

PIMCO MUNICIPAL INCOME FUND III
Form N-CSRS
June 09, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number **811-21187**

PIMCO Municipal Income Fund III

(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, NY

10105

(Address of principal executive offices)

(Zip code)

Lawrence G. Altadonna - 1345 Avenue of the Americas, New York, NY 10105

(Name and address of agent for service)

Registrant's telephone number, including area code: **212-739-3371**

Date of fiscal year end: **September 30, 2008**

Date of reporting period: **March 31, 2008**

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

ITEM 1. REPORT TO SHAREHOLDERS

PIMCO Municipal Income Fund III
PIMCO California Municipal Income Fund III
PIMCO New York Municipal Income Fund III
Semi-Annual Report
March 31, 2008
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PIMCO Municipal Income Funds III
Letter to Shareholders

May 23, 2008

Dear Shareholder:

We are pleased to provide you with the semi-annual report for PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund III (the “Funds”) for the six-month period ended March 31, 2008.

The U.S. bond market delivered stable, positive returns during the reporting period as economic growth moderated and interest rates declined. The Lehman Municipal Bond Index returned 0.75% for the period, trailing the broad market return of 5.23% as represented by the Lehman Aggregate Bond Index. The Federal Reserve moved aggressively during the six-month period to inject liquidity into the banking system. The move was designed to ease a credit crunch caused by the bursting of a bubble in U.S. housing prices and weakness in subprime mortgages and mortgage securities. The central bank reduced the Fed Funds rate five times in the period, reducing the benchmark rate on loans between member banks from 4.75% to 2.25%.

Since February 2008, industry-wide developments in the auction-rate preferred markets have caused auctions for the Funds’ auction-rate preferred shares (“ARPS”) to fail, as described in Note 5 in the accompanying notes to Financial Statements. At the time this report is being prepared, it is not possible to predict how and when full or partial liquidity will return, if at all, to the closed-end fund ARPS market. Additional information regarding ARPS, failed auctions and potential solutions to address the unprecedented lack of liquidity of the ARPS due to recent failed auctions can be accessed on our Web site, www.allianzinvestors.com/arps.

For specific information on the Funds and their performance during the reporting period, please review the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds’ shareholder servicing agent at (800) 331-1710. In addition, a wide range of information and resources is available on our Web site, www.allianzinvestors.com/closedendfunds.

Together with Allianz Global Investors Fund Management LLC, the Funds’ investment manager, and Pacific Investment Management Company LLC, the Funds’ sub-adviser, we thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess

Chairman Brian S. Shlissel
President & Chief Executive Officer

3.31.08 | PIMCO Municipal Income Funds III Semi-Annual Report 1

PIMCO Municipal Income Fund III
 Fund Insights/Performance & Statistics
 March 31, 2008 (unaudited)

For the six months ended March 31, 2008, PIMCO Municipal Income Fund III returned (6.77)% on net asset value (“NAV”) and (2.94)% on market price, compared with (4.30)% and (2.89)%, respectively, for the Lipper Analytical General Municipal Debt Funds (Leveraged) average.

The municipal bond market underperformed the taxable bond market for the six-month reporting period, as the Lehman Municipal Bond Index returned 0.75% and the Lehman Aggregate Bond Index returned 5.23%, respectively.

Longer-dated municipal bonds underperformed shorter-dated municipals during the reporting period as the yield curve steepened. For example, yields on five- and 10-year AAA General Obligation yields declined 58 and 6 basis points, while 20- and 30-year yields rose 44 and 47 basis points, respectively. Note that when a bond’s yield rises, its price declines, and vice-versa.

Longer-dated municipals also underperformed longer-dated Treasuries for the period. Consequently, interest rate hedging strategies that benefit when longer-term Treasuries lag municipals were negative for performance.

Exposure to tobacco-securitized debt was negative for performance as the Tobacco Index underperformed the general Muni Bond Index during the six-month period.

Exposure to zero-coupon bonds was negative for performance as the Zero Coupon Index underperformed the general Muni Bond Index by over 4% during the period.

A focus on higher credit quality bonds added to performance as lower-rated, more speculative issues underperformed during the latter part period due to liquidity challenges.

| | | | | | | | | | |
|-------|-----|---------------|------------|------------|--------|----------|---------|-------------------|--------------|
| | | | | | | | | Total Return (1): | Market |
| Price | NAV | Six Months | (2.94) % | (6.77)% | 1 Year | (7.00) % | (7.70)% | 5 Year | 6.42 % |
| | | of Operations | (10/31/02) | to 3/31/08 | | 5.39 % | 4.81% | | 4.84% |
| | | | | | | | | | Commencement |

Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 3/31/08

Market Price/NAV: Market Price \$14.18 NAV \$13.15 Premium to NAV 7.83% Market Price Yield (2) 5.92%

Moody’s Ratings (as a % of total investments)

(1) **Past performance is no guarantee of future results.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund's income dividends and capital gain distributions have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

The Fund's performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund distributions.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend (comprised from net investment income) payable to common shareholders by the market price per common share at March 31, 2008.

performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund distributions.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market

Price Yield is determined by dividing the annualized current monthly per share dividend (comprised from net investment income) payable to common shareholders by the market price per common share at March 31, 2008.

3.31.08 | PIMCO Municipal Income Funds III Semi-Annual Report 3

PIMCO New York Municipal Income Fund III
 Fund Insights/Performance & Statistics
 March 31, 2008 (unaudited)

• For the six months ended March 31, 2008, PIMCO New York Municipal Income Fund III returned (7.57)% on net asset value (“NAV”) and (3.20)% on market price, compared with (2.92)% and (0.79)%, respectively, for the Lipper Analytical New York Municipal Debt Funds average.

• Municipal bonds issued within New York, as measured by the Lehman New York Municipal Bond Index, slightly outperformed the national market, as measured by the Lehman Municipal Bond Index, for the one-year reporting period, returning 1.25% and 0.75%, respectively.

• The New York AAA insured municipal yield curve steepened over the reporting period. For example, five-year and 10- year maturity AAA yields decreased 55 and 6 basis points, while 20- and 30-year maturities increased 45, and 47 basis points, respectively.

• Exposure to tobacco-securitized debt was negative for performance as the Tobacco Index underperformed the general Muni Bond Index during the period.

• Exposure to zero-coupon bonds was negative for performance as the Zero Coupon Index underperformed the general Muni Bond Index by over 4% during the period.

• A focus on higher credit quality bonds added to performance as lower-rated, more speculative issues underperformed during the latter part period due to liquidity challenges.

Total Return (1): Market

| | | | | | | | | |
|--|----------|---------|--------|-----------|---------|--------|--------|-------|
| Price NAV Six Months | (3.20) % | (7.57)% | 1 Year | (16.42) % | (9.21)% | 5 Year | 4.75 % | 4.64% |
| Commencement of Operations (10/31/02) to 3/31/08 | | | | 3.08 % | | | 4.42% | |

Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 3/31/08

| | | | | | |
|-------------------|--------------|---------|------------------------|---------|-------------|
| Market Price/NAV: | Market Price | \$12.82 | NAV | \$13.17 | Discount to |
| | NAV | (2.66)% | Market Price Yield (2) | 4.91% | |

Moody’s Ratings (as a % of total investments)

(1) **Past performance is no guarantee of future results.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund’s income dividends and capital gain distributions have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

The Fund’s performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as

changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund distributions.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly per share dividend (comprised from net investment income) payable to common shareholders by the market price per common share at March 31, 2008.

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PIMCO Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited)

| Amount (000) Credit Rating (Moody's/S&P) Value | Principal |
|---|--|
| MUNICIPAL BONDS & NOTES—98.1% | |
| Alabama—0.6% | |
| \$5,000 Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/30, Ser. A Baa1/NR \$4,195,200 | 1,500 |
| Colbert Cnty., Northwest Health Care Auth., Health Care Facs. Rev., 5.75%, 6/1/27 Baa3/NR 1,413,720 | 5,608,920 |
| Alaska—0.8% | |
| 3,100 Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A Baa3/NR 2,400,950 | State Housing Finance Corp. Rev., 3,900 5.00%, 12/1/33, Ser. A Aaa/AAA 3,543,072 |
| Aaa/AAA 943,030 | 1,000 5.25%, 6/1/32, Ser. C (MBIA) 6,887,052 |
| Arizona—5.3% | |
| Health Facs. Auth. Rev., 2,250 | Beatitudes Project, 5.20%, 10/1/37 NR/NR 1,729,283 |
| (Pre-refunded @ \$102, 12/1/10) (b) NR/BBB 2,502,412 | 1,500 Maricopa Cnty. Pollution Control Corp., Pollution Control Rev., 5.05%, 5/1/29 (AMBAC) Aaa/AAA 1,437,975 |
| 16,000 Pima Cnty. Industrial Dev. Auth. Rev., Correctional Facs., 5.00%, 9/1/39 Aa2/AA 15,799,360 | Salt River Project Agricultural Improvement & Power Dist. Rev., Ser. A (j), 5,000 5.00%, 1/1/35 Aa1/AA 5,009,150 |
| 16,000 5.00%, 1/1/37 Aa1/AA 16,019,200 | 5,600 Salt Verde Financial Corp. Rev., 5.00%, 12/1/37 Aa3/AA- 4,733,512 |
| | 47,230,892 |
| Arkansas—0.1% | |
| 7,000 | Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/46 (AMBAC) Aaa/NR 831,460 |
| California—9.1% | |
| 1,000 Alameda Public Financing Auth. Rev., 7.00%, 6/1/09 NR/NR 1,000,870 | 2,000 Chula Vista Community Facs. Dist., Special Tax, 5.25%, 9/1/30 NR/NR 1,723,840 |
| 27,585 6.25%, 6/1/33 Aaa/AAA 30,099,097 | 21,000 6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (b) Aaa/AAA 24,314,010 |
| State, GO, 400 5.00%, 6/1/37 A1/A+ 389,788 | 15,300 5.00%, 11/1/37 A1/A+ 14,907,402 |
| 5,800 5.00%, 12/1/37 A1/A+ 5,650,824 | 3,060 Statewide Community Dev. Auth. Rev., Baptist Univ., 9.00%, 11/1/17, Ser. B (c) NR/NR 3,259,604 |
| | 81,345,435 |

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PIMCO Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Principal |
|--|-----------|
| Amount (000) Credit Rating (Moody's/S&P) Value | |
| Colorado-2.5% | |
| \$1,000 Aurora Single Tree Metropolitan Dist., GO, 5.50%, 11/15/31 NR/NR \$894,410 9,955 Colorado Springs Rev., 5.00%, 11/15/30, Ser. B (j) Aa2/AA 9,941,063 500 Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34 NR/NR 411,055 El Paso Cnty., CP, Ser. B (AMBAC), 1,725 5.00%, 12/1/23 Aaa/AAA 1,771,747 1,500 5.00%, 12/1/27 Aaa/AAA 1,517,925 1,500 Garfield Cnty. School Dist. Re-2, GO, 5.00%, 12/1/25 (FSA) Aaa/NR 1,524,195 1,000 Health Facs. Auth. Rev., American Baptist Homes, 5.90%, 8/1/37, Ser. A NR/NR 869,180 1,500 Housing & Finance Auth. Rev., Evergreen Country Day School, 5.875%, 6/1/37 (c) NR/BB 1,365,255 4,000 Saddle Rock Metropolitan Dist., GO, 5.35%, 12/1/31 (Radian) NR/AA 3,804,080 340 State School of Mines Auxiliary Facs. Rev., 5.00%, 12/1/37 (AMBAC) Aaa/AAA 332,772 22,431,682 | |
| Florida-5.7% | |
| 3,480 Brevard Cnty. Health Facs. Auth. Rev., 5.00%, 4/1/34 A2/A 3,131,409 8,000 Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System, 5.25%, 11/15/23, Ser. B, (Pre-refunded @ \$100, 11/15/12) (b) A1/A+ 8,737,920 2,500 Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital, 5.25%, 10/1/34, Ser. B A3/NR 2,356,900 1,485 Julington Creek Plantation Community Dev. Dist., Special Assessment, 5.00%, 5/1/29 (MBIA) Aaa/AAA 1,486,916 1,000 Orange Cnty. Housing Finance Auth., Multifamily Rev., Palm Grove Gardens, 5.25%, 1/1/28, Ser. G Aaa/NR 973,670 15,000 Pinellas Cnty. Health Fac. Auth. Rev., Baycare Health, 5.50%, 11/15/33, (Pre-refunded @ \$100, 5/15/13) (b) Aa3/NR 16,735,800 3,895 Sarasota Cnty. Health Fac. Auth. Rev., 5.75%, 7/1/45 NR/NR 3,216,335 7,500 South Miami Health Facs. Auth., Hospital Rev., Baptist Health, 5.25%, 11/15/33, (Pre-refunded @ \$100, 2/1/13) (b) Aaa/AA- 8,221,050 5,615 Tampa Water & Sewer Rev., 5.00%, 10/1/26, Ser. A Aa2/AA 5,678,000 50,538,000 | |
| Georgia-0.6% | |
| 1,750 Fulton Cnty. Rev., 5.125%, 7/1/42, Ser. A NR/NR 1,347,430 4,000 Griffin Combined Public Utility Rev., 5.00%, 1/1/32 (AMBAC) Aaa/AAA 3,849,080 400 Medical Center Hospital Auth. Rev., 5.25%, 7/1/37 NR/NR 300,656 5,497,166 | |
| Idaho-0.7% | |
| State Building Auth., Building Rev., Ser. A (XLCA), 1,000 5.00%, 9/1/33 A3/AA- 977,440 5,750 5.00%, 9/1/43 A3/AA- 5,492,975 6,470,415 | |
| Illinois-5.9% | |
| Chicago, GO, Ser. A (MBIA), 720 5.00%, 1/1/31 Aaa/AAA 716,069 1,530 5.00%, 1/1/31, (Pre-refunded @ \$101, 1/1/11) (b) Aaa/AAA 1,642,960 | |

PIMCO Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Amount (000) | Credit Rating (Moody's/S&P) Value | Principal |
|--|------------------|--|--------------------|
| Illinois (continued) | | | |
| Chicago, Lake Shore East, Special Assessment, 6.75%, 12/1/32 NR/NR | \$1,600 | 6.625%, 12/1/22 NR/NR | \$1,616,512 3,456 |
| Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC) A1/AA- | 3,475,768 500 | Chicago Kingsbury Redev. Project, Tax Allocation, 6.57%, 2/15/13, Ser. A NR/NR | 3,020,820 7,000 |
| Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC) Aaa/AAA | 6,863,080 | Educational Facs. Auth. Rev., Univ. of Chicago, 4,780 5.00%, 7/1/33 Aa1/AA | 4,781,816 165 |
| 5.25%, 7/1/41 Aa1/AA | 167,744 4,160 | 5.25%, 7/1/41, (Pre-refunded @ \$101, 7/1/11) (b) Aa1/AA | 4,539,083 |
| Finance Auth. Rev., 2,000 Christian Homes, Inc., 5.75%, 5/15/31, Ser. A NR/NR | 1,729,780 | 1,500 Franciscan Communities, Inc., 5.50%, 5/15/37 NR/NR | 1,289,340 |
| Leafs Hockey Club, Ser. A, 1,000 5.875%, 3/1/27 NR/NR | 906,250 625 | 6.00%, 3/1/37 NR/NR | 546,494 12,795 |
| Peoples Gas Light & Coke Co., 5.00%, 2/1/33 (AMBAC) Aaa/AAA | 12,370,334 1,500 | Sedgebrook, Inc., 6.00%, 11/15/37, Ser. A NR/NR | 1,316,865 1,050 |
| Three Crowns Park Plaza, 5.875%, 2/15/38 NR/NR | 907,420 1,175 | Health Facs. Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22 A2/NR | 1,204,927 4,283 |
| Round Lake, Special Tax Rev., 6.70%, 3/1/33, (Pre-refunded @ \$102, 3/1/13) (b) NR/NR | 4,929,433 600 | Southwestern Dev. Auth. Rev., Comprehensive Mental Health Center, 6.625%, 6/1/37 NR/NR | 559,476 52,737,611 |

