
PRIME DIVIDEND CORP.
SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

MAY 31, 2017

This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended May 31, 2017. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The semi-annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at www.prime dividend.com or by writing to the Company at Investor Relations, TD Tower North, 77 King Street West, P.O. Box 341, Toronto, Ontario, M5K 1K7.

These reports are available to view and download at www.prime dividend.com or www.sedar.com.

INVESTMENT OBJECTIVES AND STRATEGIES

The Company invests primarily in a portfolio of common shares which will include each of the following Canadian dividend paying companies:

Banks	Life Insurance Companies
Bank of Montreal	Great-West Lifeco Inc.
Bank of Nova Scotia	Manulife Financial Corporation
Canadian Imperial Bank of Commerce	Sun Life Financial Inc.
National Bank of Canada	
Royal Bank of Canada	
Toronto-Dominion Bank	

Investment Management Companies	Utilities & Other
AGF Management Limited	BCE Inc.
CI Financial Corp.	TransAlta Corporation
IGM Financial Inc.	TransCanada Corporation
	Power Financial Corporation
	TMX Group Inc.

The Company may also invest up to 20% of the net asset value in equity securities of issuers in the financial services or utilities sectors in Canada or the United States other than the core holdings listed above. In order to supplement the dividends received on the portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the common shares in the portfolio.

The Company offers two types of shares:

Preferred Shares

The investment objectives with respect to the Preferred shares are as follows:

1. To provide holders with cumulative preferential floating rate monthly cash dividends at a rate per annum equal to the prevailing Canadian prime rate plus 0.75%, with a minimum annual rate of 5.0% and a maximum annual rate of 7% based on the original issue price (\$10) of the Preferred shares; and
2. On or about the termination date of December 1, 2018 (subject to further 5 year extensions thereafter) to pay holders the original issue price.

Class A Shares

The investment objectives with respect to the Class A shares are as follows:

1. To provide holders with monthly cash distributions targeted to be at a rate of 10% annualized based on the volume weighted average market price of the Class A shares for the last 5 trading days of the preceeding month. The net asset value per unit must remain above the required \$15 per unit threshold for monthly distributions to be declared; and
2. On the termination date to pay holders the original issue price (\$15) of those shares.

RISK

The risks of investing in the Company remain as discussed in the Annual Information Form dated February 22, 2017. In addition, note 5 of the semi-annual financial statements (“Management of Risk of Financial Instruments”) contains disclosure on specific types of risks related to the financial investments held by the Company.

RESULTS OF OPERATIONS

Canadian financial markets extended gains during the six month period ended May 31, 2017.

Canadian markets rallied in tandem with U.S. markets during the November to March period as expectations surrounding the potential impact of stimulative policies of the newly elected U.S. administration had a very positive spillover impact on Canadian stocks. Many of the companies in the portfolio reached multi-year or all-time highs during February or March as longer term interest rates rose significantly as growth and inflation expectations increased during this period. However, increasing uncertainties about the timing and configuration of the new U.S. administration’s policy proposals and a flattening interest rate yield curve in Canada weighed on the market performance of many of the financial services stocks held in the portfolio during the March to May period.

The core portfolio companies rank among the highest dividend yielding companies in the S&P TSX 60 and most of these companies have exhibited consistent dividend growth, which should continue to make them relatively attractive investments in this low interest rate environment

The net assets per unit (consisting of one Preferred share and one Class A share) finished at \$16.83 as at May 31, 2017, after the payment of \$0.61 in combined distributions to both classes of shares. A combined total of \$15.48 has been paid in distributions since inception.

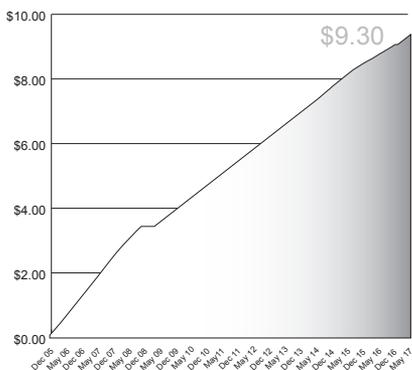
Net assets of the Company finished the period at \$20.1 million.

The covered call writing program continued to provide additional income and supplemented the dividend income earned in the portfolio.

Class A shares - Distributions

Monthly cash distributions are targeted to be at a rate of 10% annualized based on the volume weighted average market price of the Class A shares for the last 5 trading days of the preceding month. The Net Asset Value per unit must remain above \$15 per unit for distributions to be declared. Total distributions per Class A share during the period amounted to \$0.36 at the target rate.

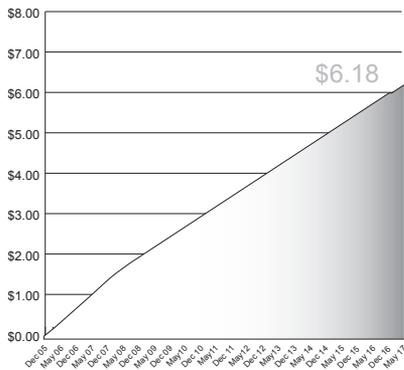
Cumulative Distributions since inception



Preferred shares - Distributions

Preferred shareholders are entitled to receive cumulative preferential monthly cash dividends at a floating rate based on the prime rate in Canada plus 0.75% per annum on the original issue price with a minimum annual rate of 5.0% and a maximum annual rate of 7.0% based on the original issue price. Distributions during the period were at the minimum annual rate for a total \$0.25 per Preferred share.

