

PIMCO CALIFORNIA MUNICIPAL INCOME FUND III
Form N-CSR
December 07, 2007

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 811-21188

PIMCO California 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, 2007

Date of reporting period: September 30, 2007

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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
Annual Report
September 30, 2007
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PIMCO Municipal Income Funds III
Letter to Shareholders

November 1, 2007

Dear Shareholder:

We are pleased to provide you with the annual report for the PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund III (the ‘Funds’) for the fiscal year ended September 30, 2007.

The U.S. bond market delivered modest returns for the period as economic growth continued to moderate and weakness in the U.S. housing and mortgage markets added to volatility. The Lehman Municipal Bond Index returned 3.09% for the period, providing a competitive return on a tax-adjusted basis to the broad market return of 5.14% for the Lehman Aggregate Bond Index. The Federal Reserve lowered the Federal Funds rate during the period in a move to add liquidity to markets that had become constrained due to weakness in subprime mortgages.

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. You will also find a wide range of information and resources 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

Brian S. Shlissel Chairman President & Chief Executive Officer

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PIMCO Municipal Income Fund III
 Fund Insights/Performance & Statistics
 September 30, 2007 (unaudited)

For the fiscal year ended September 30, 2007, PIMCO Municipal Income Fund III returned 3.17% on net asset value and 1.38% on market price, compared with 1.28% and (0.07)%, respectively, for the Lipper Analytical General Municipal Debt Funds (Leveraged) average.

The municipal bond market underperformed the taxable bond market for the twelve-month period, with the Lehman Municipal Bond Index returning 3.09% and the Lehman Aggregate Bond Index returning 5.14%, respectively. Longer maturity municipal bonds underperformed shorter maturity municipals during the reporting period, as the yield curve steepened. For example, yields on five- and 10-year AAA General Obligation yields rose 3 and 11 basis-points, while 20- and 30-year yields rose 25 and 27 basis-points, respectively. Note that when a bond's yield rises, its price declines, and vice versa.

Longer maturity municipals also underperformed longer maturity Treasuries for the period. Consequently, interest rate hedging strategies that benefit when longer-term Treasuries lag municipals were negative for performance. The Fund's exposure to tobacco-securitized debt hindered performance, as the increased supply of new issues that were brought to the market weighed on the price of existing bonds.

The Fund's exposure to zero-coupon bonds adversely affected performance as intermediate- and longer-duration zero coupons declined in value during the period. Emphasis on higher credit-quality bonds benefited performance as lower-rated, more speculative issues underperformed during the latter part of the fiscal year due to liquidity challenges.

Total Return(1): Market

Price	Net Asset Value ("NAV")	1 Year	38%	3.17%	3 Year	8.18%	6.80%
		(10/31/02) to 9/30/07				6.60%	6.82%

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 9/30/07

Market Price / NAV:	Market Price	\$15.05	NAV	\$14.53	Premium to
NAV	3.58%	Market Price Yield(2)	5.58%		

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

(1) **Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all of the Fund's income dividends and capital gain distributions have been reinvested at

prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual total return.

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 September 30, 2007.

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PIMCO California Municipal Income Fund III
 Fund Insights/Performance & Statistics
 September 30, 2007 (unaudited)

• For the fiscal year ended September 30, 2007, PIMCO California Municipal Income Fund III returned 3.54% on net asset value and (11.38)% on market price, compared with 1.57% and (2.14)%, respectively, for the Lipper Analytical California Municipal Debt Funds average.

• During the reporting period, California municipal bonds, as measured by the Lehman California Municipal Bond Index, underperformed the broader national municipal market, as measured by the Lehman Municipal Bond Index, returning 2.98% and 3.09%, respectively.

• The California AAA insured municipal yield curve steepened during the reporting period. For example, five-year maturity AAA municipal yields increased 4 basis-points, while 10-, 20- and 30-year maturities increased 14, 22 and 22 basis-points, respectively.

• The Fund's exposure to tobacco-securitized debt hindered performance, as the increased supply of new issues that were brought to the market weighed on the price of existing bonds.

• The Fund's exposure to zero-coupon bonds adversely affected performance as intermediate- and longer-duration zero coupons declined in value during the period.

• Emphasis on higher credit-quality bonds benefited performance as lower-rated, more speculative issues underperformed during the latter part of the fiscal year due to liquidity challenges.

					Total Return(1): Market
Price	Net Asset Value ("NAV")	1 Year	3 Year	5 Year	Commencement of Operations
		(10/31/02) to 9/30/07	(10/31/02) to 9/30/07	(10/31/02) to 9/30/07	
		(11.38)%	3.54%	7.53%	7.44%
			5.33%	6.82%	

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 9/30/07

Market Price / NAV: Market Price \$14.20 NAV \$14.48 Discount to NAV (1.93)% Market Price Yield(2) 4.91%

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

(1) **Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all of the Fund's income dividends and capital gain distributions have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual total return.

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 September 30, 2007.

