



THE HERZFELD CARIBBEAN BASIN FUND, INC.

*SEMI-ANNUAL REPORT
DECEMBER 31, 2020*

As permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports like this one will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's website, www.herzfeld.com/cuba, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by following the instructions included with paper Fund documents that have been mailed to you.

**The Herzfeld Caribbean
Basin Fund, Inc.**

119 Washington Avenue, Suite 504
Miami Beach, FL 33139
(305) 777-1660

Investment Advisor

HERZFELD/CUBA

a division of Thomas J. Herzfeld Advisors, Inc.
119 Washington Avenue, Suite 504
Miami Beach, FL 33139
(305) 777-1660

**Administrator, Transfer Agent
And Fund Accountant**

Ultimus Fund Solutions, LLC
225 Pictoria Drive, Suite 450
Cincinnati, OH 45246

Sub-Transfer Agent

American Stock Transfer & Trust Company,
LLC
6201 15th Avenue Brooklyn
New York, NY 11219

Custodian

Fifth Third Bank N.A.
Fifth Third Center
38 Fountain Square Plaza
Cincinnati, OH 45263

Counsel

Troutman Pepper Hamilton Sanders LLP
3000 Two Logan Square
18th and Arch Streets
Philadelphia, PA 19103

**Independent Registered Public
Accounting Firm**

Tait, Weller & Baker LLP
50 South 16th Street, Suite 2900
Philadelphia, PA 19102

The Herzfeld Caribbean Basin Fund, Inc.'s investment objective is long-term capital appreciation. To achieve its objective, the Fund invests in issuers that are likely, in the Advisor's view, to benefit from economic, political, structural and technological developments in the countries in the Caribbean Basin, which include, among others, Cuba, Jamaica, Trinidad and Tobago, the Bahamas, the Dominican Republic, Barbados, Aruba, Haiti, the Netherlands Antilles, the Commonwealth of Puerto Rico, Mexico, Honduras, Guatemala, Belize, Costa Rica, Panama, Colombia, the United States and Venezuela ("Caribbean Basin Countries"). The Fund invests at least 80% of its total assets in equity and equity-linked securities of issuers, including U.S.-based companies which engage in substantial trade with, and derive substantial revenue from, operations in Caribbean Basin Countries.

Listed NASDAQ Capital Market
Symbol: CUBA

Letter to Stockholders (unaudited)

February 16, 2021

Dear Fellow Stockholders,

We are pleased to present our Semi-Annual Report for the six-month period ended December 31, 2020. The Fund's share price closed the period at \$5.11 per share, a gain of 48.25% over the period, adjusted for distributions. For calendar year 2020, the Fund's net asset value declined 6.77% while the share price decreased 5.12%; both figures are adjusted for distributions. Our NAV per share increase during the six-month period, together with the increase in our share price, resulted in a narrowing of the discount to NAV from -22.11% to -17.85%.



*Thomas J. Herzfeld
Chairman and
Portfolio Manager*

The Fund seeks long-term capital appreciation through investment in companies that we believe are poised to benefit from economic, political, structural, and technological developments in the Caribbean Basin. Part of the investment strategy focuses on companies in the region that we believe would benefit from the resumption of U.S. trade with Cuba. Since it is impossible to predict when the U.S. embargo will be lifted, we have concentrated on investments that we believe can do well even if there is no political or economic change with respect to Cuba.

Caribbean Update

COVID-19 continued to wreak havoc on Caribbean Basin economies in the region during the six-month period. According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the region faced an unprecedented combination of negative supply and demand shocks, translating into the worst economic crisis in the last 120 years. Although significant fiscal and monetary steps taken by governments in the region mitigated the effects of the crisis, the economic and social consequences of the pandemic remained significant due to historical structural problems existing in the region.

As nations closed their borders in an attempt to control the pandemic, drops in economic activity and corresponding job losses were significant. For example, the Caribbean Tourism Organization reported a continued decrease in the number of arrivals during the period compared to the prior year. Many Caribbean nations reopened their borders during the period in order to counter the economic losses, only to reverse course due to subsequent increases in COVID-19 cases. Economies in the Caribbean have yet to rebound in any meaningful way while both the U.S. and the Caribbean nations work to manage the pandemic.

Letter to Stockholders (unaudited) (continued)



*Erik M. Herzfeld
President and
Portfolio Manager*

On a positive note, following a victory in the U.S. Presidential election, President-Elect Biden announced his desire to reduce sanctions on Cuba enacted under the Trump Administration and to ease restrictions on travel, investments, and remittances to the island. This news was tempered shortly thereafter, as the lame duck Trump Administration placed Cuba back on the list of state sponsors of terrorism making it more difficult for the Biden Administration to move quickly. Like all other Caribbean nations, Cuba has been hard hit by the pandemic as the country's access to hard foreign currency to pay for goods and services declined significantly as tourists with U.S. dollars, Euros, and Canadian dollars avoided travel. In an effort to combat the economic slump, the Cuban government reportedly will expand the list of activities allowed by small private businesses from 127 activities to more than 2000, another positive step that could provide an opening for U.S. trade with the country.

Portfolio

Despite the ongoing economic pressures brought on by the pandemic, the Fund benefitted in the second half of 2020 from three key factors: first, record stimulus by global central banks and local governments shored up faltering economies, limiting some of the downside economic impacts of the pandemic; second, successful vaccine trials and impending availability of effective vaccines signaled a possible ending (or at least an upcoming period of control) of the pandemic; and third, the U.S. Presidential election results and subsequent pronouncements by the incoming Biden Administration signaled a strengthened federal response to the pandemic in the U.S. These factors caused so-called "reopening stocks" (e.g. stocks that are expected by the market to benefit as the pandemic is controlled and Caribbean Basin economic activity increases) to rally sharply throughout November and December 2020.

Our overweight allocation to "reopening stocks" (specifically travel companies, banks, industrials, and materials) contributed positively to the performance of the portfolio as these stocks saw outsized gains throughout the six-month period and particularly in early November. Thirteen of the Fund's holdings, making up just under 50% of the portfolio, gained more than 50% in the six-month period ended December 31, 2020.

The largest single stock contributor to performance during the period was also the Fund's largest holding. MasTec, Inc. (MTZ) gained 51.95% in the period contributing 7.78 percentage points of return to the Fund. MTZ closed the calendar year 2020 just off its all-time high from November of 2019. We feel that MTZ is positioned to benefit from the possible passage of an infrastructure bill in the U.S., which seems more likely with a divided Congress signaling that it is looking for opportunities to pass bi-partisan legislation. We believe MTZ is also among the better infrastructure contractors situated to benefit from 5G expansion, renewable and natural gas infrastructure expansion, and electrical utility transmission spending increases if these events occur.

Letter to Stockholders (unaudited) (continued)

The Fund's overweight allocation to financials was another major contributor for the reporting period as a nearly 20% allocation in the Fund to financials generated a weighted average return of 56.80%. First BanCorp (FBP) led the way gaining 67.37%, followed by the 55.46% return of Bancolumbia SA (CIB) and the 54.24% return of Popular Inc. (BPOP). Banks were one of the main causes of the last major recession. This time around, their stronger balance sheets, along with central bank and governmental support, helped mitigate an economic slowdown. We expect recent yield curve steepening to also benefit bank lenders as their net interest margins should provide nice tailwinds for such banks into 2021.



Ryan M. Paylor
Portfolio Manager

Cemex SAB de CV (CX) was the largest gainer among the Fund's top holdings rising 79.51%. CX has struggled since the 2008 recession as an ill-timed, debt-financed takeover of Rinker in 2007 left CX with little wiggle room to maneuver when the global economy collapsed. CX has been working to sell off assets and restructure debt ever since. The CX price dropped when the pandemic hit, but has rebounded significantly as pent-up consumer demand for home renovations and continued growth in homebuilding has been a major driver for the company. Demand for CX products has been resilient in the face of the pandemic and the company should benefit from growth coming out of the pandemic, especially if the U.S. embarks on a much-needed infrastructure revamp.

