

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.

Distributions (by record date)

	PDV	PDV.PR.A	Total
Total to Date	\$3.4191	\$1.9727	\$5.3918
2008 YTD	\$0.9535	\$0.5648	\$1.5183
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

Financial markets continued to experience severe volatility through the month of December as most stock markets across the world hit new lows during the month. The theme of unprecedented government intervention continued as governments attempted to use a myriad of fiscal and monetary tools to stabilize the financial system and stimulate their economies. Notwithstanding the massive amounts of capital that have been injected into financial services companies around the world, the credit "freeze" still presents a major problem as lending activity has diminished to record low levels. The lack of available credit to even the most creditworthy corporations is weighing on economic growth. Unemployment levels are rising and even economic growth in China has started to falter. President elect Obama has telegraphed a very significant fiscal stimulus that will be announced in late January after the new President officially takes office on January 20, 2009. In Canada, the threat of a potential coalition government lead by the Liberals and supported by the NDP and Bloc injected another element of significant uncertainty into an already fragile environment in Canada and could slow down the timing of new fiscal stimulus measures. Record levels of redemptions in mutual funds and the continued de-leveraging of hedge funds continues to dominate trading patterns and has resulted in almost indiscriminate broad based selling as these funds are forced to raise cash. Also, there was additional downward pressure in the equity markets up until December 24th (the last day of tax loss selling in 2008) as investors realized tax losses on their investments. On the monetary front, central banks around the world continue to aggressively cut administered interest rates to multi-decade lows. At some point the cumulative impacts from these massive fiscal and monetary stimulus measures will begin to have traction and ignite the economic recovery.

The table below indicates the depth of this market downturn year to date as at December 31, 2008:

TSX	-35.0%
S&P 500	-38.5%
DJII	-33.8%
NASDAQ	-40.5%

When capital market liquidation slows or ceases and investors return to fundamentals of the underlying companies, we believe the portfolio will be fairly rewarded. Attractive dividend yields, low valuations and significant option premiums available in the market place all bode well for the portfolio. The Manager continues to actively manage the relative weightings of the companies held within the portfolio.

Details

Gross Proceeds:	\$60,000,000
Units Issued:	2,400,000
Inception Date:	Nov 16, 2005
Termination Date:	Dec 1, 2012
Net Asset Value:	\$14.39 (Dec 31/08)
Cash Weighting:	2%
Canadian Equity Weighting:	98%

PDV.PR.A Trading Price:	\$7.77 (Dec 31/08)
Current Yield:	6.4% annually
Asset Coverage:	144%
Market Capitalization:	\$16,845,049

PDV Trading Price:	\$3.25 (Dec 31/08)
Market Capitalization:	\$7,045,870

Top Holdings (sorted by weight)

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

Weightings subject to change at any time.