Indiana-2.7%

| | | | |
|---|-----------------|---|-----------------|
| 1,375 Fort Wayne Pollution Control Rev., 6.20%, 10/15/25 Caa1/B- | 1,249,394 7,535 | Indiana Bond Bank Rev., 5.00%, 2/1/33, Ser. A (FSA)(j) Aaa/AAA | 7,421,447 5,000 |
| Indianapolis Local Public Improvement Board, Tax Allocation, 5.00%, 2/1/29, Ser. G (MBIA) Aaa/AAA | 4,980,450 | Michigan City Area Wide School Building Corp., Rev. (FGIC), 2,500 zero coupon, 1/15/21 Baa/AA | 1,324,775 1,000 |
| zero coupon, 7/15/21 Baa/AA | 514,900 1,000 | zero coupon, 1/15/22 Baa/AA | 496,830 1,000 |
| Plainfield Parks Facs. Corp. Lease Rent Rev., 5.00%, 1/15/22 (AMBAC) Aaa/AAA | 1,017,660 | Portage Industrial Economic Dev., Rev., Tax Allocation, 1,000 5.00%, 7/15/23 NR/BBB+ | 947,690 775 |
| 5.00%, 1/15/27 NR/BBB+ | 712,876 3,500 | State Dev. Finance Auth., Pollution Control Rev., 5.00%, 3/1/30 (AMBAC) Aaa/AAA | 3,503,850 2,000 |
| Vigo Cnty. Hospital Auth. Rev., 5.70%, 9/1/37 (c) NR/NR | 1,753,560 | 23,923,432 | |

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PIMCO Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Principal |
|--|-----------|
| Amount (000) Credit Rating (Moody's/S&P) Value | |
| Iowa-1.7% | |
| \$1,000 Coralville, CP, 5.25%, 6/1/26, Ser. D A2/NR \$978,170 3,715 Finance Auth. Rev., Wedum Walnut Ridge LLC, 5.625%, 12/1/45, | |
| Ser. A NR/NR 3,060,417 Tobacco Settlement Auth. of Iowa Rev., Ser. B, 11,010 5.60%, 6/1/34 Baa3/BBB | |
| 9,910,321 1,000 5.60%, 6/1/35, (Pre-refunded @ \$101, 6/1/11) (b) NR/AAA 1,094,860 15,043,768 | |
| Kentucky-0.2% | |
| Economic Dev. Finance Auth., Hospital Facs. Rev., 1,000 Catholic Healthcare Partners, 5.25%, 10/1/30 A1/AA- 970,460 1,080 St. Luke's Hospital, 6.00%, 10/1/19, Ser. B A3/A 1,100,174 2,070,634 | |
| Louisiana-1.0% | |
| Public Facs. Auth. Rev., Ochsner Clinic Foundation, Ser. B, 5,000 5.50%, 5/15/32, (Pre-refunded @ \$100, 5/15/26) (b) Aaa/NR 5,426,450 1,700 5.50%, 5/15/47 A3/NR 1,589,143 1,595 Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B Baa3/BBB 1,484,483 8,500,076 | |
| Maryland-0.2% | |
| Health & Higher Educational Facs. Auth. Rev., 500 5.30%, 1/1/37 NR/NR 390,745 1,500 Calvert Health Systems, 5.50%, 7/1/36 A2/NR 1,507,725 1,898,470 | |
| Massachusetts-1.1% | |
| Dev. Finance Agcy. Rev., 1,000 5.75%, 7/1/33, Ser. C, (Pre-refunded @ \$101, 7/1/13) (b) A3/A- 1,133,740 750 Linden Ponds, 5.75%, 11/15/35, Ser. A NR/NR 652,395 4,910 State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H Aa3/AA- 4,567,086 3,225 State Water Pollution Abatement Trust Rev., 5.00%, 8/1/32, Ser. 8 Aaa/AAA 3,242,221 9,595,442 | |
| Michigan-12.5% | |
| 500 Conner Creek Academy East Rev., 5.25%, 11/1/36 NR/BB+ 409,305 250 Crescent Academy, CP, 5.75%, 12/1/36 NR/NR 208,608 33,040 Detroit Sewer Disposal System Rev., 5.00%, 7/1/32, Ser. A (FSA) (j) Aaa/AAA 32,945,506 Detroit Water Supply System Rev. (MBIA), 35,000 5.00%, 7/1/34, Ser. A (j) Aaa/AAA 34,049,750 7,555 5.00%, 7/1/34, Ser. B Aaa/AAA 7,349,881 500 Star International Academy, CP, 6.125%, 3/1/37 NR/BB+ 446,010 State Hospital Finance Auth. Rev., 175 Detroit Medical Center, 5.25%, 8/15/23 Ba3/BB- 153,001 Oakwood Group, Ser. A, 5,405 5.75%, 4/1/32 A2/A 5,458,618 575 6.00%, 4/1/22 A2/A | |

602,203 20,000 Trinity Health Credit, 5.375%, 12/1/30 Aa2/AA 19,676,800
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PIMCO Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Principal |
|--|-------------|
| Amount (000) Credit Rating (Moody's/S&P) Value | |
| Michigan (continued) | |
| \$1,000 State Technological Univ. Rev., 5.00%, 10/1/33 (XLCA) A1/A- | \$1,032,070 |
| 10,000 Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A NR/BBB | 111,488,552 |
| Minnesota-0.3% | |
| 2,400 Upsala Independent School Dist. No. 487, GO, 5.00%, 2/1/28 (FGIC) Baa3/AAA | 2,568,432 |
| Mississippi-0.5% | |
| Business Finance Corp., Pollution Control Rev., 3,000 5.875%, 4/1/22 Ba1/BBB | 2,939,820 |
| 1,250 5.90%, 5/1/22 Ba1/BBB | 4,159,095 |
| Missouri-1.5% | |
| 1,350 St. Louis Cnty. Industrial Dev. Auth., Housing Dev. Rev., 5.20%, 1/20/36 (GNMA) NR/AAA | 1,277,856 |
| 1,500 St. Louis Industrial Dev. Auth. Rev. (GNMA), 5.125%, 12/20/29 NR/AAA | 1,436,415 |
| 1,500 5.125%, 12/20/30 NR/AAA | 1,411,500 |
| 7,500 State Health & Educational Facs. Auth., Health Facs. Rev., St. Anthony's Medical Center, 6.25%, 12/1/30, (Pre-refunded @ \$101, 12/1/10) (b) A2/NR | 8,326,650 |
| 250 Township of Jennings Rev., 5.00%, 11/1/23 NR/NR | 228,220 |
| 500 Univ. Place Transportation Dev. Dist., Special Assessment, 5.00%, 3/1/32 NR/NR | 422,930 |
| | 13,103,571 |
| Montana-1.3% | |
| 11,250 Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31 (AMBAC) Aaa/AAA | 11,188,800 |
| Nevada-0.4% | |
| 3,355 Henderson Health Care Facs. Rev., Catholic Healthcare West, 5.125%, 7/1/28, (Pre-refunded @ \$101, 7/1/08) (b) A2/NR | 3,415,356 |
| New Hampshire-0.5% | |
| Manchester Water Works Rev. (FGIC), 1,500 5.00%, 12/1/28 Aa3/AA | 1,490,340 |
| 3,250 5.00%, 12/1/34 Aa3/AA | 3,152,013 |
| | 4,642,353 |
| New Jersey-5.7% | |

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1,000 Camden Cnty., Improvement Auth. Rev., 5.00%, 2/15/35, Ser. A Baa3/BBB 822,540 4,500 Economic
Dev. Auth. Rev.,
Kapkowski Road Landfill, Special Assessment, 6.50%, 4/1/28 Baa3/NR 4,759,740 300 Newark Airport, 7.00%,
10/1/14 Ba1/NR 301,815 450 Seashore Gardens, 5.375%, 11/1/36 NR/NR 368,172 Financing Auth. Rev.,
2,500 Middlesex Cnty. Pollution Control Auth. Rev., 5.75%, 9/15/32 Baa3/BBB- 2,365,225 2,000 South Port
Corp., 5.10%, 1/1/33 NR/A 1,966,700

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PIMCO Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| Amount (000) Credit Rating (Moody's/S&P) Value | Principal |
|--|-----------|
| New Jersey (continued) | |
| Health Care Facs. Financing Auth. Rev., \$3,000 Pascack Valley Hospital, 6.625%, 7/1/36 (e) NR/CC \$1,770,000 2,000 Somerset Medical Center, 5.50%, 7/1/33 Ba2/NR 1,698,720 1,000 St. Peters Univ. Hospital, 5.75%, 7/1/37 Baa2/BBB- 958,980 1,150 Trinitas Hospital, 5.25%, 7/1/30, Ser. A Baa3/BBB- 1,001,489 1,500 State Educational Facs. Auth. Rev., Fairfield Dickinson Univ., 6.00%, 7/1/25, Ser. D NR/NR 1,520,400 Tobacco Settlement Financing Corp. Rev., 22,645 5.00%, 6/1/41, Ser. 1A Baa3/BBB 18,250,511 525 6.00%, 6/1/37, (Pre-refunded @ \$100, 6/1/12) (b) Aaa/AAA 587,465 1,000 6.125%, 6/1/24 Aaa/AAA 1,069,270 230 6.125%, 6/1/42, (Pre-refunded @ \$100, 6/1/12) (b) Aaa/AAA 258,483 350 6.25%, 6/1/43, (Pre-refunded @ \$100, 6/1/13) (b) Aaa/AAA 402,371 10,750 6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (b) Aaa/AAA 12,613,190 50,715,071 | |
| New Mexico-0.1% | |
| 1,000 Farmington Pollution Control Rev., 5.80%, 4/1/22 Baa2/BBB- 986,820 | |
| New York-2.9% | |
| 10,000 Metropolitan Transportation Auth. Rev., 5.25%, 11/15/32, Ser. B, (Pre-refunded @ \$100, 11/15/13) (b) A2/AAA 11,215,100 1,150 Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A NR/NR 1,127,529 New York City Municipal Water Finance Auth. Rev., Water & Sewer System Rev., 8,180 5.00%, 6/15/37, Ser. D (j) Aa2/AA+ 8,117,259 1,500 5.00%, 6/15/39, Ser. A Aa2/AA+ 1,488,165 2,000 State Dormitory Auth. Rev., 5.00%, 7/1/37 Aa3/AA- 1,984,640 2,000 State Environmental Facs. Corp. Rev., 5.00%, 6/15/28 Aaa/AAA 2,032,800 25,965,493 | |
| North Carolina-1.3% | |
| Eastern Municipal Power Agcy., Power System Rev., 2,000 5.125%, 1/1/23, Ser. D Baa1/BBB 1,964,340 2,000 5.125%, 1/1/26, Ser. D Baa1/BBB 1,900,320 3,795 5.375%, 1/1/17, Ser. C Baa1/BBB 3,941,753 Medical Care Commission Rev., 1,500 Carolina Village, 6.00%, 4/1/38 NR/NR 1,379,430 1,500 Cleveland Cnty., 5.00%, 7/1/35 (AMBAC) Aaa/AAA 1,477,935 1,000 Village at Brookwood, 5.25%, 1/1/32 NR/NR 798,300 11,462,078 | |
| Ohio-1.3% | |
| 5,000 Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2 Baa3/BBB 4,405,650 2,500 Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30 A1/AA- 2,466,275 5,000 Ohio Air Quality Dev. Auth. Rev., Dayton Power & Light Co., 4.80%, 1/1/34, Ser. B (FGIC) (j) A2/A- 4,616,250 11,488,175 | |

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PIMCO Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| Amount (000) Credit Rating (Moody's/S&P) Value | Principal |
|--|---------------------|
| Pennsylvania—4.2% | |
| Allegheny Cnty. Hospital Dev. Auth. Rev., \$11,300 5.375%, 11/15/40, Ser. A Ba2/BB 4,350 9.25%, 11/15/30, Ser. B, (Pre-refunded @ \$102, 11/15/10) (b) Ba3/AAA 5,149,704 Cumberland Cnty. Auth., Retirement Community Rev., Messiah Village, Ser. A, 750 5.625%, 7/1/28 NR/BBB- 700,567 670 6.00%, 7/1/35 NR/BBB- 642,222 1,500 Wesley Affiliated Services, 7.25%, 1/1/35, Ser. A, (Pre-refunded @ \$101, 1/1/13) (b) NR/NR 1,782,630 3,250 Delaware River JT Toll Bridge, Commission Bridge Rev., 5.00%, 7/1/28 A2/A- 3,225,235 1,250 Harrisburg Auth. Rev., 6.00%, 9/1/36 NR/NR 1,164,800 3,000 Lehigh Cnty. General Purpose Auth. Rev., St. Luke's Bethlehem Hospital, 5.375%, 8/15/33, (Pre-refunded @ \$100, 8/15/13) (b) Baa1/BBB+ 3,297,570 5,000 Philadelphia School Dist., GO, 5.125%, 6/1/34, Ser. D, (Pre-refunded @ \$100, 6/1/14) (FGIC) (b) A1/A+ 5,531,200 6,300 St. Mary Hospital Auth., Bucks Cnty. Rev., 5.00%, 12/1/28, (Partially Pre-refunded @ \$101, 6/1/08) (b) NR/NR 6,370,875 36,903,108 | |
| Puerto Rico—0.3% | |
| (Pre-refunded @ \$100, 7/1/13) (b), Electric Power Auth. Power Rev., Ser. NN, 1,740 5.125%, 7/1/29 A3/AAA 1,923,448 460 5.125%, 7/1/29 A3/BBB+ 508,498 2,431,946 | |
| South Carolina—1.7% | |
| 7,500 Florence Cnty. Rev., McLeod Regional Medical Center, 5.00%, 11/1/31, Ser. A (FSA) Aaa/AAA 7,307,175 Jobs-Economic Dev. Auth. Rev., Bon Secours, 5,305 5.625%, 11/15/30 A3/A- 5,274,390 1,395 5.625%, 11/15/30, (Pre-refunded @ \$100, 11/15/12) (b) A3/A- 1,555,551 750 Woodlands at Furman, 6.00%, 11/15/37, Ser. A NR/NR 672,127 14,809,243 | |
| South Dakota—0.2% | |
| 1,705 Minnehaha Cnty. Health Facs. Rev., Bethany Lutheran, 5.375%, 12/1/27 NR/NR 1,491,943 | |
| Tennessee—0.1% | |
| 1,250 Knox Cnty. Health Educational & Housing Facs. Board, Hospital Rev., Partners, 5.25%, 10/1/30 A1/AA- 1,213,075 | Catholic Healthcare |
| Texas—14.4% | |

