

Edgar Filing: CORPORATE HIGH YIELD FUND III INC - Form N-Q

CORPORATE HIGH YIELD FUND III INC

Form N-Q

April 27, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-8497

Name of Fund: Corporate High Yield Fund III, Inc.

Fund Address: P.O. Box 9011  
Princeton, NJ 08543-9011

Name and address of agent for service: Robert C. Doll, Jr., Chief Executive  
Officer, Corporate High Yield Fund III, Inc., 800 Scudders Mill Road,  
Plainsboro, NJ 08536. Mailing address: P.O. Box 9011, Princeton, NJ  
08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 5/31/05

Date of reporting period: 12/01/04 - 2/28/05

Item 1 - Schedule of Investments

Corporate High Yield Fund III, Inc.  
Schedule of Investments as of February 28, 2005 (in U.S. dollars)

Industry+	Face Amount	Corporate Bonds
Aerospace & Defense - 4.8%	\$ 2,275,000	Alliant Techsystems, Inc., 3% due 8/15/2024 (b) (i)
	2,175,000	CPI Holdco, Inc., 8.83% due 2/01/2015 (d) (i)
	2,275,000	DRS Technologies, Inc., 6.875% due 11/01/2013 (i)
	975,000	Esterline Technologies Corp., 7.75% due 6/15/2013
	775,000	K&F Acquisition, Inc., 7.75% due 11/15/2014 (i)
	1,750,000	Standard Aero Holdings, Inc., 8.25% due 9/01/2014 (i)
	2,000,000	Titan Corp., 8% due 5/15/2011
	1,400,000	Transdigm, Inc., 8.375% due 7/15/2011
	1,700,000	Vought Aircraft Industries, Inc., 8% due 7/15/2011
Airlines - 2.0%	1,300,000	American Airlines, Inc. Series 2001-2, 7.80% due 4/01/2011
		Continental Airlines, Inc.:
	950,000	8% due 12/15/2005
	1,209,126	Series 1997-4-B, 6.90% due 1/02/2017
	482,836	Series 1998-1-C, 6.541% due 9/15/2009
	750,000	Series 1998-3, 7.25% due 11/01/2005

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	1,239,207	Series 2001-1 Class C, 7.033% due 6/15/2011
		Delta Air Lines, Inc.:
	1,225,000	7.90% due 12/15/2009
	1,930,000	2.875% due 2/18/2024 (b) (i)
-----		
Automotive - 1.5%	1,850,000	Autocam Corp., 10.875% due 6/15/2014
		Metaldyne Corp.:
	2,625,000	11% due 6/15/2012
	1,165,000	10% due 11/01/2013 (i)
-----		
Broadcasting - 4.8%	2,675,000	Granite Broadcasting Corp., 9.75% due 12/01/2010
	1,375,000	Nextmedia Operating, Inc., 10.75% due 7/01/2011
		Paxson Communications Corp.:
	2,125,000	10.75% due 7/15/2008
	550,000	12.121% due 1/15/2009 (h)
	1,700,000	Radio One, Inc., 6.375% due 2/15/2013 (i)
	1,175,000	Salem Communications Corp., 7.75% due 12/15/2010
	1,364,000	Salem Communications Holding Corp. Series B, 9% due 7/01/2011
	3,005,000	Sinclair Broadcast Group, Inc., 4.875% due 7/15/2018 (b)
	2,300,000	Young Broadcasting, Inc., 8.75% due 1/15/2014
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Cable - International - 0.8%	2,450,000	NTL Cable Plc, 7.66% due 10/15/2012 (d) (i)
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Cable - U.S. - 9.3%	750,000	Adelphia Communications Corp., 6% due 2/15/2006 (b) (e)
	236,329	Avalon Cable LLC, 11.875% due 12/01/2008
	2,075,000	CSC Holdings, Inc. Series B, 7.625% due 4/01/2011