The worst performer in the period was Consolidated Water Co. Ltd. (CWCO) which declined 15.22%. In July 2020, CWCO disclosed in a regulatory filing that Aguas de Rosarito had lost a government project contract, which compromised certain expenses and investments that CWCO had made in the project and caused CWCO stock price to drop nearly 20% in two days. Weak company earnings followed in August as a combination of fewer projects and a significant drop in demand for water in the Cayman Islands due to the decline in tourism drove the CWCO stock price lower. From the start of November 2020 through year-end, CWCO rebounded 20.62% as uncertainties surrounding the U.S. election and vaccine trials lessened. The expected increase in tourism that should come due to increasingly available inoculations and potential new infrastructure spending should benefit CWCO in 2021.

Fresh Del Monte Produce Inc. (FDP) continued to struggle during the period as the agricultural producer dropped 1.42% before the Fund exited the position. FDP's stock price has been in a downward trend since 2016 as revenues stagnated. Our view had been that FDP would perform better during the pandemic as grocery stores saw massive demand for healthier food options. Instead, FDP saw declines across numerous product lines as it was apparently unable to capitalize on the change in consumer demands from schools, restaurants, and offices to consumer grocery shopping. On a go-forward basis, our analysis determined that future growth opportunities with "reopening stocks" outweighed any potential upside available with FDP, leading to an exit from the position.

Margo Caribe (MRGO) was the Fund's best performer in the first half of calendar 2020 but gave back some of those gains in the second half, dropping 13.51%. Initial demand for home and garden products at the start of the pandemic was extraordinary resulting in a MRGO stock price that more than doubled. Recently, colder weather and waning demand after the initial

Letter to Stockholders (unaudited) (continued)

burst of home beautification led to price declines in the fourth quarter of 2020. However, we believe MRGO is well positioned to benefit in the long term, despite the recent price drop, as we expect demand for home ownership and corresponding home and garden product purchases to remain high. The pandemic saw a migration to the suburbs for many office professionals and we believe the change in the economy from work-at-the-office to work-from-anywhere should continue to drive demand for single and multifamily homes over apartment living, pushing customer spending home improvement opportunities for MRGO.

Outlook

Moving into 2021, treatments for the virus have improved dramatically and mortality rates have declined from 2020 reported cases. More importantly, multiple vaccine trials have by now reported higher than expected effectiveness results, with some claiming parity with polio, small pox, and/or measles medical successes (three deadly diseases that were effectively controlled in countries with mass inoculations). With massive vaccine inoculation programs finally underway, we believe that travel in the latter half of 2021 will surge (assuming significant success with the vaccine rollout). We believe that the Caribbean will be one of the most popular booking destinations for travelers looking to emerge from quarantine while also avoiding massive crowds. Travel planners and booking sites have already reported strong sales for travel to the Caribbean in 2021, with early bookings favoring longer stays and less populated destinations for sun and sand seekers.

Additionally, we feel that the weakness in the Cuban economy and that of its closest ally, Venezuela, provides an opportunity for the Biden Administration to step in and rekindle relations with Cuba (as Venezuela is in no position to provide any kind of support to Cuba). We believe that there is incentive among many Cuban business leaders for a return to a more capitalistic environment, having seen the benefits from a restoration of U.S.-Cuba diplomatic ties in 2014. Our belief is that there is increasing momentum among Cubans towards self-sufficiency instead of dependency upon the Cuban government, which the pandemic only exacerbated.

Finally, whether or not the U.S. Congress is able to pass a significant infrastructure bill, we believe that expansion of internet access and 5G will be incorporated into any spending bills passed in the near future as the pandemic has shown that access to reliable internet connectivity can not only be a major driver of productivity, but can narrow the gap between the haves and have-nots. We believe that the Fund's industrial and material holdings are positioned to directly benefit from new infrastructure spending in both the U.S. and Caribbean regions, while the expansion of 5G and broadband to suburban, rural, and island communities around the world is expected to be a rising tide that lifts all boats for all economies.

Interim Tender Offer

The Fund has offered to purchase up to 5% of the currently outstanding common shares of the Fund, par value \$0.001 per share (the "Common Shares"), at 97.5% of Net Asset Value ("NAV") per Common Share (determined as of the close of ordinary trading on the NASDAQ Capital Market on March 4, 2021) for cash, subject to conditions contained in the Offer to Purchase dated February 12, 2021 and the related Letter of Transmittal. Stockholders should read the Offer to Purchase, the Letter of Transmittal and related exhibits, as they will contain important information about the Interim Tender Offer. These and other filed documents are available to Stockholders for free both at the website of the SEC (www.sec.gov) and from the Fund (www.herzfeld.com/cuba).

Letter to Stockholders (unaudited) (continued)

Requests for more information, questions and requests for additional copies of the offer materials, please contact AST Fund Solutions, LLC, the Information Agent for the Interim Tender Offer at (866) 406-2285.

Largest Allocations

The following tables present our largest investment and geographic allocations as of December 31, 2020.

<i>Geographic Allocation</i>	<i>% of Net Assets</i>	<i>Largest Portfolio Positions</i>	<i>% of Net Assets</i>
<i>USA</i>	<i>58.63%</i>	<i>MasTec, Inc.</i>	<i>15.92%</i>
<i>Mexico</i>	<i>15.68%</i>	<i>Popular, Inc.</i>	<i>8.16%</i>
<i>Puerto Rico</i>	<i>15.16%</i>	<i>First BanCorporation</i>	<i>7.00%</i>
<i>Panama</i>	<i>6.44%</i>	<i>Royal Caribbean Cruises Ltd.</i>	<i>6.88%</i>
<i>Columbia</i>	<i>2.45%</i>	<i>Norwegian Cruise Line Holdings Ltd.</i>	<i>5.78%</i>
<i>Cayman Islands</i>	<i>1.86%</i>	<i>NextEra Energy, Inc.</i>	<i>4.85%</i>
<i>Cuba</i>	<i>0.00%</i>	<i>PGT Innovations, Inc.</i>	<i>4.11%</i>
<i>Liabilities in excess of other assets</i>	<i>-0.22%</i>	<i>Copa Holdings, S.A.</i>	<i>4.10%</i>
	<i>100.00%</i>	<i>New Fortress Energy, Inc.</i>	<i>3.93%</i>
		<i>Becle S.A.B. de C.V.</i>	<i>3.32%</i>

Weekly net asset values and press releases by the Fund are available on our website at www.herzfeld.com/cuba.

We would like to thank the members of the Board of Directors for their hard work and guidance and also thank our fellow stockholders for their continued support and suggestions.

Sincerely,



Thomas J. Herzfeld
Chairman of the Board
and Portfolio Manager



Erik M. Herzfeld
President and
Portfolio Manager



Ryan M. Paylor
Portfolio Manager

The above commentary is for informational purposes only and does not represent an offer, recommendation or solicitation to buy, hold or sell any security. The specific securities identified and described do not represent all of the securities purchased or sold and you should not assume that investments in the securities identified and discussed will be profitable. Portfolio composition is subject to change.

Schedule of Investments as of December 31, 2020 (unaudited)

Shares or Principal Amount	Description	Fair Value
Common Stocks — 99.35% of net assets		
Airlines — 4.41%		
4,491	Bristow Group, Inc.*	\$ 118,203
20,250	Copa Holdings, S.A.	1,563,908
Banking and finance — 21.70%		
23,280	Bancolombia, S.A.	935,390
56,289	Banco Latinoamericano de Comercio Exterior, S.A.	891,055
16,956	Evertec, Inc.	666,710
289,477	First BanCorp. (Puerto Rico)	2,668,978
55,230	Popular, Inc.	3,110,554
3,844	W Holding Company, Inc.* ¹	—
Communications — 2.08%		
10,698	América Móvil, S.A.B. de C.V. ADR	155,549
209,144	América Móvil, S.A.B. de C.V. Series L	152,400
479,175	Fuego Enterprises, Inc.*	249,171
207,034	Grupo Radio Centro S.A.B. de C.V.*	38,731
18,854	Grupo Televisa, S.A.B. ADR	155,357
32,272	Spanish Broadcasting System, Inc.*	7,584
33,226	Telesites S.A.B. Series B-1*	35,924
Conglomerates and holding companies — 0.00%		
250,000	Admiralty Holding Company* ¹	—
Construction and related — 27.20%		
220,645	Cemex, S.A.B. de C.V. ADR	1,140,734
20	Ceramica Carabobo Class A ADR* ¹	—
3,000	Martin Marietta Materials	851,910
89,007	MasTec, Inc.*	6,068,497
77,117	PGT Innovations, Inc.*	1,568,560
5,000	Vulcan Materials	741,550

See accompanying notes to the financial statements.