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11,675 Beaumont Independent School Dist., GO, 5.00%, 2/15/38 (PSF-GTD) Aaa/AAA 11,584,752 2,500
Columbia & Brazoria Independent School Dist., GO, 5.00%, 8/1/29 (PSF-GTD) NR/AAA 2,510,275 1,300
Comal Cnty. Health Facs. Dev. Rev., McKenna Memorial Hospital Project, 6.25%, 2/1/32, (Pre-refunded @ \$100,
2/1/13) (b) Baa2/AAA 1,467,310

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PIMCO Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| Amount (000) Credit Rating (Moody's/S&P) Value | Principal |
|--|-------------------|
| Texas (continued) | |
| \$6,810 Crowley Independent School Dist., GO, 4.75%, 8/1/35 (PSF-GTD) (j) Aaa/AAA | \$6,412,432 6,455 |
| Dallas Area Rapid Transit Rev., 5.00%, 12/1/32, (Pre-refunded @ \$100, 12/1/12) (FGIC) (b)(j) Aa3/AA+ | |
| 7,030,011 Denton Independent School Dist., GO (PSF-GTD), 5,745 zero coupon, 8/15/26, (Pre-refunded @ | |
| \$44.73, 8/15/12) (b) Aaa/AAA 2,228,486 255 zero coupon, 8/15/26 Aaa/AAA 91,698 5,745 zero coupon, | |
| 8/15/27, (Pre-refunded @ \$42.17, 8/15/12) (b) Aaa/AAA 2,100,889 255 zero coupon, 8/15/27 Aaa/AAA 86,233 | |
| 4,785 zero coupon, 8/15/28, (Pre-refunded @ \$39.75, 8/15/12) (b) Aaa/AAA 1,649,437 215 zero coupon, 8/15/28 | |
| Aaa/AAA 68,385 5,745 zero coupon, 8/15/29, (Pre-refunded @ \$37.46, 8/15/12) (b) Aaa/AAA 1,866,263 255 | |
| zero coupon, 8/15/29 Aaa/AAA 76,309 1,915 zero coupon, 8/15/30, (Pre-refunded @ \$35.30, 8/15/12) (b) | |
| Aaa/AAA 586,143 85 zero coupon, 8/15/30 Aaa/AAA 23,926 7,660 zero coupon, 8/15/31, (Pre-refunded @ | |
| \$33.25, 8/15/12) (b) Aaa/AAA 2,208,761 340 zero coupon, 8/15/31 Aaa/AAA 90,042 10,115 5.00%, 8/15/33 (j) | |
| Aaa/AAA 10,071,202 12,855 El Paso, GO, 4.75%, 8/15/33, Ser. 1057 (FSA) (j) NR/AAA 11,957,849 Harris | |
| Cnty. Health Facs. Dev. Corp. Rev., 5,000 Christus Health, 5.375%, 7/1/29, (Pre-refunded @ \$101, 7/1/09) | |
| (MBIA) (b) Aaa/AAA 5,243,550 2,750 St. Luke's Episcopal Hospital, 5.375%, 2/15/26, Ser. A, | |
| (Pre-refunded @ \$100, 8/15/11) (b) NR/AAA 2,985,125 5,000 Houston Water & Sewer System Rev., | |
| 5.00%, 12/1/30, Ser. A, (Pre-refunded @ \$100, 12/1/12) (FSA) (b) Aaa/AAA 5,445,400 Judson Independent | |
| School Dist., GO (PSF-GTD), 6,535 5.00%, 2/1/30, (Pre-refunded @ \$100, 2/1/11) (b) Aaa/NR 6,968,924 465 | |
| 5.00%, 2/1/30 Aaa/NR 464,968 11,950 Mansfield Independent School Dist., GO, 5.00%, 2/15/28 (PSF-GTD) (j) | |
| Aaa/AAA 11,985,133 Mesquite Independent School Dist. No. 1, GO, Ser. A (PSF-GTD), 1,365 zero coupon, | |
| 8/15/16 NR/AAA 964,918 1,000 zero coupon, 8/15/18 NR/AAA 629,430 1,000 zero coupon, 8/15/19 NR/AAA | |
| 586,550 1,000 zero coupon, 8/15/20 NR/AAA 551,090 11,800 North Texas Tollway Auth. Rev., 5.625%, 1/1/33, | |
| Ser. A (d) A2/A- 11,744,186 2,105 Northwest Harris Cnty. Municipal Utility Dist. No. 16, GO, 5.30%, | |
| 10/1/29 (Radian) NR/AA 2,152,784 2,000 Sabine River Auth. Rev., 5.20%, 5/1/28 NR/CCC 1,534,920 11,115 | |
| Univ. Rev., 5.00%, 8/15/33, Ser. B, (Pre-refunded @ \$100, 8/15/13) (b)(j) Aaa/AAA 12,128,355 2,500 Willacy | |
| Cnty. Rev., 6.875%, 9/1/28, Ser. A-1 NR/NR 2,542,200 128,037,936 | |

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PIMCO Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Principal |
|--|-----------|
| Amount (000) Credit Rating (Moody's/S&P) Value | |
| Utah-0.3% | |
| \$1,750 Cnty. of Weber, IHC Health Services Rev., 5.00%, 8/15/30 Aa1/NR \$1,653,120 750 Spanish Fork City Rev., 5.70%, 11/15/36 NR/NR 661,875 720 Utah Cnty. Lincoln Academy Charter School, GO, 5.875%, 6/15/37, Ser. A (c) NR/NR 651,845 2,966,840 | |
| Virginia-0.1% | |
| 1,000 James City Cnty. Economic Dev. Auth. Rev., 5.50%, 7/1/37, Ser. A NR/NR 841,270 | |
| Washington-10.2% | |
| 6,375 Chelan Cnty. Public Utility Dist. Rev., 5.125%, 7/1/33, Ser. C (AMBAC) Aaa/AAA 6,407,066 King Cnty. Sewer Rev., Ser. A, 10,000 5.00%, 1/1/35 (FGIC) A1/AA 9,740,200 15,000 5.00%, 1/1/35 (FSA)(j) Aaa/AAA 15,019,200 21,625 Port Tacoma, GO, 5.00%, 12/1/33, (Pre-refunded@\$100,12/1/13)(AMBAC)(b)(j) Aaa/AAA 23,872,486 10,000 Seattle Drain & Wastewater Rev., 5.00%, 7/1/32 (FGIC) Aa2/AA+ 9,915,900 3,400 State Housing Finance Commission Rev., Skyline at First Hill, 5.625%, 1/1/38, Ser. A NR/NR 2,888,708 22,415 Tobacco Settlement Auth., Tobacco Settlement Rev., 6.50%, 6/1/26 Baa3/BBB 23,093,951 90,937,511 | |
| Wisconsin-0.1% | |
| 560 Badger Tobacco Asset Securitization Corp. Rev., 6.00%, 6/1/17 Baa3/BBB 563,494 700 Milwaukee Redev. Auth. Rev., 5.65%, 8/1/37, Ser. A NR/NR 609,315 1,172,809 Total Municipal Bonds & Notes (cost-\$866,936,656) 872,599,932 | |
| VARIABLE RATE NOTES (g)-1.7% | |
| Florida-0.3% | |
| 3,190 State Turnpike Auth. Rev., 11.98%, 7/1/31, Ser. 1450 (a)(c)(f) Aa2/NR 2,501,311 | |
| New York-1.2% | |
| 4,660 Liberty Dev. Corp. Rev., 16.96%, 10/1/35, Ser. 1451 (a)(c)(f) Aa3/NR 4,897,660 6,000 State Dormitory Auth. Rev., Univ. & College Improvement., 15.59%, 3/15/35, Ser. 1216 (a)(c)(f) NR/AAA 6,034,200 10,931,860 | |

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Ohio-0.2%

2,075 State Air Quality Dev. Auth. Rev., 1.15%, 1/1/34 (FGIC) (a)(c)(f) A2/NR 1,293,244

Pennsylvania-0.0%

350 Washington Cnty. Redev. Auth., Tax Allocation, 5.45%, 7/1/35, Ser. A NR/NR 303,159 Total Variable
Rate Notes (cost-\$19,330,232) 15,029,574

U.S. TREASURY BILLS (h)-0.2%

1,535 1.42%-2.08%, 5/29/08-6/12/08 (cost-\$1,530,330) 1,530,330

Total Investments before options written (cost-\$887,797,218)-100.0%

889,159,836

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PIMCO Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

Contracts Value

OPTIONS WRITTEN (i)–(0.0)%

Put Options–(0.0)%

U.S. Treasury Notes 10 yr. Futures (CBOT), 351 strike price \$114, expires 5/23/08 (premiums
 received–\$286,732) \$(76,781)

Total Investments net of options written (cost–\$887,510,486)–100.0%

\$889,083,055

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 Statements

PIMCO California Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited)

| Amount (000) Credit Rating (Moody's/S&P) Value | Principal |
|--|--|
| CALIFORNIA MUNICIPAL BONDS & NOTES—93.6% | |
| \$1,000 Alameda Public Financing Auth. Rev., 7.00%, 6/1/09 NR/NR \$1,000,870 | Assoc. of Bay Area Gov't |
| Finance Auth. Rev., Odd Fellows Home, 3,200 5.20%, 11/15/22 NR/A+ | 3,256,256 11,725 5.35%, |
| 11/15/32 NR/A+ 11,752,788 Burbank Public Finance Auth., Tax Allocation, San Fernando Redev. Project, | |
| 1,135 5.50%, 12/1/28 NR/BBB 1,086,320 1,000 5.50%, 12/1/33 NR/BBB 946,100 2,000 | Butte-Glenn |
| Community College Dist., GO, | |
| 5.00%, 8/1/26, Ser. A (MBIA) Aaa/NR 2,046,780 2,000 | Capistrano Unified School Dist., Community Fac. Dist., |
| Special Tax, 6.00%, 9/1/32, (Pre-refunded @ \$100, 9/1/13) (b) NR/NR 2,298,640 500 | Carson Public Financing |
| Auth., Special Assessment, | |
| 5.00%, 9/2/31, Ser. B NR/NR 420,945 1,000 | Cathedral City Public Financing Auth., Tax Allocation, |
| 5.00%, 8/1/33, Ser. A (MBIA) Aaa/AAA 985,800 1,150 | Ceres Redev. Agcy., Tax Allocation, 5.00%, 11/1/33 |
| (MBIA) Aaa/AAA 1,123,976 | Ceres Unified School Dist., GO (FGIC), 2,825 zero coupon, 8/1/28 Baa3/A |
| 846,059 2,940 zero coupon, 8/1/29 Baa3/A 822,965 | Chula Vista Community Facs. Dist., Special Tax, |
| Eastlake Woods, 675 6.15%, 9/1/26 NR/NR 670,619 1,620 | 6.20%, 9/1/33 NR/NR 1,593,448 |
| Otay Ranch Village, 1,990 5.125%, 9/1/36 NR/NR 1,661,909 1,600 | 5.75%, 9/1/33 NR/NR |
| 1,472,832 1,000 | City of Carlsbad, Special Assessment, 6.00%, 9/2/34 NR/NR 985,600 |
| Financing Auth., Tax Allocation, Ser. A, 1,415 | 5.625%, 8/1/33 NR/BBB 1,389,587 6,585 5.625%, |
| 8/1/33, (Pre-refunded @ \$100, 8/1/13) (b) NR/BBB 7,433,411 3,775 | Cucamonga School Dist., CP, 5.20%, 6/1/27 |
| NR/A- 3,637,288 | Educational Facs. Auth. Rev., 2,455 Loyola Marymount Univ., zero coupon, 10/1/34 |
| (MBIA) Aaa/NR 530,084 5,000 | Pepperdine Univ., 5.00%, 9/1/33, Ser. A (FGIC) Aa3/NR 4,887,200 |
| Fremont Community Dist., Special Tax, 1,250 | 5.30%, 9/1/30 NR/NR 1,092,800 5,000 6.30%, 9/1/31 |
| NR/NR 4,957,350 9,500 | Fresno School Unified Dist., GO, 6.00%, 8/1/26, Ser. A (MBIA) Aaa/AAA 10,169,275 |
| 4,380 | Glendale Electric Works Rev., 5.00%, 2/1/27 (MBIA) Aaa/AAA 4,434,005 |
| Golden State Tobacco | |
| Securitization Corp. Rev., 10,000 | 5.00%, 6/1/33, Ser. A-1 (FGIC) Baa3/BBB 8,315,700 10,000 5.00%, |
| 6/1/35, Ser. A (FGIC) A2/A 9,738,401 10,000 | 5.00%, 6/1/35, Ser. A (FGIC) (j) A2/A 9,738,400 |

