

HERZFELD CARIBBEAN BASIN FUND INC

Form N-Q

November 25, 2015

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: 06/30/16

Date of reporting period: 09/30/15

ITEM 1. SCHEDULE OF INVESTMENTS

SCHEDULE OF INVESTMENTS AS OF September 30, 2015 (unaudited)

Shares or Principal Amount	Description	Market Value
Common stocks – 97.76% of net assets		
Airlines – 10.68%		
157,794	Avianca Holdings, SA Spon ADR	747,944
48,550	Copa Holdings, S.A.	2,035,702
21,515	ERA Group Inc.	322,080
18,000	Spirit Airlines, Inc.	851,400
Banking and finance – 10.04%		
19,780	Bancolombia, S.A.	636,916
55,166	Banco Latinoamericano de Exportaciones, S.A.	1,277,093
6,000	Bank of Nova Scotia	264,480
22,643	Evertec Inc.	409,159
29,000	Popular Inc.	876,670
3,844	W Holding Co. Inc.	--
14,000	Western Union	257,040
Communications – 9.42%		
44,690	America Movil, S.A.B. de C.V. ADR	739,620
71,200	America Movil, S.A.B. de C.V. Series A	58,903
209,144	America Movil, S.A.B. de C.V. Series L	173,395
11,988	Atlantic Tele-Network, Inc.	886,272
514,715	Fuego Enterprises Inc.	679,424
210,994	Grupo Radio Centro, S.A.B. de C.V. Series A	161,855
28,400	Grupo Televisa, S.A.B. ADR	738,968
10,030	Spanish Broadcasting System, Inc.	52,758
Conglomerates and holdings companies – 0.59%		
250,000	Admiralty Holding Company	--
5,000	Archer Daniels Midland Co.	207,250
70,348	BCB Holdings Ltd.	5,328
3,250	Marlowe Holdings Ltd.	5,046
Construction and related – 10.84%		
146,372	Cemex S.A.B. de C.V. ADR	1,023,140
65,264	Cemex S.A.B. de C.V. Series CPO	45,443
20	Ceramica Carabobo Class A ADR	--
3,000	Martin Marietta Materials	455,850
134,927	Mastec, Inc.	2,135,894
4,000	Vulcan Materials	356,800
Consumer products and related manufacturing – 3.23%		

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327,290	Grupo Casa Saba, S.A.B. de C.V. ADR	--
10,100	Watsco Incorporated	1,196,648
	Food, beverages and tobacco – 5.52%	
53,874	Cleanpath Resources Corp.	5
8,799	Coca Cola Femsa, S.A.B. de C.V. ADR	610,475
18,900	Fomento Economico Mexicano, S.A.B. de C.V. Series UBD	168,560
12,000	Fomento Economico Mexicano, S.A.B. de C.V. ADR	1,071,000
5,000	Fresh Del Monte Produce Inc.	197,550

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Housing – 6.43%		
49,500	Lennar Corporation	2,382,435
Investment companies – 1.91%		
9,800	iShares MSCI Mexico Capped ETF	505,288
800	Latin American Discovery Fund, Inc.	6,240
1,637	Mexico Equity and Income Fund	18,007
5,000	Mexico Fund, Inc.	87,100
6,412	Salient Midstream & MLP Fund	89,704
70,348	Waterloo Investment Holdings Ltd	--
Leisure – 17.09%		
27,000	Carnival Corp.	1,341,900
3,000	Marriott Vacations Worldwide Corp.	204,420
36,443	Norwegian Cruise Line Holdings	2,088,184
30,313	Royal Caribbean Cruises Ltd.	2,700,585
Mining – 1.52%		
3,872	Grupo Mexico, S.A.B. de C.V. Series B	9,342
32,000	Freeport Mcmoran Copper	310,080
31,900	Tahoe Resources, Inc.	246,906
Pulp and paper – 0.11%		
18,300	Kimberly-Clark de Mexico, S.A.B. de C.V. Series A	41,283
Railroad – 1.19%		
5,750	Norfolk Southern Corporation	439,300
Retail – 1.66%		
1,270	Grupo Elektra, S.A.B. de C.V. Series CPO	21,955
1,000	Pricesmart, Inc.	77,340
210,222	Wal-Mart de Mexico, S.A.B. de C.V. Series V	517,406
Service – 0.03%		
700	Grupo Aeroportuario del Sureste, S.A.B. de C.V. Series B	10,656
Trucking and marine freight – 5.80%		
580	Seaboard Corporation	1,785,820
2,000	Seacor Holdings, Inc.	119,620
9,589	Teekay LNG Partners LP	229,369
36,000	Ultrapetrol Bahamas Ltd.	14,760
Utilities – 10.68%		
12,000	Caribbean Utilities Ltd. Class A	125,928
129,538	Consolidated Water, Inc.	1,502,641
700	Cuban Electric Company	--
40,500	Teco Energy Inc.	1,063,530
13,000	Nextera Energy, Inc.	1,268,150
Other – 1.02%		
25,000	Geltech Solutions Inc.	9,875

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4,420	Gusborne PLC	3,013
55,921	Margo Caribe, Inc.	363,487
895	Siderurgica Venezolana Sivensa, S.A. ADR	--
79	Siderurgica Venezolana Sivensa, S.A. Series B	--
Total common stocks – 97.76% (cost \$39,030,175)		36,232,992
Bonds – 0.00% of net assets		
165,000	Republic of Cuba - 4.5%, 1977 – in default (cost \$63,038)	--
Other assets less liabilities – 2.24% of net assets		\$831,910
Net assets - 100% (applicable to 5,681,559 shares; equivalent to \$6.52 per share)		\$37,064,902

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.

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.

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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, 2015:

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Common Stocks				
USA	\$22,172,551	\$5	\$ 0	\$22,172,556
Mexico	5,556,660	0	0	5,556,660
Panama	4,060,739	0	0	4,060,739
Puerto Rico	1,285,829	363,487	0	1,649,316
Cayman	1,628,569	0	0	1,628,569
Colombia	636,916	0	0	636,916
Other	528,236	0	0	528,236
Bonds				
Cuba	0	0	0	0
Total Investments in securities	\$35,869,500	\$363,492	\$ 0	\$36,232,992

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, 2015	\$ 406,977
Unrealized gain/(loss)	434,302
Purchases	0
Sales	(0)
Transfers into Level 3	0
Transfers out of Level 3	(841,279)
Balance September 30, 2015	\$ 0

Transfers from Level 3 to Level 1 were \$841,279.

Unrealized Appreciation/(Depreciation)

As of September 30, 2015, the cost basis for federal income tax purposes, gross unrealized appreciation, gross unrealized depreciation and net unrealized appreciation/(depreciation) were as follows:

Tax Cost of Securities	Tax Unrealized Appreciation	Tax Unrealized (Depreciation)	Net Tax Unrealized Appreciation/(Depreciation)
\$39,359,925	\$7,236,092	(\$10,363,025)	(\$3,126,933)

ITEM 2. CONTROLS AND PROCEDURES

The registrant's principal executive and principal financial Officers, or persons performing similar functions, 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 (a) 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)).

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 (b) 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 25, 2015

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 25, 2015

By /s/ Reanna Lee
Reanna Lee
Treasurer

Date: November 25, 2015