

Report Prepared On: 08/02/13

Structured Product Details

Name	Plus linked to iShares MSCI Emerging Markets Index Fund
Issue Size	\$5.82 million
Issue Price	\$10
Term	18 Months
Annualized Coupon	0.00%
Pricing Date	May 31, 2013
Issue Date	June 5, 2013
Valuation Date	December 1, 2014
Maturity Date	December 4, 2014
Issuer	Royal Bank of Canada
CDS Rate	100.83 bps
Swap Rate	0.57%
Reference Asset	iShares MSCI Emerging Markets Index Fund
Initial Level	\$41.21
Dividend Rate	1.79%
Implied Volatility	20.78%
Delta¹	0.77
Fair Price at Issue	\$9.39
CUSIP	78008D513
SEC Link	www.sec.gov/Archives/edgar/data/1000275/000121465913003200/f63131424b2.htm

Plus linked to iShares MSCI Emerging Markets Index Fund

Description

Royal Bank of Canada issued \$5.82 million of Plus linked to iShares MSCI Emerging Markets Index Fund on June 5, 2013 at \$10 per note.

These notes are Royal Bank of Canada-branded PLUS securities that do not pay periodic coupons, but instead pay a single amount at maturity depending on iShares MSCI Emerging Markets Index Fund's share price at maturity.

If iShares MSCI Emerging Markets Index Fund's share price on December 1, 2014 is higher than \$41.21, but lower than \$45.74, the notes pay a return equal to the percentage increase in iShares MSCI Emerging Markets Index Fund multiplied by 2.0. If on December 1, 2014 iShares MSCI Emerging Markets Index Fund's share price is above the \$45.74, the notes pay the maximum payout of \$12.20. If on December 1, 2014 iShares MSCI Emerging Markets Index Fund's share price is below \$41.21, investors receive the face value per note reduced by the percentage decline in the reference asset. The notes will pay nothing at maturity if the reference asset declines to zero.

Valuation

This note can be valued as a combination of a note from Royal Bank of Canada, a short at-the-money put option, two long at-the-money call options, and two short out-of-the-money call options. The short at-the-money put option exposes investors to any decline in iShares MSCI Emerging Markets Index Fund. The two short out-of-the-money call options has the strike price of \$45.74, and limits the maximum return of the notes beyond the cap level. For reasonable valuation inputs this note was worth \$9.39 when it was issued on June 5, 2013 because the value of the options investors gave Royal Bank of Canada plus the interest investors would have received on Royal Bank of Canada's straight debt was worth \$0.61 more than the call options investors received from Royal Bank of Canada.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

Related Research

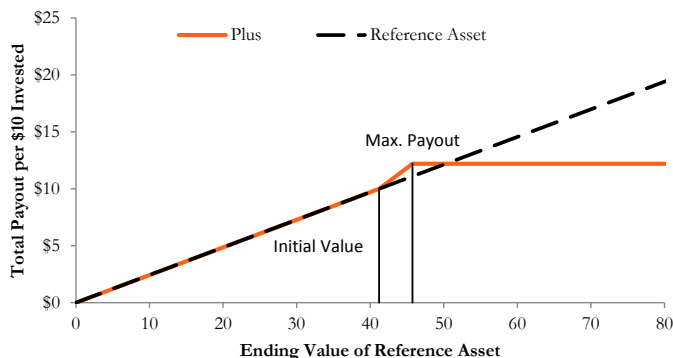
Research Papers:

www.slcg.com/research.php

- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

Tim Dulaney, Ph.D.,
Senior Financial Economist, SLCG
(+1) 703.539.6777
TimDulaney@slcg.com