PIMCO California Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Amount (000) | Credit Rating | Principal |
|---|-----------------|--|------------------|
| (Moody's/S&P) Value \$9,000 | 5.00% | 6/1/45 (AMBAC-TCRS) (j) Aaa/AAA | \$8,507,160 |
| 6/1/45, Ser. A (FGIC-TCRS) (j) A2/AAA | 3,649,320 | 18,000 6.25%, 6/1/33, Ser. A-1 Aaa/AAA | 19,640,520 |
| 38,490 6.75%, 6/1/39, Ser. A-1, (Pre-refunded @ \$100, 6/1/13) (b) Aaa/AAA | 44,564,107 | | Health Facs. |
| Finance Auth. Rev., 6,000 Cottage Health System, 5.00%, 11/1/33, Ser. B (MBIA) Aaa/AAA | 5,864,220 | | |
| Paradise VY Estates (CA Mtg. Ins.), 2,000 5.125%, 1/1/22 NR/A+ | 2,012,800 | 1,550 5.25%, | |
| 1/1/26 NR/A+ 1,541,026 2,000 Sutter Health, 6.25%, 8/15/35, Ser. A Aa3/AA- | 2,080,060 | | Infrastructure & |
| Economic Dev. Bank Rev., 7,750 Bay Area Toll Bridges, 5.00%, 7/1/36, | | | |
| (Pre-refunded @ \$100, 1/1/28) (AMBAC) (b)(j) Aaa/AAA 7,995,908 Kaiser Assistance Corp., 3,000 | | | |
| 5.50%, 8/1/31, Ser. B A2/A 3,014,850 8,000 5.55%, 8/1/31, Ser. A NR/A+ | 8,057,920 | 20 Lancaster | |
| Financing Auth., Tax Allocation, 4.75%, 2/1/34 (MBIA) Aaa/AAA 18,336 825 Lee Lake Water Dist. Community | | | |
| Facs. Dist. No. 2, | | | |
| Montecito Ranch, Special Tax, 6.125%, 9/1/32 NR/NR 788,304 5,000 Long Beach Community College Dist., GO, | | | |
| 5.00%, 5/1/28, Ser. A, (Pre-refunded @ \$100, 5/1/13) (MBIA) (b) Aaa/AAA 5,494,800 Los Angeles Department | | | |
| of Water & Power Rev. (j), 6,000 4.75%, 7/1/30, Ser. A-2 (FSA) Aaa/AAA 5,752,920 10,000 5.00%, | | | |
| 7/1/30, Ser. A Aa3/AA- 9,946,100 20,000 5.00%, 7/1/35, Ser. A (FSA) Aaa/AAA 19,880,600 5,280 Modesto | | | |
| Irrigation Dist., CP, 5.00%, 7/1/33, Ser. A (MBIA) Aaa/AAA 5,272,080 4,585 Moreno Valley Unified School Dist. | | | |
| Community Facs. Dist., | | | |
| Special Tax, 5.20%, 9/1/36 NR/NR 3,729,485 5,000 Oakland, GO, 5.00%, 1/15/33, Ser. A (MBIA) Aaa/AAA | | | |
| 4,820,700 1,545 Oakland Redev. Agcy., Tax Allocation, | | | |
| 5.25%, 9/1/33, (Pre-refunded @ \$100, 3/1/13) (b) NR/A 1,710,794 5,000 Orange Cnty. Community Facs. Dist., | | | |
| Ladera Ranch, Special Tax, 5.55%, 8/15/33, Ser. A NR/NR 4,726,950 5,000 Orange Cnty. Unified School Dist., | | | |
| CP, 4.75%, 6/1/29 (MBIA) Aaa/AAA 4,694,650 Orange Cnty. Water Dist. Rev., CP, Ser. B (MBIA), 1,000 | | | |
| 5.00%, 8/15/28 Aaa/AAA 1,001,800 5,525 5.00%, 8/15/34 Aaa/AAA 5,455,130 5,000 Pajaro Valley | | | |
| Unified School Dist., GO, | | | |
| 5.00%, 8/1/26, Ser. A, (Pre-refunded @ \$100, 8/1/13) (FSA) (b)(j) Aaa/AAA 5,517,300 2,000 Palm Desert | | | |
| Financing Auth., Tax Allocation, 5.00%, 4/1/25 (MBIA) Aaa/AAA 2,018,540 6,455 Pasadena Water Rev., 5.00%, | | | |
| 6/1/33 (FGIC) Baa3/AA 6,354,625 1,410 Pomona Public Financing Auth. Rev., 5.00%, 12/1/37, Ser. AF (MBIA) | | | |
| Aaa/AAA 1,271,298 | | | |

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PIMCO California Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Amount | Principal |
|--|--|---|
| (Moody's/S&P) Value | (000) Credit Rating | |
| Special Tax, \$1,950 5.125%, 9/1/28 NR/BBB | \$1,754,844 Area A, 1,285 6.05%, 9/1/25 NR/NR | |
| 1,297,105 2,100 6.125%, 9/1/33 NR/NR | 2,115,561 1,700 Area B, 5.125%, 9/1/28 NR/NR | 1,482,808 |
| 5,000 Riverside, CP, 5.00%, 9/1/33 (AMBAC) | Aaa/AAA 4,887,200 500 Rocklin Unified School Dist. | |
| | Community Facs., Special Tax, | |
| 5.00%, 9/1/29 (MBIA) Aaa/AAA | 499,980 1,360 Sacramento City Financing Auth. Rev., | |
| North Natomas CFD No. 2, 6.25%, 9/1/23, Ser. A | NR/NR 1,318,370 10,820 Sacramento Cnty. Water Financing | |
| | Auth. Rev., | |
| 5.00%, 6/1/34, (Pre-refunded @ \$100, 6/1/13) (AMBAC) (b)(j) | Aaa/AAA 11,906,977 8,000 Sacramento Muni | |
| | Utility Dist., Electric Rev., | |
| 5.00%, 8/15/33, Ser. R (MBIA) (j) Aaa/AAA | 7,920,080 12,075 San Diego Community College Dist., GO, 5.00%, | |
| 5/1/28, Ser. A (FSA) (j) Aaa/AAA | 12,225,575 San Diego Community Facs. Dist. No. 3, Special Tax, Ser. A (a), | |
| 890 5.60%, 9/1/21 NR/NR | 873,517 580 5.70%, 9/1/26 NR/NR | 538,188 1,700 5.75%, 9/1/36 NR/NR |
| 1,537,633 San Diego Unified School Dist., GO, Ser. E (FSA), | 11,000 5.00%, 7/1/26 Aaa/AAA | |
| 11,871,200 8,425 5.00%, 7/1/28 Aaa/AAA | 9,092,260 1,500 San Diego Univ. Foundation Auxiliary | |
| | Organization, Rev., | |
| 5.00%, 3/1/27, Ser. A (MBIA) Aaa/AAA | 1,517,985 3,000 San Jose, Libraries & Parks, GO, 5.125%, 9/1/31 | |
| | Aa1/AA+ 3,036,810 15,700 San Marcos Public Facs. Auth., Tax Allocation, | |
| 5.00%, 8/1/33, Ser. A (FGIC) A3/A | 14,665,527 Santa Ana Unified School Dist., GO, Ser. B (FGIC), | 2,515 |
| zero coupon, 8/1/26 Baa3/A+ | 905,853 3,520 zero coupon, 8/1/28 Baa3/A+ | 1,109,750 2,500 zero coupon, |
| 8/1/30 Baa3/A+ | 691,450 3,780 zero coupon, 8/1/31 Baa3/A+ | 980,305 3,770 zero coupon, 8/1/32 Baa3/A+ |
| | 918,372 Santa Margarita Water Dist., Special Tax, | 1,820 6.25%, 9/1/29 NR/NR |
| | 6.25%, 9/1/29, (Pre-refunded @ \$102, 9/1/09) (b) NR/NR | 4,443,499 3,550 Santa Monica Community College |
| | Dist., GO, | |
| zero coupon, 8/1/27, Ser. C (MBIA) Aaa/AAA | 1,162,128 4,425 South Tahoe JT Powers Financing Auth. Rev., | |
| | 5.45%, 10/1/33 NR/BBB | 4,106,090 Southern CA Public Power Auth., Power Project Rev., Ser. A, |
| (Pre-refunded @ \$100, 7/1/13) (AMBAC) (b)(j), | 15,010 5.00%, 7/1/33 Aaa/AAA | 16,540,269 |

PIMCO California Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Amount | Principal |
|--|---------------|-----------|
| | (000) | |
| | Credit Rating | |
| (Moody's/S&P) Value \$4,095 State Department Veteran Affairs Home Purchase Rev., | | |
| 5.35%, 12/1/27, Ser. A (AMBAC) Aaa/AAA \$4,160,684 State Public Works Board Lease Rev., | 1,105 | |
| Patton, 5.375%, 4/1/28 A2/A 1,130,459 4,600 Univ. CA M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A Aa2/AA- | | |
| 4,640,434 State, GO, 265 5.00%, 6/1/37 A1/A+ 258,235 10,300 5.00%, 11/1/37 A1/A+ 10,035,702 | | |
| 4,000 5.00%, 12/1/37 A1/A+ 3,897,120 Statewide Community Dev. Auth. Rev., 1,150 Baptist Univ., | | |
| 5.50%, 11/1/38, Ser. A NR/NR 1,060,794 2,500 Berkeley Montessori School, 7.25%, 10/1/33 NR/NR | | |
| 2,497,100 15,000 Health Facs., Memorial Health Services, 5.50%, 10/1/33, Ser. A NR/A+ 15,038,850 1,250 | | |
| Huntington Park Chapter School, 5.25%, 7/1/42, Ser. A NR/NR 1,031,988 3,505 Internext Group, CP, | | |
| 5.375%, 4/1/30 NR/BBB 3,165,366 7,300 Jewish Home, 5.50%, 11/15/33 (CA St. Mtg.) NR/A+ 7,348,545 | | |
| 10,000 Sutter Health, 5.50%, 8/15/34, Ser. B Aa3/AA- 10,068,600 2,500 Valleycare Health, 5.125%, | | |
| 7/15/31, Ser. A NR/NR 2,077,150 975 Windrush School, 5.50%, 7/1/37 NR/NR 847,996 2,000 Tamalpais | | |
| Union High School Dist., GO, 5.00%, 8/1/26 (MBIA) Aaa/AAA 2,027,020 2,000 Temecula Public Financing Auth. | | |
| Community Facs. Dist., | | |
| Crowne Hill, Special Tax, 6.00%, 9/1/33, Ser. A NR/NR 1,883,620 Tobacco Securitization Agcy. Rev., | | |
| Alameda Cnty., 8,100 5.875%, 6/1/35 Baa3/NR 7,614,162 7,000 6.00%, 6/1/42 Baa3/NR | | |
| 6,612,620 4,910 Gold Cnty., zero coupon, 6/1/33 NR/BBB 869,463 2,000 Kern Cnty., 6.125%, 6/1/43, Ser. A | | |
| NR/BBB 1,923,240 5,000 Tobacco Securitization Auth. of Southern California Rev., | | |
| 5.00%, 6/1/37, Ser. A-1 Baa3/BBB 4,038,800 2,950 Torrance Medical Center Rev., 5.50%, 6/1/31, Ser. A A1/A+ | | |
| 2,972,626 Univ. Rev. (FSA)(j), 5,500 4.75%, 5/15/35 Aaa/AAA 5,218,565 21,125 5.00%, 9/1/33, Ser. | | |
| Q, (Pre-refunded @ \$101, 9/1/11) (b) Aaa/AAA 23,035,122 2,355 5.00%, 9/1/34, Ser. Q, (Pre-refunded @ \$101, | | |
| 9/1/11) (b) Aaa/AAA 2,567,939 4,000 Vernon Electric System Rev., Malburg Generating Station, | | |
| 5.50%, 4/1/33, (Pre-refunded @ \$100, 4/1/08) (b) Aaa/NR 4,000,000 1,000 West Basin Municipal Water Dist. | | |
| Rev., CP, | | |
| 5.00%, 8/1/30, Ser. A (MBIA) Aaa/AAA 1,002,710 2,500 William S. Hart Union High School Dist., Special Tax, | | |
| 6.00%, 9/1/33 NR/NR 2,402,350 2,750 Woodland Finance Auth., Lease Rev., 5.00%, 3/1/32 (XLCA) A3/A- | | |
| 2,678,775 Total California Municipal Bonds & Notes (cost-\$545,217,964) 551,988,122 | | |

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PIMCO California Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Amount | Principal |
|---|--|--|
| | (000) Credit Rating | |
| | (Moody's/S&P) Value | |
| OTHER MUNICIPAL BONDS & NOTES—4.8% | | |
| Florida—0.7% | \$4,720 Sarasota Cnty. Health Fac. Auth. Rev., 5.625%, 7/1/27 NR/NR | \$4,152,043 |
| Indiana—0.7% | 5,000 Vigo Cnty. Hospital Auth. Rev., 5.70%, 9/1/37 (c) NR/NR | New York—0.4% |
| | 2,330 State Dormitory Auth. Rev., Hospital Center, 6.25%, 8/15/15 (FHA) Aa2/AAA | 2,481,310 |
| Pennsylvania—0.7% | Allegheny Cnty. Hospital Dev. Auth. Rev., Ser. A, 1,000 5.00%, 11/15/28 | |
| | Ba2/BB 804,740 4,000 5.375%, 11/15/40 Ba2/BB 3,199,400 4,004,140 | Puerto Rico—2.0% |
| | Electric Power Auth. Power Rev., Ser. NN, | |
| | (Pre-refunded @ \$100, 7/1/13) (b), 1,185 5.125%, 7/1/29 A3/AAA 1,309,935 315 5.125%, 7/1/29 | |
| | A3/BBB+ 348,210 Public Building Auth. Rev., Gov't Facs., 4,420 5.00%, 7/1/36, Ser. I (GTD) | |
| | Baa3/BBB- 4,057,251 290 5.25%, 7/1/36, Ser. D Baa3/BBB- 280,447 Puerto Rico Sales Tax Financing | |
| | Corp. Rev., Ser. A, 23,200 zero coupon, 8/1/47 (AMBAC) Aaa/AAA 2,259,912 29,200 zero coupon, | |
| | 8/1/54 (AMBAC) Aaa/AAA 1,796,676 26,300 zero coupon, 8/1/56 A1/A+ 1,414,677 11,467,108 | |
| | South Dakota—0.3% 2,000 Minnehaha Cnty. Health Facs. Rev., | |
| | Bethany Lutheran, 5.50%, 12/1/35 NR/NR 1,703,900 Total Other Municipal Bonds & Notes (cost—\$32,633,012) | 28,192,401 |
| CALIFORNIA VARIABLE RATE NOTES (a)(c)(f)(g)—0.8% | | |
| | Los Angeles Unified School Dist., GO (MBIA), 1,745 12.339%, 1/1/23 NR/NR 1,492,847 2,090 | |
| | 15.235%, 1/1/11 NR/NR 3,410,901 Total California Variable Rate Notes (cost—\$4,754,171) | 4,903,748 |
| OTHER VARIABLE RATE NOTES (g)—0.7% | | |
| Puerto Rico—0.7% | 3,800 Public Finance Corp. Rev., 5.75%, 8/1/27, Ser. A (cost—\$3,968,136) Ba1/BBB- | 3,999,158 |
| U.S. TREASURY BILLS (h)—0.1% | | |
| | 795 1.42%-2.08%, 5/29/08-6/12/08 (cost—\$792,648) 792,648 | Total Investments before options written (cost— |
| | \$587,365,931)— 100.0% 589,876,077 | |

PIMCO California Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

Contracts Value

OPTIONS WRITTEN (i)-(0.0)%

| | | | |
|---|-----------------|--|---|
| Put Options-(0.0)% | 249 | U.S. Treasury Notes 10 yr. Futures (CBOT), | |
| strike price \$114, expires 5/23/08 (premiums received- | \$203,408) | \$(54,469) | Total Investments net of options |
| written (cost- | \$587,162,523)- | 100.0% | \$589,821,608 |

