

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-Q

HERZFELD CARIBBEAN BASIN FUND INC
Form N-Q
November 14, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM N-Q
QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act file number 811-06445

The Herzfeld Caribbean Basin Fund, Inc.

(Exact name of registrant as specified in charter)

P.O. BOX 161465, MIAMI, FLORIDA 33116

(Address of principal executive offices) (Zip code)

THOMAS J. HERZFELD
P.O. BOX 161465, MIAMI, FL 33116

(Name and address of agent for service)

Registrant's telephone number, including area code: 305-271-1900

Date of fiscal year end: 06/30/12

Date of reporting period: 09/30/11

ITEM 1. SCHEDULE OF INVESTMENTS

SCHEDULE OF INVESTMENTS AS OF SEPTEMBER 30, 2011 (unaudited)

=====

| Shares or Principal Amount | Description | Market Value |
|-------------------------------|--|--------------|
| | Common stocks - 100.01% of net assets | |
| | Airlines - 7.70% | |
| 30,500 | Copa Holdings, S.A. | 1,868,735 |
| | Banking and finance - 9.20% | |
| 21,280 | Bancolombia, S.A. | 1,185,296 |
| 42,000 | Banco Latinoamericano de Exportaciones, S.A. | 639,660 |
| 11,500 | Doral Financial Corp. | 12,535 |
| 60,000 | Popular Inc. | 90,000 |
| 3,844 | W Holding Co. Inc. | 769 |
| 20,000 | Western Union Company | 305,800 |

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-Q

| | | |
|---|---|-----------|
| Communications - 12.18% | | |
| 71,200 | America Movil, S.A.B. de C.V. Series A | 78,769 |
| 209,144 | America Movil, S.A.B. de C.V. Series L | 231,529 |
| 45,190 | America Movil, S.A.B. de C.V. ADR | 997,795 |
| 13,698 | Atlantic Tele-Network, Inc. | 450,390 |
| 377,100 | Fuego Enterprises Inc. | 5,732 |
| 23,666 | Grupo Radio Centro, S.A.B. ADR | 178,678 |
| 32,400 | Grupo Televisa, S.A.B. ADR | 595,836 |
| 8,030 | Spanish Broadcasting System, Inc. | 13,330 |
| 23,000 | Telefonos de Mexico, S.A.B. de C.V. ADR Series L | 343,850 |
| 78,600 | Telefonos de Mexico, S.A.B. de C.V. Series L | 59,050 |
| Conglomerates and holdings companies - 0.25% | | |
| 250,000 | Admiralty Holding Company | -- |
| 70,348 | BCB Holdings Ltd. | 57,534 |
| 3,250 | Shellshock Ltd. Ord. | 2,683 |
| Construction and related - 5.96% | | |
| 55,790 | Cemex S.A.B. de C.V. Series CPO | 17,790 |
| 55,438 | Cemex S.A.B. de C.V. ADR | 175,184 |
| 20 | Ceramica Carabobo Class A ADR | -- |
| 71,132 | Mastec, Inc. | 1,252,635 |
| Consumer products and related manufacturing - 6.64% | | |
| 13,273 | Grupo Casa Saba, S.A.B. de C.V. ADR | 149,985 |
| 28,600 | Watsco Incorporated | 1,461,460 |
| Food, beverages and tobacco - 11.84% | | |
| 20,000 | Chiquita Brands International Inc. | 166,800 |
| 53,874 | Cleanpath Resources Corp. | 11 |
| 22,500 | Coca Cola Femsa, S.A.B. de C.V. ADR | 1,996,425 |
| 2,000 | Fomento Economico Mexicano, S.A.B. de C.V. ADR | 129,640 |
| 18,900 | Fomento Economico Mexicano, S.A.B. de C.V. Series UBD | 122,996 |
| 19,690 | Fresh Del Monte Produce Inc. | 456,808 |
| Housing - 2.09% | | |
| 37,500 | Lennar Corporation | 507,750 |
| Investment companies - 1.86% | | |
| 4,420 | Shellproof Limited | 2,961 |
| 6,000 | iShares MSCI Mexico Investable Market Index Fund | 293,760 |
| 4,000 | iShares S+P Latin America 40 Index Fund | 155,520 |
| Leisure - 11.59% | | |
| 41,500 | Carnival Corp. | 1,257,450 |
| 44,500 | Royal Caribbean Cruises Ltd. | 962,980 |
| 14,527 | Steiner Leisure Ltd. | 592,266 |
| Mining - 0.04% | | |
| 3,863 | Grupo Mexico, S.A.B. de C.V. Series B | 9,162 |
| Pulp and paper - 0.13% | | |
| 6,100 | Kimberly-Clark de Mexico, S.A.B. de C.V. Series A | 31,206 |
| Railroad - 6.39% | | |
| 19,000 | Norfolk Southern Corporation | 1,159,380 |