Corporate High Yield Fund III, Inc.  
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Industry+	Face Amount	Corporate Bonds
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Cable - U.S. (concluded)	\$ 4,850,000	Century Cable Holdings LLC Discretionary Term Loan, due 1/15/2008
	1,900,000	Century Communications Series B, 9.05% due 1/15/2008
		Charter Communications Holdings LLC:
	3,500,000	8.625% due 4/01/2009
	2,000,000	9.625% due 11/15/2009
	945,000	Charter Communications, Inc., 5.875% due 11/16/2009 (b)
		Intelsat Bermuda Ltd. (i):
	2,675,000	7.794% due 1/15/2012 (d)
	2,775,000	8.625% due 1/15/2015
	3,494,000	Loral Cyberstar, Inc., 10% due 7/15/2006 (e)
	3,775,000	Mediacom Broadband LLC, 11% due 7/15/2013
	450,000	Mediacom LLC, 9.50% due 1/15/2013
		New Skies Satellites NV (i):
	750,000	7.438% due 11/01/2011 (d)
	1,150,000	9.125% due 11/01/2012
	200,000	Quebecor Media, Inc., 9.99% due 7/15/2011 (h)

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1,900,000 Rainbow National Services LLC, 10.375% due 9/01/2014 ( )

Industry - %	Face Amount	Corporate Bonds
Chemicals - 9.0%	1,519,000	BCP Caylux Holdings Luxembourg SCA, 9.625% due 6/15/2010
		Crompton Corp.:
	1,875,000	8.71% due 8/01/2010 (d)
	1,375,000	9.875% due 8/01/2012
		Huntsman International LLC:
	525,000	9.875% due 3/01/2009
	1,525,000	10.125% due 7/01/2009
	1,025,000	ISP Chemco, Inc. Series B, 10.25% due 7/01/2011
	1,075,000	ISP Holdings, Inc. Series B, 10.625% due 12/15/2009
	1,950,000	Innophos, Inc., 8.875% due 8/15/2014 (i)
	2,300,000	Millennium America, Inc., 7% due 11/15/2006
		Nalco Co.:
	450,000	7.75% due 11/15/2011
	1,125,000	8.875% due 11/15/2013
	1,324,000	Nalco Finance Holdings, Inc., 9.675% due 2/01/2014 (h)
	3,125,000	Omnova Solutions, Inc., 11.25% due 6/01/2010
	725,000	PCI Chemicals Canada, Inc., 10% due 12/31/2008
	600,000	PQ Corp., 7.50% due 2/15/2013 (i)
		PolyOne Corp.:
	2,625,000	10.625% due 5/15/2010
	500,000	8.875% due 5/01/2012

Corporate High Yield Fund III, Inc.

Schedule of Investments as of February 28, 2005

(in U.S. dollars)

Industry+	Face Amount	Corporate Bonds
Chemicals (concluded)	\$ 1,966,000	Terra Capital, Inc., 11.50% due 6/01/2010
	2,830,000	Wellman, Inc. Second Lien Term Loan, due 2/10/2010 (a)
Consumer - Durables - 0.7%	1,350,000	Sealy Mattress Co., 8.25% due 6/15/2014
	785,000	Tempur-Pedic, Inc., 10.25% due 8/15/2010
Consumer - Non-Durables - 2.4%	650,000	Chattem, Inc.:
	600,000	5.91% due 3/01/2010 (d)
	1,175,000	7% due 3/01/2014
	3,100,000	Church & Dwight Co., Inc., 6% due 12/15/2012 (i)
	2,200,000	Hines Nurseries, Inc., 10.25% due 10/01/2011
		Samsonite Corp., 8.875% due 6/01/2011
Diversified Media - 6.9%	2,150,000	CBD Media, Inc., 8.625% due 6/01/2011
	2,275,000	CanWest Media, Inc., 8% due 9/15/2012 (i)
	1,367,000	Dex Media West LLC, 9.875% due 8/15/2013
	2,650,000	Houghton Mifflin Co., 8.25% due 2/01/2011
	5,600,000	Liberty Media Corp., 0.75% due 3/30/2023 (b)