Payoff Curve at Maturity

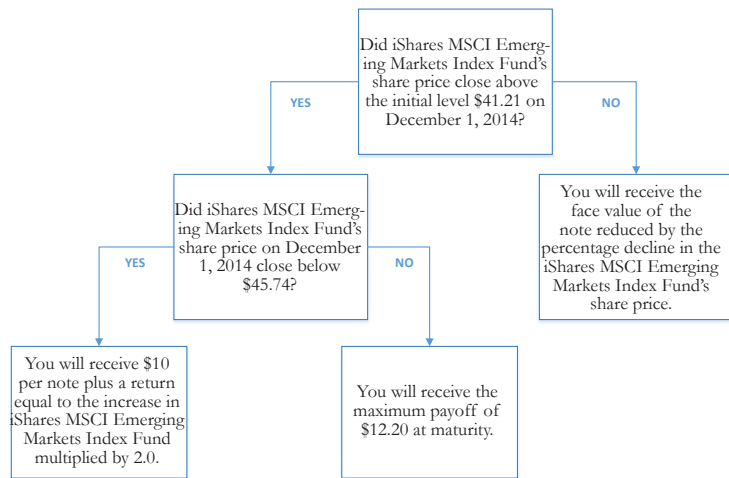


The payoff diagram shows the final payoff of this note given iShares MSCI Emerging Markets Index Fund's share price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in iShares MSCI Emerging Markets Index Fund directly.

Principal Payback Table

iShares MSCI Emerging Markets Index Fund	Note Payoff
\$0.00	\$0.00
\$4.12	\$1.00
\$8.24	\$2.00
\$12.36	\$3.00
\$16.48	\$4.00
\$20.61	\$5.00
\$24.73	\$6.00
\$28.85	\$7.00
\$32.97	\$8.00
\$37.09	\$9.00
\$41.21	\$10.00
\$45.33	\$12.00
\$49.45	\$12.20
\$53.57	\$12.20
\$57.69	\$12.20
\$61.82	\$12.20

Maturity Payoff Diagram

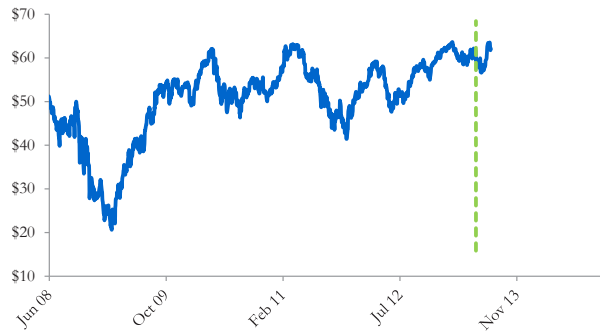


The contingent payoffs of this Plus.

Analysis

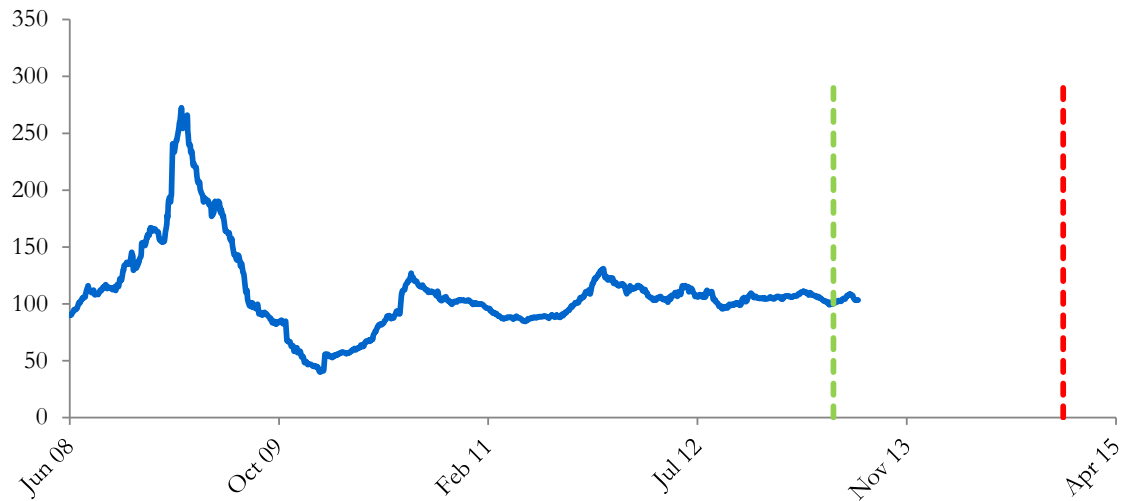
This Plus pays investors the increase in iShares MSCI Emerging Markets Index Fund multiplied by 2.0 capped at 22.00%, but if iShares MSCI Emerging Markets Index Fund declines over the term of the note, investors will suffer losses equal to the percentage decline in iShares MSCI Emerging Markets Index Fund. In addition, investors bear the credit risk of Royal Bank of Canada. Investors purchasing this Plus effectively sell at-the-money put and out-of-the-money call options to Royal Bank of Canada, buy at-the-money call options, and a zero-coupon note from Royal Bank of Canada. This Plus is fairly priced if and only if the market value of the options investors received from Royal Bank of Canada equals the market value of the options investors gave Royal Bank of Canada plus the interest investors would have received on Royal Bank of Canada's straight debt.

