

PIMCO MUNICIPAL INCOME FUND III
Form N-CSRS
June 03, 2011

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**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, New York 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, 2011**

Date of reporting period: **March 31, 2011**

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, 100 F Street, NE, Washington DC 20549-2001. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Report to Shareholders

March 31, 2011

PIMCO Municipal Income Fund III
PIMCO California Municipal Income Fund III
PIMCO New York Municipal Income Fund III

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Dear Shareholder:

Municipal bonds came under significant pressure during the six-month period ended March 31, 2011. Concern over the fiscal health of state and local issuers, the end of the federal government's Build America Bonds program and a two-year extension of the Bush-era income tax rates, among other factors, combined to send prices of municipal bonds lower.

The Six-Month Period in Review

During the six-month fiscal period ended March 31, 2011:

PIMCO Municipal Income Fund III declined 11.41% on net asset value (NAV) and 3.67% on market price.

PIMCO California Municipal Fund III fell 13.42% on NAV and 9.47% on market price.

PIMCO New York Municipal Income Fund III decreased 10.71% on NAV and 8.82% on market price.

In this environment, the Barclays Capital Municipal Bond Index fell a tax-advantaged 3.68% for the reporting period, while the Barclays Capital U.S. Treasury Bond Index declined 0.98%. The broad, taxable bond market, represented by the Barclays Capital U.S. Aggregate Index, decreased 0.88% for the six months ended March 31, 2011.

The federal government discontinued its Build America Bonds program on December 31, 2010. The program, part of the Obama administration's economic stimulus package, subsidized taxable municipal securities in an effort to attract investors. As the program wound down, many state and local governments flooded the market with new bonds. This temporary oversupply exceeded demand, causing prices to fall. As 2011 began, state and local governments issued fewer new bonds helping to stabilize the municipal bond market.

The Road Ahead and the Case for Municipals

The fiscal pressures faced by many states and cities are undeniable. In fiscal year 2012, they are grappling with an expected aggregate budget shortfall of \$134 billion. In addition, cities and states also have more in excess of \$1 trillion in unfunded pension and benefit liabilities which is driving many painful decisions to raise taxes and/or reduce spending. These difficult

Hans W. Kertess
Chairman

Brian S. Shlissel
President & CEO

measures may help explain why the number of municipal bonds defaults of late is lower than in recent periods. In 2010, Standard & Poor's, reports 110 bonds totalling \$2.7 billion defaulted. This represented a decline from 2009, when 151 bonds worth a total of \$2.9 billion defaulted. These numbers, in turn, should be considered within the overall context of the \$2.7 trillion municipal bond market. In fact, since 1970, only 0.09% of municipal bonds rated by Moody's Investors Service have defaulted. States are not allowed by law to file for bankruptcy; 49 are required to have balanced budgets. As for local governments, while bankruptcy filings are permitted in 26 states, this has happened only twice in 40 years. In each of these situations, the entities continued to pay interest on their debt while their respective cases were being worked out.

Going forward, we believe states and cities will continue adjusting to their fiscal challenges. In addition, despite the extension of the Bush-era tax cuts through the end of 2012, our expectation is that taxes will trend higher at all levels of government in the years ahead. For these reasons, municipal securities, despite their recent challenges, will remain solid, long-term investments for many people.

For specific information on the Funds and their performance, 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) 254-5197. In addition, a wide range of information and resources is available on our website, www.allianzinvestors.com/closedendfunds.

Together with Allianz Global Investors Fund Management LLC, the Funds' investment manager, and Pacific Investment Management Company LLC (PIMCO), 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

PIMCO Municipal Income Funds III Fund Insights

March 31, 2011 (unaudited)

For the fiscal six-months ended March 31, 2011, PIMCO Municipal Income Fund III returned (11.41)% on net asset value (NAV) and (3.67)% on market price. The unmanaged Barclays Capital Long Municipal Bond Index returned (7.94)% during the reporting period.

For the fiscal six-months ended March 31, 2011, PIMCO California Municipal Income Fund III, returned (13.42)% on NAV and (9.47)% on market price. The unmanaged Barclays Capital Municipal Long California Bond Index returned (9.05)% during the reporting period.

For the fiscal six-months ended March 31, 2011, PIMCO New York Municipal Income Fund III, returned (10.71)% on NAV and (8.82)% on market price. The unmanaged Barclays Capital Municipal Long New York Bond Index returned (7.51)% during the reporting period.

It was a challenging period for certain segments of the fixed income sector. Yields across the Treasury curve moved sharply higher during the period, as two-year Treasuries rose from 0.42% to 0.80% and 10-year Treasuries increased from 2.53% to 3.47%. The rise in yields was attributable to a variety of factors, including mounting inflationary pressures due to higher oil and food prices. In addition, the economy continued to expand, manufacturing activity remained strong, and there were signs that the labor market was improving. For the six months ended March 31, 2011, the Barclays Capital U.S. Aggregate Index returned (0.88)%. Despite stabilizing somewhat toward the end of the period, the municipal market produced poor results. A confluence of events dragged down municipal bonds, including the rising interest rate environment, concerns regarding increased municipal defaults, a large increase in issuance of Build America Bonds at the end of 2010, and substantial redemptions from mutual fund shareholders. All told, the overall municipal market, as measured by the Barclays Capital Municipal Bond Index, returned (3.68)% during the six-month reporting period.

During the reporting period, the Funds exposure to the tobacco sector was a significant detractor from performance. During the fourth quarter of 2010, a number of municipal tobacco settlement trusts were downgraded to below investment grade status. This led to a sharp sell-off, which was exacerbated by forced selling into an illiquid market by mutual funds not permitted to hold non-investment grade securities. Exposure to the corporate-backed sector was also negative for performance as it underperformed the benchmark.

In contrast, exposure to the housing and power sectors was positive for performance as these sectors held up relatively well amid a weak environment in the overall municipal market. Higher credit quality biases were rewarded, as lower rated credits underperformed their higher quality counterparts as a result of concern for an increase in municipal defaults. Moreover, having a shorter duration than the benchmark was beneficial for performance, as municipal yields rose across the curve during the reporting period.

PIMCO Municipal Income Funds III Fund Performance & Statistics

March 31, 2011 (unaudited)

**Municipal III:
Total Return⁽¹⁾:**

	Market Price	NAV
Six Month	(3.67)%	(11.41)%
1 Year	5.22%	(1.54)%
5 Year	0.62%	(2.90)%
Commencement of Operations (10/31/02) to 3/31/11	2.88%	1.23%

Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 3/31/11

Market Price/NAV:

Market Price	\$10.58
NAV	\$8.71
Premium to NAV	21.47%
Market Price Yield ⁽²⁾	7.94%

Moody's Rating
(as a % of total investments)

**California Municipal III:
Total Return⁽¹⁾:**

	Market Price	NAV
Six Month	(9.47)%	(13.42)%
1 Year	6.14%	(3.15)%
5 Year	(4.26)%	(4.92)%
Commencement of Operations (10/31/02) to 3/31/11	0.76%	(0.07)%

Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 3/31/11

Market Price/NAV:

Market Price	\$9.03
NAV	\$8.01
Premium to NAV	12.73%
Market Price Yield ⁽²⁾	7.97%

Moody's Rating
(as a % of total investments)

PIMCO Municipal Income Funds III Fund Performance & Statistics

March 31, 2011 (unaudited) (continued)

New York Municipal III:

Total Return⁽¹⁾:

	Market Price	NAV
Six Month	(8.82)%	(10.71)%
1 Year	(0.49)%	(2.68)%
5 Year	(4.82)%	(5.90)%
Commencement of Operations (10/31/02) to 3/31/11	(0.29)%	(0.60)%

Market Price/NAV Performance:

Commencement of Operations (10/31/02)
to 3/31/11

Market Price/NAV:

Market Price	\$8.62
NAV	\$8.07
Premium to NAV	6.82%
Market Price Yield ⁽²⁾	7.31%

Moody's Rating
(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all income dividends, capital gain and return of capital distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. 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.