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		Primedia, Inc.:
875,000	7.625%	due 4/01/2008
1,225,000	8.875%	due 5/15/2011
		Universal City Florida Holding Co. (i):
1,125,000	7.493%	due 5/01/2010 (d)
825,000	8.375%	due 5/01/2010
525,000	8.375%	due 12/01/2014 (i)
3,302,000	12.52%	due 8/01/2011 (h)

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Energy - Exploration & Production - 0.8%	2,525,000	Plains Exploration & Production Co. Series B, 8.75% due
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Energy - Other - 3.4%	1,250,000	Aventine Renewable Energy Holdings, Inc., 9.01% due 12/15/2011 (d) (i)
	1,875,000	Dresser, Inc., 9.375% due 4/15/2011
	650,000	Energy Corp. of America Series A, 9.50% due 5/15/2007
	1,350,000	Inergy LP, 6.875% due 12/15/2014 (i)
	3,700,000	Ocean Rig Norway AS, 10.25% due 6/01/2008
	500,000	Star Gas Partners LP, 10.25% due 2/15/2013 (i)
	2,000,000	Trico Marine Services, Inc., 8.875% due 5/15/2012 (e)

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Financial - 0.9%	2,850,000	Refco Finance Holdings LLC, 9% due 8/01/2012 (i)
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Food & Drug - 0.4%	1,375,000	Duane Reade Inc., 7.51% due 12/15/2010 (d) (i)
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Corporate High Yield Fund III, Inc.  
Schedule of Investments as of February 28, 2005 (in U.S. dollars)

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Industry+	Face Amount	Corporate Bonds
Food & Tobacco - 5.4%	\$ 750,000	American Seafoods Group LLC, 10.125% due 4/15/2010
		Commonwealth Brands, Inc. (i):
	1,975,000	9.75% due 4/15/2008
	1,525,000	10.625% due 9/01/2008
	600,000	Cosan SA Industria e Comercio, 9% due 11/01/2009 (i)
	2,725,000	Cott Beverages USA, Inc., 8% due 12/15/2011
		Del Monte Corp.:
	1,250,000	8.625% due 12/15/2012
	475,000	6.75% due 2/15/2015 (i)
	2,200,000	Doane Pet Care Co., 10.75% due 3/01/2010
	1,275,000	Merisant Co., 10.25% due 7/15/2013 (i)
	1,950,000	New World Pasta Co., 9.25% due 2/15/2009 (e)
	2,100,000	Smithfield Foods, Inc. Series B, 8% due 10/15/2009
	1,250,000	Tabletop Holdings, Inc., 12.25% due 5/15/2014 (h)
	1,600,000	The Wornick Co., 10.875% due 7/15/2011

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Gaming - 6.6%	3,225,000	Boyd Gaming Corp., 8.75% due 4/15/2012
	2,325,000	Caesars Entertainment, Inc., 7.875% due 3/15/2010

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1,925,000	Inn of the Mountain Gods Resort & Casino, 12% due 11/15/2010
1,550,000	MGM Mirage, 8.50% due 9/15/2010
3,625,000	Majestic Star Casino LLC, 9.50% due 10/15/2010
925,000	Penn National Gaming, Inc., 6.75% due 3/01/2015 (i)
1,425,000	Pinnacle Entertainment, Inc., 8.25% due 3/15/2012
2,575,000	Poster Financial Group, Inc., 8.75% due 12/01/2011
2,675,000	Resorts International Hotel and Casino, Inc., 11.50% due 3/15/2009