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PIMCO New York Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited)

| | Principal |
|--|-----------|
| Amount (000) Credit Rating (Moody's/S&P) Value | |
| NEW YORK MUNICIPAL BONDS & NOTES—88.3% | |
| \$790 Dutchess Cnty. Industrial Dev. Agcy. Rev., 5.25%, 1/1/37 NR/NR \$649,056 2,800 East Rochester Housing Auth. Rev., St. Mary's Residence Project, 5.375%, 12/20/22 (GNMA) NR/AAA 2,897,076 1,400 Woodland Project, 5.50%, 8/1/33 NR/NR 1,203,930 1,300 Erie Cnty. Industrial Dev. Agcy., Orchard Park Rev., 6.00%, 11/15/36 NR/NR 1,151,722 Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 1,060 5.25%, 10/1/35 Aa3/AA- 1,070,812 2,990 5.25%, 10/1/35 (j) Aa3/AA- 3,020,498 900 5.50%, 10/1/37 Aa3/AA- 934,938 1,000 Long Island Power Auth., Electric System Rev., 5.00%, 9/1/27, Ser. C A3/A- 992,590 Metropolitan Transportation Auth. Rev., 1,200 5.00%, 11/15/26, Ser. B A2/A 1,206,312 6,220 5.00%, 11/15/32, Ser. A (FGIC)(j) A2/A 6,115,877 100 Monroe Tobacco Asset Securitization Corp. Rev., 6.375%, 6/1/35, (Pre-refunded @ \$101, 6/1/10) (b) Aaa/AAA 109,514 2,190 Mortgage Agcy. Rev., 4.75%, 10/1/27, Ser. 128 (j) Aa1/NR 1,982,760 1,300 Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A NR/NR 1,274,598 2,000 Nassau Cnty. Tobacco Settlement Corp., Rev., 6.60%, 7/15/39, (Pre-refunded @ \$101, 7/15/09) (b) Aaa/AAA 2,134,620 New York City, GO, Ser. I, 7,195 5.00%, 3/1/33 Aa3/AA 7,073,908 235 5.375%, 3/1/27 Aa3/AA 240,118 New York City Industrial Dev. Agcy. Rev., 800 Liberty Interactive Corp., 5.00%, 9/1/35 Baa3/BB 693,960 Yankee Stadium, 2,000 5.00%, 3/1/31 (FGIC) Baa3/BBB- 1,920,840 200 5.00%, 3/1/36 (MBIA) Aaa/AAA 196,738 5,000 New York City Municipal Water Finance Auth., Water & Sewer System Rev., 5.00%, 6/15/32, Ser. A Aa2/AA+ 4,999,650 5,000 New York City Trust for Cultural Res. Rev., 5.00%, 2/1/34 (FGIC) (j) Aa3/AA- 4,978,100 2,995 New York Cntys. Tobacco Trust II Rev., 5.625%, 6/1/35 Ba1/BBB 2,923,479 1,000 Niagara Falls Public Water Auth., Water & Sewer System Rev., 5.00%, 7/15/34, Ser. A (MBIA) Aaa/AAA 1,004,990 1,855 Sachem Central School Dist. of Holbrook, GO, 5.00%, 6/15/30 (MBIA) Aaa/AAA 2,042,633 State Dormitory Auth. Rev., 1,400 Catholic Health of Long Island, 5.10%, 7/1/34 Baa1/BBB 1,263,374 2,250 Jewish Board Family & Children, 5.00%, 7/1/33 (AMBAC) Aaa/AAA 2,257,020 2,000 Kaleida Health Hospital, 5.05%, 2/15/25 (FHA) NR/AAA 1,975,300 3,250 Lenox Hill Hospital, 5.50%, 7/1/30 Ba2/NR 2,977,065 Long Island Univ., Ser. A (Radian), 2,040 5.00%, 9/1/23 Aa3/AA 2,005,504 4,000 5.00%, 9/1/32 Aa3/AA 3,619,800 3,000 Lutheran Medical Hospital, 5.00%, 8/1/31 (FHA-MBIA) Aaa/AAA 3,007,440 | |

PIMCO New York Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Amount (000) | Credit Rating | Principal |
|---------------------|--|---------------------|-------------|
| (Moody's/S&P) Value | | | |
| 2,000 | Mount St. Mary College (Radian), \$2,000 | 5.00%, 7/1/27 NR/AA | \$1,844,440 |
| 1,004,680 | 1,000 New York Univ., 5.00%, 7/1/31, Ser. 2 (AMBAC) | Aaa/AAA | |
| 1,000 | New York Univ. Hospital, 5.625%, 7/1/37, Ser. B | Ba2/BB | 929,050 |
| 6,094,343 | 6,150 North General Hospital, 5.00%, 2/15/25 | NR/AA- | |
| 1,107,470 | 7,000 North Shore L.I. Jewish Group, 1,000 | 5.50%, 5/1/33, | |
| 7,063,350 | 1,000 (Pre-refunded @ \$100, 5/1/13) (b) Aaa/NR | 1,107,470 | 7,000 |
| 1,000 | School Dist. Financing, 5.00%, 10/1/30 (MBIA) | Aaa/AAA | 1,009,200 |
| 2,504,375 | 3,740 Sloan-Kettering Center Memorial, 5.00%, 7/1/34, Ser. 1 | Aa2/AA | |
| 2,500 | 2,500 St. Barnabas Hospital, 5.00%, 2/1/31, Ser. A (AMBAC-FHA) | Aaa/AAA | 3,746,956 |
| 2,400 | State Personal Income Tax, 5.00%, 3/15/32, (Pre-refunded @ \$100, 3/15/13) (b) | Aa3/AAA | 2,626,176 |
| 1,250 | Student Housing Corp., 5.125%, 7/1/34, (Pre-refunded @ \$100, 7/1/14) (FGIC) (b) | Baa3/NR | 1,384,413 |
| 1,500 | Teachers College, 5.00%, 7/1/32 (MBIA) Aaa/NR | 1,510,140 | 620 |
| 2,000 | Winthrop Univ. Hospital Assoc., 5.50%, 7/1/32, Ser. A | Baa1/NR | 2,482,025 |
| 2,000 | Winthrop-Nassau Univ., 5.75%, 7/1/28 | Baa1/NR | 2,482,025 |
| 5,575 | Yeshiva Univ., 5.125%, 7/1/34 (AMBAC) Aaa/NR | 2,028,100 | |
| 8,855 | State Environmental Facs. Corp. Rev. (j), 4.75%, 7/15/28 | Aaa/AAA | 5,574,610 |
| 7,375 | State Housing Finance Agcy., State Personal Income Tax Rev., 5.00%, 3/15/33, Ser. A, (Pre-refunded @ \$100, 3/15/13) | (b)(j) Aa3/AAA | 8,087,794 |
| 1,900 | State Urban Dev. Corp. Rev., Personal Income Tax, 5.00%, 3/15/33, Ser. C-1, (Pre-refunded @ \$100, 3/15/13) (b) | Aa3/AAA | 2,079,056 |
| 4,000 | Triborough Bridge & Tunnel Auth. Rev., 5.00%, 11/15/32 (MBIA) (j) | Aaa/AAA | 4,021,040 |
| 960 | Ulster Cnty. Industrial Dev. Agcy. Rev., 6.00%, 9/15/37, Ser. A | NR/NR | 859,440 |
| 2,000 | Warren & Washington Cntys. Industrial Dev. Agcy. Rev., Glens Falls Hospital, 5.00%, 12/1/35, Ser. A (FSA) | Aaa/AAA | 1,982,100 |
| 1,250 | Westchester Cnty. Industrial Dev. Agcy. Continuing Care Retirement Rev., Kendal on Hudson, 6.50%, 1/1/34, (Pre-refunded @ \$100, 1/1/13) (b) | NR/NR | 1,442,663 |
| | Total New York Municipal Bonds & Notes (cost-\$140,029,183) | | 139,528,954 |

OTHER MUNICIPAL BONDS & NOTES-11.2%

California-2.6%

3,560 Golden State Tobacco Securitization Corp. Rev., 6.75%, 6/1/39, Ser. A-1, (Pre-refunded @ \$100, 6/1/13) (b) Aaa/AAA 4,121,804

District of Columbia-0.1%

175 Tobacco Settlement Financing Corp. Rev., 6.50%, 5/15/33 Baa3/BBB 172,851

PIMCO New York Municipal Income Fund III
 Schedule of Investments
 March 31, 2008 (unaudited) (continued)

| | Amount (000) | Credit Rating (Moody's/S&P) | Value | Principal |
|--|----------------------------------|--|----------------------------------|---------------|
| Indiana-1.7% | | | | |
| Vigo Cnty. Hospital Auth. Rev. (c), | \$1,000 | 5.70%, 9/1/37 NR/NR | \$876,780 2,000 | 5.75%, 9/1/42 |
| | NR/NR 1,737,300 | | 2,614,080 | |
| Puerto Rico-6.2% | | | | |
| Children's Trust Fund, Tobacco Settlement Rev., | 1,700 | 5.50%, 5/15/39 Baa3/BBB | 1,629,144 580 | |
| | 5.625%, 5/15/43 Baa3/BBB 555,605 | Electric Power Auth. Power Rev., Ser. NN, | | |
| (Pre-refunded @ \$100, 7/1/13) (b), | 790 | 5.125%, 7/1/29 A3/AAA 873,290 210 | 5.125%, 7/1/29 | |
| A3/BBB+ 232,140 4,000 | | Public Building Auth. Rev., Gov't Facs., 5.00%, 7/1/36, Ser. I (GTD) Baa3/BBB- | | |
| 3,671,720 2,400 | | Puerto Rico Aqueduct & Sewer Auth. Rev., 6.00%, 7/1/38, Ser. A Baa3/BBB- | 2,466,288 5,000 | |
| | | Puerto Rico Sales Tax Financing Corp. Rev., zero coupon, 8/1/54, | | |
| | Ser. A (AMBAC) Aaa/AAA 307,650 | | 9,735,837 | |
| Rhode Island-0.3% | | | | |
| 500 | | Tobacco Settlement Financing Corp. Rev., 6.125%, 6/1/32, Ser. A Baa3/BBB | 477,250 | |
| South Carolina-0.2% | | | | |
| 370 | | Tobacco Settlement Rev. Management Auth. Rev., | 6.375%, 5/15/30, Ser. B Baa3/BBB | 360,350 |
| Washington-0.1% | | | | |
| 135 | | Tobacco Settlement Auth. Rev., 6.625%, 6/1/32 Baa3/BBB 136,361 | Total Other Municipal Bonds & | |
| | | Notes (cost-\$16,864,416) 17,618,533 | | |
| NEW YORK VARIABLE RATE NOTES (a)(c)(f)(g)-0.4% | | | | |
| 700 | | State Urban Dev. Corp. Rev., 15.647%, 3/15/35 (cost-\$760,709) NR/AAA | 703,990 | |
| U.S. TREASURY BILLS (h)-0.1% | | | | |
| 175 | | 1.20%-1.42%, 6/12/08 (cost-\$174,511) | 174,511 | |
| Total Investments before options written (cost-\$157,828,819)-100.0% | | | | |

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158,025,988 Contracts

OPTIONS WRITTEN (i)-(0.0)%

Put Options-(0.0)%

U.S. Treasury Notes 10 yr. Futures (CBOT), 64 strike price \$114, expires 5/23/08 (premiums received-\$52,282) (14,000)

Total Investments net of options written (cost-\$157,776,537)-100.0%

\$158,011,988

See accompanying Notes to Financial Statements | 3.31.08 | PIMCO Municipal Income Funds III Semi-Annual Report
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PIMCO Municipal Income Funds III
 Notes to Schedule of Investments
 March 31, 2008 (unaudited)

(a)
 Private Placement – Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$14,726,415, representing 1.66% of total investments in Municipal Income III. Securities with an aggregate value of \$7,853,086, representing 1.33% of total investments in California Municipal Income III. Securities with an aggregated value of \$703,990, representing 0.45% of total investments in New York Municipal Income III.

(b)
 Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate).

(c) 144A
 Security – Security exempt from registration, under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.

(d)
 When-issued or delayed-delivery security. To be settled/delivered after March 31, 2008.

(e) Security
 in default.

(f) Inverse
 Floater – The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index.

(g) Variable Rate Notes – Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on March 31, 2008.

(h) All or
 partial amount segregated as collateral for futures contracts.

(i)
 Non-income producing.

(j) Residual
 Interest Bonds held in Trust – Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Funds acquired the residual interest certificates. These securities serve as collateral in a financing transaction.

Glossary:

| | |
|--|---------------|
| insured by American Municipal Bond Assurance Corp. | AMBAC – |
| Ins. – insured by California Mortgage Insurance | CA Mtg. |
| insured by California State Mortgage | CA St. Mtg. – |
| Chicago Board of Trade | CBOT – |
| | CP – |

Certificates of Participation

insured by Financial Guaranty Insurance Co.

FGIC –

insured by Federal Housing Administration

FHA –

insured by Financial Security Assurance, Inc.

FSA –

insured by Government National Mortgage Association

GNMA –

GO – General

Obligation Bond

GTD –

Guaranteed

MBIA – insured by Municipal Bond Investors Assurance

NR – Not

PSF –

Rated

Public School Fund

Radian –

insured by Radian Guaranty, Inc.

TCRS –

Temporary Custodian Receipts

XLCA –

insured by XL Capital Assurance

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PIMCO Municipal Income Funds III
 Statements of Assets and Liabilities
 March 31, 2008 (unaudited)

| | | California | | | Municipal III | | | | |
|------------------------------|---------------------|--|--|--|--|---|---|---|--|
| | | Municipal III | | New York | | | | | |
| Municipal III Assets: | | Investments, at value (cost—\$887,797,218, \$587,365,931 and \$157,828,819, respectively) \$ 889,159,836 | \$ 589,876,077 | \$ 158,025,988 | Interest receivable 13,019,085 | 8,094,118 | | | |
| | | 1,843,136 | Deposits with brokers for futures contracts collateral 5,205,000 | 4,270,000 | 760,000 | Prepaid expenses and other assets 503,595 | 772,313 249,131 | Total Assets 907,887,516 | 603,012,508 |
| 160,878,255 | Liabilities: | Payable for floating rate notes 173,261,481 | 121,378,423 | 38,823,991 | Payable to custodian for cash overdraft 33,248,881 | 14,869,411 | 1,157,290 | Payable for investments purchased 11,544,412 | — — |
| | | 1,375,181 | 319,051 | Interest payable 846,585 | 899,858 | 330,076 | Payable for variation margin on futures contracts 509,213 | 344,256 | 98,549 |
| | | Options written, at value (premiums received— 14,000 | Accrued expenses and other liabilities 136,303 | 86,427 | 391,842 | Total Liabilities 222,265,254 | 139,223,358 | 41,190,245 | Preferred shares (\$0.00001 par value and \$25,000 net asset and liquidation value per share applicable to an aggregate of 10,800, 7,400 and 1,880 shares issued and outstanding, respectively) |
| 270,000,000 | | 185,000,000 | 47,000,000 | Net Assets Applicable to Common Shareholders \$ 415,622,262 | \$ | 278,789,150 | \$ 72,688,010 | Composition of Net Assets Applicable to Common Shareholders: | |
| | | Common Stock: Par value (\$0.00001 per share) \$ 316 | \$ 216 | \$ 55 | Paid-in-capital in excess of par 449,159,656 | 305,674,467 | 78,189,823 | Undistributed net investment income 1,501,414 | 356,967 |
| | | 162,837 | Accumulated net realized loss (34,069,174) | (28,218,995) | (5,576,433) | Net unrealized appreciation (depreciation) of investments, futures contracts and options written (969,950) | 976,495 | (88,272) | |
| | | Net Assets Applicable to Common Shareholders \$ 415,622,262 | \$ 278,789,150 | \$ 72,688,010 | Common Shares Outstanding 31,615,581 | 21,556,009 | 5,517,633 | Net Asset Value Per Common Share \$ 13.15 | \$ 12.93 |
| | | | | \$ 13.17 | | | | | |