Schedule of Investments as of December 31, 2020 (unaudited)

Shares or Principal Amount	Description	Fair Value
Food, beverages and tobacco — 6.60%		
503,164	Becle, S.A.B. de C.V.	\$ 1,267,702
18,900	Fomento Económico Mexicano, S.A.B. de C.V. Series UBD	143,452
14,610	Fomento Económico Mexicano, S.A.B. de C.V. ADR	1,107,000
Housing — 2.70%		
13,500	Lennar Corporation	1,029,105
Investment companies — 0.00%		
70,000	Waterloo Investment Holdings Ltd.* ¹	—
Leisure — 16.54%		
25,559	Carnival Corporation	553,608
6,745	Marriott Vacations Worldwide Corporation	925,549
86,717	Norwegian Cruise Line Holdings Ltd.*	2,205,213
35,120	Royal Caribbean Cruises Ltd.	2,623,113
Mining — 0.04%		
3,872	Grupo México, S.A.B. de C.V. Series B	16,432
Retail — 1.77%		
1,270	Grupo Elektra, S.A.B. de C.V. Series CPO	84,144
210,222	Wal-Mart de México, S.A.B. de C.V. Series V	590,963
Service — 2.86%		
6,600	Grupo Aeroportuario ADR*	1,088,538
Trucking and marine freight — 1.09%		
137	Seaboard Corporation	415,247

See accompanying notes to the financial statements.

Schedule of Investments as of December 31, 2020 (unaudited)

Shares or Principal Amount	Description	Fair Value
Utilities — 11.51%		
23,200	Caribbean Utilities Ltd. Class A	\$ 330,600
58,877	Consolidated Water Company Ltd.	709,468
700	Cuban Electric Company* ¹	—
23,976	NextEra Energy, Inc.	1,849,748
27,943	New Fortress Energy, Inc., Class A	1,497,465
Other — 0.85%		
25,000	Geltech Solutions, Inc.*	450
55,921	Margo Caribe, Inc.*	321,546
79	Siderurgica Venezolana Sivenza, S.A. Series B* ¹	—
Total common stocks (cost \$28,183,714)		<u>37,880,108</u>
Bonds — 0.00% of net assets		
\$ 165,000	Republic of Cuba — 4.5%, 1977 - in default* ¹	—
Total bonds (cost \$63,038)		<u>—</u>
Money Market Funds — 0.87%		
\$ 332,408	Federated Hermes Government Obligations Fund, Institutional Class, 0.01% ²	<u>332,408</u>
Total money market funds (cost \$332,408)		<u>332,408</u>
Total investments (cost \$28,579,160) — 100.22% of net assets		<u>38,212,516</u>
Liabilities in excess of other assets — (0.22%) of net assets		<u>(83,005)</u>
Net assets — 100%		<u>\$ 38,129,511</u>

¹ Securities have been fair valued in good faith using fair value methodology approved by the Board of Directors. Fair valued securities comprised 0.00% of net assets.

² Rate disclosed is the seven day effective yield as of December 31, 2020.

* Non-income producing

Schedule of Investments as of December 31, 2020 (unaudited)

The investments are concentrated in the following geographic regions (as percentages of net assets)(unaudited):

United States of America	58.63%
Mexico	15.68%
Puerto Rico	15.16%
Panama	6.44%
Other, individually under 5%**	4.09%
	<hr/>
	100.00%

** Amount includes liabilities in excess of other assets of (0.22)%.

See accompanying notes to the financial statements.

***Statement of Assets and Liabilities as of
December 31, 2020 (unaudited)***

ASSETS

Investments in securities, at fair value (cost \$28,579,160) (Notes 2 and 3)		\$38,212,516
Cash		11,803
Dividends receivable		33,233
Deferred offering costs (shelf) (Note 7)		22,558
Other assets		<u>19,735</u>
TOTAL ASSETS		38,299,845

LIABILITIES

Accrued investment advisor fee (Note 4)	\$	43,421	
Accrued administrator fees		5,683	
Accrued professional fees		53,269	
Accrued directors fees		45,541	
Accrued other expenses		<u>22,420</u>	
TOTAL LIABILITIES			<u>170,334</u>

NET ASSETS (equivalent to \$6.22 per share based on 6,133,665 shares outstanding)		<u><u>\$38,129,511</u></u>
---	--	----------------------------

Net assets consist of the following:

Common stock, \$.001 par value; 100,000,000 shares authorized; 6,133,665 shares issued and outstanding		
Paid-in capital		34,007,159
Accumulated earnings		<u>4,122,352</u>
NET ASSETS		<u><u>\$38,129,511</u></u>

See accompanying notes to the financial statements.

Statement of Operations
For the Six Months Ended December 31, 2020 (unaudited)

INVESTMENT INCOME

Dividends (net of foreign withholding tax of \$10,006)	\$ 212,444
Interest income	<u>31</u>
Total investment income	<u>212,475</u>

EXPENSES

Investment advisor fees (Note 4)	\$ 233,284	
Professional fees	99,188	
Director fees	66,341	
Compliance and operational support services fees (Note 4)	37,494	
Audit	20,389	
Administration fees (Note 4)	32,767	
Transfer agent fees	14,518	
Printing and postage	18,770	
Custodian fees	2,756	
Listing fees	15,670	
Other	<u>26,680</u>	
Total expenses		567,857
Fees voluntarily waived by investment advisor		<u>(16,088)</u>
Net operating expenses		<u>551,769</u>

NET INVESTMENT LOSS (339,294)

**NET REALIZED AND CHANGE
IN UNREALIZED GAIN (LOSS)
ON INVESTMENTS**

Net realized loss on investments and foreign currency	(833,818)
Change in unrealized appreciation/depreciation on investments and foreign currency	<u>12,011,289</u>

**NET REALIZED AND UNREALIZED
GAIN ON INVESTMENTS AND
FOREIGN CURRENCY**

11,177,471

**NET INCREASE IN NET ASSETS
RESULTING FROM OPERATIONS**

\$ 10,838,177

See accompanying notes to the financial statements.

Statements of Changes in Net Assets

	For the Six Months Ended December 31, 2020 (unaudited)	For the Year Ended June 30, 2020
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS		
Net investment loss	\$ (339,294)	\$ (616,227)
Net realized gain/(loss) on investments and foreign currency	(833,818)	(1,939,225)
Change in unrealized appreciation/depreciation on investments and foreign currency	<u>12,011,289</u>	<u>(8,600,626)</u>
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	<u>10,838,177</u>	<u>(11,156,078)</u>
DISTRIBUTIONS TO STOCKHOLDERS		
From earnings	—	(659,974)
Return of capital	<u>(1,904,503)</u>	<u>(5,529,654)</u>
TOTAL DISTRIBUTIONS	<u>(1,904,503)</u>	<u>(6,189,628)</u>
TOTAL INCREASE (DECREASE) IN NET ASSETS	<u>8,933,674</u>	<u>(17,345,706)</u>
NET ASSETS		
Beginning of period	29,195,837	46,541,543
End of period	<u>\$38,129,511</u>	<u>\$29,195,837</u>

See accompanying notes to the financial statements.

