....	0.14%	0.17%	0.17%	0.18%
Net expenses excluding rebates, trustee earnings credit and waivers.....	0.14%	0.17%	0.17%	0.18%
Portfolio turnover rate(4).....	1.45%	0.01%	7.69%	13.88%
NET ASSET VALUE, END OF YEAR (000'S).....	\$9,339,891	\$6,559,618	\$7,409,986	\$8,190,891

(1) Per share numbers have been calculated using the average shares method.

(2) Amount shown represents less than \$0.005.

(3) Total return is calculated assuming a purchase of shares at net asset value per share on the first day and a sale at net asset value per share on the last day of each period reported. Distributions are assumed, for the

## Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

purposes of this calculation, to be reinvested at the net asset value per share on the respective payment dates of the Fund. Total return for a period of less than one year is not annualized. Broker commission charges are not included in the calculation.

- (4) Portfolio turnover ratio excludes securities received or delivered from processing creations or redemptions of DIAMONDS.
- (5) Net investment income per unit reflects receipt of a one time dividend from a portfolio holding (Microsoft Corp.). The effect of this dividend amounted to \$0.22 per share.

See accompanying notes to financial statements.

6

DIAMONDS TRUST, SERIES 1  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2007

---

### NOTE 1 -- ORGANIZATION

DIAMONDS Trust, Series 1 is a unit investment trust created under the laws of the State of New York and registered under the Investment Company Act of 1940, as amended. 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 "DIAMONDS". 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.

Under the Trust Agreement, the Sponsor and Trustee (each as defined below) are indemnified against certain liabilities arising from the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. However, based on experience the Trust expects the risk of loss to be remote.

### 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 there is no closing sale price available or official closing price, valuation will be determined by the Trustee in good faith based on available information.

## Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

In September, 2006, Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157"), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Trustee is currently evaluating the impact, if any, the adoption of SFAS 157 will have on the Trust's financial statements. The Trustee does not anticipate SFAS 157 will have a material impact on the Trust's financial statements.

### INVESTMENT RISK

The Trust invests in various investments which are exposed to risks, such as market risk. Due to the level of risk associated with certain investments it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

7

DIAMONDS TRUST, SERIES 1  
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
OCTOBER 31, 2007

---

### 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.

### 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.

### EQUALIZATION

The Trust follows the accounting practice known as "Equalization" by which a portion of the proceeds from sales and costs of reacquiring the Trust's units, equivalent on a per unit basis to the amount of distributable net investment income on the date of the transaction, is credited or charged to undistributed net investment income. As a result, undistributed net investment income per unit is unaffected by sales or reacquisitions of the Trust's units.

### 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, 2007, the Trust reclassified



## Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

\$854,650,408 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, 2007, the Trust had the following capital loss carryforwards which may be used to offset any net realized gains, expiring October 31:

2008.....	5,816,675
2010.....	2,065,467
2011.....	68,716,435
2012.....	221,460,585
2014.....	52,316

The tax character of distributions paid during the year ended October 31, 2007, 2006, and 2005 were as follows:

DISTRIBUTIONS PAID FROM:	2007	2006	2005
-----	-----	-----	-----
Ordinary Income.....	\$147,731,248	\$141,435,357	\$168,178,022

8

DIAMONDS TRUST, SERIES 1  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 OCTOBER 31, 2007

-----

As of October 31, 2007, the components of distributable earnings (excluding unrealized appreciation (depreciation)) on a federal income tax basis were undistributed ordinary income of \$28,344,656 and undistributed long term capital gain of \$0.

On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Recent SEC guidance allows implementing FIN 48 in Fund NAV calculations as late as the Fund's last NAV calculation in the first required financial statement reporting period. As a result, the Fund will incorporate FIN 48 in its semi-annual report on April 30,

Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

2008. At this time, the Trustee is evaluating the implications of FIN 48 and its impact, if any, in the financial statements has not yet been determined.

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 fiscal year ended October 31, 2007:

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, 2007, the Adjustment Amount reduced the Trustee's fee by \$1,770,836. The Adjustment Amount included an excess of net transaction fees from processing orders of \$805,094 and a Trustee earnings credit of \$965,742.

Effective November 1, 2006, the Trustee changed the method of computing the Adjustment Amount to the Trustee Fee such that all income earned with respect to cash held for the benefit of the Trust is credited against the Trustee's

DIAMONDS TRUST, SERIES 1  
NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
OCTOBER 31, 2007  
-----

Fee. In addition, during the period from December 1, 2006 through December 31, 2006, the Trustee applied incremental cash balance credits of \$374,030 which is included in the Trustee earnings credit of \$965,742.

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

## Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

operating expenses of the Trust which exceeded 18.00/100 of 1% per annum of the daily net asset value of the Trust. There were no such reimbursements by the Sponsor for the fiscal years ended October 31, 2005, October 31, 2006 and October 31, 2007.

Dow Jones & Company, Inc. ("Dow Jones"), the American Stock Exchange LLC (the "AMEX"), the Sponsor and State Street Global Markets, LLC ("SSGM") have entered into a License Agreement. The License Agreement grants SSGM, an affiliate of the Trustee, a license to use the DJIA as a basis for determining the composition of the Portfolio and to use certain trade names and trademarks of Dow Jones in connection with the Portfolio. The Trustee on behalf of the Trust, the Sponsor and the Exchange have each received a sublicense from SSGM for the use of the DJIA and such trade names and trademarks in connection with their rights and duties with respect to the Trust. The License Agreement may be amended without the consent of any of the Beneficial Owners of DIAMONDS. Currently, the License Agreement is scheduled to terminate on December 31, 2017, but its term may be extended without the consent of any of the Beneficial Owners of DIAMONDS. The Trust pays an annual sub-license fee to Dow Jones of an amount equal to 0.05% on the first \$1 billion of the then rolling average asset balance, and 0.04% on any excess rolling average asset balance over and above \$1 billion. The minimum annual fee for the Trust is \$1 million.