Performance at market price will differ from 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 Funds, market conditions, supply and demand for the Funds' shares, or changes in Funds' dividends.

An investment in the Funds involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a onetime public offering and once issued, shares of closed-end funds are traded in the open market through a stock exchange. NAV 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 of net investment income) payable to common shareholders by the market price per common share at March 31, 2011.

PIMCO Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
MUNICIPAL BONDS & NOTES 97.4%			
Alabama 1.3%			
\$ 5,000	Birmingham-Baptist Medical Centers Special Care Facs. Financing Auth. Rev., Baptist Health Systems, Inc., 5.00%, 11/15/30, Ser. A	Baa2/NR	\$ 4,184,650
500	Birmingham Special Care Facs. Financing Auth. Rev., Childrens Hospital, 6.00%, 6/1/39 (AGC)	Aa3/AA+	515,545
1,500	Colbert Cnty. Northwest Health Care Auth. Rev., 5.75%, 6/1/27	Ba1/NR	1,346,865
1,000	State Docks Department Rev., 6.00%, 10/1/40	NR/BBB+	975,700
			7,022,760
Alaska 1.3%			
3,900	Housing Finance Corp. Rev., 5.00%, 12/1/33, Ser. A	Aaa/AAA	3,814,902
1,000	5.25%, 6/1/32, Ser. C (NPFGC)	Aa2/AA+	997,390
3,100	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR	1,817,375
			6,629,667
Arizona 5.0%			
1,250	Health Facs. Auth. Rev., Banner Health, 5.00%, 1/1/35, Ser. A	NR/A+	1,105,800
900	5.50%, 1/1/38, Ser. D	NR/A+	855,261
2,250	Beatitudes Campus Project, 5.20%, 10/1/37	NR/NR	1,581,638
1,500	Maricopa Cnty. Pollution Control Corp. Rev., Palo Verde Project, 5.05%, 5/1/29, Ser. A (AMBAC)	Baa2/BBB-	1,408,530
13,000	Pima Cnty. Industrial Dev. Auth. Rev., 5.00%, 9/1/39 (i)	Aa2/AA	11,064,040
750	Tucson Electric Power Co., 5.25%, 10/1/40, Ser. A	Baa3/BBB-	659,550
5,000	Salt River Project Agricultural Improvement & Power Dist. Rev., 5.00%, 1/1/39, Ser. A (i)	Aa1/AA	4,867,900
5,600	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	A3/A	4,654,776
			26,197,495

California 13.8%

	Bay Area Toll Auth. Rev., San Francisco Bay Area,		
1,500	5.00%, 10/1/29	A1/A+	1,468,110
500	5.00%, 4/1/34, Ser. F-1	Aa3/AA	476,370
3,260	5.00%, 10/1/42	A1/A+	2,902,182
	Golden State Tobacco Securitization Corp. Rev., Ser. A-1,		
2,000	5.00%, 6/1/33	Baa3/BB+	1,337,300
4,600	5.125%, 6/1/47	Baa3/BB+	2,763,818
2,120	5.75%, 6/1/47	Baa3/BB+	1,417,602

PIMCO Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
California (continued)			
\$ 2,500	Health Facs. Financing Auth. Rev., Catholic Healthcare West, 6.00%, 7/1/39, Ser. A Sutter Health,	A2/A	2,499,725
600	5.00%, 11/15/42, Ser. A (IBC-NPFGC)	Aa3/AA-	505,152
1,500	6.00%, 8/15/42, Ser. B	Aa3/AA-	1,485,225
3,350	Indian Wells Redev. Agcy., Tax Allocation, Whitewater Project, 4.75%, 9/1/34, Ser. A (AMBAC)	A2/A	2,513,036
130	Los Angeles Unified School Dist., GO, 5.00%, 7/1/30, Ser. E (AMBAC)	Aa2/AA-	126,543
1,660	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B (d)	NR/NR	1,661,112
1,250	Palomar Pomerado Health, CP, 6.75%, 11/1/39	Baa3/NR	1,205,550
500	San Diego Cnty. Regional Airport Auth. Rev., 5.00%, 7/1/24, Ser. A	A2/A	503,270
	State, GO,		
2,500	4.50%, 8/1/30	A1/A-	2,154,850
3,000	4.50%, 10/1/36	A1/A-	2,413,020
895	4.50%, 12/1/36 (CIFG)	A1/A-	714,264
3,000	5.00%, 12/1/31 (NPFGC)	A1/A-	2,865,870
5,000	5.00%, 6/1/37	A1/A-	4,432,100
250	5.00%, 11/1/37	A1/A-	221,478
5,300	5.00%, 12/1/37	A1/A-	4,740,956
1,350	5.25%, 3/1/38	A1/A-	1,249,398
1,300	5.25%, 11/1/40	A1/A-	1,197,677
3,200	5.50%, 3/1/40	A1/A-	3,083,328
2,500	5.75%, 4/1/31	A1/A-	2,562,675
6,000	6.00%, 4/1/38	A1/A-	6,121,860
	Statewide Communities Dev. Auth. Rev.,		
1,000	American Baptist Homes West, 6.25%, 10/1/39	NR/BBB	935,900
2,485	California Baptist Univ., 9.00%, 11/1/17, Ser. B (a)(c) Methodist Hospital Project (FHA),	NR/NR	2,178,649
2,900	6.625%, 8/1/29	Aa2/NR	3,234,080
10,300	6.75%, 2/1/38	Aa2/NR	11,192,495
1,200	Tobacco Securitization Auth. of Southern California Rev., 5.00%, 6/1/37, Ser. A-1	Baa3/BBB	785,112
1,500	Torrance Rev., Torrance Memorial Medical Center, 5.00%, 9/1/40, Ser. A	A2/A+	1,235,130
500	Univ. Rev., 5.00%, 5/15/41, Ser. D (FGIC-NPFGC)	Aa2/AA-	453,465

72,637,302

Colorado 2.4%

9,955	Colorado Springs Utilities Rev., 5.00%, 11/15/30, Ser. B (i)	Aa2/AA	10,004,875
500	Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34	NR/NR	342,915

PIMCO Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
Colorado (continued)			
\$ 500	Health Facs. Auth. Rev., Evangelical Lutheran, 6.125%, 6/1/38, Ser. A	A3/A-	500,305
1,500	Housing & Finance Auth. Rev., Evergreen Country Day School, Inc. Project, 5.875%, 6/1/37 (a)(c)	NR/CCC	965,055
500	Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	A2/A	498,365
500	Regional Transportation Dist. Rev., Denver Transportation Partners, 6.00%, 1/15/34	Baa3/NR	459,345
			12,770,860
Connecticut 0.3%			
1,250	Harbor Point Infrastructure Improvement Dist., Tax Allocation, 7.875%, 4/1/39, Ser. A	NR/NR	1,288,462
District of Columbia 2.0%			
10,000	Water & Sewer Auth. Rev., 5.50%, 10/1/39, Ser. A (i)	Aa2/AA	10,283,900
Florida 3.5%			
3,480	Brevard Cnty. Health Facs. Auth. Rev., Health First, Inc. Project, 5.00%, 4/1/34	A3/A-	3,019,004
500	Broward Cnty. Airport Rev., 5.375%, 10/1/29, Ser. O	A1/A+	501,855
4,500	Broward Cnty. Water & Sewer Rev., 5.25%, 10/1/34, Ser. A (i)	Aa2/AA	4,530,420
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital Project, 5.25%, 10/1/34, Ser. B	A3/NR	2,122,950
1,000	Miami-Dade Cnty. Airport Rev., 5.50%, 10/1/36, Ser. A	A2/A-	955,200
3,895	Sarasota Cnty. Health Facs. Auth. Rev., 5.75%, 7/1/45	NR/NR	2,919,887
4,200	State Board of Education, GO, 5.00%, 6/1/38, Ser. D (i)	Aa1/AAA	4,193,532
			18,242,848
Georgia 0.3%			
1,750	Fulton Cnty. Residential Care Facs. for the Elderly Auth. Rev., Lenbrook Project, 5.125%, 7/1/42, Ser. A	NR/NR	1,046,815
400	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project, 5.25%, 7/1/37	NR/NR	298,796
			1,345,611
Hawaii 0.2%			