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Government - Foreign - 0.6% 0.4%	1,225,000	Brazilian Government International Bond, 10.50% due 7/14/2014
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Health Care - 7.4%		Alpharma, Inc.:
	2,950,000	3% due 6/01/2006 (b)
	2,175,000	8.625% due 5/01/2011 (i)
		Elan Finance Plc (i):
	1,925,000	6.49% due 11/15/2011 (d)
	1,950,000	7.75% due 11/15/2011
	2,902,000	Fisher Scientific International, 8.125% due 5/01/2012
	3,750,000	Fresenius Medical Care Capital Trust II, 7.875% due 2/01/2012
	2,825,000	Healthsouth Corp., 8.375% due 10/01/2011
	1,450,000	Select Medical Corp., 7.625% due 2/01/2015 (i)
	2,675,000	U.S. Oncology, Inc., 9% due 8/15/2012 (i)
	1,000,000	Vanguard Health Holding Co. II LLC, 9% due 10/01/2014

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Corporate High Yield Fund III, Inc.  
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Industry+	Face Amount	Corporate Bonds
Housing - 3.2%		Building Materials Corp. of America:
	\$ 400,000	7.75% due 7/15/2005
	1,050,000	8% due 10/15/2007
	5,325,000	8% due 12/01/2008
		Goodman Global Holding Co., Inc. (i):
	450,000	5.76% due 6/15/2012 (d)
	1,700,000	7.875% due 12/15/2012
	1,475,000	Texas Industries, Inc., 10.25% due 6/15/2011
Information Technology - 5.5%	3,600,000	Advanced Micro Devices, Inc., 7.75% due 11/01/2012 (i)
		Amkor Technology, Inc.:
	575,000	9.25% due 2/15/2008
	1,925,000	7.125% due 3/15/2011
	2,825,000	Cypress Semiconductor Corp., 1.25% due 6/15/2008 (b)
	1,925,000	Freescall Semiconductor, Inc., 5.41% due 7/15/2009 (d)
	600,000	MagnaChip Semiconductor SA, 6.26% due 12/15/2011 (d) (i)
	1,835,000	Quantum Corp., 4.375% due 8/01/2010 (b)

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575,000 TTI Holding Corp., 8.875% due 3/01/2013 (i)  
 1,150,000 UGS Corp., 10% due 6/01/2012 (i)  
 3,400,000 Viasystems, Inc., 10.50% due 1/15/2011

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 Leisure - 1.9%

Felcor Lodging LP:  
 2,850,000 6.874% due 6/01/2011 (d)  
 1,550,000 9% due 6/01/2011  
 825,000 Intrawest Corp., 7.50% due 10/15/2013  
 975,000 True Temper Sports, Inc., 8.375% due 9/15/2011

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 Manufacturing - 6.2%

800,000 Columbus McKinnon Corp., 8.50% due 4/01/2008  
 1,000,000 EaglePicher Holdings, Inc., Tranche B Term Loan,  
 due 8/07/2009 (a)  
 3,725,000 Eagle Picher Industries, Inc., 9.75% due 9/01/2013  
 3,450,000 Invensys Plc, 9.875% due 3/15/2011 (i)  
 2,475,000 Johnsondiversey, Inc. Series B, 9.625% due 5/15/2012  
 1,175,000 Mueller Group, Inc., 10% due 5/01/2012  
 775,000 Rexnord Corp., 10.125% due 12/15/2012  
 1,750,000 Superior Essex Communications LLC, 9% due 4/15/2012  
 3,125,000 Trimas Corp., 9.875% due 6/15/2012  
 1,555,000 Tyco International Group SA, 2.75% due 1/15/2018 (b)

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 Corporate High Yield Fund III, Inc.