See accompanying Notes to Financial Statements | 3.31.08 | PIMCO Municipal Income Funds III Semi-Annual Report 25

PIMCO Municipal Income Funds III
 Statements of Operations
 Six months ended March 31, 2008 (unaudited)

| | California | | | Municipal III | | |
|---|---------------------|-------------------------------------|------------------------|----------------------------|--------------------------------------|--|
| | Municipal III | New York | | Municipal III | New York | |
| Municipal III Investment Income: | | | Interest \$ 26,318,373 | \$ 16,895,337 | \$ 4,262,739 | Expenses: |
| Interest expense | 3,372,761 | 2,487,595 | 690,488 | Investment management fees | 2,318,299 | |
| 1,575,386 | 404,487 | Custodian and accounting agent fees | 355,483 | 129,579 | 21,662 | Auction agent fees |
| | | and commissions | 348,708 | 236,070 | 61,274 | Audit and tax services |
| | | Shareholders communications | 30,508 | 20,449 | 7,119 | Trustees' fees and expenses |
| 11,313 | Transfer agent fees | 18,946 | 16,034 | 15,585 | New York Stock Exchange listing fees | 9,665 |
| 8,084 | Legal fees | 8,229 | 5,422 | 4,171 | Insurance expense | 6,875 |
| 8,956 | 8,422 | 7,852 | Total expenses | 6,543,944 | 4,541,601 | 1,252,321 |
| | | | | | | Less: investment management |
| | | | | | | fees waived |
| | | | | | | (387,518) |
| | | | | | | (263,445) |
| | | | | | | (67,635) |
| | | | | | | custody credits earned on cash balances |
| | | | | | | (151,869) |
| | | | | | | (52,608) |
| | | | | | | (1,840) |
| | | | | | | Net expenses |
| | | | | | | 6,004,557 |
| | | | | | | 4,225,548 |
| | | | | | | 1,182,846 |
| | | | | | | Net Investment Income |
| | | | | | | 20,313,816 |
| | | | | | | |
| | | | | | | Realized and Change In Unrealized Gain (Loss) |
| | | | | | | Net realized gain (loss) |
| | | | | | | on: |
| | | | | | | Investments |
| | | | | | | 4,391,427 |
| | | | | | | 1,406,330 |
| | | | | | | 235,281 |
| | | | | | | Futures contracts |
| | | | | | | (15,374,818) |
| | | | | | | (10,512,373) |
| | | | | | | (2,650,707) |
| | | | | | | Options written |
| | | | | | | 1,050,188 |
| | | | | | | 714,845 |
| | | | | | | 183,541 |
| | | | | | | Net change in unrealized |
| | | | | | | appreciation/depreciation of: |
| | | | | | | Investments |
| | | | | | | (33,548,508) |
| | | | | | | (25,490,908) |
| | | | | | | (5,481,148) |
| | | | | | | Futures |
| | | | | | | contracts |
| | | | | | | (2,462,485) |
| | | | | | | (1,351,437) |
| | | | | | | (535,445) |
| | | | | | | Options written |
| | | | | | | 209,951 |
| | | | | | | 148,939 |
| | | | | | | 38,282 |
| | | | | | | Net |
| | | | | | | realized and change in unrealized loss on investments, |
| | | | | | | futures contracts and options written |
| | | | | | | (45,734,245) |
| | | | | | | (35,084,604) |
| | | | | | | (8,210,196) |
| | | | | | | Net Decrease in Net Assets Resulting from Investment Operations |
| | | | | | | (25,420,429) |
| | | | | | | (22,414,815) |
| | | | | | | (5,130,303) |
| | | | | | | Dividends on Preferred Shares from |
| | | | | | | Net Investment Income |
| | | | | | | (4,937,013) |
| | | | | | | (3,190,306) |
| | | | | | | (860,739) |
| | | | | | | Net Decrease in Net Assets Applicable to |
| | | | | | | Shareholders Resulting from Investment Operations |
| | | | | | | \$ (30,357,442) |
| | | | | | | \$ (25,605,121) |
| | | | | | | \$ (5,991,042) |

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PIMCO Municipal Income Funds III
 Statements of Changes in Net Assets
 Applicable to Common Shareholders

| | Municipal III | | Six |
|--------------------|--|---------------------------|-----------------------------|
| | Months | | |
| | ended | | |
| | March 31, 2008 | | |
| | (unaudited) Year ended | | |
| September 30, 2007 | Investment Operations: | Net investment income | \$ 20,313,816 \$ 36,929,364 |
| | realized gain (loss) on investments, futures contracts and options written | (9,933,203) | 4,167,656 |
| | Net change in unrealized appreciation/depreciation of investments, futures contracts and options written | (35,801,042) | (16,790,726) |
| | Net increase (decrease) in net assets resulting from investment operations | (25,420,429) | 24,306,294 |
| | Dividends on Preferred Shares from Net Investment Income | (4,937,013) | (9,548,808) |
| | Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations | (30,357,442) | 14,757,486 |
| | Dividends to Common Shareholders from Net Investment Income | (13,262,595) | (26,397,297) |
| | Capital Share Transactions: | Reinvestment of dividends | 1,328,181 3,042,593 |
| | Total decrease in net assets applicable to common shareholders | (42,291,856) | (8,597,218) |
| | Net Assets Applicable to Common Shareholders: | Beginning of period | 457,914,118 466,511,336 |
| | End of period (including undistributed net investment income (dividends in excess) of \$1,501,414 and \$(612,794); \$356,967 and \$(1,366,248); \$162,837 and \$(318,262); respectively) | \$ 415,622,262 | \$ 457,914,118 |
| | Common Shares Issued in Reinvestment of Dividends | 93,241 | 202,633 |

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California Municipal III

New York Municipal III Six Months
ended

March 31, 2008

(unaudited) Year ended

September 30, 2007 Six Months
ended

March 31, 2008

(unaudited) Year ended

| | | | | | | | | |
|--------------------|---------------|---------------|----------------|----------------|---------------|---------------|--------------|--|
| September 30, 2007 | \$ 12,669,789 | \$ 23,096,778 | \$ 3,079,893 | \$ 5,690,778 | (8,391,198) | 1,814,644 | | |
| | (2,231,885) | 1,013,886 | (26,693,406) | (7,584,274) | (5,978,311) | (3,634,317) | (22,414,815) | |
| 17,327,148 | (5,130,303) | 3,070,347 | (3,190,306) | (6,244,266) | (860,739) | (1,607,055) | (25,605,121) | |
| 11,082,882 | (5,991,042) | 1,463,292 | (7,756,268) | (18,727,275) | (1,738,055) | (4,316,067) | 192,715 | |
| 1,365,933 | — | 433,794 | (33,168,674) | (6,278,460) | (7,729,097) | (2,418,981) | 311,957,824 | |
| 318,236,284 | 80,417,107 | 82,836,088 | \$ 278,789,150 | \$ 311,957,824 | \$ 72,688,010 | \$ 80,417,107 | 14,316 | |
| | | | 86,683 | — | 28,231 | | | |

See accompanying Notes to Financial Statements | 3.31.08 | PIMCO Municipal Income Funds III Semi-Annual Report
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PIMCO Municipal Income Fund III
Statement of Cash Flows
Six months ended March 31, 2008 (unaudited)

Cash Flows used for Operating

Activities: Purchases of long-term investments \$ (142,672,134) Proceeds from sales of long-term investments 122,588,910 Increase in deposits with brokers for futures contracts collateral (5,205,000) Interest received 18,872,397 Operating expenses paid (2,868,218) Net cash used for futures transactions (17,328,090) Net cash provided by options written 1,336,920 Net decrease in short-term investments 6,286,589 **Net cash used for operating activities** (18,988,626) **Cash Flows provided by Financing Activities:** Cash dividends paid (excluding reinvestment of dividends of \$1,328,181) (16,891,940) Cash overdraft at custodian 33,248,881 **Net cash provided by financing activities*** 16,356,941 **Net decrease in cash** (2,631,685) **Cash at beginning of period** 2,631,685 **Cash at end of period** — **Reconciliation of Net Decrease in Net Assets Resulting from Investment Operations to Net Cash Used for Operating Activities:** Net decrease in net assets resulting from investment operations (25,420,429) Increase in payable for investments purchased 10,369,270 Increase in deposits with brokers for futures contracts collateral (5,205,000) Decrease in receivable for investments sold 60,000 Increase in interest receivable (1,236,802) Increase in premiums received for options written 286,732 Increase in prepaid expenses and other assets (25,266) Increase in investment management fees payable 20,266 Increase in net payable for variation margin on futures contracts 509,213 Increase in unrealized appreciation of options written (209,951) Decrease in accrued expenses and other liabilities (231,422) Net decrease in investments 2,094,763 **Net cash used for operating activities** \$ (18,988,626)

*

Supplemental Disclosure

Non-cash

financing activity not included consists of interest expense on floating rate notes issued of \$3,372,761.

30 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.08 | See accompanying Notes to Financial Statements

PIMCO California Municipal Income Fund III
 Statement of Cash Flows
 Six months ended March 31, 2008 (unaudited)

Cash Flows used for Operating

Activities: Purchases of long-term investments \$ (55,733,520) Proceeds from sales of long-term investments 47,527,723 Increase in deposits with brokers for futures contracts collateral (4,270,000) Interest received 12,908,414 Operating expenses paid (1,914,226) Net cash used for futures transactions (11,519,554) Net cash provided by options written 918,253 Net decrease in short-term investments 5,825,607 **Net cash used for operating activities** (6,257,303) **Cash Flows provided by Financing Activities:** Cash dividends paid (excluding reinvestment of dividends of \$192,715) (10,744,926) Cash overdraft at custodian 14,869,411 **Net cash provided by financing activities*** 4,124,485 **Net decrease in cash** (2,132,818) **Cash at beginning of period** 2,132,818 **Cash at end of period** — **Reconciliation of Net Decrease in Net Assets Resulting from Investment Operations to Net Cash Used for Operating Activities:** Net decrease in net assets resulting from investment operations (22,414,815) Increase in deposits with brokers for futures contracts collateral (4,270,000) Increase in interest receivable (384,447) Increase in premiums received for options written 203,408 Increase in prepaid expenses and other assets (15,250) Increase in investment management fees payable 12,050 Increase in net payable of variation margin on futures contracts 344,256 Increase in unrealized appreciation of options written (148,939) Decrease in accrued expenses and other liabilities (173,073) Net decrease in investments 20,589,507 **Net cash used for operating activities** \$ (6,257,303)

*

Supplemental Disclosure

Non-cash

financing activity not included consists of interest expense on floating rate notes issued of \$2,487,595.

See accompanying Notes to Financial Statements | 3.31.08 | PIMCO Municipal Income Funds III Semi-Annual Report
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PIMCO New York Municipal Income Fund III
 Statement of Cash Flows
 Six months ended March 31, 2008 (unaudited)

Cash Flows provided by

Operating Activities: Purchases of long-term investments \$ (10,520,068) Proceeds from sales of long-term investments 6,167,813 Increase in deposits with brokers for futures contracts collateral (760,000) Interest received 3,296,674 Operating expenses paid (557,277) Net cash used for futures transactions (3,087,603) Net cash provided by options written 235,823 Net decrease in short-term investments 5,321,688 **Net cash provided by operating activities** 97,050 **Cash Flows used for Financing Activities:** Cash dividends paid (2,598,005) Cash overdraft at custodian 1,157,290 **Net cash used for financing activities*** (1,440,715) **Net decrease in cash** (1,343,665) **Cash at beginning of period** 1,343,665 **Cash at end of period** —

Reconciliation of Net Decrease in Net Assets Resulting from Investment Operations to Net Cash Provided by Operating Activities: Net decrease in net assets resulting from investment operations (5,130,303) Increase in deposits with brokers for futures contracts collateral (760,000) Decrease in receivable for investments sold 60,000 Increase in interest receivable (91,559) Increase in premiums received for options written 52,282 Increase in prepaid expenses and other assets (15,502) Increase in investment management fees payable 3,394 Increase in net payable of variation margin on futures contracts 98,549 Increase in unrealized appreciation of options written (38,282) Decrease in accrued expenses and other liabilities (52,811) Net decrease in investments 5,971,282 **Net cash provided by operating activities** \$ 97,050

*

Supplemental Disclosure

Non-cash

financing activity not included consists of interest expense on floating rate notes issued of \$690,488.

32 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.08 | See accompanying Notes to Financial Statements

PIMCO Municipal Income Funds III
Notes to Financial Statements
March 31, 2008 (unaudited)

1. Organization and Significant Accounting Policies

PIMCO Municipal Income Fund III (“Municipal III”), PIMCO California Municipal Income Fund III (“California Municipal III”) and PIMCO New York Municipal Income Fund III (“New York Municipal III”), collectively referred to as the “Funds” or “PIMCO Municipal Income Funds III”, were organized as Massachusetts business trusts on August 20, 2002. Prior to commencing operations on October 31, 2002, the Funds had no operations other than matters relating to their organization and registration as non-diversified, closed-end management investment companies registered under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended. Allianz Global Investors Fund Management LLC (the “Investment Manager”), serves as the investment manager and is an indirect, wholly-owned subsidiary of Allianz Global Investors of America L.P. (“Allianz Global”). Allianz Global is an indirect majority-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. The Funds have an unlimited amount of \$0.00001 par value common stock authorized.

Under normal market conditions, Municipal III invests substantially all of its assets in a portfolio of municipal bonds, the interest from which is exempt from federal income taxes. Under normal market conditions, California Municipal III invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal and California state income taxes. Under normal market conditions, New York Municipal III invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal, New York State and New York City income taxes. The Funds will seek to avoid bonds generating interest income which could potentially subject individuals to alternative minimum tax. The issuers’ abilities to meet their obligations may be affected by economic and political developments in a specific state or region.

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

In the normal course of business the Funds enter into contracts that contain a variety of representations which provide general indemnifications. The Funds’ maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds based upon events that have not been asserted. However, the Funds expect the risk of any loss to be remote.

In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109” (the “Interpretation”). The Interpretation establishes for all entities, including pass-through entities such as the Funds, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Funds’ management has determined that its evaluation of the Interpretation has resulted in no material impact to the Funds’ financial statements at March 31, 2008. The Funds’ federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (“SFAS”) 157, Fair Value Measurements, which clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods

within those fiscal years. At this time, the Funds are in the process of reviewing SFAS 157 against its current valuation policies to determine future applicability.

In March 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires enhanced disclosures about a fund's derivative and hedging activities. The Funds' management is currently evaluating the impact the adoption of SFAS 161 will have on the Funds' financial statement disclosures.

The following is a summary of significant accounting policies consistently followed by the Funds:

(a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Portfolio securities and other financial instruments for which market quotations are not readily available or if a development/event occurs that may significantly impact the value of a security are fair-valued, in good faith,

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PIMCO Municipal Income Funds III
Notes to Financial Statements
March 31, 2008 (unaudited)

1. Organization and Significant Accounting Policies (continued)

pursuant to guidelines established by the Board of Trustees or persons acting at their discretion pursuant to guidelines established by the Board of Trustees. The Funds' investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the last quoted mean price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Exchange traded options and futures are valued at the settlement price determined by the relevant exchange. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily until settlement at the forward settlement value. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days. The prices used by the Funds to value securities may differ from the value that would be realized if the securities were sold and these differences could be material to the financial statements of the Funds. Each Fund's net asset value is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange ("NYSE") on each day the NYSE is open for business.

