

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

HERZFELD CARIBBEAN BASIN FUND INC

Form N-Q

November 28, 2012

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)

119 Washington Avenue, Suite 504, Miami Beach FL 33139

-----  
(Address of principal executive offices) (Zip code)

THOMAS J. HERZFELD  
119 Washington Avenue, Suite 504, Miami Beach FL 33139

-----  
(Name and address of agent for service)

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

-----  
Date of fiscal year end: 06/30/13

-----  
Date of reporting period: 09/30/12

ITEM 1. SCHEDULE OF INVESTMENTS

SCHEDULE OF INVESTMENTS AS OF September 30, 2012 (unaudited)

=====

Shares or Principal Amount	Description	Market Value
-----		
Common stocks - 93.54% of net assets		
Airlines - 6.22%		
23,500	Copa Holdings, S.A.	1,909,845
Banking and finance - 8.41%		
20,780	Bancolombia, S.A.	1,240,774
39,000	Banco Latinoamericano de Exportaciones, S.A.	861,510
11,500	Doral Financial Corp.	10,818
6,000	Popular Inc.	104,580
3,844	W Holding Co. Inc.	77

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

20,000	Western Union Company	364,400
	Communications - 9.82%	
71,200	America Movil, S.A.B. de C.V. Series A	91,096
209,144	America Movil, S.A.B. de C.V. Series L	266,772
44,690	America Movil, S.A.B. de C.V. ADR	1,136,914
12,698	Atlantic Tele-Network, Inc.	545,760
5,028	Fuego Enterprises Inc.	1,760
23,666	Grupo Radio Centro, S.A.B. ADR	181,991
32,400	Grupo Televisa, S.A.B. ADR	761,724
8,030	Spanish Broadcasting System, Inc.	26,178
	Conglomerates and holdings companies - 0.06%	
250,000	Admiralty Holding Company	--
70,348	BCB Holdings Ltd.	15,336
3,250	Shellshock Ltd. Ord.	2,309
	Construction and related - 8.82%	
58,021	Cemex S.A.B. de C.V. Series CPO	48,331
57,655	Cemex S.A.B. de C.V. ADR	480,266
20	Ceramica Carabobo Class A ADR	--
4,100	Homex Development Corp	55,924
74,132	Mastec, Inc.	1,421,000
6,400	Vulcan Materials	302,720
4,800	Martin Marietta Materials	397,776
	Consumer products and related manufacturing - 5.61%	
15,273	Grupo Casa Saba, S.A.B. de C.V. ADR	122,948
21,100	Watsco Incorporated	1,599,169
	Food, beverages and tobacco - 11.15%	
20,000	Chiquita Brands International Inc.	152,800
53,874	Cleanpath Resources Corp.	151
17,500	Coca Cola Femsa, S.A.B. de C.V. ADR	2,257,500
5,000	Fomento Economico Mexicano, S.A.B. de C.V. ADR	459,900
18,900	Fomento Economico Mexicano, S.A.B. de C.V. Series UBD	174,238
19,690	Fresh Del Monte Produce Inc.	376,064
	Housing - 4.02%	
35,500	Lennar Corporation	1,234,335
	Investment companies - 0.01%	
4,420	Shellproof Limited	3,069
70,348	Waterloo Investment Holdings Ltd	--
	Leisure - 11.50%	
41,000	Carnival Corp.	1,494,040
45,000	Royal Caribbean Cruises Ltd.	1,359,450
14,527	Steiner Leisure Ltd.	676,232
	Mining - 0.37%	
3,872	Grupo Mexico, S.A.B. de C.V. Series B	12,811
5,000	Tahoe Resources, Inc.	101,800
	Pulp and paper - 0.14%	
18,300	Kimberly-Clark de Mexico, S.A.B. de C.V. Series A	43,753

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

Railroad - 5.60%		
20,500	Norfolk Southern Corporation	1,304,415
15,110	RailAmerica Inc.	415,072
Retail - 4.88%		
1,270	Grupo Elektra, S.A.B. de C.V. Series CPO	51,808
12,000	Pricesmart, Inc.	908,640
190,222	Wal-Mart de Mexico, S.A.B. de C.V. Series V	536,316
Service - 0.02%		
700	Grupo Aeroportuario del Sureste, S.A.B. de C.V. Series B	6,179
Trucking and marine freight - 11.46%		
12,280	Grupo TMM, S.A.B. ADR	11,740
1,321	Seaboard Corporation	2,985,632
2,000	Seacor Holdings, Inc.	166,720
8,361	Teekay LNG Partners LP	314,541
28,000	Ultrapetrol Bahamas Ltd.	39,760
Utilities - 4.24%		
12,000	Caribbean Utilities Ltd. Class A	117,600
66,841	Consolidated Water, Inc.	552,775
700	Cuban Electric Company	--
35,500	Teco Energy Inc.	629,770
Other - 1.21%		
500,000	Cuba Business Development	--
25,000	Geltech Solutions Inc.	16,000
13,000	Impellam Group	70,324
55,921	Margo Caribe, Inc.	283,519
895	Siderurgica Venezolana Sivensa, S.A. ADR	--
79	Siderurgica Venezolana Sivensa, S.A. Series B	--
Total common stocks - 93.54% (cost \$24,338,497)		28,706,932
Bonds - 0.00% of net assets		
165,000	Republic of Cuba - 4.5%, 1977 - in default (cost \$63,038)	--
Other assets less liabilities - 6.46 % of net assets		\$ 1,981,594
Net assets - 100% (APPLICABLE TO 3,713,071 SHARES; EQUIVALENT TO \$8.26 PER SHARE)		\$ 30,688,526

### 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.

Investments in securities traded on a national securities exchange (or reported on the NASDAQ National Market or Capital Market) are stated at the last reported sales price on the day of valuation (or at the NASDAQ official closing price); other securities traded in the over-the-counter market and listed securities for which no sale was reported on the date are stated at the last quoted bid price. Restricted securities and other securities for which quotations are not readily available are valued at fair value as determined by the Board of Directors.

The following table summarizes the classification of the Fund's investments by the above fair value hierarchy levels as of September 30, 2012:

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Common Stocks	\$28,615,894	\$91,038	\$0	\$28,706,932
Debt Securities	0	0	0	0

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

Total Investments in securities    \$28,615,894    \$91,038    \$0    \$28,706,932

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, 2012	\$0
Unrealized gain/(loss)	0
Net purchases	0
Net sales	(0)
Transfers into Level 3	0
Transfers out of Level 3	(0)
Balance September 30, 2012	\$0

### 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(a) 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 28, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the

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

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.

By /s/ Thomas J. Herzfeld

-----

Thomas J. Herzfeld  
Chairman and President

Date: November 28, 2012

By /s/ Cecilia L. Gondor

-----

Cecilia L. Gondor  
Treasurer

Date: November 28, 2012