NOTE 4 -- TRUST TRANSACTIONS IN DIAMONDS  
Transactions in DIAMONDS were as follows.

	YEAR ENDED OCTOBER 31, 2007	
	DIAMONDS	AMOUNTS
DIAMONDS sold.....	283,800,000	\$ 37,094,855,531
DIAMONDS issued upon dividend reinvestment.....	9,870	1,275,186
DIAMONDS redeemed.....	(271,050,000)	(35,324,440,592)
Net income equalization.....	--	13,594,558
Net Increase.....	12,759,870	\$ 1,785,284,683

	YEAR ENDED OCTOBER 31, 2006	
	DIAMONDS	AMOUNTS
DIAMONDS sold.....	142,300,000	\$ 15,848,129,501
DIAMONDS issued upon dividend reinvestment.....	12,974	1,429,406
DIAMONDS redeemed.....	(159,000,000)	(17,633,216,795)
Net income equalization.....	--	1,800,594
Net Decrease.....	(16,687,026)	\$ (1,781,857,294)

Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

10

DIAMONDS TRUST, SERIES 1  
 NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)  
 OCTOBER 31, 2007

	YEAR ENDED OCTOBER 31, 2005	
	DIAMONDS	AMOUNTS
DIAMONDS sold.....	117,800,000	\$ 12,383,980,226
DIAMONDS issued upon dividend reinvestment.....	16,090	1,702,587
DIAMONDS redeemed.....	(128,300,000)	(13,517,459,506)
Net income equalization.....	--	2,410,446
Net Decrease.....	(10,483,910)	\$ (1,129,366,247)

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. Transaction fees at scheduled amounts ranging from \$1,000 to \$4,000 are 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, 2007, the Trust had net in-kind contributions, net in-kind redemptions, purchases and sales of investment securities of \$29,091,375,495, \$27,314,136,259, \$113,841,346 and \$105,502,079, respectively. At October 31, 2007, the cost of investments for federal income tax purposes was \$9,781,179,496 accordingly, gross unrealized appreciation was \$151,349,478, and gross unrealized depreciation was \$599,785,061, resulting in net unrealized depreciation of \$448,435,583.

11

DIAMONDS TRUST, SERIES 1  
 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

To the Trustee and Unitholders of  
DIAMONDS Trust, Series 1

In our opinion, the accompanying statements 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, 2007, 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 management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at October 31, 2007 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Boston, Massachusetts  
December 19, 2007

12

DIAMONDS TRUST, SERIES 1  
OTHER INFORMATION (UNAUDITED)  
OCTOBER 31, 2007

---

### TAX INFORMATION

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, 2007 is 96.68%.

For the fiscal year ended October 31, 2007, 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 2007 Form 1097-DIV.

### FREQUENCY DISTRIBUTION OF DISCOUNTS AND PREMIUMS

BID/ASK PRICE(1) VS NET ASSET VALUE  
AS OF OCTOBER 31, 2007

BID/ASK PRICE  
ABOVE NAV

BID/ASK PRICE  
BELOW NAV

Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

	50-99 BASIS POINTS	100-199 BASIS POINTS	>200 BASIS POINTS	50-99 BASIS POINTS	100-199 BASIS POINTS	>200 BASIS POINTS
2007.....	0	0	0	0	0	0
2006.....	0	0	0	0	0	0
2005.....	0	0	0	0	0	0
2004.....	0	0	0	0	0	0
2003.....	0	0	0	0	0	0

COMPARISON OF TOTAL RETURNS BASED ON NAV AND BID/ASK PRICE

CUMULATIVE TOTAL RETURN

	1 YEAR	5 YEAR	SINCE FIRST TRADE (2)
Return Based on NAV.....	17.72%	83.79%	115.21%
Return Based on Bid/Ask Price.....	17.79%	84.05%	113.67%
DJIA.....	17.94%	85.66%	114.73%

AVERAGE ANNUAL TOTAL RETURN

	1 YEAR	5 YEAR	SINCE FIRST TRADE (2)
Return Based on NAV.....	17.72%	12.95%	8.14%
Return Based on Bid/Ask Price.....	17.79%	12.97%	8.06%
DJIA.....	17.94%	13.17%	8.13%

-----

(1) Currently, the Bid/Ask Price is calculated based on the best bid and best offer on the AMEX at 4:00 p.m. However, prior to April 3, 2001, the calculation of the Bid/Ask Price was based on the midpoint of the best bid and best offer at the close of trading on the AMEX, ordinarily 4:15 p.m.

(2) The Trust commenced trading on the AMEX on January 20, 1998.

Edgar Filing: DIAMONDS TRUST SERIES I - Form N-30D

---

SPONSOR

PDR Services LLC  
c/o American Stock Exchange LLC  
86 Trinity Place  
New York, NY 10006

TRUSTEE

State Street Bank and Trust Company  
One Lincoln Street  
Boston, MA 02111

DISTRIBUTOR

ALPS Distributors, Inc.  
1290 Broadway, Suite 1100  
Denver, CO 80203

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP  
125 High Street  
Boston, MA 02110

LEGAL COUNSEL

Katten Muchin Rosenman LLP  
575 Madison Avenue  
New York, NY 10022

DIAMONDS TRUST