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1,500	Hawaii Pacific Health Rev., 5.50%, 7/1/40, Ser. A	A3/BBB+	1,308,135
	Illinois 8.0%		
	Chicago, GO,		
695	5.00%, 1/1/31, Ser. A (NPFGC)	Aa3/A+	634,771
5,000	5.00%, 1/1/34, Ser. C (i)	Aa3/A+	4,443,450
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)	Aa3/AA+	6,756,540

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PIMCO Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
Illinois (continued)			
\$ 1,175	Finance Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	Baa1/NR	1,121,702
1,000	Leafs Hockey Club Project, Ser. A (e), 5.875%, 3/1/27	NR/NR	252,240
625	6.00%, 3/1/37	NR/NR	155,538
400	OSF Healthcare System, 7.125%, 11/15/37, Ser. A	A3/A	414,764
12,795	Peoples Gas Light & Coke Co., 5.00%, 2/1/33 (AMBAC)	A1/A-	12,221,400
1,000	Swedish Covenant Hospital, 6.00%, 8/15/38, Ser. A	NR/BBB+	933,930
165	Univ. of Chicago, 5.25%, 7/1/41, Ser. 05-A	Aa1/AA	160,121
10,000	5.50%, 7/1/37, Ser. B (i)	Aa1/AA	10,112,100
5,000	State Toll Highway Auth. Rev., 5.50%, 1/1/33, Ser. B	Aa3/AA-	4,955,750
			42,162,306
Indiana 1.3%			
500	Dev. Finance Auth. Rev., 5.00%, 3/1/30, Ser. B (AMBAC)	A1/NR	451,845
2,000	Finance Auth. Rev., U.S. Steel Corp., 6.00%, 12/1/26	Ba2/BB	1,952,280
1,000	Portage, Tax Allocation, Ameriplex Project, 5.00%, 7/15/23	NR/A	938,700
775	5.00%, 1/15/27	NR/A	696,586
2,800	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc., 7.50%, 9/1/22	NR/NR	2,835,980
			6,875,391
Iowa 1.7%			
120	Finance Auth. Rev., Deerfield Retirement Community, Inc., Ser. A, 5.50%, 11/15/27	NR/NR	83,815
575	5.50%, 11/15/37	NR/NR	362,687
11,010	Tobacco Settlement Auth. Rev., 5.60%, 6/1/34, Ser. B	Baa3/BBB	8,716,507
			9,163,009
Kentucky 0.8%			
1,000	Economic Dev. Finance Auth. Rev., Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	954,230

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2,000	Owensboro Medical Healthcare Systems, 6.375%, 6/1/40, Ser. A	Baa2/NR	1,875,780
1,250	Ohio Cnty. Pollution Control Rev., Big Rivers Electric Corp., 6.00%, 7/15/31, Ser. A	Baa1/BBB-	1,192,688
			4,022,698

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PIMCO Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody's/S&P)	Value
	Louisiana 1.0%		
\$ 400	Local Gov't Environmental Facs. & Community Dev. Auth. Rev., Westlake Chemical Corp., 6.50%, 11/1/35, Ser. A-2	Ba2/BBB-	399,000
1,500	Woman's Hospital Foundation, Ser. A, 5.875%, 10/1/40	A3/BBB+	1,405,545
1,000	6.00%, 10/1/44	A3/BBB+	945,070
1,700	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project, 5.50%, 5/15/47, Ser. B	Baa1/NR	1,386,605
1,345	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	Baa3/A-	1,230,527
			5,366,747
	Maryland 0.8%		
1,000	Economic Dev. Corp. Rev., 5.75%, 6/1/35, Ser. B	Baa3/NR	930,950
1,500	Health & Higher Educational Facs. Auth. Rev., Calvert Health System, 5.50%, 7/1/36	A3/NR	1,495,800
700	Charlestown Community, 6.25%, 1/1/41	NR/NR	667,296
1,000	Lifebridge Health, 6.00%, 7/1/41	A2/A	991,620
			4,085,666
	Massachusetts 1.3%		
300	Dev. Finance Agcy. Rev., Adventcare Project, 7.625%, 10/15/37	NR/NR	286,416
750	Linden Ponds, Inc. Fac., 5.75%, 11/15/35, Ser. A	NR/NR	456,420
4,910	Housing Finance Agcy. Rev., 5.125%, 6/1/43, Ser. H	Aa3/AA-	4,733,682
1,600	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	Aa2/AA-	1,605,088
			7,081,606
	Michigan 14.4%		
500	Conner Creek Academy East Rev., 5.25%, 11/1/36	NR/BB+	364,795
1,500	Detroit, GO, 5.25%, 11/1/35	Aa3/AA	1,443,870
9,320	Detroit Sewer Rev., 5.00%, 7/1/32, Ser. A (AGM)	Aa3/AA+	8,140,554
30,000	Detroit Water Rev. (NPFGC), 5.00%, 7/1/34, Ser. A	A1/A+	25,959,600
7,555	5.00%, 7/1/34, Ser. B	A2/A	6,495,638
1,500	Royal Oak Hospital Finance Auth. Rev., William Beaumont Hospital, 8.25%, 9/1/39	A1/A	1,694,505

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	State Hospital Finance Auth. Rev.,		
	Oakwood Group, Ser. A,		
5,405	5.75%, 4/1/32	A2/A	5,139,777
575	6.00%, 4/1/22	A2/A	581,095
20,000	Trinity Health Credit, 5.375%, 12/1/30, Ser. C	Aa2/AA	19,373,600

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PIMCO Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
Michigan (continued)			
\$ 10,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BB	6,754,100
			75,947,534
Minnesota 0.0%			
125	Duluth Housing & Redev. Auth. Rev., 5.875%, 11/1/40, Ser. A	NR/BBB-	106,844
Mississippi 0.8%			
3,000	Business Finance Corp. Rev., System Energy Res., Inc. Project, 5.875%, 4/1/22	Ba1/BBB	2,927,760
1,250	5.90%, 5/1/22	Ba1/BBB	1,222,162
			4,149,922
Missouri 0.1%			
250	Jennings Rev., Northland Redev. Area Project, 5.00%, 11/1/23	NR/NR	214,675
500	Manchester, Tax Allocation, Highway 141/Manchester Road Project, 6.875%, 11/1/39	NR/NR	488,065
			702,740
Nevada 0.7%			
4,000	Clark Cnty., GO, 4.75%, 6/1/30 (AGM)	Aa1/AA+	3,848,760
New Hampshire 0.4%			
2,000	Business Finance Auth. Rev., Elliot Hospital, 6.125%, 10/1/39, Ser. A	Baa1/BBB+	1,910,720
New Jersey 4.2%			
1,000	Camden Cnty. Improvement Auth. Rev., Cooper Health Systems Group, 5.00%, 2/15/35, Ser. A	Baa3/BBB	777,190
300	Economic Dev. Auth. Rev., Newark Airport Marriott Hotel, 7.00%, 10/1/14	Ba1/NR	300,669
4,500	Economic Dev. Auth., Special Assessment, Kapkowski Road Landfill Project, 6.50%, 4/1/28	Ba2/NR	4,546,620
1,000	Health Care Facs. Financing Auth. Rev., St. Peters Univ. Hospital, 5.75%, 7/1/37	Baa3/BBB-	843,330
1,150	Trinitas Hospital, 5.25%, 7/1/30, Ser. A	Baa3/BBB-	992,197