Royal Bank of Canada's Stock Price



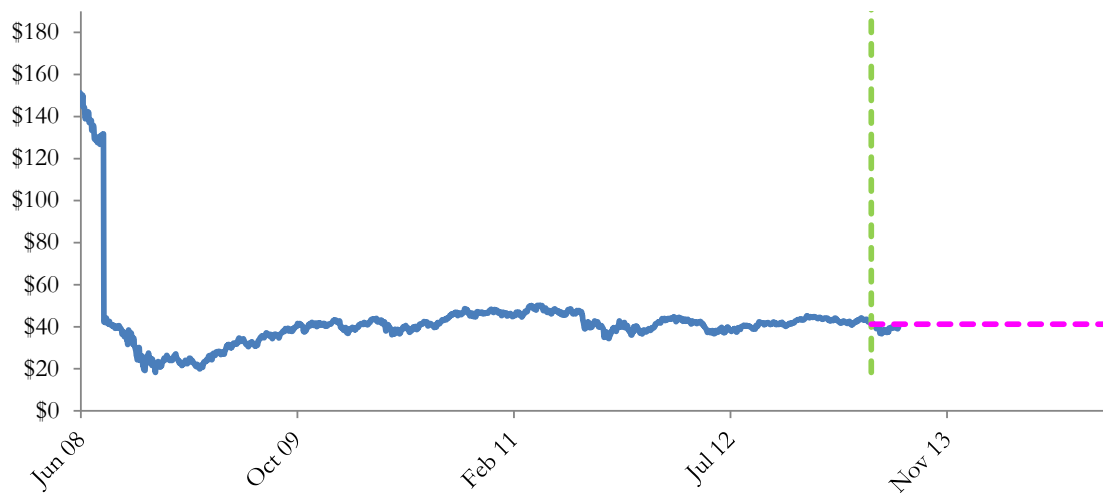
The graph above shows the adjusted closing price of the issuer Royal Bank of Canada for the past several years. The stock price of the issuer is an indication of the financial strength of Royal Bank of Canada. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

Royal Bank of Canada's CDS Rate



Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as Royal Bank of Canada. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of Royal Bank of Canada's debt, including outstanding Plus. Fluctuations in Royal Bank of Canada's CDS rate impact the market value of the notes in the secondary market.

iShares MSCI Emerging Markets Index Fund's Share Price

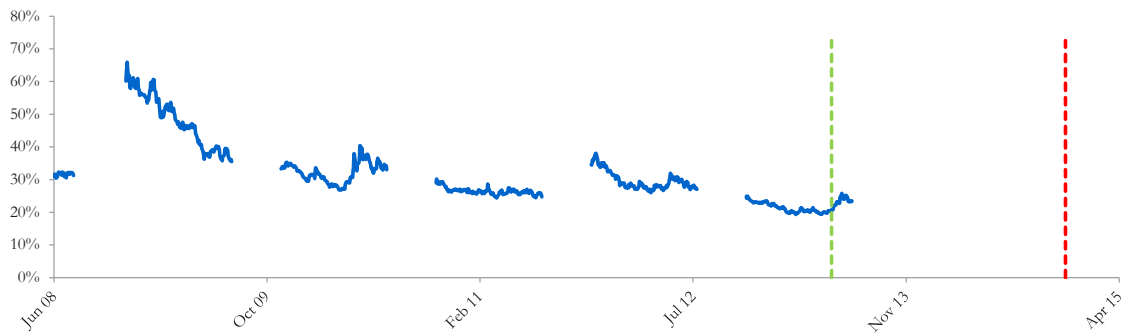


The graph above shows the historical levels of iShares MSCI Emerging Markets Index Fund for the past several years. The final payoff of this note is determined by iShares MSCI Emerging Markets Index Fund's share price at maturity. Higher fluctuations in iShares MSCI Emerging Markets Index Fund's share price correspond to a greater uncertainty in the final payoff of this Plus.