Financial Highlights

	Year Ended June 30,				
	2020	2019	2018	2017	2016
Six Months Ended December 31, 2020					
(unaudited)					
Selected Per Share Data:					
Net asset value, beginning of period	\$ 4.76	\$ 8.00	\$ 8.32	\$ 6.47	\$ 7.43
Operations:					
Net investment loss ¹	(0.06)	(0.08)	(0.11)	(0.14)	(0.07)
Net realized and unrealized gain (loss) on investment	1.83	(0.02)	(0.09)	2.12	(0.80)
Total from investment operations	1.77	(0.10)	(0.20)	1.98	(0.87)
Less distributions to shareholders from:					
Net realized gains	—	(0.31)	(0.12)	(0.13)	(0.16)
Return of capital	(0.31)	—	—	—	—
Total distributions	(0.31)	(0.31)	(0.12)	(0.13)	(0.16)
Accretive effect of ATM offering	—	—	—	—	0.07
Accretive effect of shares in reinvestment of distribution	—	—	—	—	— ²
Net asset value, end of period	\$ 6.22	\$ 7.59	\$ 8.00	\$ 8.32	\$ 6.47
Per share market value, end of period	\$ 5.11	\$ 6.36	\$ 6.60	\$ 7.20	\$ 6.11
Total investment return based on market value per share ³	48.25% ⁴	2.16%	(6.82)%	20.17%	(33.73)%
Ratios and Supplemental Data:					
Net assets, end of period (000 omitted)	\$38,130	\$29,196	\$49,048	\$51,047	\$39,699
Ratio of expenses to average net assets before waiver	3.52% ⁵	2.79%	2.72% ⁶	3.36% ⁷	3.20%
Ratio of expenses to average net assets after waiver	3.42% ⁵	2.79%	2.72% ⁶	3.36% ⁷	3.20%
Ratio of net investment loss to average net assets after waiver	(2.10)% ⁵	(1.51)% ⁶	(1.29)% ⁶	(1.86)% ⁷	(0.99)%
Portfolio turnover rate	5% ⁴	8%	19%	16%	9%

¹ Computed by dividing the respective period's amounts from the Statement of Operations by the average outstanding shares for each period presented.

² Amount rounds to less than \$0.01.

³ Total investment return is calculated assuming a purchase of common stock at the current market price on the first day and a sale at the current market price on the last day of each period reported. Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at the net asset value of the Fund on the dividend ex-date.

⁴ Not annualized.

⁵ Annualized.

⁶ This figure includes expenses incurred as a result of the expiration of the Fund's shelf registration. The overall impact on the Fund's ratios is an increase of 0.22% (Note 7).

⁷ This figure includes expenses incurred as a result of the expiration of the Fund's ATM offering. The overall impact on the Fund's ratios is an increase of 0.63% (Note 7).

See accompanying notes to the financial statements.

Notes to Financial Statements (unaudited)

NOTE 1. ORGANIZATION AND RELATED MATTERS

The Herzfeld Caribbean Basin Fund, Inc. (the “Fund”) is a non-diversified, closed-end management investment company incorporated under the laws of the State of Maryland on March 10, 1992, and registered under the Investment Company Act of 1940, as amended, and follows accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, “Financial Services - Investment Companies”. The Fund commenced investing activities in January 1994. The Fund is listed on the NASDAQ Capital Market and trades under the symbol “CUBA.”

The Fund’s investment objective is to obtain long-term capital appreciation. The Fund pursues its objective by investing primarily in equity and equity-linked securities of public and private companies, including U.S.-based companies, (i) whose securities are traded principally on a stock exchange in a Caribbean Basin Country or (ii) that have at least 50% of the value of their assets in a Caribbean Basin Country or (iii) that derive at least 50% of their total revenue from operations in a Caribbean Basin Country (collectively, “Caribbean Basin Companies”). Under normal conditions, the Fund invests at least 80% of its total assets in equity and equity-linked securities of Caribbean Basin Countries. This 80% policy may be changed without stockholder approval upon sixty days written notice to stockholders. The Fund’s investment objective is fundamental and may not be changed without the approval of a majority of the Fund’s outstanding voting securities.

Under the Fund’s organizational documents, its Officers and Directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund enters into contracts with its vendors and others that provide for general indemnifications. The Fund’s maximum exposure under these arrangements is unknown as this would involve any future potential claims that may be made against the Fund. However, based on experience, management expects the risk of loss to be remote.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Security Valuation

In accordance with accounting principles generally accepted in the United States of America (“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. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that 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

Notes to Financial Statements (unaudited) (continued)

available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2: Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an active market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.
- Level 3: Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

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 that 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, in good faith, by the Board of Directors.

Notes to Financial Statements (unaudited) (continued)

The following table summarizes the classification of the Fund's investments by the above fair value hierarchy levels as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets (at fair value)				
Common Stocks				
USA	\$ 22,023,830	\$ —	\$ —	\$ 22,023,830
Mexico	5,976,926	—	—	5,976,926
Puerto Rico	5,779,532	—	—	5,779,532
Panama	2,454,962	—	—	2,454,962
Cayman	709,468	—	—	709,468
Colombia	935,390	—	—	935,390
Bonds				
Cuba	—	—	—	—
Money Market Funds	332,408	—	—	332,408
Total Investments in securities	\$ 38,212,516	\$ —	\$ —	\$ 38,212,516

The fair valued securities (Level 3) held in the Fund consisted of Cuban Electric Company, Ceramica Carabobo, Siderurgica Venezolana Sivensa S.A., Admiralty Holding Company, Waterloo Investment Holding, W Holding Company and Republic of Cuba 4.5% bond. There was no change in value since June 30, 2020, therefore no Level 3 reconciliation table is needed.

Under procedures approved by the Board of Directors, the Advisor provides administration and oversight of the Fund's valuation policies and procedures, which are reviewed at least annually by the Directors. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers and other market sources to determine fair value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available. Under these procedures, the Advisor convenes on a regular and ad hoc basis to review such securities and considers a number of factors, including valuation methodologies and significant unobservable valuation inputs, when recommending a fair value. The Advisor may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discount may be applied due to the nature or duration of any restrictions on the disposition of investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The Advisor employs various methods for calibrating these valuation approaches including a regular view of valuation

Notes to Financial Statements (unaudited) (continued)

methodologies, key inputs and assumptions, transactional back-testing or disposition analysis and reviews of any related market activity.

Income Recognition

Security transactions are recorded on the trade date. Gains and losses on securities sold are determined on the basis of identified cost. Dividend income is recognized on the ex-dividend date or in the case of certain foreign securities, as soon as the Fund is notified, and interest income is recognized on an accrual basis. Discounts and premiums on debt securities purchased are amortized over the life of the respective securities. It is the Fund's practice to include the portion of realized and unrealized gains and losses on investments denominated in foreign currencies as components of realized and unrealized gains and losses on investments and foreign currency. Withholding on foreign taxes have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

Foreign Currency

The accounting records of the Fund are maintained in U.S. dollars. Foreign currency amounts and investments denominated in a foreign currency, if any, are translated into U.S. dollar amounts at current exchange rates on the valuation date. Purchases and sales of investments denominated in foreign currencies are translated into U.S. dollar amounts at the exchange rate on the respective dates of such transactions.

Deposits with Financial Institutions

The Fund may, during the course of its operations, maintain account balances with financial institutions in excess of federally insured limits.

Counterparty Brokers

In the normal course of business, substantially all of the Fund's money balances and security positions are custodied with the Fund's custodian, Fifth Third Bank N.A. The Fund also transacts with other brokers. The Fund is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Fund's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Fund's policy is to continue to comply with the provisions of the Internal Revenue Code of 1986, as amended, that are applicable to regulated investment companies and to

Notes to Financial Statements (unaudited) (continued)

distribute substantially all of its taxable income to its stockholders. Under these provisions, the Fund is not subject to federal income tax on its taxable income and no federal income or excise tax provision is required.

The Fund has adopted a June 30 year-end for federal income tax purposes.

Distributions to Stockholders

Under a managed distribution plan, beginning in fiscal year ending June 30, 2020, the Fund will pay distributions to stockholders payable in quarterly installments at an annual rate, currently set at 15% of the Fund's March 31, 2020 net asset value ("NAV"). The quarterly distributions may be sourced from income, paid-in capital, and/or capital gains, if any. To the extent that sufficient investment income is not available on a quarterly basis, the Fund may distribute paid-in capital and/or capital gains, if any, in order to maintain its managed distribution level.

Distributions to stockholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from GAAP. For the six months ended December 31, 2020, distributions from return of capital of \$0.15525 per share and \$0.15525 per share were declared on September 18, 2020 and December 18, 2020, respectively.

Due to the timing of dividend distributions and the differences in accounting for income and realized gains and losses for financial statement and federal income tax purposes, the fiscal year in which the amounts are distributed may differ from the year in which the income and realized gains and losses are recorded by the Fund.