Schedule of Investments as of February 28, 2005

(in U.S. dollars)

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 Industry+

Face Amount Corporate Bonds

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 Metal - Other - 2.9%

\$ 1,675,000 Asia Aluminum Holdings Ltd., 8% due 12/23/2011 (i)  
 1,200,000 Century Aluminum Co., 7.50% due 8/15/2014 (i)  
 1,150,000 Foundation PA Coal Co., 7.25% due 8/01/2014  
 2,925,000 Luscar Coal Ltd, 9.75% due 10/15/2011  
 2,150,000 Novelis, Inc., 7.25% due 2/15/2015 (i)

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 Packaging - 4.8%

1,400,000 Consolidated Container Co. LLC, 10.75% due 6/15/2009 (i)  
 Crown European Holdings SA:  
 950,000 9.50% due 3/01/2011  
 500,000 10.875% due 3/01/2013  
 3,325,000 Owens-Brockway, 8.875% due 2/15/2009  
 Pliant Corp.:  
 2,200,000 11.125% due 6/15/2009 (h)  
 1,475,000 13% due 6/01/2010  
 Tekni-Plex, Inc.:  
 2,300,000 12.75% due 6/15/2010  
 400,000 8.75% due 11/15/2013 (i)  
 U.S. Can Corp.:  
 375,000 10.875% due 7/15/2010

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2,825,000 12.375% due 10/01/2010  
 650,000 Wise Metals Group LLC, 10.25% due 5/15/2012

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 Paper - 6.2% 3,400,000 Abitibi-Consolidated, Inc., 6.51% due 6/15/2011 (d)  
 Ainsworth Lumber Co. Ltd. (i):  
 1,900,000 6.30% due 10/01/2010 (d)  
 1,150,000 7.25% due 10/01/2012  
 250,000 Boise Cascade LLC, 5.535% due 10/15/2012 (d)(i)  
 3,025,000 Bowater, Inc., 6.01% due 3/15/2010 (d)  
 2,125,000 Caraustar Industries, Inc., 9.875% due 4/01/2011  
 Graphic Packaging International Corp.:  
 825,000 8.50% due 8/15/2011  
 950,000 9.50% due 8/15/2013  
 1,900,000 JSG Funding Plc, 9.625% due 10/01/2012  
 875,000 Jefferson Smurfit Corp. US, 8.25% due 10/01/2012  
 2,450,000 Norske Skog Canada Ltd. Series D, 8.625% due 6/15/2011  
 1,003,000 Western Forest Products, Inc., 15% due 7/28/2009 (g)(i)

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 Retail - 0.4% 1,250,000 Jean Coutu Group, Inc., 8.50% due 8/01/2014  
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Service - 6.2% 2,625,000 Allied Waste North America Series B, 8.875% due 4/01/2012  
 1,040,000 Coinmach Corp., 9% due 2/01/2010  
 2,725,000 Corrections Corp. of America, 7.50% due 5/01/2011  
 1,050,000 Knowledge Learning Corp., Inc., 7.75% due 2/01/2015 (i)

Corporate High Yield Fund III, Inc.  
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 Industry+ Face Amount Corporate Bonds  
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 Service (concluded) \$ 1,500,000 MSW Energy Holdings LLC, 8.50% due 9/01/2010  
 875,000 MSW Energy Holdings II LLC, 7.375% due 9/01/2010  
 3,125,000 United Rentals North America, Inc., 7.75% due 11/15/2010  
 3,100,000 Waste Services, Inc., 9.50% due 4/15/2014 (i)  
 Williams Scotsman, Inc.:  
 3,700,000 9.875% due 6/01/2007  
 375,000 10% due 8/15/2008

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 Steel - 0.4% 1,200,000 Ucar Finance, Inc., 10.25% due 2/15/2012  
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Telecommunications - 5.0% ADC Telecommunications, Inc. (b):  
 2,200,000 1% due 6/15/2008  
 750,000 3.065% due 6/15/2013 (d)  
 1,616,000 Alaska Communications Systems Holdings, Inc., 9.875% due 10/15/2010  
 2,850,000 Cincinnati Bell, Inc., 8.375% due 1/15/2014  
 2,550,000 LCI International, Inc., 7.25% due 6/15/2007  
 675,000 Qwest Capital Funding, Inc., 7.25% due 2/15/2011  
 1,000,000 Terremark Worldwide, Inc., 9% due 6/15/2009 (b)(i)  
 850,000 Time Warner Telecom Holdings, Inc., 6.794% due 2/15/2010