Realized Payoff

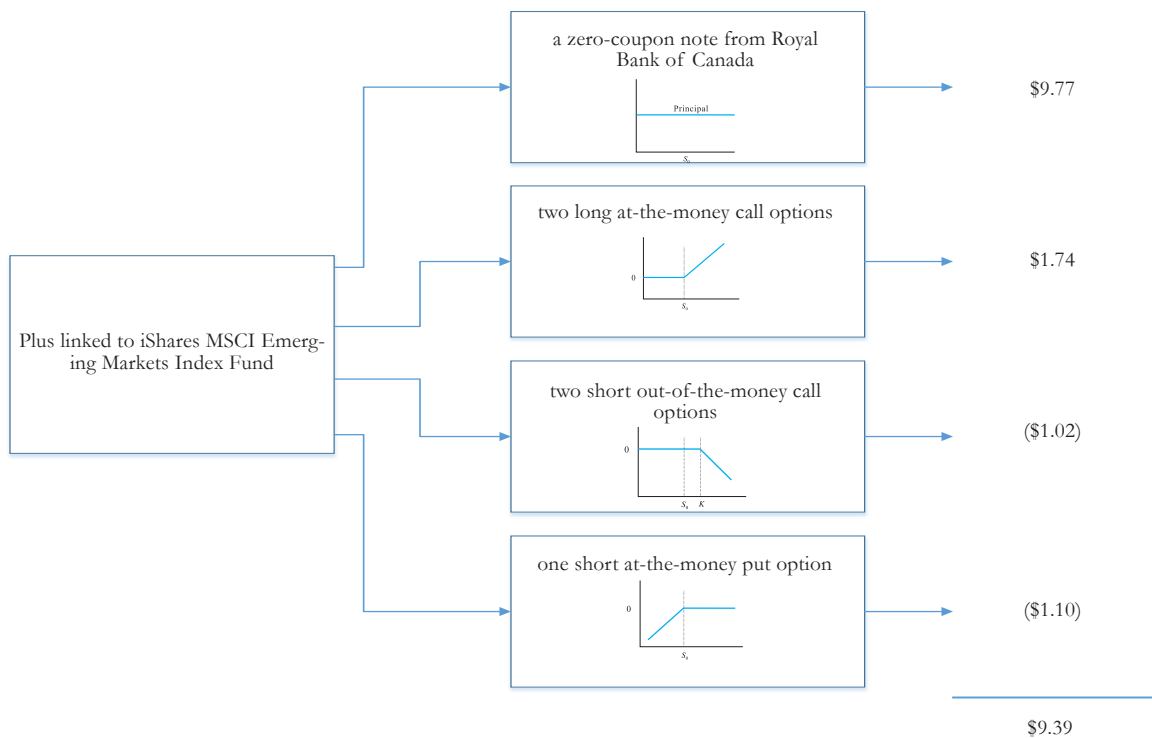
This product will mature on December 4, 2014.

Reference Asset iShares MSCI Emerging Markets Index Fund's Implied Volatility



The annualized implied volatility of iShares MSCI Emerging Markets Index Fund on May 31, 2013 was 20.78%, meaning that options contracts on iShares MSCI Emerging Markets Index Fund were trading at prices that reflect an expected annual volatility of 20.78%. The higher the implied volatility, the larger the expected fluctuations of iShares MSCI Emerging Markets Index Fund's share price and of the Note's market value during the life of the Notes.

Decomposition of this Plus



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this Plus.

1. Delta measures the sensitivity of the price of the note to the iShares MSCI Emerging Markets Index Fund's share price on May 31, 2013.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the iShares MSCI Emerging Markets Index Fund on May 31, 2013.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.