NOTE 3. RESTRICTED SECURITIES OWNED

Investments in securities include \$165,000 principal, 4.5%, 1977 Republic of Cuba bonds, \$140,000 purchased for \$52,850 on February 15, 1995 and \$25,000 purchased for \$10,188 on April 27, 1995, that are currently segregated and restricted from transfer. The bonds were listed on the New York Stock Exchange ("NYSE") and had been trading in default since 1960. A "regulatory halt" on trading was imposed by the NYSE in July 1995 and trading in the bonds was suspended as of December 28, 2006. The NYSE has stated that following the suspension of trading, application will be made to the Securities and Exchange Commission to delist the issue. As of December 31, 2020, the position was valued at \$0 under procedures approved by the Board of Directors.

Investments in securities also include 700 shares of Cuban Electric Company, 482 shares purchased for \$4,005 on September 30, 2005 and 218 shares purchased for \$1,812 on September 30, 2005, which are currently segregated and restricted from transfer. As of December 31, 2020, the position was valued at \$0 under procedures approved by the Board of Directors.

Notes to Financial Statements (unaudited) (continued)

NOTE 4. TRANSACTIONS WITH AFFILIATES AND OTHER SERVICE PROVIDERS

Transactions with Affiliates

HERZFELD / CUBA (the “Advisor”), a division of Thomas J. Herzfeld Advisors, Inc., is the Fund’s investment advisor and charges a monthly fee at the annual rate of 1.45% of the Fund’s average daily net assets. Total fees for the six months year ended December 31, 2020 amounted to \$233,284, before the waiver described below. Mr. Thomas J. Herzfeld is the owner of the Advisor.

The Advisor has agreed to voluntarily waive its management fee by ten basis points, in support of the Fund’s initiative to attempt to reduce the stock price discount to NAV. For the six months ended December 31, 2020, the Advisor waived fees in the amount of \$16,088. As of December 31, 2020, the Fund owed the Advisor \$43,421.

TMorgan Advisers, LLC (“TMA”) and Duff & Phelps, LLC (“D&P”) have been engaged by the Advisor to provide, among other things, certain compliance and operational support services with respect to the Fund, including the services of Mr. Thomas K. Morgan as the Fund’s chief compliance officer. A portion of the fees paid to TMA and D&P are allocated to the Fund for payment based on the estimated percentage of time spent by the personnel of TMA and D&P on the services provided to the Fund. The Fund may pay the amount of the fee allocated to it for compliance and support services directly to TMA and D&P or reimburse the Advisor for the Fund’s portion of such fees paid by the Advisor to TMA and D&P. For the six months ended December 31, 2020, the total compliance and operational support services fees paid or payable by the Fund amounted to \$37,494. The Fund’s engagement with D&P terminated on December 14, 2020.

Other Service Providers

Under a Master Services Agreement between Ultimus Fund Solutions, LLC (“Ultimus”) and the Fund, Ultimus is responsible for fund administration, including generally managing the administrative affairs of the Fund, and supervising the preparation of reports to stockholders, reports to and filings with the SEC and materials for meetings of the Board. Ultimus is also responsible for fund accounting, including calculating the net asset value per share and maintaining the financial books and records of the Fund. Ultimus also serves as the transfer agent and provides shareholder services to the Fund. The Master Services Agreement permits Ultimus to subcontract for the provision of services it has contracted for under the Master Services Agreement, and Ultimus has subcontracted transfer agency services to American Stock Transfer & Trust Company, LLC. Ultimus is entitled to receive a fee in accordance with the agreement and was paid \$32,767 for the period ended December 31, 2020.

The Fund has entered into an agreement with Fifth Third Bank N.A. to serve as the custodian for the Fund’s assets.

Notes to Financial Statements (unaudited) (continued)

NOTE 5. INVESTMENT TRANSACTIONS

During the six months ended December 31, 2020, purchases and sales of investment securities were \$1,482,743 and \$3,683,179, respectively.

NOTE 6. INCOME TAX INFORMATION

The cost basis of securities owned for financial statement purposes is lower than the cost basis for income tax purposes by \$211,799 due to wash sale adjustments and book-to-tax adjustments to partnership investment. As of December 31, 2020, gross unrealized gains were \$12,040,337 and gross unrealized losses were \$2,406,981 for income tax purposes.

Permanent differences accounted for during the year ended June 30, 2020 result from differences between book and tax accounting for the characterization of foreign currency losses, partnership adjustments, and the reclassification of the Fund's net investment loss for tax purposes. Such amounts have been reclassified as follows:

	Total Distributable Earnings	Additional Paid in Capital
Year ended June 30, 2020	\$ 497,231	\$ (497,231)

At June 30, 2020, the Fund had \$194,544 short-term and \$1,712,868 long-term capital loss carryover. To the extent that the Fund may realize future net capital gains, those gains will be offset by any of its unused capital loss carry forward. Future capital loss carryover utilization in any given year may be subject to Internal Revenue Code limitation.

As of June 30, 2020, the Fund had no post-October losses which are deferred until fiscal year 2021 for tax purposes. Capital losses incurred after October 31 ("post-October losses") within that taxable year are deemed to arise on the first day of the Fund's next taxable year.

As of June 30, 2020, the Fund had \$314,178 of qualified late-year ordinary losses, which are deferred until fiscal year 2021 for tax purposes. Net late-year losses incurred after December 31 within the taxable year are deemed to arise on the first day of the Fund's next taxable year.

In accordance with GAAP, the Fund is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Fund files an income tax return in the U.S. federal jurisdiction and may file income tax returns in various U.S. states and foreign jurisdictions. Generally the Fund is no longer subject to income tax examinations by major taxing authorities for years before June 30, 2016. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

Notes to Financial Statements (unaudited) (continued)

De-recognition of a tax benefit previously recognized results in the Fund recording a tax liability that reduces ending net assets.

The Fund's policy would be to recognize accrued interest expense to unrecognized tax benefits in interest expense and penalties in operating expenses. There were none for the fiscal year ended June 30, 2020.

The tax character of distributions paid to stockholders during the fiscal year ended June 30, 2020 and June 30, 2019 were as follows: long-term capital gains of \$659,974 and \$1,870,766, respectively. For the fiscal year ended June 30, 2020, the Fund had return of capital of \$5,529,654.

NOTE 7. CAPITAL SHARE TRANSACTIONS

2018 Shelf Registration

The Fund has incurred approximately \$22,558 of offering costs in association with a shelf registration, which is recorded as deferred offering costs and will be amortized over the life of the shelf registration if and when new shares are issued. These costs are categorized as deferred offering costs (shelf) on the Statement of Assets and Liabilities. As of December 31, 2020, \$0 has been amortized.

2015 ATM Offering and Shelf Registration

In connection with its At-The-Market ("ATM") offering, as of the expiration of the offering, the Fund had issued a total of 524,400 shares of common stock. The net asset value of the Fund's common shares was increased by approximately \$0.07 per share as a result of the share issuance.

The Fund incurred approximately \$410,585 of offering costs in association with the offering, which was recorded as a deferred offering cost and amortized over the life of the offering as new shares were issued. At the expiration of the offering, \$122,223 of offering costs had been amortized. Upon expiration of the offering, the remaining \$288,362 of offering costs was expensed to legal expense (professional fees), audit expense (professional fees), printing and postage, and other expenses.

Additionally, the Fund incurred approximately \$120,115 of offering costs in association with a shelf registration, which was recorded as a deferred offering cost and amortized over the life of the shelf registration as new shares were issued. At the expiration of the shelf registration \$4,719 of offering costs had been amortized. Upon expiration of the shelf registration, the remaining \$115,396 of offering costs were expensed to legal expense (professional fees), audit expense (professional fees), printing and postage and registration expense.

Notes to Financial Statements (unaudited) (continued)

NOTE 8. INVESTMENT RISKS

Foreign Securities Risk

Securities traded in foreign markets have often (though not always) performed differently from securities traded in the United States. However, such investments often involve special risks not present in U.S. investments that can increase the chances that the Fund will lose money. In particular, the Fund is subject to the risk that because there may be fewer investors on foreign exchanges and a smaller number of securities traded each day, it may be more difficult for the Fund to buy and sell securities on those exchanges. In addition, prices of foreign securities may go up and down more than prices of securities traded in the United States.