(b) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Securities purchased and sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date. Realized gains and losses on investments are determined on the identified cost basis. Interest income is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized to interest income over the lives of the respective securities using the effective interest method. Dividend income is recorded on the ex-dividend date.

(c) Federal Income Taxes

The Funds intend to distribute all of their taxable income and to comply with the other requirements of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

(d) Dividends and Distributions – Common Stock

The Funds declare dividends from net investment income monthly to common shareholders. Distributions of net realized capital gains, if any, are paid at least annually. The Funds record dividends and distributions to their shareholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These "book-tax" differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment; temporary differences do not require reclassification. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes; they are reported as dividends and/or distributions of paid-in capital.

(e) Futures Contracts

A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Upon entering into such a contract, the Funds are required to pledge to the broker an amount of cash or securities, equal to the minimum “initial margin” requirements of the exchange. Pursuant to the contracts, the Funds agree to receive from or pay to the broker an amount of cash or securities equal to the daily fluctuation in the value of the contracts. Such receipts or payments are known as “variation margin” and are recorded by the Funds as unrealized appreciation or depreciation. When the contracts are closed, the Funds record a realized gain or loss equal to the difference between the value of the contracts at the time they were opened and the value at the time they were closed. Any unrealized appreciation or depreciation recorded is simultaneously reversed. The use of futures transactions involves the risk of an imperfect correlation in the movements in the price of futures contracts, interest rates and the underlying hedged assets, and the possible inability of counterparties to meet the terms of their contracts.

(f) Option Transactions

The Funds may purchase and write (sell) put and call options on securities for hedging purposes, risk management purposes or as part of their investment strategies. The risk associated with purchasing an option is that the Funds pay a premium whether or not the option is exercised. Additionally, the Funds bear the risk of loss of premium and

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PIMCO Municipal Income Funds III
Notes to Financial Statements
March 31, 2008 (unaudited)

1. Organization and Significant Accounting Policies (continued)

change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of call options is increased by the premiums paid. The proceeds from securities sold through the exercise of put options is decreased by the premiums paid.

When an option is written, the premium received is recorded as an asset with an equal liability which is subsequently marked to market to reflect the current market value of the option written. These liabilities are reflected as options written in the Statements of Assets and Liabilities. Premiums received from writing options which expire unexercised are recorded on the expiration date as a realized gain. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchased transactions, as a realized loss. If a call option written by the Funds is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a put option written by the Funds is exercised, the premium reduces the cost basis of the security. In writing an option, the Funds bear the market risk of an unfavorable change in the price of the security underlying the written option. Exercise of a written option could result in the Funds purchasing a security at a price different from the current market value.

(g) Inverse Floating Rate Transactions – Residual Interest Municipal Bonds (“RIBs”) / Residual Interest Tax Exempt Bonds (“RITES”)

The Funds invest in RIBs and RITES (“Inverse Floaters”) whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index. In these transactions, the Funds sell a fixed rate municipal bond (“Fixed Rate Bond”) to a broker who places the Fixed Rate Bond in a special purpose trust (“Trust”) from which floating rate bonds (“Floating Rate Notes”) and Inverse Floaters are issued. The Funds simultaneously or within a short period of time purchase the Inverse Floaters from the broker. The Inverse Floaters held by the Funds provide the Funds with the right to: (1) cause the holders of the Floating Rate Notes to tender their notes at par, and (2) cause the broker to transfer the Fixed-Rate Bond held by the Trust to the Funds, thereby collapsing the Trust. Pursuant to Statement of Financial Accounting Standards No. 140 (“FASB Statement No. 140”), the Funds account for the transaction described above as a secured borrowing by including the Fixed-Rate Bond in their Schedules of Investments, and account for the Floating Rate Notes as a liability under the caption “Payable for floating rate notes” in the Funds’ Statements of Assets and Liabilities. The Floating Rate Notes have interest rates that generally reset weekly and their holders have the option to tender their notes to the broker for redemption at par at each reset date.

The Funds may also invest in Inverse Floaters without transferring a fixed rate municipal bond into a special purpose trust, which are not accounted for as secured borrowings.

Inverse Floaters are created by dividing the income stream provided by the underlying bonds into two securities, one short-term and one long-term. The interest rate on the short-term component is reset by an index or auction process typically every 7 to 35 days. After income is paid on the short-term securities at current rates, the residual income from the underlying bond(s) goes to the long-term securities. Therefore, rising short-term rates result in lower income for the long-term component and visa versa. The longer-term bonds may be more volatile and less liquid than other municipal bonds of comparable maturity. Investments in Inverse Floaters typically will involve greater risk than an investment in Fixed Rate Bonds. The Funds may also invest in Inverse Floaters for the purpose of increasing leverage.

The Funds' restrictions on borrowings do not apply to the secured borrowings deemed to have occurred for accounting purposes pursuant to FASB Statement No. 140. Inverse Floaters held by the Funds are exempt from registration under Rule 144A of the Securities Act of 1933.

(h) When-Issued/Delayed-Delivery Transactions

The Funds may purchase or sell securities on a when-issued or delayed-delivery basis. The transactions involve a commitment to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed-delivery purchases are outstanding, the Funds will set aside and maintain until the settlement date in a designated account, liquid assets in an amount sufficient to meet the purchase price. When purchasing a security on a delayed-delivery basis, the Funds assume the rights and risks of ownership of the security, including the risk of price and yield fluctuations, and take such fluctuations into account when determining their net asset values. The Funds may dispose of or renegotiate a delayed-delivery transaction after it is entered into, and may sell when-issued securities before they are delivered, which may result in a realized gain or loss. When a security on a delayed-delivery basis is sold, the Funds do not participate in future gains and losses with respect to the security.

3.31.08 | PIMCO Municipal Income Funds III Semi-Annual Report 35

PIMCO Municipal Income Funds III
 Notes to Financial Statements
 March 31, 2008 (unaudited)

1. Organization and Significant Accounting Policies (continued)

(i) Custody Credits Earned on Cash Balances

The Funds benefit from an expense offset arrangement with its custodian bank whereby uninvested cash balances earn credits which reduce monthly custodian and accounting agent expenses. Had these cash balances been invested in income producing securities, they would have generated income for the Funds.

(j) Interest Expense

Relates to the Funds' liability in connection with floating rate notes held by third parties in conjunction with Inverse Floater transactions. Interest expense is recorded as incurred.

2. Investment Manager/Sub-Adviser

Each Fund has entered into an Investment Management Agreement (collectively the "Agreements") with the Investment Manager. Subject to the supervision by each Fund's Board of Trustees, the Investment Manager is responsible for managing, either directly or through others selected by it, the Fund's investment activities, business affairs and administrative matters. Pursuant to the Agreements, the Investment Manager receives an annual fee, payable on a monthly basis, at an annual rate of 0.65% of each Fund's average daily net assets, inclusive of net assets attributable to any preferred shares that may be outstanding. In order to reduce each Fund's expenses, the Investment Manager has contractually agreed to waive a portion of its investment management fee for each Fund at the annual rate of 0.15% of each Fund's average daily net assets, including net assets attributable to any preferred shares that may be outstanding through October 31, 2007. On November 1, 2007, the contractual fee waiver was reduced to 0.10% of each Fund's average daily net assets inclusive of net assets attributable to any preferred shares that may be outstanding through October 31, 2008, and for a declining amount thereafter through October 31, 2009. For the six months ended March 31, 2008, each Fund paid investment management fees at an annualized effective rate of 0.54% of each Fund's average daily net assets inclusive of net assets attributable to any preferred shares that may be outstanding.

The Investment Manager has retained its affiliate, Pacific Investment Management Company LLC (the "Sub-Adviser"), to manage each Fund's investments. Subject to the supervision of the Investment Manager, the Sub-Adviser is responsible for making all investment decisions for the Funds. The Investment Manager, not the Funds, pays a portion of the fees it receives to the Sub-Adviser in return for its services.

3. Investments in Securities

For the six months ended March 31, 2008, purchases and sales of investments, other than short-term securities and U.S. government obligations, were:

| | | | | | | | Municipal III |
|-------------------------|---------------|---------------|--------------|-------|-------------|------------|---------------|
| | | California | | | | | |
| | | Municipal III | New York | | | | |
| Municipal III Purchases | \$153,041,404 | \$55,733,520 | \$10,520,068 | Sales | 122,528,910 | 47,527,723 | 6,107,813 |

(a) Futures contracts outstanding at March 31, 2008:

| | Contracts | Market | | Fund | Type |
|---|-----------|--------------|------------|----------------|------------|
| | (000) | Value | Expiration | | |
| | | | Date | Unrealized | |
| Depreciation <u>Municipal III</u> Short: U.S. Treasury Bond Futures | (1,917) | \$ (227,734) | 6/19/08 | \$ (2,542,524) | |
| <u>California Municipal III</u> Short: U.S. Treasury Bond Futures | (1,296) | \$ (153,961) | 6/19/08 | \$ (1,475,305) | <u>New</u> |
| <u>York Municipal III</u> Short: U.S. Treasury Bond Futures | (371) | \$ (44,074) | 6/19/08 | \$ (540,031) | |

Municipal III, California Municipal III and New York Municipal III pledged \$5,205,000, \$4,270,000 and \$760,000 in cash, respectively, as collateral for futures contracts.

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PIMCO Municipal Income Funds III
 Notes to Financial Statements
 March 31, 2008 (unaudited)

3. Investments in Securities (continued)

(b) Transactions in options written for the six months ended March 31, 2008:

| | | | | | Contracts | Premiums |
|----------------------------------|---|-------------|-------------------------------------|-----------------|------------|------------|
| <u>Municipal III:</u> | Options outstanding, September 30, 2007 | —\$ | — | Options written | 1,873 | |
| 1,336,920 | Options expired (1,522) | (1,050,188) | Options outstanding, March 31, 2008 | 351 | \$ 286,732 | |
| <u>California Municipal III:</u> | Options outstanding, September 30, 2007 | —\$ | — | Options written | 1,285 | |
| 918,253 | Options expired (1,036) | (714,845) | Options outstanding, March 31, 2008 | 249 | \$ 203,408 | <u>New</u> |
| <u>York Municipal III:</u> | Options outstanding, September 30, 2007 | —\$ | — | Options written | 330 | |
| 235,823 | Options expired (266) | (183,541) | Options outstanding, March 31, 2008 | 64 | \$ 52,282 | |

4. Income Tax Information

The cost of investments for federal income tax purposes and gross unrealized appreciation and gross unrealized depreciation of investments at March 31, 2008 were:

| | | | | | | Cost of |
|----------------------------|----------------|---------------|---------------|------------------------|--------------------------|-----------|
| | | | Investments | Gross | | |
| | | | | Unrealized | | |
| | | | Appreciation | Gross | | |
| | | | | Unrealized | | |
| | | | Depreciation | Net | | |
| | | | | Unrealized | | |
| Appreciation Municipal III | \$ 715,779,562 | \$ 29,496,125 | \$ 28,921,642 | \$ 574,483 | California Municipal III | |
| 466,665,630 | 20,982,750 | 18,417,322 | 2,565,428 | New York Municipal III | 118,214,601 | 4,250,231 |
| | | | 3,388,455 | 861,776 | | |

5. Auction Preferred Shares

Municipal III has issued 2,160 shares of Preferred Shares Series A, 2,160 shares of Preferred Shares Series B, 2,160 shares of Preferred Shares Series C, 2,160 shares of Preferred Shares Series D and 2,160 shares of Preferred Shares Series E, each with a net asset and liquidation value of \$25,000 per share plus accrued dividends.

California Municipal III has issued 3,700 shares of Preferred Shares Series A and 3,700 shares of Preferred Shares Series B, each with a net asset and liquidation value of \$25,000 per share plus accrued dividends.

New York Municipal III has issued 1,880 shares of Preferred Shares Series A with a net asset and liquidation value of \$25,000 per share plus accrued dividends.

Dividends are accumulated daily at an annual rate (typically re-set every seven days) through auction procedures. Distributions of net realized capital gains, if any, are paid annually.

PIMCO Municipal Income Funds III
 Notes to Financial Statements
 March 31, 2008 (unaudited)

5. Auction Preferred Shares (continued)

For the six months ended March 31, 2008, the annualized dividend rates ranged from:

| | | | | | | | | | | High | Low | At March |
|-------------|-----------------------|----------|----------|--------|----------|----------|----------|--------|--------------------------------|----------|-----------------------------|----------|
| 31, 2008 | <u>Municipal III:</u> | Series A | 6.00% | 2.40% | 3.259% | Series B | 6.00% | 2.00% | 3.229% | Series C | | |
| 6.00% | 1.00% | 3.229% | Series D | 4.508% | 2.00% | 3.229% | Series E | 6.00% | 2.70% | 3.229% | <u>California Municipal</u> | |
| <u>III:</u> | Series A | 6.00% | 2.35% | 3.229% | Series B | 4.508% | 2.50% | 3.229% | <u>New York Municipal III:</u> | | | |
| | Series A | 6.00% | 2.60% | 3.259% | | | | | | | | |

The Funds are subject to certain limitations and restrictions while Preferred Shares are outstanding. Failure to comply with these limitations and restrictions could preclude the Funds from declaring any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of Preferred Shares at their liquidation value.

Preferred Shares, which are entitled to one vote per share, generally vote with the common stock but vote separately as a class to elect two Trustees and on any matters affecting the rights of the Preferred Shares.

Since mid-February 2008, holders of auction-rate preferred shares (“ARPS”) issued by the Funds have been directly impacted by an unprecedented lack of liquidity, which has similarly affected ARPS holders in many of the nation’s closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Funds have consistently “failed” because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, ARPS holders cannot sell all, and may not be able to sell any, of their shares tendered for sale. While repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or alter the credit quality of the ARPS, and ARPS holders have continued to receive dividends at the defined “maximum rate” as the higher of the 30-day “AA” Composite Commercial Paper Rate multiplied by 110% or the Taxable Equivalent of the Short-Term Municipal Obligations Rate-defined as 90% of the quotient of (A) the per annum rate expressed on an interest equivalent basis equal to the Kenny S&P 30-day High Grade Index divided by (B) 1.00 minus the Marginal Tax Rate (expressed a decimal) multiplied by 110% (which is a function of short-term interest rates and typically higher than the rate that would have otherwise been set through a successful auction).

These developments with respect to ARPS have not affected the management or investment policies of the Funds, and the Funds’ outstanding common shares continue to trade on the NYSE. If the Funds’ ARPS auctions continue to fail and the “maximum rate” payable on the ARPS rises as a result of changes in short-term interest rates, returns for the Funds’ common shareholders could be adversely affected.

