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HERZFELD CARIBBEAN BASIN FUND INC

Form N-Q

May 15, 2009

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

Investment Company Act file number 811-06445

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 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

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 (Name and address of agent for service)

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

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 Date of fiscal year end: 06/30/09

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 Date of reporting period: 03/31/09

ITEM 1. SCHEDULE OF INVESTMENTS

SCHEDULE OF INVESTMENTS AS OF MARCH 31, 2009 (unaudited)

Shares or Principal Amount	Description	Market Value
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Common stocks - 98.86% of net assets		
Banking and finance - 8.15%		
30,280	Bancolombia, S.A	\$ 589,551
40,000	Banco Latinoamericano de Exportaciones, S.A	374,800
50,000	Banco Popular, Inc.	109,000
6,500	Doral Financial Corp.	11,700
16,400	Grupo Financiero Banorte, S.A. de C.V. Series O	21,850
9,900	Grupo Financiero Inbursa, S.A. de C.V. Series O	25,622
3,844	W Holding Co.Inc.	34,942
5,000	Western Union Co.	62,850
Communications - 16.54%		
35,600	America Movil, S.A. de C.V. Series A	48,037
50,891	America Movil, S.A. de C.V. Series L	69,608
20,000	America Movil	541,600
36,819	Atlantic Tele-Network, Inc.	706,188
11,900	Carso Global Telecom, S.A. de C.V. Series A1	39,236
176,000	Fuego Entertainment	1,760
871	Grupo Iusacell, S.A. de C.V. Series V	778

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21,120	Grupo Radio Centro, S.A. ADR	103,699
32,400	Grupo Televisa, S.A. ADR	441,936
13,400	Grupo Televisa, S.A. Series CPO	36,581
80,304	Spanish Broadcasting System Inc.	12,046
15,000	Telefonos de Mexico ADR	225,600
23,800	Telefonos de Mexico, S.A. de C.V. Series A	17,838
78,600	Telefonos de Mexico, S.A. de C.V. Series L	59,746
15,000	Telmex International S.A.B. de C.V ADR	137,550
23,800	Telmex International Series A	11,560
78,600	Telmex International Series L	36,226
13,900	TV Azteca, S.A. de C.V. Series CPO	4,485
Conglomerates and holdings companies - 1.16%		
250,000	Admiralty Holding Co.	125
5,400	Alfa, S.A. de C.V. Series A	8,416
42,595	BB Holdings Ltd.	86,391
30,300	Cocleshell Ltd. Ord	22,801
3,200	Corporacion Interamericana de Entretenimiento, S.A. de C.V. Series B	1,929
11,000	Grupo Carso, S.A. de C.V. Series A1	26,831
1,580	Grupo Kuo SAB de CV	527
20	Grupo Pochetca S.A.B. de C.V.	2
3,250	Shellshock Ltd. Ord.	2,329
2,900	Vitro, S.A. Series A	915
27,918	Vitro, S.A. ADR	24,289
Construction and related - 6.61%		
21,863	Cemex, S.A. de C.V. Series CPO	136,644
49,599	Cemex S.A. de C.V. ADR	31,019
20	Ceramica Carabobo Class A ADR	4,657
17,200	Consortio ARA, S.A. de C.V.	4,525
1,580	Dine S.A.B de C.V.	571
3,583	Empresas ICA, Sociedad Controladora, S.A. de C.V.	6,097
800	Grupo Cementos de Chihuahua, S.A. de C.V	1,622
67,132	Mastec, Inc.	811,626
Consumer products and related manufacturing - 8.13%		
13,273	Grupo Casa Saba, S.A. ADR	172,416
31,000	Watsco Incorporated	1,054,930
Food, beverages and tobacco - 7.64%		
1,219	Alsea, S.A. de C.V.	355
12,000	Chiquita Brands International Inc.	79,560
19,500	Coca-Cola Femsa, S.A. de C.V. ADR	664,170
200	Coca-Cola Femsa, S.A. de C.V., Series L	682
18,900	Fomento Economico Mexicano, S.A. de C.V. Series UBD	48,191
18,690	Fresh Del Monte Produce Inc.	306,890
800	Gruma S.A. de C.V. Series B	306
7,600	Grupo Bimbo, S.A. de C.V. Series A	28,561
7,700	Grupo Modelo, S.A. Series B	23,423
Housing - 1.69%		
1,700	Corporacion Geo S.A. de C.V., Series B	1,724
100	Desarrolladora Homex, S.A. de C.V.	223
33,500	Lennar Corp.	251,585
400	Sare Holding, S.A. de C.V. Series B	50
1,500	Urbi Dessarrollos Urbanos, S.A. de C.V.	1,323
Investment companies - 0.03%		