Foreign Economy Risk

The economies of certain foreign markets may not compare favorably with the economy of the United States with respect to such issues as growth of gross national product, reinvestment of capital, resources and balance of payments position. Certain foreign economies may rely heavily on particular industries or foreign capital and are more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers and other protectionist or retaliatory measures. Investments in foreign markets may also be adversely affected by governmental actions such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets or the imposition of punitive taxes. In addition, the governments of certain countries may prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries. Any of these actions could severely affect securities prices or impair the Fund's ability to purchase or sell foreign securities or transfer the Fund's assets or income back into the United States, or otherwise adversely affect the Fund's operations.

Other potential foreign market risks include foreign exchange controls, difficulties in pricing securities, defaults on foreign government securities, difficulties in enforcing legal judgments in foreign courts and political and social instability. Legal remedies available to investors in certain foreign countries may be less extensive than those available to investors in the United States.

Currency Risk

Securities and other instruments in which the Fund invests may be denominated or quoted in currencies other than the U.S. Dollar. Changes in foreign currency exchange rates may affect the value of the Fund's portfolio. Because the Fund's assets are primarily invested in securities of Caribbean Basin Companies, and because some portion of revenues and income may be received in foreign currencies while Fund distributions will be made in dollars, the dollar equivalent of the Fund's net assets and distributions would be adversely affected by reductions in the value of the foreign currencies relative to the dollar. For this reason, changes in foreign currency exchange rates can affect the value of the Fund's portfolio. Generally, when the U.S. Dollar rises in value against a foreign currency, a security denominated in that currency loses value because the currency is worth fewer U.S. Dollars. Conversely, when the U.S. Dollar decreases in value against a foreign currency, a security denominated in that currency gains value because the currency is worth more U.S. Dollars. This risk, generally

Notes to Financial Statements (unaudited) (continued)

known as “currency risk,” means that a strong U.S. Dollar may reduce returns for U.S. investors while a weak U.S. Dollar may increase those returns. The Fund is managed with the assumption that most of its stockholders hold their assets in U.S. Dollars. As a result, and because distributions are made in U.S. Dollars, other non-U.S. investors will be adversely affected by reductions in the value of the U.S. Dollar relative to their home currency.

Geographic Concentration Risk

The Fund may invest from time to time a substantial amount of assets in issuers located in a single country or a limited number of countries. If the Fund concentrates its investments in this manner, it assumes the risk that economic, political and social conditions in those countries will have a significant impact on its investment performance. The Fund’s investment performance may also be more volatile if it concentrates its investments in certain countries, especially emerging market countries.

Managed Distribution Risk

Under the managed distribution plan, the Fund makes quarterly distributions to stockholders at a rate set once a year that is a percentage of the Fund’s NAV at its most recent fiscal year-end, that may be sourced from income, paid-in capital, and/or capital gains, if any. To the extent that sufficient investment income is not available on a quarterly basis, the Fund may distribute paid-in capital and/or capital gains, if any, in order to maintain its managed distribution level. No conclusions should be drawn about the Fund’s investment performance from the amount of the Fund’s distributions or from the terms of the managed distribution plan. A return of capital occurs when some or all of the money that stockholders invested in the Fund is paid back to them. A return of capital does not reflect the Fund’s investment performance and should not be confused with “yield” or “income.” Any such returns of capital will decrease the Fund’s total assets and, therefore, could have the effect of increasing the Fund’s expense ratio. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a less than opportune time. There is a risk that amendment or termination of the managed distribution plan could have an adverse effect on the market price of the Fund’s shares.

Pandemic Risk

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The impact upon the Fund of the COVID-19 pandemic has been significant and remains an ongoing risk to the Fund’s financial position, results of operations and cash flows.

NOTE 9. SUBSEQUENT EVENTS

The Fund has offered to purchase up to 5% of the currently outstanding common shares of the Fund, par value \$0.001 per share (the “Common Shares”), at 97.5% of Net Asset Value (“NAV”) per Common Share (determined as of the close of ordinary trading on the NASDAQ Capital Market on March 4, 2021) for cash, subject to conditions contained in the Offer to Purchase dated February 12, 2021 and the related Letter of Transmittal.

Notes to Financial Statements (unaudited) (continued)

Stockholders should read the Offer to Purchase, the Letter of Transmittal and related exhibits, as they will contain important information about the Interim Tender Offer. These and other filed documents are available to Stockholders for free both at the website of the SEC (www.sec.gov) and from the Fund (www.herzfeld.com/cuba).

Requests for more information, questions and requests for additional copies of the offer materials, please contact AST Fund Solutions, LLC, the Information Agent for the Interim Tender Offer at (866) 406-2285.

Management has evaluated the impact of subsequent events on the Fund, through the date the financial statements were issued, and has determined that there were no additional subsequent events that required disclosure in the financial statements.

Section 19(a) Notices

The Herzfeld Caribbean Basin Fund, Inc.'s (CUBA) (the "Fund") amounts and sources of distributions reported are estimates and are being provided to you pursuant to regulatory requirements and are not being provided for tax reporting purposes. The actual amounts and sources for tax reporting purposes will depend upon the Fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. The Fund will provide a Form 1099-DIV each calendar year that will tell you how to report these distributions for U.S. federal income tax purposes.

	Current Distribution	% Breakdown of the Current Distribution	Total Cumulative Distributions for the Fiscal Year to Date	% Breakdown of the Total Cumulative Distributions for the Fiscal Year to Date
Net Investment Income	\$ 0.00	0%	\$ 0.00	0%
Net Realized Short- Term Capital Gains	\$ 0.00	0%	\$ 0.00	0%
Net Realized Long- Term Capital Gains	\$ 0.00	0%	\$ 0.00	0%
Return of Capital ^(a)	\$ 0.3105	100%	\$ 0.3105	100%
Total (per common share)	\$ 0.3105	100%	\$ 0.3105	100%

(a) The Fund estimates that it has distributed more than the amount of earned income and net realized gains; therefore, a portion of the distribution may be a return of capital. A return of capital may occur, for example, when some or all of the shareholder's investment in the Fund are returned to the shareholder. A return of capital does not necessarily reflect the Fund's investment performance and should not be confused with "yield" or "income". When distributions exceed total return performance, the difference will reduce the Fund's net asset value per share.

Section 19(a) notices for the Fund are available on the Fund's website <http://www.herzfeld.com/cuba>

Results of November 12, 2020 Stockholders Meeting

The annual meeting of stockholders of the Fund was held on November 12, 2020. At the meeting, one nominee for a Board of Directors post was elected, as follows:

	Votes For	Votes Withheld or Against
Thomas J. Herzfeld	4,350,353.174	793,125.086

Quarterly Portfolio Reports (unaudited)

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (the “SEC”) for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The Fund’s Form N-PORT reports are available on the SEC’s website at <http://www.sec.gov>.

Proxy Voting Policies and Procedures (unaudited)

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve month period ended June 30, and a description of the Fund’s policies and procedures used to determine how to vote proxies relating to its portfolio securities is available without charge, upon request, by calling the Fund at 800-TJH-FUND, or by accessing the SEC’s website at www.sec.gov.

Privacy Policy (unaudited)

We consider customer privacy to be an essential part of our investor relationships and are committed to maintaining the confidentiality, integrity and security of our current, prospective and former stockholders' non-public personal information. We have developed policies that are designed to protect this confidentiality, while permitting stockholder needs to be served.

Obtaining Personal Information

While providing stockholders with products and services, we, and certain service providers, such as the Fund's Transfer Agents and/or Administrators, may obtain non-public personal information about stockholders, which may come from sources such as (i) account applications, subscription agreements and other forms, (ii) written, electronic or verbal correspondence, (iii) stockholder transactions, (iv) a stockholder's brokerage or financial advisory firm, financial advisor or consultant, and/or (v) from information captured on applicable websites. The non-public personal information that may be collected from stockholders may include the stockholder's name, address, tax identification number, birth date, investment selection, beneficiary information, and possibly the stockholder's personal bank account information and/or email address if the stockholder has provided that information, as well as the stockholder's transaction and account history with the Fund.

Respecting Your Privacy

We do not disclose any non-public personal information provided by stockholders or gathered by us to third parties, except as required or permitted by law or as necessary for such third parties to perform their agreements with respect to the Fund. Non-affiliated companies may from time to time be used to provide certain services, such as maintaining stockholder accounts, preparing and mailing prospectuses, reports, account statements and other information, and gathering stockholder proxies. In many instances, the stockholders will be clients of a third party, but we may also provide a stockholder's personal and account information to the stockholder's respective brokerage or financial advisory firm and/or financial advisor or consultant.