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	Tobacco Settlement Financing Corp. Rev., Ser. 1-A,		
1,600	4.75%, 6/1/34	Baa3/BB+	979,968
22,645	5.00%, 6/1/41	Baa3/BB-	13,686,638
			22,126,612
	New Mexico 0.2%		
1,000	Farmington Pollution Control Rev., 5.90%, 6/1/40, Ser. D	Baa3/BB+	953,210
	New York 4.3%		
1,700	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.50%, 10/1/37	A1/A	1,714,212
1,150	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	1,030,158

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PIMCO Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
New York (continued)			
\$ 10,450	New York City Industrial Dev. Agcy. Rev., Yankee Stadium, 7.00%, 3/1/49 (AGC)	Aa3/AA+	11,242,319
4,900	New York City Municipal Water Finance Auth. Water & Sewer Rev. (i), 5.00%, 6/15/37, Ser. D	Aa1/AAA	4,787,692
4,000	Second Generation Resolutions, 4.75%, 6/15/35, Ser. DD	Aa2/AA+	3,790,400
			22,564,781
North Carolina 0.2%			
1,500	Medical Care Commission Rev., Cleveland Cnty. Healthcare, 5.00%, 7/1/35, Ser. A (AMBAC)	WR/A	1,299,420
Ohio 4.5%			
15,375	Air Quality Dev. Auth. Pollution Control Rev., Dayton Power, 4.80%, 1/1/34, Ser. B (FGIC)	Aa3/A	14,244,322
500	Allen Cnty. Catholic Healthcare Rev., Allen Hospital, 5.00%, 6/1/38, Ser. A	A1/AA-	415,445
2,400	Buckeye Tobacco Settlement Financing Auth. Rev., Ser. A-2, 5.875%, 6/1/30	Baa3/BB-	1,737,816
5,650	5.875%, 6/1/47	Baa3/BB-	3,760,358
500	Higher Educational Fac. Commission Rev., Univ. Hospital Health Systems, 6.75%, 1/15/39, Ser. 2009-A	A2/A	515,340
2,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	A1/AA-	2,385,325
500	Montgomery Cnty. Rev., Miami Valley Hospital, 6.25%, 11/15/39, Ser. A	Aa3/NR	509,150
250	State Rev., Ashland Univ. Project, 6.25%, 9/1/24	Ba1/NR	243,572
			23,811,328
Oregon 0.2%			
1,000	Medford Hospital Facs. Auth. Rev., Asante Health Systems, 5.00%, 8/15/40, Ser. A (AGM)	Aa3/AA+	902,020
Pennsylvania 2.7%			
1,000	Allegheny Cnty. Hospital Dev. Auth. Rev., Univ. of Pittsburgh Medical Center, 5.625%, 8/15/39	Aa3/A+	973,000
1,000	West Penn Allegheny Health System, 5.375%, 11/15/40, Ser. A	B2/BB-	683,070

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	Cumberland Cnty. Municipal Auth. Rev., Messiah Village		
	Project, Ser. A,		
750	5.625%, 7/1/28	NR/BBB-	651,638
670	6.00%, 7/1/35	NR/BBB-	575,630
1,000	Dauphin Cnty. General Auth. Rev., Pinnacle Health System		
	Project, 6.00%, 6/1/36, Ser. A		
		A2/A	959,850
1,250	Harrisburg Auth. Rev., Harrisburg Univ. of Science,		
	6.00%, 9/1/36, Ser. B		
		NR/NR	1,044,550
100	Luzerne Cnty. Industrial Dev. Auth. Rev. Pennsylvania American		
	Water Co., 5.50%, 12/1/39		
		A2/A	95,556

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PIMCO Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
Pennsylvania (continued)			
\$ 6,200	Philadelphia Hospitals & Higher Education Facs. Auth. Rev., Temple Univ. Hospital, 6.625%, 11/15/23, Ser. A	Baa3/BBB	6,199,938
500	Philadelphia Water Rev., 5.25%, 1/1/36, Ser. A	A1/A	482,510
3,000	Turnpike Commission Rev., 5.125%, 12/1/40, Ser. D	A3/A-	2,762,310
			14,428,052
Puerto Rico 1.1%			
2,400	Sales Tax Financing Corp. Rev., 5.00%, 8/1/40, Ser. A (AGM) (i)	Aa3/AA+	2,190,360
3,000	5.375%, 8/1/38, Ser. C	A1/A+	2,741,880
1,000	5.50%, 8/1/42, Ser. A	A1/A+	916,520
			5,848,760
South Carolina 1.3%			
1,000	Greenwood Cnty. Rev., Self Regional Healthcare, 5.375%, 10/1/39	A2/A+	924,110
5,305	Jobs-Economic Dev. Auth. Rev., Bon Secours Health System, 5.625%, 11/15/30, Ser. B	A3/A-	4,972,589
800	State Ports Auth. Rev., 5.25%, 7/1/40	A1/A+	766,528
			6,663,227
Tennessee 0.7%			
1,250	Claiborne Cnty. Industrial Dev. Board Rev., Lincoln Memorial Univ. Project, 6.625%, 10/1/39	NR/NR	1,244,437
1,000	Johnson City Health & Educational Facs. Board Rev., Mountain States Health Alliance, 6.00%, 7/1/38	Baa1/BBB+	908,130
1,200	Tennessee Energy Acquisition Corp. Rev., Ser. A, 5.25%, 9/1/21	Ba3/B	1,161,480
365	5.25%, 9/1/22	Ba3/B	356,722
			3,670,769
Texas 9.1%			
1,300	Dallas Rev., Dallas Civic Center, 5.25%, 8/15/38 (AGC)	Aa3/AA+	1,272,206
10,115	Denton Independent School Dist., GO, 5.00%, 8/15/33 (PSF-GTD) (i)	Aaa/AAA	10,219,083

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150	Municipal Gas Acquisition & Supply Corp. I Rev., 5.25%, 12/15/26, Ser. A	A2/A	137,979
	North Harris Cnty. Regional Water Auth. Rev.,		
5,500	5.25%, 12/15/33	A1/A+	5,477,890
5,500	5.50%, 12/15/38	A1/A+	5,483,995
	North Texas Tollway Auth. Rev.,		
10,800	5.625%, 1/1/33, Ser. A	A2/A-	10,567,044
700	5.75%, 1/1/33, Ser. F	A3/BBB+	678,825
2,000	6.25%, 1/1/39, Ser. A	A2/A-	2,011,940
2,000	Sabine River Auth. Pollution Control Rev., 5.20%, 5/1/28, Ser. C	Ca/NR	439,360

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PIMCO Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
Texas (continued)			
\$ 3,000	Tarrant Cnty. Cultural Education Facs. Finance Corp. Rev., Baylor Health Care Systems Project, 6.25%, 11/15/29	Aa2/AA-	3,191,850
8,100	Texas Municipal Gas Acquisition & Supply Corp. I Rev., 6.25%, 12/15/26, Ser. D	A2/A	8,261,757
			47,741,929
Virginia 0.3%			
1,000	Fairfax Cnty. Industrial Dev. Auth. Rev., Inova Health Systems, 5.50%, 5/15/35, Ser. A	Aa2/AA+	1,009,050
1,000	James City Cnty. Economic Dev. Auth. Rev., United Methodist Homes, 5.50%, 7/1/37, Ser. A	NR/NR	571,200
			1,580,250
Washington 6.8%			
500	Health Care Facs. Auth. Rev., Kadlec Regional Medical Center, 5.50%, 12/1/39	Baa2/NR	409,830
1,000	Seattle Cancer Care Alliance, 7.375%, 3/1/38	A3/NR	1,066,690
15,000	King Cnty. Sewer Rev., 5.00%, 1/1/35, Ser. A (AGM) (i)	Aa2/AA+	14,834,400
19,260	Tobacco Settlement Auth. Rev., 6.50%, 6/1/26	Baa3/BBB	19,411,384
			35,722,304
Wisconsin 0.4%			
1,000	Health & Educational Facs. Auth. Rev., Aurora Health Care, Inc., 5.625%, 4/15/39, Ser. A	A3/NR	920,260
1,000	Prohealth Care, Inc., 6.625%, 2/15/39	A1/A+	1,036,720
			1,956,980
	Total Municipal Bonds & Notes (cost \$534,714,913)		512,420,625
VARIABLE RATE NOTES (a)(c)(f)(g) 2.3%			
California 0.3%			
1,675	Los Angeles Community College Dist., GO, 13.66%, 8/1/33, Ser. 3096	NR/AA	1,485,055
Florida 0.8%			