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4,420	Shellproof Limited	2,724
147	Western Asset Emerging Markets Debt Fund	1,735
	Leisure - 8.28%	
37,500	Carnival Corp.	810,000
33,500	Royal Caribbean Cruises Ltd.	268,335
7,000	Steiner Leisure Ltd.	170,870
	Medical - 0.18%	
8,386	Micromet, Inc.	26,500
	Mining - 7.85%	
31,000	Freeport McMoran Copper & Gold, Inc.	1,181,410
3,776	Grupo Mexico, S.A. de C.V., Series B	2,763
	Pulp and paper - 0.13%	
6,100	Kimberly-Clark de Mexico, S.A. de C.V. Series A	19,888
	Railroad and landholdings - 3.58%	
16,000	Norfolk South Corp	540,000
	Retail - 0.99%	
3,700	Controladora Comercial Mexicana, S.A. de C.V. Series UBC	1,052
1,270	Grupo Elektra, S.A. de C.V. Series CPO	42,342
45,111	Wal-Mart de Mexico, S.A. de C.V. Series V	105,780
	Service - 0.01%	
700	Grupo Aeroportuario del Sureste, S.A. de C.V. Series B	2,018
100	Promotora Ambiental S.A. de C.V.	50
	Trucking and marine freight - 12.81%	
61,404	Grupo TMM, S.A. ADR	52,193
1,201	Seaboard Corporation	1,213,010
21,000	Teekay Corporation	298,830
8,361	Teekay LNG Partners LP.	140,381
66,797	Trailer Bridge, Inc.	165,657
23,000	Ultrapetrol Bahamas Ltd.	62,100
	Utilities - 8.65%	
12,000	Caribbean Utilities Ltd. Class A	99,000
68,241	Consolidated Water, Inc.	740,415
700	Cuban Electric Company	3,500
41,500	Teco energy Inc.	462,725
	Other - 6.43%	
33,000	Copa Holdings	946,110
13,000	Impellam Group	6,429
55,921	Margo Caribe, Inc.	15,099
300	Mexichem S.A. de C.V.	212
895	Siderurgica Venezolana Sivensa ADR	1,208
79	Siderurgica Venezolana Sivensa Series B	497
45,000	Xcelera Inc.	--
Total common stocks (cost \$23,420,053)		\$ 14,913,327
	Bonds and fixed income - 0.00% of net assets	
165,000	Republic of Cuba - 4.5%, 1977 - in default (cost \$63,038)	--

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Other assets less liabilities - 1.14% of net assets	\$ 171,688
Net assets - 100% (applicable to 3,713,070 shares; equivalent to \$4.06 per share) (a)	\$ 15,085,015

(a) The cost for federal income tax purposes was \$23,483,091. At March 31, 2009, net unrealized loss for all securities based on tax cost was \$8,506,726. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess value over tax cost of \$887,503 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$9,394,229. The cost of securities owned for financial statement purposes is lower than the cost basis for income tax purposes by approximately \$170,181 due to wash sale adjustments.

### Security Valuation

The Fund adopted the provisions of SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), effective January 1, 2008. Under SFAS No. 157, 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. SFAS No. 157 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.

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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 March 31, 2009:

LEVEL	Investments in Securities	Other Financial Instruments
Level 1	\$14,913,327	\$0
Level 2	\$0	\$0
Level 3	\$0*	\$0

\*Investments in securities include \$165,000 principal, 4.5%, 1977 Republic of Cuba bonds purchased for \$63,038. The bonds were listed on the New York Stock Exchange and had been trading in default since 1960. A "regulatory halt" on trading was imposed by the New York Stock Exchange in July, 1995 and trading in the bonds was suspended as of December 28, 2006. The New York Stock Exchange has stated that following the suspension of trading, application will be made to the Securities and Exchange Commission to delist the issue. As of March 31, 2009, the position was valued at \$0 by the Board of Directors, which approximates the bonds' fair value.

Investments in securities also include 45,000 shares of Xcelera, Inc. The security traded on the Pink Sheets until the first quarter of 2007 when trading was discontinued. As of March 31, 2009, the position was valued at \$0 by the Board of Directors, which approximates the position's fair value.

There was no change in the value of assets where the Fund utilizes unobservable inputs (Level 3) during the period. Additionally there were no assets transferred into or out of Level 3 for the period.

### ITEM 2. CONTROLS AND PROCEDURES

- (a) The registrant's principal executive and principal financial officer 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.

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ITEM 3. EXHIBITS

The certifications required by Rule 30a-2 of the Investment Company Act of 1940, as amended, is 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

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Thomas J. Herzfeld  
Chairman and President

Date: May 15, 2009

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

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Thomas J. Herzfeld  
Chairman and President

Date: May 15, 2009

By /s/ Cecilia L. Gondor

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Cecilia L. Gondor  
Treasurer

Date: May 15, 2009