6. Subsequent Common Dividend Declarations

On April 1, 2008, the following dividends were declared to common shareholders payable May 1, 2008 to shareholders of record on April 11, 2008:

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Municipal III \$0.070 per common share California

Municipal III \$0.060 per common share New York Municipal III \$0.0525 per common share

On May 1, 2008 the following dividends were declared to common shareholders payable June 2, 2008 to shareholders of record on May 12, 2008:

Municipal III \$0.070 per common share California

Municipal III \$0.060 per common share New York Municipal III \$0.0525 per common share

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PIMCO Municipal Income Funds III
Notes to Financial Statements
March 31, 2008 (unaudited)

7. Legal Proceedings

In June and September 2004, the Investment Manager and certain of its affiliates (including PEA Capital LLC (“PEA”), Allianz Global Investors Distributors LLC and Allianz Global Investors of America, L.P.) agreed to settle, without admitting or denying the allegations, claims brought by the Securities and Exchange Commission and the New Jersey Attorney General alleging violations of federal and state securities laws with respect to certain open-end funds for which the Investment Manager serves as investment adviser. The settlements related to an alleged “market timing” arrangement in certain open-end funds formerly sub-advised by PEA. The Investment Manager and its affiliates agreed to pay a total of \$68 million to settle the claims. In addition to monetary payments, the settling parties agreed to undertake certain corporate governance, compliance and disclosure reforms related to market timing and consented to cease and desist orders and censures. Subsequent to these events, PEA deregistered and dissolved. None of the settlements alleged that any inappropriate activity took place with respect to the Funds.

Since February 2004, the Investment Manager and certain of its affiliates and their employees have been named as defendants in a number of pending lawsuits concerning “market timing”, which allege the same or similar conduct underlying the regulatory settlements discussed above. The market timing lawsuits have been consolidated in a multi-district litigation proceeding in the U.S. District Court for the District of Maryland. Any potential resolution of these matters may include, but not be limited to, judgments or settlements for damages against the Investment Manager or its affiliates or related injunctions.

The Investment Manager and the Sub-Adviser believe that these matters are not likely to have a material adverse effect on the Funds or on their ability to perform their respective investment advisory activities relating to the Funds.

The foregoing speaks only as of the date hereof.

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(3) Inclusive of expenses offset by custody credits earned on cash balances at the custodian bank. (See Note 1(i) in Notes to Financial Statements).

(4) Interest expense relates to the liability for floating rate notes issued in connection with inverse floater transactions.

(5) During the periods indicated above, the Investment Manager waived a portion of its investment management fee. (See Note 2 in Notes to Financial Statements). The effect of such waiver relative to the average net assets of common shareholders was 0.17% (annualized), 0.24%, 0.24%, 0.24%, 0.24% and 0.23% (annualized), for the six months ended March 31, 2008, the years ended September 30, 2007, September 30, 2006, September 30, 2005, September 30, 2004 and for the period October 31, 2002 (commencement of operations) through September 30, 2003, respectively.

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average net assets of common shareholders.

(3) Inclusive of expenses offset by custody credits earned on cash balances at the custodian bank. (See Note 1(i) in Notes to Financial Statements).

(4) Interest expense relates to the liability for floating rate notes issued in connection with inverse floater transactions.

(5) During the periods indicated above, the Investment Manager waived a portion of its investment management fee. (See Note 2 in Notes to Financial Statements). The effect of such waiver relative to the average net assets of common shareholders was 0.18% (annualized), 0.24%, 0.24%, 0.24%, 0.24% and 0.23% (annualized), for the six months ended March 31, 2008, the years ended September 30, 2007, September 30, 2006, September 30, 2005, September 30, 2004 and for the period October 31, 2002 (commencement of operations) through September 30, 2003, respectively.

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PIMCO New York Municipal Income Fund III

Financial Highlights

For a share of common stock outstanding throughout each period:

| | | | | | | | | | | Six Months | | | | | |
|--------------------|----------|----------|---|--------------------------------|--|---|--------------|----------|----------|---|----------|-----------------------|--|--|--|
| | | | | | | | | | | ended | | | | | |
| | | | | | | | | | | March 31, 2008 | | | | | |
| | | | | | | | | | | (unaudited) Year ended September 30, For the period | | | | | |
| | | | | | | | | | | October 31, | | | | | |
| | | | | | | | | | | 2002* | | | | | |
| | | | | | | | | | | through | | | | | |
| September 30, 2003 | 2007 | 2006 | 2005 | 2004 | Net asset value, beginning of period | \$14.57 | \$15.09 | \$15.03 | | | | | | | |
| \$14.41 | \$14.14 | \$14.33 | ** | Investment Operations: | | | | | | | | Net investment income | | | |
| 0.57 | 1.03 | 1.07 | 1.13 | 1.19 | 0.64 | Net realized and change in unrealized gain (loss) on investments, | (1.49) | (0.48) | 0.13 | 0.61 | 0.12 | 0.14 | | | |
| | | | | | | futures contracts and options written | | | | | | | | | |
| | | | | | | Total from investment operations | (0.92) | 0.55 | 1.20 | 1.74 | 1.31 | 0.78 | Dividends on Preferred | | |
| | | | | | | Shares from Net Investment Income | (0.16) | (0.29) | (0.26) | (0.16) | (0.08) | (0.06) | Net increase | | |
| | | | | | | (decrease) in net assets applicable to common | | | | | | | shareholders resulting from investment | | |
| | | | | | | operations | (1.08) | 0.26 | 0.94 | 1.58 | 1.23 | 0.72 | Dividends to Common Shareholders from Net | | |
| | | | | | | Investment Income | (0.32) | (0.78) | (0.88) | (0.96) | (0.96) | (0.76) | Capital Share Transactions: | | |
| | | | | | | Common stock offering costs charged to paid-in capital in excess of par | — | — | — | — | — | — | — | | |
| | | | | | | (0.03) Preferred shares offering costs/underwriting discounts charged to paid-in capital in excess of par | — | — | — | — | — | — | — | | |
| | | | | | | (0.12) Total capital share transactions | — | — | — | — | — | (0.15) | Net asset value, end of period | | |
| \$13.17 | \$14.57 | \$15.09 | \$15.03 | \$14.41 | \$14.14 | Market price, end of period | \$12.82 | \$13.57 | | | | | | | |
| \$16.45 | \$16.04 | \$14.30 | \$13.68 | Total Investment Return | | (1) | (3.20)% | (13.12)% | 8.73% | 19.65% | | | | | |
| % | 11.93% | (3.77)% | RATIOS/SUPPLEMENTAL DATA: | | | | | | | | | Net assets applicable | | | |
| | | | | | | to common shareholders, end of period (000) | \$72,688 | \$80,417 | \$82,836 | \$82,043 | \$78,465 | \$76,975 | | | |
| | | | | | | Ratio of expenses to average net assets, including interest expense | (2)(3)(4)(5) | 3.06%# | 3.18% | 2.89% | 2.36% | | | | |
| % | 1.73% | 1.26%# | Ratio of expenses to average net assets, excluding interest expense | | (2)(3)(5) | 1.28%# | | | | | | | | | |
| 1.31% | 1.16% | 1.24% | 1.19% | 1.14%# | Ratio of net investment income to average net assets | | (2)(5) | 7.95%# | | | | | | | |
| %# | 6.89% | 7.23% | 7.54% | 8.23% | 4.99%# | Preferred shares asset coverage per share | | \$63,640 | | | | | | | |
| \$67,749 | \$69,042 | \$68,627 | \$66,732 | \$65,942 | Portfolio turnover | | 4% | 12% | 8% | 4% | 12% | | | | |
| | | | | | | | | | | 111% | | | | | |

*

Commencement of operations.

** Initial

public offering price of \$15.00 per share less underwriting discount of \$0.675 per share.

#

Annualized.

(1) Total

investment return is calculated assuming a purchase of a share of common stock at the current market price on the first day of each period and a sale of a share of common stock at the current market price on the last day of each period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges. Total investment return for a period of less than one year is not annualized.

(2)

Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.

(3) Inclusive of expenses offset by custody credits earned on cash balances at the custodian bank. (See Note 1(i) in Notes to Financial Statements).

(4) Interest expense relates to the liability for floating rate notes issued in connection with inverse floater transactions.

(5) During the periods indicated above, the Investment Manager waived a portion of its investment management fee. (See Note 2 in Notes to Financial Statements). The effect of such waiver relative to the average net assets of common shareholders was 0.17% (annualized), 0.24%, 0.24%, 0.24%, 0.24% and 0.23% (annualized), for the six months ended March 31, 2008, the years ended September 30, 2007, September 30, 2006, September 30, 2005, September 30, 2004 and for the period October 31, 2002 (commencement of operations) through September 30, 2003, respectively.

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PIMCO Municipal Income Funds III
Annual Shareholder Meetings Results/
Proxy Voting Policies & Procedures
(unaudited)

Annual Shareholder Meetings Results:

The Funds held their annual meetings of shareholders on December 18, 2007. Common/Preferred shareholders voted as indicated below:

| | | | Affirmative | Withheld |
|--------------------------------|---|------------|--|---|
| Authority <u>Municipal III</u> | Re-election of John J. Dalessandro II* – Class II to serve until 2010 | 9,491 | 56 | |
| | Re-election of John C. Maney – Class III to serve until 2008 | 28,807,559 | 394,092 | Re-election of R. Peter Sullivan III – Class II to serve until 2010 |
| | 28,764,653 | 436,998 | <u>California Municipal III</u> | Re-election of John J. Dalessandro II* – Class II to serve until 2010 |
| | 5,924 | — | Re-election of John C. Maney – Class III to serve until 2008 | 19,076,481 |
| | 261,757 | 262,162 | <u>New York Municipal III</u> | Re-election of John J. Dalessandro II* – Class II to serve until 2010 |
| | 1,759 | — | Re-election of John C. Maney – Class III to serve until 2008 | 4,818,599 |
| | | | 117,873 | Re-election of R. Peter Sullivan III – Class II to serve until 2010 |
| | | | 4,832,532 | 103,940 |

Messrs. Hans W. Kertess, Paul Belica, Robert E. Connor* and William B. Ogden, IV continue to serve as Trustees.

*

Preferred Shares Trustee

Proxy Voting Policies & Procedures:

A description of the policies and procedures that the Funds have adopted to determine how to vote proxies relating to portfolio securities and information about how the Funds voted proxies relating to portfolio securities held during the twelve month period ended June 30 is available (i) without charge upon request by calling the Funds' shareholder servicing agent at (800) 331-1710; (ii) on the Funds' website at www.allianzinvestors.com/closedendfunds; and (iii) on the Securities and Exchange Commission website at www.sec.gov.

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Trustees and Principal Officers

Hans W. Kertess

Trustee, Chairman of the Board of Trustees Brian S. Shlissel
President & Chief Executive Officer Paul Belica
Trustee Lawrence G. Altadonna
Treasurer, Principal financial & Accounting Officer Robert E. Connor
Trustee Thomas J. Fuccillo
Vice President, Secretary & Chief Legal Officer John J. Dalessandro II
Trustee Scott Whisten
Assistant Treasurer John C. Maney
Trustee Youse E. Guia
Chief Compliance Officer William B. Ogden, IV
Trustee William V. Healey
Assistant Secretary R. Peter Sullivan III
Trustee Richard H. Kirk
Assistant Secretary Kathleen A. Chapman
Assistant Secretary Lagan Srivastava
Assistant Secretary Richard J. Cochran
Assistant Treasurer

Investment Manager

Allianz Global Investors Fund Management LLC
1345 Avenue of the Americas
New York, NY 10105

Sub-Adviser

Pacific Investment Management Company LLC
840 Newport Center Drive
Newport Beach, CA 92660

Custodian & Accounting Agent

State Street Bank & Trust Co.
225 Franklin Street
Boston, MA 02110

Transfer Agent, Dividend Paying Agent and Registrar

PFPC Inc.
P.O. Box 43027
Providence, RI 02940-3027

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
300 Madison Avenue
New York, NY 10017

Legal Counsel

Ropes & Gray LLP
One International Place
Boston, MA 02110-2624

This report, including the financial information herein, is transmitted to the shareholders of PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund III for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Funds or any securities mentioned in this report.

The financial information included herein is taken from the records of the Funds without examination by an independent registered accounting firm, who did not express an opinion hereon.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Funds may purchase shares of its common stock in the open market.

The Funds file their complete schedules of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarter of its fiscal year on Form N-Q. The Funds’ Form N-Qs are available on the SEC’s website at www.sec.gov, and may be reviewed and copied at the SEC’s Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. The information on Form N-Q is also available on the Funds’ website at www.allianzinvestors.com/closedendfunds.

On December 26, 2007, the Funds submitted a CEO annual certification to the New York Stock Exchange (“NYSE”) on which the Funds’ principal executive officer certified that he was not aware, as of that date, of any violation by the Funds of the NYSE’s Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules each Fund’s principal executive and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q, relating to, among other things, the Funds’ disclosure controls and procedures and internal control over financial reporting, as applicable.

Information on the Funds is available at www.allianzinvestors.com/closedendfunds or by calling the Funds’ shareholder servicing agent at (800) 331-1710.

ITEM 2.

CODE OF ETHICS

Not required in this filing.

ITEM 3.

AUDIT COMMITTEE FINANCIAL EXPERT

Not required in this filing.

ITEM 4.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Not required in this filing.

ITEM 5.

AUDIT COMMITTEE OF LISTED REGISTRANT

Not required in this filing.

ITEM 6.

SCHEDULE OF INVESTMENTS

Schedule of Investments is included as part of the report to shareholders filed under Item 1 of this form.

ITEM 7.

DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not required in this filing.

ITEM 8.

PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

Not required in this filing.

ITEM 9.

PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED COMPANIES

PERIOD

**TOTAL
NUMBER OF
SHARES
PURCHASED**

**AVERAGE
PRICE PAID
PER SHARE**

**TOTAL NUMBER OF
SHARES PURCHASED
AS PART OF PUBLICLY
ANNOUNCED PLANS
OR PROGRAMS**

**MAXIMUM NUMBER OF
SHARES THAT MAY YET BE
PURCHASED UNDER THE PLANS
OR PROGRAMS**

October 2007

N/A

\$14.54

18,450

N/A

November 2007

N/A

\$14.46

18,273

N/A

December 2007

N/A

\$14.20

18,346

N/A

January 2008

N/A

N/A

N/A

N/A

February 2008

N/A

\$14.72

18,066

N/A

March 2008

N/A

\$13.40

20,106

N/A

ITEM 10.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund's Board of Trustees since the Fund last provided disclosure in response to this item.

ITEM 11.

CONTROLS AND PROCEDURES

(a) The registrant's President and Chief Executive Officer and Principal Financial Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-2(c) under the Act (17 CFR 270.30a-3(c))), as amended are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

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

ITEM 12.

EXHIBITS

(a) (1) Exhibit 99 Cert. - Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(b) Exhibit 99.906 Cert. - Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signature

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.

(Registrant) PIMCO Municipal Income Fund III

By

/s/ Brian S. Shlissel

President and Chief Executive Officer

Date June 9, 2008

By

/s/ Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer

Date June 9, 2008

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/ Brian S. Shlissel

President and Chief Executive Officer

Date June 9, 2008

By

/s/ Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer

Date June 9, 2008