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Time Warner Telecom, Inc.:  
 500,000 9.75% due 7/15/2008  
 3,875,000 10.125% due 2/01/2011

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 Transportation - 1.4% 1,850,000 Laidlaw International, Inc., 10.75% due 6/15/2011  
 2,325,000 Teekay Shipping Corp., 8.875% due 7/15/2011  
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Utility - 11.7% The AES Corp.:  
 4,458,000 9.375% due 9/15/2010  
 2,100,000 8.75% due 5/15/2013 (i)  
 850,000 AES Drax Energy Ltd Series B, 11.50% due 8/30/2010 (e)  
 6,825,000 Calpine Canada Energy Finance Ulc, 8.50% due 5/01/2008  
 Calpine Corp.:  
 1,500,000 8.25% due 8/15/2005  
 950,000 8.75% due 7/15/2007  
 4,575,000 Centerpoint Energy, Inc., 3.75% due 5/15/2023 (b)  
 2,025,000 ESI Tractebel Acquisition Corp. Series B, 7.99% due 12/15/2012  
 1,900,000 Edison Mission Energy, 9.875% due 4/15/2011  
 2,350,000 El Paso CGP Co., 7.75% due 6/15/2010

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 Industry+ Face Amount Corporate Bonds  
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 Utility (concluded) Nevada Power Co.:  
 \$ 600,000 9% due 8/15/2013  
 3,300,000 Series E, 10.875% due 10/15/2009  
 1,650,000 Reliant Energy, Inc., 6.75% due 12/15/2014  
 1,650,000 Sierra Pacific Power Co. Series A, 8% due 6/01/2008  
 1,200,000 Sierra Pacific Resources, 8.625% due 3/15/2014  
 925,000 Southern Natural Gas Co., 8.875% due 3/15/2010  
 2,000,000 Texas Genco LLC, 6.875% due 12/15/2014 (i)  
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 Wireless 825,000 American Tower Escrow Corp., 14.877% due 8/01/2008 (h)  
 Communications - 4.4% 2,000,000 Centennial Cellular Operating Co. LLC, 10.125% due 6/15/2011  
 2,800,000 Crown Castle International Corp., 9.375% due 8/01/2011  
 975,000 Iwo Escrow Co., 6.32% due 1/15/2012 (d)(i)  
 Rogers Wireless Communications, Inc.:  
 250,000 6.135% due 12/15/2010 (d)  
 250,000 8% due 12/15/2012  
 3,400,000 6.375% due 3/01/2014  
 625,000 Rural Cellular Corp., 7.51% due 3/15/2010 (d)  
 1,375,000 SBA Communications Corp., 8.50% due 12/01/2012 (i)  
 1,925,000 SBA Telecommunications, Inc., 7.432% due 12/15/2011 (h)  
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Total Investments in Corporate Bonds

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(Cost - \$411,599,318) - 127.7%

	Shares Held	Common Stocks
Airlines - 0.2%	81,243	ABX Air, Inc. (c)
Cable - International - 0.9%	178,100	Telewest Global, Inc. (c)
Paper - 0.4%	203,785	Western Forest Products, Inc. (c)
Telecommunications - 0.1%	16,244	MCI, Inc. (e)
		Total Investments in Common Stocks (Cost - \$4,683,857) - 1.6%

		Preferred Stocks
Automotive - 0.9%	128,000	General Motors Corp. Series C 16.25% (b)
		Total Investments in Preferred Stocks (Cost - \$3,199,4

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Industry+	Shares Held	Warrants (j)
Cable - U.S. - 0.0%	32,981	Loral Space & Communications (expires 12/26/2006)
Health Care - 0.0%	32,042	HealthSouth Corp. (expires 1/23/2014)
Packaging - 0.0%	4,000	Pliant Corp. (expires 6/01/2010)
Paper - 0.0%	700	MDP Acquisitions Plc (expires 10/01/2013)
Wireless Communications - 0.1%	825	American Tower Corp. (expires 8/01/2008)
		Total Investments in Warrants (Cost - \$112,171) - 0.1%