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5,000	Greater Orlando Aviation Auth. Rev., 9.35%, 10/1/39, Ser. 3174	NR/NR	4,366,400
	Texas 1.2%		
6,500	JPMorgan Chase Putters/Drivers Trust, GO, 9.29%, 2/1/17, Ser. 3480	NR/AA+	6,543,030
	Total Variable Rate Notes (cost \$13,072,447)		12,394,485
SHORT-TERM INVESTMENTS 0.3%			
	U.S. Treasury Obligations (h)(j) 0.3%		
	U.S. Treasury Bills,		
1,491	0.139%-0.158%, 8/25/11-9/15/11 (cost \$1,490,096)		1,490,096
	Total Investments (cost \$549,277,456) 100.0%		\$ 526,305,206

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PIMCO California Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
CALIFORNIA MUNICIPAL BONDS & NOTES 95.0%			
	Assoc. of Bay Area Gov t Finance Auth. for Nonprofit Corps. Rev.,		
\$ 1,000	Odd Fellows Home of California, Ser. A (CA Mtg. Ins.), 5.20%, 11/15/22	NR/A-	\$ 982,850
11,725	5.35%, 11/15/32	NR/A-	10,363,141
1,250	Bay Area Toll Auth. Rev., San Francisco Bay Area, 5.00%, 4/1/34, Ser. F-1	Aa3/AA	1,190,925
1,000	Cathedral City Public Financing Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (NPFGC)	Baa1/A	768,180
1,150	Ceres Redev. Agcy., Tax Allocation, Project Area No. 1, 5.00%, 11/1/33 (NPFGC)	Baa1/A-	913,042
2,000	Chula Vista Rev., San Diego Gas & Electric, 5.875%, 2/15/34, Ser. B	Aa3/A+	2,060,500
550	City & Cnty. of San Francisco, Capital Improvement Projects, CP, 5.25%, 4/1/31, Ser. A	A1/AA-	549,318
1,415	Contra Costa Cnty. Public Financing Auth., Tax Allocation, 5.625%, 8/1/33, Ser. A	NR/BBB+	1,191,133
3,775	Cucamonga School Dist., CP, 5.20%, 6/1/27 Educational Facs. Auth. Rev. (i),	NR/AA-	3,775,830
9,800	Claremont McKenna College, 5.00%, 1/1/39	Aa2/NR	9,185,344
10,000	Univ. of Southern California, 5.00%, 10/1/39, Ser. A	Aa1/AA+	9,747,900
1,695	El Dorado Irrigation Dist. & El Dorado Water Agcy., CP, 5.75%, 8/1/39, Ser. A (AGC)	Aa3/AA+	1,694,847
2,750	Golden State Tobacco Securitization Corp. Rev., 5.00%, 6/1/33, Ser. A-1	Baa3/BB+	1,838,788
11,000	5.00%, 6/1/45 (AMBAC-TCRS)	A2/BBB+	8,834,760
4,000	5.00%, 6/1/45, Ser. A (FGIC-TCRS)	A2/BBB+	3,212,640
13,865	5.75%, 6/1/47, Ser. A-1	Baa3/BB+	9,271,248
500	Hartnell Community College Dist., GO, zero coupon, 8/1/34, Ser. 2002-D (b)	Aa2/AA-	234,335
	Health Facs. Financing Auth. Rev., Adventist Health System, Ser. A,		
500	5.00%, 3/1/33	NR/A	427,730
4,000	5.75%, 9/1/39	NR/A	3,750,520
	Catholic Healthcare West, Ser. A,		
1,935	6.00%, 7/1/34	A2/A	1,941,540
4,000	6.00%, 7/1/39	A2/A	3,999,560
450	Children s Hospital of Los Angeles, 5.25%, 7/1/38 (AGM)	Aa3/AA+	387,724
500	Children s Hospital of Orange Cnty., 6.50%, 11/1/38, Ser. A	NR/A	509,830
6,000	Cottage Health System, 5.00%, 11/1/33, Ser. B (NPFGC)	Baa1/A+	5,166,600

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1,550	Paradise VY Estates, 5.25%, 1/1/26 (CA Mtg. Ins.)	NR/A-	1,549,876
1,300	Scripps Health, 5.00%, 11/15/36, Ser. A	Aa3/AA-	1,122,368

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PIMCO California Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
\$ 500	Sutter Health, 5.00%, 11/15/42, Ser. A (IBC-NPFGC)	Aa3/AA-	420,960
1,200	6.00%, 8/15/42, Ser. B	Aa3/AA-	1,188,180
	Infrastructure & Economic Dev. Bank Rev., Kaiser Hospital Assistance,		
3,000	5.50%, 8/1/31, Ser. B	WR/A	2,810,130
8,000	5.55%, 8/1/31, Ser. A	NR/A+	7,542,720
20	Lancaster Financing Auth., Tax Allocation, 4.75%, 2/1/34 (NPFGC)	Baa1/BBB	14,376
150	Lancaster Redev. Agcy. Rev., Capital Improvements Projects, 5.90%, 12/1/35	NR/A	131,367
500	Lancaster Redev. Agcy., Tax Allocation, 6.875%, 8/1/39	NR/BBB+	492,880
5,600	Long Beach Bond Finance Auth. Rev., Long Beach Natural Gas, 5.50%, 11/15/37, Ser. A	A2/A	5,018,664
5,000	Long Beach Unified School Dist., GO, 5.75%, 8/1/33, Ser. A	Aa2/AA-	5,259,300
	Los Angeles Department of Water & Power Rev.(i),		
6,000	4.75%, 7/1/30, Ser. A-2 (AGM)	Aa3/AA+	5,851,740
10,000	5.00%, 7/1/39, Ser. A	Aa3/AA-	9,450,600
	Los Angeles Unified School Dist., GO,		
9,580	4.75%, 1/1/28, Ser. A (NPFGC)	Aa2/AA-	8,900,107
10,000	5.00%, 1/1/34, Ser. I (i)	Aa2/AA-	9,342,500
550	Malibu, City Hall Project, CP, 5.00%, 7/1/39, Ser. A	NR/AA+	512,242
1,000	Manteca Financing Auth. Sewer Rev., 5.75%, 12/1/36	Aa3/NR	1,003,970
5,000	Metropolitan Water Dist. of Southern California Rev., 5.00%, 7/1/37, Ser. A (i)	Aa1/AAA	4,920,600
2,980	Modesto Irrigation Dist., Capital Improvement Projects, CP, 5.00%, 7/1/33, Ser. A (NPFGC)	A2/A+	2,674,282
3,000	Montebello Unified School Dist., GO, 5.00%, 8/1/33 (AGM)	Aa3/AA+	2,909,520
200	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	NR/A	203,124
1,000	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B (d)	NR/NR	1,000,670
5,000	Oakland, GO, 5.00%, 1/15/33, Ser. A (NPFGC)	Aa2/AA-	4,914,950
5,000	Orange Unified School Dist., CP, 4.75%, 6/1/29 (NPFGC)	Aa3/A+	4,748,650
1,250	Peralta Community College Dist., GO, 5.00%, 8/1/39, Ser. C	NR/AA-	1,101,588
1,250	Pollution Control Financing Auth. Rev., American Water Capital Corp. Project, 5.25%, 8/1/40 (a)(c)	Baa2/BBB+	1,158,488
1,950	Poway Unified School Dist., Special Tax, 5.125%, 9/1/28	NR/BBB+	1,730,488
5,000	Riverside, CP, 5.00%, 9/1/33 (AMBAC)	WR/A+	4,492,250
500	Rocklin Unified School Dist. Community Facs. Dist., Special Tax, 5.00%, 9/1/29 (NPFGC)	Baa1/A-	430,945
3,250	Sacramento Municipal Utility Dist. Rev.,	A1/A+	2,974,822