Cumulative Distributions since inception



RECENT DEVELOPMENTS

There were no developments during the period.

RELATED PARTY TRANSACTIONS

QuadraVest Capital Management Inc. ("QuadraVest") as Investment Manager and Manager earns fees from the Company as described below in the Management Fees section.

FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Company and are intended to help you understand the Company's financial performance for the past five years. This information is derived from the Company's semi-annual financial statements and previous audited annual financial statements. The information in the following table is presented in accordance with National Instrument ("NI") 81-106 and, as a result, does not act as a continuity of opening and net assets per unit.

The Company's Net Assets per unit

	May 31, 2017	Periods ended November 30 ⁽⁴⁾				
		2016	2015	2014	2013	2012
Net assets per unit, beginning of period ⁽¹⁾	17.15	16.39	18.73	18.52	16.05	16.51
Increase (decrease) from operations						
Total revenue	0.34	0.69	0.68	0.69	0.70	0.75
Total expenses	(0.19)	(0.32)	(0.33)	(0.38)	(0.32)	(0.32)
Realized gains (losses) for the period	0.53	0.14	0.14	0.40	(0.20)	(0.46)
Unrealized gains (losses) for the period	(0.33)	1.30	(1.59)	0.76	3.51	0.86
Total increase (decrease) from operations ⁽²⁾	0.35	1.81	(1.10)	1.47	3.69	0.86
Distributions ⁽³⁾						
Canadian dividends	(0.61)	(1.07)	(1.24)	(1.28)	(1.25)	(1.25)
Total annual distributions	(0.61)	(1.07)	(1.24)	(1.28)	(1.25)	(1.25)
Net assets per unit at end of period	16.83	17.15	16.39	18.73	18.51	16.05
Net assets per Preferred share	10.00	10.00	10.00	10.00	10.00	10.00
Net assets per Class A share	6.83	7.15	6.39	8.73	8.51	6.05
Net assets per unit at end of period	16.83	17.15	16.39	18.73	18.51	16.05

- (1) Net assets per unit is the difference between the aggregate amount of the Company's assets and the aggregate amount of its liabilities, excluding Preferred shares and net assets attributable to holders of redeemable Class A shares, at the valuation date, divided by the number of units then outstanding.
- (2) Total increase (decrease) from operations is before the payment of Preferred and Class A share distributions and is calculated based on the weighted average number of units outstanding during the period.
- (3) Distributions on the Preferred shares and Class A shares are based on the number of Preferred shares and Class A shares outstanding on the record date for each distribution in the period and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.
- (4) Per unit figures presented for 2014 and onwards are derived from the Company's semi-annual financial statements and audited annual financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Per unit figures presented for periods prior to 2014 were derived from the Company's audited financial statements which were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") as defined in Part V of the CPA Handbook.

RATIOS AND SUPPLEMENTAL DATA (BASED ON NET ASSET VALUE)

	May 31, 2017	▮ 2016	Periods ended November 30				▮
			2015	2014	2013	2012	
Net asset value (millions) ⁽¹⁾	\$20.1	\$22.5	\$22.3	\$25.5	\$26.6	\$24.4	
Number of units outstanding	1,193,260	1,313,595	1,359,860	1,359,860	1,434,760	1,508,860	
Base Management expense ratio ⁽²⁾	2.18%	1.96%	1.93%	2.01%	1.85%	1.97%	
Management expense ratio per Class A share ⁽³⁾	11.84%	13.42%	11.69%	10.31%	11.37%	12.83%	
Portfolio turnover rate ⁽⁴⁾	3.6%	7.5%	1.3%	29.50%	51.1%	41.3%	
Trading expense ratio ⁽⁵⁾	0.04%	0.04%	0.01%	0.03%	0.08%	0.05%	
Closing market price (TSX): Preferred shares	\$10.30	\$10.20	\$10.16	\$10.30	\$10.26	\$10.19	
Closing market price (TSX): Class A shares	\$7.19	\$6.52	\$6.19	\$8.41	\$8.00	\$5.74	

- (1) This information is provided as at May 31 or November 30.
- (2) A separate base management expense ratio has been presented to reflect the normal operating expenses of the Company excluding any one time offering expenses. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average net asset value during the period.
- (3) Management expense ratio for Class A shares is based on the requirements of NI 81-106. This instrument requires that all split share companies produce an expense ratio which allocates all operating expenses of the Company, all distributions on Preferred shares and all issuance costs to the Class A shares and expresses this as an annualized percentage of net assets applicable only to the Class A shares during the period. The management expense ratio per Class A share should not be interpreted as the required return necessary for the Company or the Class A shares to cover the operating expenses of the Company. This calculation is based only on a portion of the Company's assets whereas the Company utilizes its entire assets to generate investment returns. Management believes that the base management expense ratio per unit disclosed in the table above is the most representative ratio in assessing the ongoing efficiency of the administration of the Company, making comparisons to the expense ratios of single unit mutual funds or determining the minimum investment returns necessary by the Company to achieve growth in net asset value per unit.
- (4) The Company's portfolio turnover rate indicates how actively Quadravest manages the portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the period. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a period, the greater the trading costs payable by the Company in the period and the greater chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the Company.
- (5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net asset value during the period.