Sharing Information with Third Parties

We reserve the right to report or disclose personal or account information to third parties in circumstances where we believe in good faith that disclosure is required or permitted under law, to cooperate with regulators or law enforcement authorities, to protect their rights or property, or upon reasonable request by the Fund's Investment Advisor. In addition, we may disclose information about a stockholder or a stockholder's accounts to a third party at the stockholder's request or with the consent of the stockholder.

Procedures to Safeguard Private Information

We are committed to our obligation to safeguard stockholder non-public personal information. In addition to this policy, we have implemented procedures that are designed to limit access to a stockholder's non-public personal information to internal personnel who require the information to complete tasks, such as processing transactions, maintaining

Privacy Policy (unaudited) (continued)

stockholder accounts or otherwise providing services the stockholder requested. Physical, electronic and procedural safeguards are in place to guard a stockholder's non-public personal information.

Information Collected from Websites

Websites maintained by the Fund, the Investment Advisor or their service providers may use a variety of technologies to collect information that helps the Fund, the Investment Advisor and their service providers understand how the website is used. Information collected from your web browser (including small files stored on your device that are commonly referred to as "cookies") allow the websites to recognize your web browser and help to personalize and improve your user experience and enhance navigation of the website. If you are a registered user of the Fund's or the Investment Advisor's and/or their service providers' website, the Fund or the Investment Advisor, their service providers, or third party firms engaged by the Fund or the Investment Advisor and/or their service providers, may collect or share information submitted by you, which may include personally identifiable information. You can change your cookie preferences by changing the setting on your web browser to delete or reject cookies. If you delete or reject cookies, some website pages may not function properly. The Fund and the Investment Advisor do not look for web browser "do not track" requests.

Changes to the Privacy Policy

From time to time, we may update or revise this privacy policy. If there are changes to the terms of this privacy policy, documents containing the revised policy on the relevant website will be updated.

Dividend Reinvestment Plan (unaudited)

Registered holders (“Stockholders”) of shares of common stock, \$0.001 par value (“Common Stock”) of Herzfeld Caribbean Basin Fund, Inc. (the “Fund”) will automatically be enrolled (“Participants”) in the Fund’s Dividend Reinvestment Plan (the “Plan”) and are advised as follows:

1. American Stock Transfer & Trust Company, LLC (the “Agent”) will act as agent for each Participant. The Agent will open an account for each registered shareholder as a Participant under the Plan in the same name in which such Participant’s shares of Common Stock are registered.
2. CASH OPTION. Pursuant to the Fund’s Plan, unless a holder of Common Stock otherwise elects, all dividend and capital gains distributions payable in cash (“Distributions”) will be automatically reinvested by the Agent in additional Common Stock of the Fund. Stockholders who elect not to participate in the Plan will receive all cash distributions in cash paid by check mailed directly to the shareholder of record (or, if the shares are held in street or other nominee name then to such nominee) by the Agent, as dividend paying agent. Stockholders and Participants may elect not to participate in the Plan and to receive all cash distributions of dividends and capital gains in cash by sending written instructions to the Agent, as dividend paying agent, at the address set forth below.
3. MARKET PREMIUM ISSUANCES. If on the payment date for a Distribution, the net asset value per Common Stock is equal to or less than the market price per Common Stock plus estimated brokerage commissions, the Agent shall receive newly issued Common Stock (“Additional Common Stock”) from the Fund for each Participant’s account. The number of Additional Common Stock to be credited shall be determined by dividing the dollar amount of the Distribution by the greater of (i) the net asset value per Common Share on the payment date, or (ii) 95% of the market price per Common Share on the payment date.
4. MARKET DISCOUNT PURCHASES. If the net asset value per Common Stock exceeds the market price plus estimated brokerage commissions on the payment date for a Distribution, the Agent (or a broker-dealer selected by the Agent) shall endeavor to apply the amount of such Distribution on each Participant’s Common Stock to purchase Common Stock on the open market. In the event of a market discount on the payment date, the Agent will have 30 days after the dividend payment date (the “last purchase date”) to invest the dividend amount in shares acquired in open-market purchases. The weighted average price (including brokerage commissions) of all Common Stock purchased by the Agent as Agent shall be the price per Common Stock allocable to each Participant. If, before the Agent has completed its purchases, the market price plus estimated brokerage commissions exceeds the net asset value of the Common Stock as of the payment date, the purchase price paid by Agent may exceed the net asset value of the Common Stock, resulting in the acquisition of fewer Common Stock than if such Distribution had been paid in Common Stock issued by the Fund. Because of the foregoing difficulty with respect to open-market purchases, the Plan provides that if the Plan Agent is unable to invest the full dividend amount in open-market purchases during the purchase period or if the market discount shifts

Dividend Reinvestment Plan (unaudited) (continued)

to a market premium during the purchase period, the Plan Agent may cease making open-market purchases and may invest the uninvested portion of the dividend amount in newly issued Common Stock at the net asset value per Common Stock at the close of business on the last purchase date. Participants should note that they will not be able to instruct the Agent to purchase Common Stock at a specific time or at a specific price. Open-market purchases may be made on any securities exchange where Common Stock are traded, in the over-the-counter market or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Agent shall determine. Each Participant's uninvested funds held by the Agent will not bear interest. The Agent shall have no liability in connection with any inability to purchase Common Stock within the time provided, or with the timing of any purchases effected. The Agent shall have no responsibility for the value of Common Stock acquired. The Agent may commingle Participants' funds to be used for open-market purchases of the Fund's shares and the price per share allocable to each Participant in connection with such purchases shall be the average price (including brokerage commissions and other related costs) of all Fund shares purchased by Agent. The rules and regulations of the Securities and Exchange Commission may require the Agent to limit the Agent's market purchases or temporarily cease making market purchases for Participants.

5. The market price of Common Stock on a particular date shall be the last sales price on the securities exchange where the Common Stock are listed on that date (currently the NASDAQ Capital Market)(the "Exchange"), or, if there is no sale on the Exchange on that date, then the average between the closing bid and asked quotations on the Exchange on such date will be used. The net asset value per Common Stock on a particular date shall be the amount calculated on that date (or if not calculated on such date, the amount most recently calculated) by or on behalf of the Fund.
6. Whenever the Agent receives or purchases shares or fractional interests for a Participant's account, the Agent will send such Participant a notification of the transaction as soon as practicable. The Agent will hold such shares and fractional interests as such Participant's agent and may hold them in the Agent's name or the name of the Agent's nominee. The Agent will not send a Participant stock certificates for shares unless a Participant so requests in writing or unless a Participant's account is terminated as stated below. The Agent will vote any shares so held for a Participant in accordance with any proxy returned to the Fund by such Participant in respect of the shares of which such Participant is the record holder.
7. There is presently no service charge for the Agent serving as Participants' agent and maintaining Participants' accounts. The Agent may, however, charge Participants for extra services performed at their request. The Plan may be amended in the future to impose a service charge. In acting as Participants' agent under the Plan, the Agent shall be liable only for acts, omissions, losses, damages or expenses caused by the Agent's willful misconduct or gross negligence. In addition, the Agent shall not be liable for any taxes, assessments or governmental charges which may be levied or assessed on any basis whatsoever in connection with the administration of the Plan.

Dividend Reinvestment Plan (unaudited) (continued)

8. The Agent may hold each Participant's Common Stock acquired pursuant to the Plan together with the Common Stock of other Stockholders of the Fund acquired pursuant to the Plan in non-certificated form in the Agent's name or that of the Agent's nominee. Each Participant will be sent a confirmation by the Agent of each acquisition made for his or her account as soon as practicable, but in no event later than 60 days, after the date thereof. Participants may request to sell a portion of the Common Stock held by the Agent in their Plan accounts by calling the Agent, writing to the Agent, or completing and returning the transaction form attached to each Plan statement. The Agent will sell such Common Stock through a broker-dealer selected by the Agent within 5 business days of receipt of the request. The sale price will equal the weighted average price of all Common Stock sold through the Plan on the day of the sale, less brokerage commissions. Participants should note that the Agent is unable to accept instructions to sell on a specific date or at a specific price. Any share dividends or split shares distributed by the Fund on Common Stock held by the Agent for Participants will be credited to their accounts. In the event that the Fund makes available to its Stockholders rights to purchase additional Common Stock, the Common Stock held for each Participant under the Plan will be added to other Common Stock held by the Participant in calculating the number of rights to be issued to each Participant.