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	5.00%, 8/15/33, Ser. R (NPFGC)		
6,250	San Diego Cnty. Water Auth., CP, 5.00%, 5/1/38, Ser. 2008-A (AGM)	Aa2/AA+	5,782,938
12,075	San Diego Community College Dist., GO, 5.00%, 5/1/28, Ser. A (AGM)	Aa1/AA+	12,091,060
4,000	San Diego Public Facs. Financing Auth. Rev., 5.25%, 5/15/39, Ser. A	Aa3/A+	3,840,920

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PIMCO California Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
\$ 2,200	San Diego Regional Building Auth. Rev., Cnty. Operations Center & Annex, 5.375%, 2/1/36, Ser. A	Aa3/AA+	2,151,160
1,500	San Diego State Univ. Foundation Rev., 5.00%, 3/1/27, Ser. A (NPFGC)	Baa1/BBB	1,500,060
1,500	San Jose Rev., Convention Center Expansion, 6.50%, 5/1/36 (d)	A2/A-	1,479,825
12,200	San Marcos Public Facs. Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (FGIC-NPFGC)	A2/A-	10,736,244
500	Santa Clara Cnty. Financing Auth. Rev., 5.75%, 2/1/41, Ser. A (AMBAC)	A1/A+	472,120
1,200	Santa Cruz Cnty. Redev. Agcy., Tax Allocation, Live Oak/Soquel Community, 7.00%, 9/1/36, Ser. A	A1/A	1,225,836
4,425	South Tahoe JT Powers Financing Auth. Rev., South Tahoe Redev. Project, 5.45%, 10/1/33, Ser. 1-A State, GO,	NR/BBB+	3,628,146
1,700	4.50%, 8/1/27	A1/A-	1,536,783
7,300	6.00%, 4/1/38 State Public Works Board Rev.,	A1/A-	7,448,263
2,000	California State Univ., 6.00%, 11/1/34, Ser. J	Aa3/BBB+	1,997,380
2,050	Univ. CA M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A Statewide Communities Dev. Auth. Rev.,	Aa2/AA-	2,056,130
500	American Baptist Homes West, 6.25%, 10/1/39	NR/BBB	467,950
1,300	California Baptist Univ., 5.50%, 11/1/38, Ser. A Catholic Healthcare West,	NR/NR	1,044,472
1,200	5.50%, 7/1/31, Ser. D	A2/A	1,146,324
1,200	5.50%, 7/1/31, Ser. E	A2/A	1,146,324
4,500	Kaiser Permanente, 5.00%, 3/1/41, Ser. B	NR/A+	3,719,880
1,000	Lancer Student Housing Project, 7.50%, 6/1/42	NR/NR	995,070
7,300	Los Angeles Jewish Home, 5.50%, 11/15/33 (CA St. Mtg.)	NR/A-	6,777,612
15,000	Memorial Health Services, 5.50%, 10/1/33, Ser. A Methodist Hospital Project, (FHA),	WR/AA-	15,033,450
2,000	6.625%, 8/1/29	Aa2/NR	2,230,400
7,200	6.75%, 2/1/38	Aa2/NR	7,823,880
3,100	St. Joseph Health System, 5.75%, 7/1/47, Ser. A (FGIC) Sutter Health,	A1/AA-	2,874,165
10,000	5.50%, 8/15/34, Ser. B (i)	Aa3/AA-	9,423,100
1,800	6.00%, 8/15/42, Ser. A	Aa3/AA-	1,782,270
3,505	The Internext Group, CP, 5.375%, 4/1/30 Tobacco Securitization Agcy. Rev.,	NR/BBB	2,918,053
8,100	Alameda Cnty., 5.875%, 6/1/35	Baa3/NR	6,363,927
7,000	6.00%, 6/1/42	Baa3/NR	5,159,070

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2,000	Kern Cnty., 6.125%, 6/1/43, Ser. A	NR/BBB	1,498,220
5,000	Tobacco Securitization Auth. of Southern California Rev., 5.00%, 6/1/37, Ser. A-1	Baa3/BBB	3,271,300

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PIMCO California Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody's/S&P)	Value
\$ 2,000	Torrance Rev., Torrance Memorial Medical Center, Ser. A, 5.00%, 9/1/40	A2/A+	1,646,840
2,950	5.50%, 6/1/31	A2/A+	2,818,401
1,000	West Basin Municipal Water Dist., CP, 5.00%, 8/1/30, Ser. A (NPFGC)	Aa2/AA-	991,370
2,000	Western Municipal Water Dist. Facs. Auth. Rev., 5.00%, 10/1/39, Ser. B	NR/AA+	1,878,780
1,000	Westlake Village, CP, 5.00%, 6/1/39	NR/AA+	959,130
2,500	William S. Hart Union High School Dist., Special Tax, 6.00%, 9/1/33, Ser. 2002-1	NR/NR	2,303,700
2,750	Woodland Finance Auth. Rev., 5.00%, 3/1/32 (XLCA)	A1/NR	2,754,703
	Total California Municipal Bonds & Notes (cost \$329,223,264)		318,845,898

OTHER MUNICIPAL BONDS & NOTES 4.4%

	Indiana 1.1%		
5,000	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc., 5.75%, 9/1/42 (a)(c)	NR/NR	3,740,050
	New Jersey 0.2%		
1,000	Tobacco Settlement Financing Corp. Rev., 4.75%, 6/1/34, Ser. 1-A	Baa3/BB+	612,480
	New York 1.0%		
3,300	New York City Municipal Water Finance Auth. Water & Sewer Rev., 5.00%, 6/15/37, Ser. D (i)	Aa1/AAA	3,224,364
	Puerto Rico 2.2%		
1,000	Electric Power Auth. Rev., 5.25%, 7/1/40, Ser. XX	A3/BBB+	862,000
4,420	Public Buildings Auth. Gov't Facs. Rev., 5.00%, 7/1/36, Ser. I (GTD)	A3/BBB	3,702,988
3,000	Sales Tax Financing Corp. Rev., 5.25%, 8/1/41, Ser. C	A1/A+	2,668,140
			7,233,128
	Total Other Municipal Bonds & Notes (cost \$14,668,967)		14,810,022

CALIFORNIA VARIABLE RATE NOTES (a)(c)(f)(g) 0.3%

1,000	Los Angeles Community College Dist., GO, 13.66%, 8/1/33, Ser. 3096 (cost \$996,634)	NR/AA	886,600
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SHORT-TERM INVESTMENTS 0.3%

U.S. Treasury Obligations (h)(j) 0.3%

1,190	U.S. Treasury Bills, 0.137%-0.139%, 8/25/11-9/15/11 (cost \$1,189,295)		1,189,295
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Total Investments (cost \$346,078,160) **100.0%** **\$ 335,731,815**

