

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

HERZFELD CARIBBEAN BASIN FUND INC
Form N-Q
November 19, 2010

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: 06/30/11

Date of reporting period: 09/30/10

ITEM 1. SCHEDULE OF INVESTMENTS

SCHEDULE OF INVESTMENTS AS OF SEPTEMBER 30, 2010 (unaudited)

=====

Shares or Principal Amount	Description	Market Value

Common stocks - 90.25% of net assets		
Airlines - 6.71%		
32,500	Copa Holdings, S.A.	\$ 1,752,075
Banking and finance - 10.15%		
26,280	Bancolombia, S.A.	1,724,756
39,000	Banco Latinoamericano de Exportaciones, S.A.	563,550
11,500	Doral Financial Corp.	19,090
50,000	Popular, Inc.	145,000

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

3,844 W Holding Co., Inc.	1,153
11,000 Western Union Company	194,370
Communications - 12.43%	
35,600 America Movil, S.A.B. de C.V. Series A	94,063
104,572 America Movil, S.A.B. de C.V. Series L	281,057
23,595 America Movil, S.A.B. de C.V. ADR	1,258,321
8,698 Atlantic Tele-Network, Inc.	428,290
377,100 Fuego Enterprises, Inc.	5,657
22,516 Grupo Radio Centro, S.A.B. ADR	172,698
32,400 Grupo Televisa, S.A.B. ADR	613,008
40,000 Level 3 Communications	37,492
80,304 Spanish Broadcasting System, Inc.	69,864
15,000 Telefonos de Mexico, S.A.B. de C.V. ADR Series L	223,950
78,600 Telefonos de Mexico, S.A. de C.V.B. Series L	59,148
Conglomerates and holdings companies - 0.35%	
250,000 Admiralty Holding Company	200
70,348 BCB Holdings Ltd.	88,684
3,250 Shellshock Ltd. Ord.	2,689
Construction and related - 4.30%	
53,645 Cemex S.A.B. de C.V. Series CPO	46,105
37,806 Cemex S.A.B. de C.V. ADR	321,351
20 Ceramica Carabobo Class A ADR	--
73,132 Mastec, Inc.	754,722
Consumer products and related manufacturing - 6.91%	
13,273 Grupo Casa Saba, S.A.B. de C.V. ADR	154,896
26,600 Watsco Incorporated	1,648,128
Food, beverages and tobacco - 8.62%	
14,000 Chiquita Brands International Inc.	185,360
53,874 Cleanpath Resources Corp.	485
20,500 Coca-Cola Femsa, S.A.B. de C.V. ADR	1,603,510
18,900 Fomento Economico Mexicano, S.A.B. de C.V. Series UBD	96,663
16,690 Fresh Del Monte Produce Inc.	362,173
Housing - 2.21%	
37,500 Lennar Corp.	576,750
Investment companies - 0.01%	
4,420 Shellproof Limited	3,030
Leisure - 11.75%	
39,500 Carnival Corp.	1,509,295
38,500 Royal Caribbean Cruises Ltd.	1,213,905
9,029 Steiner Leisure Ltd.	344,005
Medical - 0.31%	
8,386 Micromet, Inc.	56,354
800 Orthofix International NV	25,136
Mining - 0.04%	
3,863 Grupo Mexico, S.A.B. de C.V., Series B	11,196
Pulp and paper - 0.15%	

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

6,100 Kimberly-Clark de Mexico, S.A.B. de C.V. Series A	39,357
Railroad - 5.07%	
19,000 Norfolk Southern Corporation	1,130,690
20,000 RailAmerica, Inc.	192,600
Retail - 1.05%	
1,270 Grupo Elektra, S.A. de C.V. Series CPO	44,643
90,222 Wal-Mart de Mexico, S.A.B. de C.V. Series V	228,233
Service - 0.01%	
700 Grupo Aeroportuario del Sureste, S.A.B. de C.V. Series B	3,335
Trucking and marine freight - 14.36%	
12,280 Grupo TMM, S.A.B. ADR	35,980
1,321 Seaboard Corporation	2,339,491
2,000 Seacor Holdings, Inc.	170,320
20,000 Teekay Corporation	534,600
8,361 Teekay LNG Partners LP.	265,713
76,497 Trailer Bridge, Inc.	253,970
23,000 Ultrapetrol Bahamas Ltd.	147,660
Utilities - 5.54%	
12,000 Caribbean Utilities Ltd. Class A	109,080
66,841 Consolidated Water, Inc.	633,653
700 Cuban Electric Company	70
40,500 Teco Energy Inc.	701,460
Other - 0.27%	
100,000 Cuba Business Development	--
13,000 Impellam Group	28,167
55,921 Margo Caribe, Inc.	41,941
895 Siderurgica Venezolana Sivensa, S.A. ADR	--
79 Siderurgica Venezolana Sivensa, S.A. Series B	--
45,000 Xcelera, Inc.	--
Total common stocks (cost \$22,908,626)	 \$ 23,549,142
Bonds - 0.00% of net assets	
165,000 Republic of Cuba - 4.5%, 1977 - in default (cost \$63,038)	 --
U.S. Treasury Obligations - 7.66% of net assets	
2,000,000 U.S. Treasury Bills due 10/28/2010, 0% coupon (cost \$1,999,925)	 \$ 1,999,925
Other assets less liabilities - 2.08% of net assets	\$ 544,018
Net assets - 100% (applicable to 3,713,070 shares; equivalent to \$7.03 per share)	 \$ 26,093,085

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

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

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. 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 valuation of the Fund's investments by the above fair value hierarchy levels as of September 30, 2010:

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Common Stocks	\$23,457,358	\$91,784	\$0	\$23,549,142
Debt Securities	0	1,999,925	0	1,999,925
Total Investments in securities	\$23,457,358	\$2,091,709	\$0	\$25,549,067

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

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

	Investments in Securities at Value
Balance June 30, 2010	\$0
Unrealized gain/(loss)	0
Net purchases/(sales)	0
Transfers in/out of Level 3	0
Balance September 30, 2010	\$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 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

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

Date: November __, 2010

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 __, 2010

By /s/ Cecilia L. Gondor

Cecilia L. Gondor
Treasurer

Date: November __, 2010