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-Q

| | |
|---|---------------|
| 30,000 RailAmerica Inc. | 390,900 |
| | |
| Retail - 3.82% | |
| 1,270 Grupo Elektra, S.A.B. de C.V. Series CPO | 96,884 |
| 10,000 Pricemart, Inc. | 623,200 |
| 90,222 Wal-Mart de Mexico, S.A.B. de C.V. Series V | 207,456 |
| | |
| Service - 0.01% | |
| 700 Grupo Aeroportuario del Sureste, S.A.B. de C.V. Series B | 3,485 |
| | |
| Trucking and marine freight - 13.95% | |
| 12,280 Grupo TMM, S.A.B. ADR | 22,104 |
| 1,321 Seaboard Corporation | 2,380,429 |
| 2,000 Seacor Holdings, Inc. | 160,420 |
| 20,000 Teekay Corporation | 452,200 |
| 8,361 Teekay LNG Partners LP | 260,194 |
| 93,687 Trailer Bridge, Inc. | 46,844 |
| 28,000 Ultrapetrol Bahamas Ltd. | 63,560 |
| | |
| Utilities - 5.88% | |
| 12,000 Caribbean Utilities Ltd. Class A | 120,000 |
| 66,841 Consolidated Water, Inc. | 526,707 |
| 700 Cuban Electric Company | 53 |
| 45,500 Teco Energy Inc. | 779,415 |
| | |
| Other - 0.48% | |
| 100,000 Cuba Business Development | -- |
| 25,000 Geltech Solutions Inc. | 19,000 |
| 13,000 Impellam Group | 65,108 |
| 55,921 Margo Caribe, Inc. | 31,316 |
| 895 Siderurgica Venezolana Sivensa, S.A. ADR | -- |
| 79 Siderurgica Venezolana Sivensa, S.A. Series B | -- |
| | |
| Total common stocks - 100.01% (cost \$25,799,133) | 24,269,415 |
| | |
| Bonds - 0.00% of net assets | |
| 165,000 Republic of Cuba - 4.5%, 1977 - in default (cost \$63,038) | -- |
| | |
| Other assets less liabilities - (0.01%) of net assets | (\$ 2,061) |
| | |
| Net assets - 100% (applicable to 3,713,071 shares; equivalent to \$6.54 per share) | \$ 24,267,354 |

Security Valuation

The Herzfeld Caribbean Basin Fund, Inc. (the "Fund") records its investments in securities at fair value. Under generally accepted accounting principles ("GAAP"), fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Fund uses various valuation approaches. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-Q

Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Fund. Unobservable inputs reflect the Fund's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1: quoted prices in active markets for identical investments
- Level 2: other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3: significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Fund uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

The following table summarizes the classification of the Fund's investments by the above fair value hierarchy levels as of September 30, 2011:

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------|--------------|----------|---------|--------------|
| Assets (at fair value) | | | | |
| Common Stocks | \$24,226,670 | \$42,692 | \$53 | \$24,269,415 |
| Debt Securities | 0 | 0 | 0 | 0 |
| Total Investments in securities | \$24,226,670 | \$42,692 | \$0 | \$24,269,415 |

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used to determine fair value:

| | Investments in Securities at Fair Value |
|-----------------------|---|
| Balance June 30, 2011 | \$56 |

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-Q

| | |
|----------------------------|------|
| Unrealized gain/(loss) | (3) |
| Net purchases | 0 |
| Net sales | (0) |
| Transfers into Level 3 | 0 |
| Transfers out of Level 3 | (0) |
| Balance September 30, 2011 | \$53 |

ITEM 2. CONTROLS AND PROCEDURES

- (a) The registrant's principal executive and principal financial officers have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this Form N-Q that includes the disclosure required by this paragraph based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS

The certifications required by Rule 30a-2 under the Investment Company Act of 1940, as amended, and Section 302 of the Sarbanes-Oxley Act of 2002 are attached as an exhibit to this filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The Herzfeld Caribbean Basin Fund, Inc.

By /s/ Thomas J. Herzfeld

Thomas J. Herzfeld
Chairman and President

Date: November __, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form N-Q

By /s/ Thomas J. Herzfeld

Thomas J. Herzfeld
Chairman and President

Date: November __, 2011

By /s/ Cecilia L. Gondor

Cecilia L. Gondor
Treasurer

Date: November __, 2011