

Monthly Update

Prime Dividend Corp is an Investment Corporation designed to pay monthly cash dividends. The Corporation invests in a diversified portfolio consisting of 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	\$3.9191	\$2.4727	\$6.3918
2009 YTD	\$0.5000	\$0.5000	\$1.0000
2008	\$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

December proved to be strong as all of the broad market indices posted continued gains and ended the year with solid returns, most coming since the March 2009 lows as shown below.

Leading indicators in both Canada and the United States continue to point to improving economic conditions. Overall confidence in the US financial system continues to improve as some of the larger US Banks continue to repay government funds and raise private capital. However, credit expansion through lending is still very sluggish and this will likely have the effect of dampening the recovery as many small businesses in particular have not been able to access capital. Concerns over commercial real estate and a still weak US housing market continue to weigh on the prospect of a more robust recovery. A surprisingly strong housing market and continued increases in commodity prices have continued to provide support to the Canadian economy.

Although economic conditions are continuing to improve, double digit unemployment in the U.S. is likely to keep fiscal and monetary stimulus in place for some time to come. The low levels of interest rates around the world are proving to provide significant fuel to propel the prices of financial assets and commodities. As Canadian and US government fixed income yields continue to remain at very low absolute and relative rates, this should continue to be very supportive to the strong dividend paying companies.

Attractive dividend yields, low historic valuations and significant option premiums available in the market place continue to bode well for the portfolio. The Manager continues to actively manage the relative weightings of the companies held within the portfolio.

	One Month to Dec 31, 2009	Year to Date Dec 31, 2009
TSX	2.61%	30.69%
S&P 500	1.78%	23.45%
DJII	0.80%	18.82%
NASDAQ	5.81%	43.89%

Details

Gross Proceeds:	\$60,000,000
Units Issued:	2,400,000
Inception Date:	Nov 16, 2005
Termination Date:	Dec 1, 2012
Net Asset Value:	\$18.39 (Dec 31/09)

Cash Weighting:	8%
Canadian Equity Weighting:	92%

PDV.PR.A Trading Price:	\$10.12 (Dec 31/09)
Current Yield:	4.9% annually*
Asset Coverage:	184%
Market Capitalization:	\$17,990,223

PDV Trading Price:	\$7.15 (Dec 31/09)
Current Yield:	10.5% annually*
Market Capitalization:	\$12,710,484

**Last distribution annualized.*

Top Holdings (sorted by weight)

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

Weightings subject to change at any time.