MANAGEMENT FEES

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the net asset value of the Company, which include the outstanding Preferred shares, calculated as at each month-end valuation date. In addition, Quadravest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Pursuant to the management agreement, Quadravest is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.20% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date and an amount equal to the service fee payable to dealers on the Class A shares at a rate of 0.50% per annum. No service fee will be paid in any calendar quarter if regular dividends are not paid to holders of Class A shares in respect of each month in such calendar quarter.

The base management fee was used by Quadravest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required by the Company which includes all operational services, financial accounting, shareholder reporting and regulatory reporting.

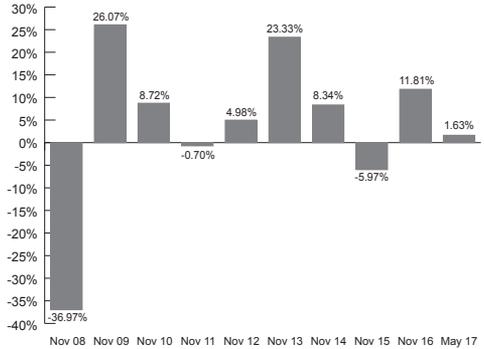
PAST PERFORMANCE

Year-by-Year Returns

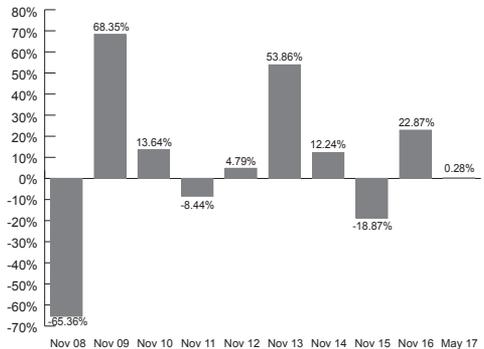
The past performance of 1) the net asset value per unit; 2) the Preferred share on a net asset value basis; and 3) the Class A share on a net asset value basis for each of the last 10 years are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a unit, a Preferred share or a Class A share would have increased or decreased during the applicable year. In respect to the charts displayed below, please note the following:

- The performance information shown assumes that all cash distributions made by the Company during the years shown were reinvested in the applicable securities of the Company;
- The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and
- Past performance of the Company does not necessarily indicate how it will perform in the future.

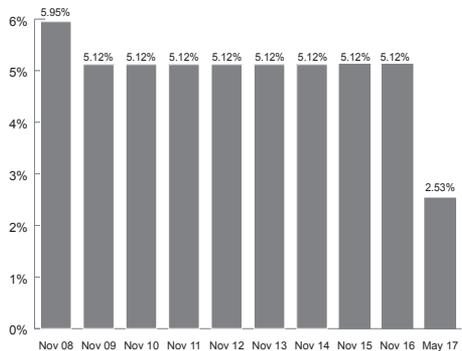
NET ASSET VALUE PER UNIT



CLASS A SHARE



PREFERRED SHARE



SUMMARY OF INVESTMENT PORTFOLIO
All holdings as at May 31, 2017

Name	Weighting (%)
Royal Bank of Canada	8.6
BCE Inc.	7.3
Manulife Financial Corporation	7.3
Toronto-Dominion Bank	7.3
Great-West Lifeco Inc.	7.0
Canadian Imperial Bank of Commerce	6.8
Power Financial Corp.	6.7
Sun Life Financial Inc.	6.4
TransCanada Corporation	6.4
CI Financial Corp.	6.1
TMX Group Inc.	6.1
Bank of Nova Scotia	5.7
National Bank of Canada	5.3
IGM Financial Inc.	3.8
Bank of Montreal	2.4
AGF Management Limited	2.2
TransAlta Corporation	1.2
Total long positions as a percentage of net assets	96.6
Cash	3.9
Other net assets (liabilities)	-0.5
	100.0

The summary of investment portfolio may change due to ongoing portfolio transactions of the Company. Updates are available quarterly.

PRIME DIVIDEND CORP.**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements of Prime Dividend Corp. (the "Company") and all the information in this semi-annual report are the responsibility of management and have been approved by the Board of Directors of the Company.

The Company maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with International Financial Reporting Standards, as applicable to the preparation of interim financial statements including International Accounting Standard 34, and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Company are described in note 3 to the financial statements.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

The Company's independent auditor has not performed a review of these semi annual financial statements in accordance with standards established by the Chartered Professional Accountants.