PIMCO New York Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
NEW YORK MUNICIPAL BONDS & NOTES 83.4%			
\$ 1,000	Brooklyn Arena Local Dev. Corp. Rev., Barclays Center Project, 6.375%, 7/15/43	Baa3/BBB-	\$ 977,800
1,500	Chautauqua Cnty. Industrial Dev. Agcy. Rev., Dunkirk Power Project, 5.875%, 4/1/42	Baa3/BB+	1,388,730
730	Dutchess Cnty. Industrial Dev. Agcy. Rev., Elant Fishkill, Inc., 5.25%, 1/1/37, Ser. A	NR/NR	475,945
800	East Rochester Housing Auth. Rev., St. Mary s Residence Project, 5.375%, 12/20/22, Ser. A (GNMA)	NR/NR	839,688
1,050	Liberty Dev. Corp. Rev., 6.375%, 7/15/49	NR/BBB-	1,044,645
1,810	Goldman Sachs Headquarters, 5.25%, 10/1/35	A1/A	1,730,758
2,400	5.50%, 10/1/37	A1/A	2,420,064
1,500	Long Island Power Auth. Rev., 5.75%, 4/1/39, Ser. A	A3/A-	1,516,245
6,220	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/32, Ser. A (FGIC-NPFGC)	A2/A	5,823,288
500	5.00%, 11/15/34, Ser. B	NR/AA	485,800
3,000	Monroe Cnty. Industrial Dev. Corp. Rev., Unity Hospital Rochester Project, 5.50%, 8/15/40 (FHA) (i)	Aa2/AA-	3,087,210
200	Mortgage Agcy. Rev., 4.75%, 10/1/27, Ser. 128	Aa1/NR	194,582
500	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	447,895
2,695	New York City, GO, 5.00%, 3/1/33, Ser. I	Aa2/AA	2,698,261
600	New York City Industrial Dev. Agcy. Rev. (AGC), Queens Baseball Stadium, 6.50%, 1/1/46	Aa3/AA+	633,858
2,200	Yankee Stadium, 7.00%, 3/1/49	Aa3/AA+	2,366,804
	New York City Municipal Water Finance Auth. Water & Sewer Rev., Second Generation Resolutions,		
5,000	4.75%, 6/15/35, Ser. DD (i)	Aa2/AA+	4,738,000
1,500	5.00%, 6/15/39, Ser. GG-1	Aa2/AA+	1,449,300
3,450	New York City Trust for Cultural Res. Rev., Wildlife Conservation Society, 5.00%, 2/1/34 (FGIC-NPFGC)	Aa3/AA-	3,353,676
1,000	Niagara Falls Public Water Auth. Water & Sewer Rev., 5.00%, 7/15/34, Ser. A (NPFGC)	Baa1/BBB	898,470
600	Port Auth. of New York & New Jersey Rev., JFK International Air Terminal, 6.00%, 12/1/36	Baa3/BBB-	574,980
1,000	State Dormitory Auth. Rev., 5.00%, 3/15/38, Ser. A	NR/AAA	975,400

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2,250	Jewish Board Family & Children, 5.00%, 7/1/33 (AMBAC)	WR/BBB	1,943,325
2,000	Kaleida Health Hospital, 5.05%, 2/15/25 (FHA)	NR/NR	2,037,720
3,000	Lutheran Medical Hospital, 5.00%, 8/1/31 (FHA-NPFGC)	Baa1/BBB	2,751,240
3,085	New York Univ., 5.25%, 7/1/48, Ser. A	Aa3/AA-	3,010,806

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PIMCO New York Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody's/S&P)	Value
\$ 2,750	North General Hospital, 5.00%, 2/15/25	NR/AA-	2,701,298
700	North Shore-Long Island Jewish Health System, 5.50%, 5/1/37, Ser. A	Baa1/A-	668,297
250	NYU Hospitals Center, 6.00%, 7/1/40, Ser. A	Baa1/BBB+	246,580
3,740	St. Barnabas Hospital, 5.00%, 2/1/31, Ser. A (AMBAC-FHA)	WR/NR	3,743,516
1,200	Teachers College, 5.50%, 3/1/39	A1/NR	1,191,468
500	The New School, 5.50%, 7/1/40	A3/A-	492,800
620	Winthrop Univ. Hospital Assoc., 5.50%, 7/1/32, Ser. A	Baa1/NR	597,395
2,500	Winthrop-Nassau Univ., 5.75%, 7/1/28	Baa1/NR	2,505,975
2,000	State Environmental Facs. Corp. Rev., 4.75%, 6/15/32, Ser. B	Aa1/AA+	1,970,960
	State Urban Dev. Corp. Rev.,		
2,400	5.00%, 3/15/35, Ser. B	NR/AAA	2,373,504
2,200	5.00%, 3/15/36, Ser. B-1 (i)	NR/AAA	2,156,902
2,000	Triborough Bridge & Tunnel Auth. Rev., 5.25%, 11/15/34, Ser. A-2 (i)	Aa2/AA-	2,023,640
1,100	TSACS, Inc. Rev., 5.125%, 6/1/42, Ser. 1	NR/BBB-	732,589
2,000	Warren & Washington Cntys. Industrial Dev. Agcy. Rev.,		
	Glens Falls Hospital Project, 5.00%, 12/1/35, Ser. A (AGM)	Aa3/AA+	1,896,740
600	Westchester Cnty. Healthcare Corp. Rev., 6.125%, 11/1/37, Ser. C-2	A3/BBB	577,536
100	Yonkers Economic Dev. Corp. Rev., 6.00%, 10/15/30, Ser. A	NR/BB+	90,422
	Total New York Municipal Bonds & Notes (cost \$71,849,445)		71,834,112

OTHER MUNICIPAL BONDS & NOTES 10.8%**District of Columbia 0.2%**

175	Tobacco Settlement Financing Corp. Rev., 6.50%, 5/15/33	Baa3/BBB	169,216
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Ohio 1.0%

1,250	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	Baa3/BB-	831,937
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Puerto Rico 8.4%

580	Children's Trust Fund Rev., 5.625%, 5/15/43	Baa3/BBB	446,322
2,000	Electric Power Auth. Rev., 5.25%, 7/1/40, Ser. XX	A3/BBB+	1,724,000
	Sales Tax Financing Corp. Rev.,		
4,000	5.00%, 8/1/40, Ser. A (AGM) (i)	Aa3/AA+	3,650,600
1,000	5.375%, 8/1/38, Ser. C	A1/A+	913,960

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500	5.75%, 8/1/37, Ser. A	A1/A+	482,870
			7,217,752
	South Carolina 0.5%		
370	Tobacco Settlement Rev. Management Auth. Rev., 6.375%, 5/15/30, Ser. B	WR/BBB	435,642
	U.S. Virgin Islands 0.6%		
500	Public Finance Auth. Rev., 6.00%, 10/1/39, Ser. A	Baa3/NR	482,175

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PIMCO New York Municipal Income Fund III Schedule of Investments

March 31, 2011 (unaudited) (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value
	Washington 0.1%		
\$ 135	Tobacco Settlement Auth. Rev., 6.625%, 6/1/32	Baa3/BBB	132,502
	Total Other Municipal Bonds & Notes (cost \$9,838,011)		9,269,224
	NEW YORK VARIABLE RATE NOTES (g) 5.8%		
5,000	State Dormitory Auth. Rev., Rockefeller Univ., 5.00%, 7/1/32, Ser. A-1 (cost \$4,330,275)	Aa1/AAA	5,017,500
	Total Investments (cost \$86,017,731) 100.0%		\$ 86,120,836

Notes to Schedules of Investments:

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$15,538,189 representing 3.0% of total investments for Municipal Income III and \$5,785,138, representing 1.7% of total investments for California Municipal III.
- (b) Step Bond Coupon is a fixed rate for an initial period then resets at a specific date and rate.
- (c) 144A 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. To be settled after March 31, 2011.
- (e) 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. The interest rate disclosed reflects the rate in effect on March 31, 2011.
- (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, 2011.
- (h) All or partial amount segregated for the benefit of the counterparty as collateral for derivatives.
- (i) 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 each Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (j) Rates reflect the effective yields at purchase date.

Glossary:

AGC insured by Assured Guaranty Corp.

AGM insured by Assured Guaranty Municipal Corp.

AMBAC insured by American Municipal Bond Assurance Corp.

