

Monthly Update

Prime Dividend Corp is an Investment Corporation designed to pay monthly cash dividends. The Corporation invests in a diversified portfolio consisting of high quality dividend yielding Canadian companies. Two types of shares are available, a Class A and a Preferred.

Objectives

Preferred Shares (TSX: PDV.PR.A):

(i) to provide holders of the Preferred Shares with cumulative preferential monthly cash dividends at a rate per annum equal to the Prime Rate in Canada plus 0.75% (minimum 5%, maximum 7%) based on original issue price of \$10.00 per share (ii) on or about December 1, 2012 (termination date), to pay the holders of the Preferred Shares the original issue price (\$10) of those shares.

Class A Shares (TSX: PDV):

(i) to provide holders of the Class A Shares with regular floating rate monthly cash distributions targeted to be at a rate per annum equal to the Prime Rate in Canada plus 2.0% (minimum 5%, maximum 10%) based on original issue price of \$15.00 per share (ii) on or about December 1, 2012 (termination date), to pay the holders of Class A Shares at least the original issue price (\$15) of those shares.

The current Prime Rate in Canada is **4.75%**.

Distributions (by record date)

	PDV	PDV.PR.A	Total
Total to Date	\$3.1813	\$1.8016	\$4.9829
2008 YTD	\$0.7156	\$0.3938	\$1.1094
2007	\$1.2156	\$0.6854	\$1.9010
2006	\$1.1625	\$0.6500	\$1.8125
2005	\$0.0875	\$0.07247	\$0.15997

**Initial distribution for the period Nov 16/05 to Dec 31/05.*

Commentary

Overall financial markets continue to be adversely impacted by the confluence of record high commodity prices and the continuing credit related problems originating from the US sub prime lending market. These conditions have caused economic growth to slow considerably in both Canada and the United States while at the same time high commodity prices are beginning to lead to a marked increase in inflationary pressures. The month of August was better for investors with slightly positive monthly returns for both the TSX and the S&P 500, though year-to-date both indices have negative returns. It is difficult to know when these conditions will ease, however the financial markets tend to act as a leading indicator and have in the past anticipated economic recoveries, sometimes 6 to 12 months in advance of the actual pick up in economic activity. Based on market recoveries over the past 25 years, the financial services sector has quite often been among the strongest leading sectors.

Toronto Dominion Bank (TMX: TD) increased their quarterly dividend to \$0.61 per share, a 3% increase (Aug/08).

The Prime Dividend portfolio has a current dividend yield of approx. 4.0%.

Details

Gross Proceeds:	\$60,000,000
Units Issued:	2,400,000
Inception Date:	Nov 16, 2005
Termination Date:	Dec 1, 2012
Net Asset Value:	\$21.61 (Aug 29/08)
Cash Weighting:	2%
Canadian Equity Weighting:	98%
PDV.PR.A Trading Price:	\$10.43 (Aug 29/08)
Current Yield:	5.3% annually
Asset Coverage:	216%
Market Capitalization:	\$22,611,823
PDV Trading Price:	\$10.13 (Aug 29/08)
Current Yield:	10.0% annually
Market Capitalization:	\$21,961,435

Top Holdings (sorted by weight)

TransAlta Corporation	TA
AGF Management	AGF
Bell Canada Inc.	BCE
TransCanada Corporation	TRP
Canadian Imperial Bank of Commerce	CM
Toronto-Dominion Bank	TD
Manulife Financial	MLF
IGM Financial	IGM
TMX Group Inc.	X
Power Financial	PWF
National Bank of Canada	NA
Royal Bank of Canada	RY
CI Financial Income Fund	CIX
Bank of Montreal	BMO
Sun Life Financial	SLF
Bank of Nova Scotia	BNS
Great-West Lifeco	GWO

Weightings subject to change at any time.