

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

HERZFELD CARIBBEAN BASIN FUND INC

Form N-Q

November 18, 2013

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: 06/30/14

Date of reporting period: 09/30/13

ITEM 1. SCHEDULE OF INVESTMENTS

SCHEDULE OF INVESTMENTS AS OF September 30, 2013 (unaudited)

=====

Shares or Principal Amount	Description	Market Value

Common stocks - 95.30% of net assets		
Airlines - 5.14%		
12,500	Copa Holdings, S.A.	1,733,375
3,215	ERA Group Inc.	87,384
Banking and finance - 7.99%		
19,280	Bancolombia, S.A.	1,109,371
48,000	Banco Latinoamericano de Exportaciones, S.A.	1,196,160
6,000	Popular Inc.	157,380
3,844	W Holding Co. Inc.	192

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

16,643 Evertec Inc.	369,641
Communications - 8.61%	
44,690 America Movil, S.A.B. de C.V. ADR	885,309
71,200 America Movil, S.A.B. de C.V. Series A	71,450
209,144 America Movil, S.A.B. de C.V. Series L	206,225
13,198 Atlantic Tele-Network, Inc.	688,012
513,210 Fuego Enterprises Inc.	164,227
212,994 Grupo Radio Centro, S.A.B. de C.V. Series A	210,345
28,400 Grupo Televisa, S.A.B. ADR	793,780
8,030 Spanish Broadcasting System, Inc.	32,602
Conglomerates and holdings companies - 0.06%	
250,000 Admiralty Holding Company	--
70,348 BCB Holdings Ltd.	17,088
3,250 Shellshock Ltd. Ord.	2,368
Construction and related - 8.62%	
59,561 Cemex S.A.B. de C.V. ADR	665,892
60,341 Cemex S.A.B. de C.V. Series CPO	67,337
20 Ceramica Carabobo Class A ADR	--
56,800 Mastec, Inc.	1,721,040
8,000 Vulcan Materials	414,480
1,900 Martin Marietta Materials	186,523
Consumer products and related manufacturing - 5.31%	
327,290 Grupo Casa Saba, S.A.B. de C.V. ADR	184,235
18,000 Watsco Incorporated	1,696,860
Food, beverages and tobacco - 13.21%	
60,000 Chiquita Brands International Inc.	759,600
53,874 Cleanpath Resources Corp.	59
18,702 Coca Cola Femsa, S.A.B. de C.V. ADR	2,356,078
18,900 Fomento Economico Mexicano, S.A.B. de C.V. Series UBD	182,342
9,500 Fomento Economico Mexicano, S.A.B. de C.V. ADR	922,355
15,590 Fresh Del Monte Produce Inc.	462,711
Housing - 4.58%	
45,500 Lennar Corporation	1,610,700
6,100 Homex Development Corp.	12,932
Investment companies - 1.54%	
10,000 iShares S&P Latin America 40	382,600
800 Latin American Discovery Fund, Inc.	11,096
10,000 Mexico Equity and Income Fund	153,200
70,348 Waterloo Investment Holdings Ltd	--
Leisure - 11.49%	
41,000 Carnival Corp.	1,338,240
14,143 Norwegian Cruise Line Holdings	436,312
38,000 Royal Caribbean Cruises Ltd.	1,454,640
14,467 Steiner Leisure Ltd.	845,307
Mining - 3.91%	
3,872 Grupo Mexico, S.A.B. de C.V. Series B	11,527
27,000 Freeport McMoran Copper	893,160
26,900 Tahoe Resources, Inc.	482,048

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

Pulp and paper - 0.15%		
18,300	Kimberly-Clark de Mexico, S.A.B. de C.V. Series A	53,202
Railroad - 3.38%		
15,500	Norfolk Southern Corporation	1,198,925
Retail - 5.31%		
1,270	Grupo Elektra, S.A.B. de C.V. Series CPO	40,824
13,600	Pricesmart, Inc.	1,295,264
210,222	Wal-Mart de Mexico, S.A.B. de C.V. Series V	547,124
Service - 0.02%		
700	Grupo Aeroportuario del Sureste, S.A.B. de C.V. Series B	7,619
Trucking and marine freight - 9.88%		
12,280	Grupo TMM, S.A.B. ADR	10,929
1,032	Seaboard Corporation	2,835,936
2,000	Seacor Holdings, Inc.	180,880
8,361	Teekay LNG Partners LP	368,804
28,000	Ultrapetrol Bahamas Ltd.	104,720
Utilities - 5.40%		
12,000	Caribbean Utilities Ltd. Class A	124,920
74,841	Consolidated Water, Inc.	1,120,370
700	Cuban Electric Company	--
40,500	Teco Energy Inc.	669,870
Other - 0.70%		
25,000	Geltech Solutions Inc.	29,250
4,420	Gusborne PLC	4,509
13,000	Impellam Group	70,314
55,921	Margo Caribe, Inc.	145,394
895	Siderurgica Venezolana Sivensa, S.A. ADR	--
79	Siderurgica Venezolana Sivensa, S.A. Series B	--
Total common stocks - 95.30% (cost \$28,093,746)		33,785,037
Bonds - 0.00% of net assets		
165,000	Republic of Cuba - 4.5%, 1977 - in default (cost \$63,038)	--
Other assets less liabilities - 4.70% of net assets		\$ 1,667,681
Net assets - 100% (applicable to 3,713,071 shares; equivalent to \$9.55 per share)		\$ 35,452,718

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

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

inputs by requiring that the most observable inputs be used when available.

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, 2013:

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				

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

Common Stocks	\$32,938,827	\$846,210	\$0	\$33,785,037
Bonds	0	0	0	0
Total Investments in securities	\$32,938,827	\$845,210	\$0	\$33,785,037

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, 2013	\$0
Unrealized gain/(loss)	0
Purchases	0
Sales	(0)
Transfers into Level 3	0
Transfers out of Level 3	(0)
Balance September 30, 2013	\$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 18, 2013

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

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.

By /s/ Thomas J. Herzfeld

Thomas J. Herzfeld
Chairman and President

Date: November 18, 2013

By /s/ Cecilia L. Gondor

Cecilia L. Gondor
Treasurer

Date: November 18, 2013