CA Mtg. Ins. insured by California Mortgage Insurance
CA St. Mtg. insured by California State Mortgage
CP Certificates of Participation
FGIC insured by Financial Guaranty Insurance Co.
FHA insured by Federal Housing Administration
GNMA insured by Government National Mortgage Association
GO General Obligation Bond
GTD Guaranteed
IBC Insurance Bond Certificate
NPFGC insured by National Public Finance Guarantee Corp.
NR Not Rated
PSF Public School Fund
TCRS Temporary Custodian Receipts
WR Withdrawn Rating
XLCA insured by XL Capital Assurance

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PIMCO Municipal Income Funds III Statements of Assets and Liabilities

March 31, 2011 (unaudited)

	Municipal III	California Municipal III	New York Municipal III
Assets:			
Investments, at value (cost \$549,277,456, \$346,078,160 and \$86,017,731, respectively)	\$526,305,206	\$335,731,815	\$86,120,836
Cash		3,670,372	
Interest receivable	9,519,065	5,635,608	1,135,714
Swap premiums paid	28,440	44,240	1,580
Prepaid expenses and other assets	112,684	53,319	31,104
Total Assets	535,965,395	345,135,354	87,289,234
Liabilities:			
Payable for floating rate notes issued	59,869,224	40,288,688	8,932,500
Dividends payable to common and preferred shareholders	2,262,570	1,315,731	294,914
Payable for investments purchased	1,660,000	2,470,855	545,610
Swap premiums received	428,250	280,500	70,820
Unrealized depreciation of swaps	688,177	426,123	104,598
Payable to custodian for cash overdraft	816,969		27,709
Investment management fees payable	261,431	166,504	42,973
Interest payable	105,723	67,214	10,495
Accrued expenses and other liabilities	151,351	169,586	63,895
Total Liabilities	66,243,695	45,185,201	10,093,514
Preferred Shares (\$0.00001 par value and \$25,000 liquidation preference per share applicable to an aggregate of 7,560, 5,000 and 1,280 shares issued and outstanding, respectively)	189,000,000	125,000,000	32,000,000

Net Assets Applicable to Common Shareholders	\$280,721,700	\$174,950,153	\$45,195,720
Composition of Net Assets Applicable to Common Shareholders:			
Common Shares:			
Par value (\$0.00001 per share)	\$322	\$218	\$56
Paid-in-capital in excess of par	455,480,374	308,260,906	78,883,259
Undistributed net investment income	4,331,924	3,640,574	1,089,132
Accumulated net realized loss on investments	(155,431,199)	(126,174,416)	(34,775,068)
Net unrealized depreciation of investments and swaps	(23,659,721)	(10,777,129)	(1,659)
Net Assets Applicable to Common Shareholders	\$280,721,700	\$174,950,153	\$45,195,720
Common Shares Issued and Outstanding	32,224,054	21,827,887	5,598,296
Net Asset Value Per Common Share	\$8.71	\$8.01	\$8.07

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PIMCO Municipal Income Funds III Statements of Operations

Six Months ended March 31, 2011 (unaudited)

	Municipal III	California Municipal III	New York Municipal III
Investment Income:			
Interest	\$16,148,507	\$9,769,184	\$2,336,554
Expenses:			
Investment management fees	1,575,683	1,009,581	257,489
Interest expense	225,403	133,573	32,357
Auction agent fees and commissions	154,825	99,405	27,119
Custodian and accounting agent fees	58,411	39,864	26,540
Audit and tax services	35,854	29,120	20,020
Shareholder communications	32,446	20,160	10,010
Trustees' fees and expenses	23,114	15,106	3,640
Transfer agent fees	18,928	17,472	17,472
New York Stock Exchange listing fees	11,510	9,499	9,400
Insurance expense	7,296	4,838	1,532
Legal fees	6,920	4,690	2,322
Miscellaneous	6,533	5,987	6,169
Total Expenses	2,156,923	1,389,295	414,070
Less: custody credits earned on cash balances	(171)	(370)	(150)
Net Expenses	2,156,752	1,388,925	413,920
Net Investment Income	13,991,755	8,380,259	1,922,634
Realized and Change In Unrealized Gain (Loss):			
Net realized gain (loss) on:			
Investments	599,105	(5,121,055)	(184,471)

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Swaps	(1,036,365)	(399,540)	(172,590)
Net change in unrealized appreciation/depreciation of: Investments	(49,767,727)	(30,054,236)	(6,953,188)
Swaps	(688,177)	(426,123)	(104,598)
Net realized and change in unrealized loss on investments and swaps	(50,893,164)	(36,000,954)	(7,414,847)
Net Decrease in Net Assets Resulting from Investment Operations	(36,901,409)	(27,620,695)	(5,492,213)
Dividends on Preferred Shares from Net Investment Income	(398,285)	(261,917)	(67,145)
Net Decrease in Net Assets Applicable to Common Shareholders Resulting from Investment Operations	\$(37,299,694)	\$(27,882,612)	\$(5,559,358)

See accompanying Notes to Financial Statements ĩ 3.31.11 ĩ PIMCO Municipal Income Funds III Semi-Annual Report 25

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

	Municipal III	
	Six Months ended March 31, 2011 (unaudited)	Year ended September 30, 2010
Investment Operations:		
Net investment income	\$13,991,755	\$27,628,585
Net realized gain (loss) on investments and swaps	(437,260)	8,381
Net change in unrealized appreciation/depreciation of investments and swaps	(50,455,904)	4,194,047
Net increase (decrease) in net assets resulting from investment operations	(36,901,409)	31,831,013
Dividends on Preferred Shares from Net Investment Income	(398,285)	(797,851)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	(37,299,694)	31,033,162
Dividends to Common Shareholders from Net Investment Income	(13,519,325)	(26,934,450)
Common Share Transactions:		
Reinvestment of dividends	700,920	1,819,762
Total increase (decrease) in net assets applicable to common shareholders	(50,118,099)	5,918,474
Net Assets Applicable to Common Shareholders:		
Beginning of period	330,839,799	324,921,325
End of period (including undistributed net investment income of \$4,331,924 and \$4,257,779; \$3,640,574 and \$3,372,730; \$1,089,132 and \$994,886; respectively)	\$280,721,700	\$330,839,799
Common Shares Issued in Reinvestment of Dividends	69,811	175,126

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

California Municipal III		New York Municipal III	
Six Months ended March 31, 2011 (unaudited)	Year ended September 30, 2010	Six Months ended March 31, 2011 (unaudited)	Year ended September 30, 2010
\$8,380,259	\$16,631,668	\$1,922,634	\$3,692,800
(5,520,595)	34,880	(357,061)	51,846
(30,480,359)	1,712,656	(7,057,786)	1,471,822
(27,620,695)	18,379,204	(5,492,213)	5,216,468
(261,917)	(524,271)	(67,145)	(137,098)
(27,882,612)	17,854,933	(5,559,358)	5,079,370
(7,850,498)	(15,648,624)	(1,761,243)	(3,507,521)
366,042	938,286	116,545	300,354
(35,367,068)	3,144,595	(7,204,056)	1,872,203
210,317,221	207,172,626	52,399,776	50,527,573
\$174,950,153	\$210,317,221	\$45,195,720	\$52,399,776
41,427	101,572	13,624	33,283

See accompanying Notes to Financial Statements ĩ 3.31.11 ĩ PIMCO Municipal Income Funds III Semi-Annual Report 27

PIMCO Municipal Income Fund III Statements of Cash Flows

Six Months ended March 31, 2011 (unaudited)

	Municipal III	California Municipal III	New York Municipal III
Increase in Cash from:			
Cash Flows provided by (used for) Operating Activities:			
Net decrease in net assets resulting from investment operations	\$(36,901,409)	\$(27,620,695)	\$(5,492,213)
Adjustments to reconcile net decrease in net assets resulting from investment operations to net cash provided by (used for) operating activities:			
Purchases of long-term investments	(51,970,428)	(29,435,967)	(7,171,231)
Proceeds from sales of long-term investments	51,591,766	24,823,612	4,443,912
Purchases of short-term portfolio investments, net	(1,490,071)	(1,189,296)	
Net change in unrealized appreciation/depreciation of investments and swaps	50,450,646	29,720,701	7,063,172
Net realized loss on investments and swaps	437,260	6,278,759	351,675
Net amortization on investments	(139,287)	(209,542)	(30,665)
Increase in interest receivable			