If a Participant holds more than one Common Stock Certificate registered in similar but not identical names or if more than one address is shown for a Participant on the Fund's records, all of such Participant's shares of Common Stock must be put into the same name and address if all of them are to be covered by one account. Additional shares subsequently acquired by a Participant otherwise than through the Plan will be covered by the Plan.

9. The reinvestment of Distributions does not relieve Participants of any federal, state or local taxes which may be payable (or required to be withheld on Distributions.) Participants will receive tax information annually for their personal records and to help them prepare their federal income tax return. For further information as to tax consequences of participation in the Plan, Participants should consult with their own tax advisors.
10. Each registered Participant may terminate his or her account under the Plan by calling the Agent at (877) 283-0317. Such termination will be effective with respect to a particular Distribution if the Participant's notice is received by the Agent prior to such Distribution record date. The Plan may be terminated by the Agent or the Fund upon notice in writing mailed to each Participant at least 60 days prior to the effective date of the termination. Upon any termination, the Agent will cause a certificate or certificates to be issued for the full shares held for each Participant under the Plan and cash adjustment for any fraction of a Common Share at the then current market value of the Common Shares to be delivered to him. If preferred, a Participant may request the sale of all of the Common Shares held by the Agent in his or her Plan account in order to terminate participation in the Plan. If any Participant elects in advance of such termination to have Agent sell part or all of his shares, Agent is authorized to

Dividend Reinvestment Plan (unaudited) (continued)

deduct from the proceeds the brokerage commissions incurred for the transaction. If a Participant has terminated his or her participation in the Plan but continues to have Common Shares registered in his or her name, he or she may re-enroll in the Plan at any time by notifying the Agent in writing at the address above.

11. These terms and conditions may be amended by the Agent or the Fund at any time but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to each Participant appropriate written notice at least 30 days prior to the effective date thereof. The amendment shall be deemed to be accepted by each Participant unless, prior to the effective date thereof, the Agent receives notice of the termination of the Participant's account under the Plan. Any such amendment may include an appointment by the Agent of a successor Agent, subject to the prior written approval of the successor Agent by the Fund.
12. These terms and conditions shall be governed by the laws of the State of Maryland.

As of: December 13, 2019

Discussion Regarding the Approval of the Investment Advisory Agreement

The Fund's Board of Directors (the "Board"), including a majority of those directors who are not "interested persons" as such term is defined in the Investment Company Act of 1940, as amended (the "1940 Act") ("Independent Directors"), unanimously approved the continuation of the investment advisory agreement between the Fund and the Advisor (the "Advisory Agreement") at a meeting held on August 13, 2020.

In connection with its approval of the continuation of the Advisory Agreement, the Board noted that it was provided with written materials by the Advisor and by the Fund's legal counsel including (i) a memorandum from the Fund's legal counsel regarding the Directors' responsibilities in evaluating and approving the Advisory Agreement, (ii) a letter from the Advisor containing detailed information about the Advisor's services to the Fund, Fund performance, allocation of Fund transactions, compliance and administration information, and the compensation received by the Advisor from the Fund; (iii) a copy of the Advisory Agreement between the Fund and the Advisor; (iv) the Advisor's Form ADV Parts 1A, and 2A and 2B; (v) audited financial statements for the Advisor for the year ended December 31, 2019 and unaudited financial statements for the six months ended June 30, 2020; (vi) comparative performance data for the Fund relative to peer funds (foreign equity funds including emerging market and Latin American regional and single country funds) for the six month and the twelve-month periods ended June 30, 2020 and (vii) comparative statistics and expense ratios and fee data for the Fund relative to foreign equity closed-end peer funds.

During its deliberations on whether to approve the continuation of the Advisory Agreement, the Board considered many factors. The Board considered the nature, extent and quality of the services to be provided by the Advisor and determined that such services will meet the needs of the Fund and its stockholders. The Board reviewed the services provided to the Fund by the Advisor as compared to services provided by other advisers, which manage investment companies with investment objectives, strategies and policies similar to those of the Fund, the Advisor's history and experience providing investment services to the Fund, and its knowledge of the closed-end fund industry's use of leverage. The Board concluded that the nature, extent and quality of the services provided by the Advisor were appropriate and consistent with the terms of the Advisory Agreement, that the quality of those services had been consistent with industry norms and that the Fund was likely to benefit from the continued provision of those services. The Board also concluded that the Advisor had sufficient personnel, with the appropriate education and experience, to serve the Fund effectively and had demonstrated an ability to retain qualified personnel.

Both at the meeting and on an ongoing basis throughout the year, the Board considered and evaluated the investment performance of the Fund and reviewed the Fund's performance relative to other investment companies and funds in the Caribbean and Latin American regions. The Board considered performance of the Fund, noting that the Fund's net asset value performance was reasonable compared to funds used in the comparative data for the six-month and twelve-month periods ended June 30, 2020, but noted that there were no other funds focused on the Caribbean Basin region. The Board concluded that the performance of the Fund was within an acceptable range of performance relative to other funds used in the comparison.

Discussion Regarding the Approval of the Investment Advisory Agreement (continued)

The Board considered the costs of the services provided by the Advisor, the compensation and benefits received by the Advisor as a result of providing services to the Fund, as well as the Advisor's profitability. The Board considered the advisory fees paid to the Advisor by the Fund and relevant comparable fee data and statistics of Latin American-specialist and small foreign equity funds. The Board noted that there are no funds with which to make a direct comparison because of the Fund's unique strategy. The Board also noted that the Fund is smaller than many Latin American regional funds, and, therefore its total expense ratio is relatively higher than funds presented in the comparison. The Board further discussed the services provided by the Advisor and concluded that the advisory services performed were efficient and satisfactory and that the fee charged was reasonable and not excessive. The Board concluded that the Advisor's fees and profits derived from its relationship with the Fund in light of its expenses, were reasonable in relation to the nature and quality of the services provided, taking into account the fees charged by other advisers for managing comparable funds with similar strategies.

The Board also considered the extent to which economies of scale would be realized relative to fee levels as the Fund grows, and whether the advisory fee levels reflect these economies of scale for the benefit of stockholders. The Board recognized that because of the closed-end structure of the Fund, and because there is no influx of additional capital expected, this particular factor is less relevant to the Fund than it would typically be to an open-end fund. The Board concluded that the potential for the Fund to achieve economies of scale was limited because the Fund is a closed-end fund.

The Board also considered in its deliberations the Advisor's services and performance as discussed during regular Board meetings held throughout the year, including the Board's discussion of the Fund's investment objective, long-term performance, investment style and process. The Board noted the high level of diligence with which it reviews and evaluates the Advisor throughout the year and the extensive information provided with respect to the Advisor's performance and the Fund's expenses on a quarterly basis. The Board also considered whether any events occurred or whether additional information or data was necessary for their review that would constitute a reason not to renew the Agreement and concluded there were not.

After further consideration of the factors discussed above and information presented at the August 13, 2020 meeting and at previous meetings of the Board, the Board, and the Independent Directors, determined to continue the Advisory Agreement for an additional one-year period. In arriving at its decision, the Board and the Independent Directors did not identify any single matter, factor or consideration as controlling.

Officers and Directors

Officers

ERIK M. HERZFELD

President

THOMAS K. MORGAN

Chief Compliance Officer and
Assistant Secretary

ALICE H. THAM

Secretary

ZACHARY P. RICHMOND

Treasurer

Directors

THOMAS J. HERZFELD

Interested Director, and Chairman
of the Board

JOHN A. GELETY

Independent Director

CECILIA L. GONDOR

Independent Director

ANN S. LIEFF

Independent Director

KAY W. TATUM, Ph.D.

Independent Director

Portfolio Managers

THOMAS J. HERZFELD

Portfolio Manager

ERIK M. HERZFELD

Portfolio Manager

RYAN M. PAYLOR

Portfolio Manager

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE HERZFELD CARIBBEAN BASIN FUND, INC.

119 Washington Avenue

Suite 504

Miami Beach, FL 33139