

# 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           |
|----------------------|-----------------|-----------------|-----------------|
| <b>Total to Date</b> | <b>\$3.0125</b> | <b>\$1.7100</b> | <b>\$4.7225</b> |
| 2008 YTD             | \$0.5469        | \$0.3021        | \$0.8490        |
| 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. In particular, the dramatic increase in oil prices has become a large obstacle for economic recovery. Although it is difficult to know when these conditions will ease, 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.

The Prime Dividend portfolio has a current dividend yield of approx. 4.1%.

## Details

|                                |                     |
|--------------------------------|---------------------|
| Gross Proceeds:                | \$60,000,000        |
| Units Issued:                  | 2,400,000           |
| Inception Date:                | Nov 16, 2005        |
| Termination Date:              | Dec 1, 2012         |
| Net Asset Value:               | \$20.98 (Jun 30/08) |
| Cash Weighting:                | 2%                  |
| Canadian Equity Weighting:     | 98%                 |
| <b>PDV.PR.A</b> Trading Price: | \$10.11 (Jun 30/08) |
| Current Yield:                 | 5.4% annually       |
| Asset Coverage:                | 210%                |
| Market Capitalization:         | \$21,918,076        |
| <b>PDV</b> Trading Price:      | \$10.80 (Jun 30/08) |
| Current Yield:                 | 9.4% annually       |
| Market Capitalization:         | \$23,413,968        |

## Top Holdings (sorted by weight)

|                                    |     |
|------------------------------------|-----|
| TransAlta Corporation              | TA  |
| AGF Management                     | AGF |
| TransCanada Corporation            | TRP |
| Bell Canada Inc.                   | BCE |
| TSX Group Inc.                     | X   |
| Toronto-Dominion Bank              | TD  |
| Canadian Imperial Bank of Commerce | CM  |
| Manulife Financial                 | MLF |
| IGM Financial                      | IGM |
| 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.*