		Beneficial Interest Other Interests (f)
Airlines - 0.3%	\$ 3,780,240	US Airways Group, Inc. - Certificate of Beneficial Int

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Total Investments in Other Interests  
(Cost - \$1,020,665) - 0.3%

Total Investments (Cost - \$420,615,483\*) - 130.6%

Liabilities in Excess of Other Assets - (30.6%)

Net Assets - 100.0%

- (a) Floating rate corporate debt in which the Fund invests generally pays interest at rates that are periodically redetermined by reference to a base lending rate plus a premium. The base lending rates are generally (i) the lending rate offered by one or more major European banks, such as LIBOR (London InterBank Offered Rate), (ii) the prime rate offered by one or more U.S. banks or (iii) the certificate of deposit rate. Corporate loans represent 2.6% of the Fund's net assets.
- (b) Convertible security.
- (c) Non-income producing security.
- (d) Floating rate note.
- (e) Non-income producing security; issuer filed for bankruptcy or is in default of interest payments.
- (f) Other Interests represent beneficial interest in liquidation trusts and other reorganization entities.
- (g) Represents a pay-in-kind security which may pay interest/dividends in additional face/shares.
- (h) Represents a zero coupon or step bond; the interest rate shown reflects the effective yield at the time of purchase by the Fund.
- (i) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (j) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.
- + For Fund compliance purposes, "Industry" means any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.
- \* The cost and unrealized appreciation (depreciation) of investments as of February 28, 2005, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 420,893,776
	=====
Gross unrealized appreciation	\$ 30,526,192
Gross unrealized depreciation	(9,083,635)
	-----
Net unrealized appreciation	\$ 21,442,557
	=====

Corporate High Yield Fund III, Inc.  
Schedule of Investments as of February 28, 2005 (in U.S. dollars)

Investments in companies considered to be an affiliate of the Fund (such companies are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940) were as follows:

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Affiliate	Net Activity	Interest Income
Merrill Lynch Liquidity Series, LLC Cash Sweep Series I	\$ (82,499)	\$ 3,846

Financial futures contracts sold as of February 28, 2005 were as follows:

Number of Contracts	Issue	Expiration Date	Face Value	Unrealized Appreciation
49	10 - Year U.S. Treasury Notes	March 2005	\$ 5,553,707	\$12

Swaps outstanding as of February 28, 2005 were as follows:

	Notional Amount	Unrealized Appreciation (Depreciation)
Receive a variable rate return based on 1-month USD LIBOR and pay a fixed rate of 1.56%		
Broker, UBS Warburg Expires June 2005	\$30,000,000	\$ 203,855
Sold credit default protection on Dow Jones CDX North America Series 3 High Yield Single B and receive 4%		
Broker, JPMorgan Chase Bank Expires December 2009	\$ 2,018,800	(4,900)
Sold credit default protection on Dow Jones CDX North America Series 3 High Yield Single B and receive 4%		
Broker, Morgan Stanley Capital Services., Inc. Expires December 2009	\$ 3,028,200	(7,350)
Total		\$ 191,605

Item 2 - Controls and Procedures

2(a) - The registrant's certifying officers have reasonably designed such

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disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

- 2(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 - Exhibits

Certifications - Attached hereto

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.

Corporate High Yield Fund III, Inc.

By: /s/Robert C. Doll, Jr.

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Robert C. Doll, Jr.  
Chief Executive Officer  
Corporate High Yield Fund III, Inc.

Date: April 22, 2005

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/Robert C. Doll, Jr.

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Robert C. Doll, Jr.  
Chief Executive Officer  
Corporate High Yield Fund III, Inc.

Date: April 22, 2005

By: /s/ Donald C. Burke

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Donald C. Burke  
Chief Financial Officer  
Corporate High Yield Fund III, Inc.

Date: April 22, 2005