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PIMCO New York Municipal Income Fund III
 Fund Insights/Performance & Statistics
 September 30, 2007 (unaudited)

• For the fiscal year ended September 30, 2007, PIMCO New York Municipal Income Fund III returned 1.71% on net asset value and (13.12)% on market price, compared with 1.63% and (0.84)%, respectively, for the Lipper Analytical New York Municipal Debt Funds average.

• During the reporting period, 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, returning 3.19% and 3.09%, respectively.

• The New York AAA insured municipal yield curve steepened during the reporting period. For example, five-year maturity AAA yields increased 2 basis-points, while 10-, 20- and 30-year maturities increased 14, 25, and 28 basis-points, respectively.

• The Fund's exposure to tobacco-securitized debt hindered performance, as the increased supply of new issues that were brought to the market weighed on the price of existing bonds.

• The Fund's exposure to zero-coupon bonds adversely affected performance as intermediate- and longer-duration zero coupons declined in value during the period.

• Emphasis on higher credit-quality bonds benefited performance as lower-rated, more speculative issues underperformed during the latter part of the fiscal year due to liquidity challenges.

Total Return(1): Market

Price Net Asset Value ("NAV") 1 Year	(13.12)%	1.71%	3 Year	4.17%	6.43%
(10/31/02) to 9/30/07				4.09%	6.57%

Common Share Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 9/30/07

Market Price/NAV:	Market Price	\$13.57	NAV	\$14.57	Discount to
	NAV	(6.86)%	Market Price Yield(2)	4.49%	

Moody's Ratings

(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all of the Fund's income dividends and capital gain distributions have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual total return.

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 September 30, 2007.

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PIMCO Municipal Income Fund III
 Schedule of Investments
 September 30, 2007

		Amount		Principal	
		(000)	Credit Rating		
		(Moody's/S&P)* Value			
MUNICIPAL BONDS & NOTES—97.1%					
Alabama—1.1%					
Birmingham, GO, Ser. B (AMBAC) (a),	\$ 1,000	5.00%	12/1/27, (Pre-refunded @ \$100, 12/1/12)		
Aaa/AAA	\$ 1,066,330	2,560	5.00%, 12/1/32, (Pre-refunded @ \$100, 8/15/12)	Aaa/AAA	2,729,805
5,000	Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev.,	5.00%	11/15/30, Ser. A		
Baa1/NR	4,788,300	1,500	Colbert Cnty., Northwest Health Care Auth., Health Care Facs. Rev.,	5.75%	6/1/27
	Baa3/NR	1,513,890		10,098,325	
Alaska—0.8%					
3,100	Northern Tobacco Securitization Corp. Rev.,	5.00%	6/1/46, Ser. A	Baa3/NR	2,589,709
State Housing Finance Corp. Rev.,	3,900	5.00%	12/1/33, Ser. A	Aaa/AAA	3,927,378
	6/1/32, Ser. C (MBIA)	Aaa/AAA	1,005,940		7,523,027
Arizona—2.9%					
Health Facs. Auth. Rev.,	1,000	Beatitudes Project,	5.20%, 10/1/37	NR/NR	904,680
John C. Lincoln Health Network,		7.00%, 12/1/25, (Pre-refunded @ \$102, 12/1/10) (a)		NR/BBB	
2,461,470	1,500	Maricopa Cnty. Pollution Control Corp., Pollution Control Rev.,	5.05%, 5/1/29 (AMBAC)		
Aaa/AAA	1,543,200	Salt River Project Agricultural Improvement & Power Dist. Rev.,	Ser. A (h),		
5,000	5.00%, 1/1/35	Aa1/AA	5,173,750	16,000	5.00%, 1/1/37
				Aa1/AA	16,544,800
					26,627,900
Arkansas—0.1%					
7,000	Arkansas Dev. Finance Auth. Rev., zero coupon,	7/1/46 (AMBAC)	Aaa/NR		1,007,930
California—7.4%					
1,000	Alameda Public Financing Auth. Rev.,	7.00%, 6/1/09	NR/NR	998,960	2,000
Community Facs. Dist., Special Tax,	5.25%, 9/1/30	NR/NR	1,917,620	Golden State Tobacco Securitization	
Corp., Tobacco Settlement Rev.,	8,000	5.00%, 6/1/33, Ser. A-1	Baa3/BBB	7,060,320	27,585
6.25%, 6/1/33, Ser. 2003-A-1	Aaa/AAA	30,272,882	21,000	6.75%, 6/1/39, Ser. 2003-A-1, (Pre-refunded @	
\$100, 6/1/13) (a)	Aaa/AAA	24,312,750	3,060	Statewide Community Dev. Auth. Rev., Baptist Univ.,	
				9.00%, 11/1/17, Ser. B (b)	NR/NR
					3,116,304
					67,678,836

Colorado-3.3%

1,000 Aurora Single Tree Metropolitan Dist., GO, 5.50%, 11/15/31 NR/NR 925,840 9,955
Colorado Springs Rev., 5.00%, 11/15/30, Ser. B (h) Aa2/AA 10,225,477 500 Confluence Metropolitan Dist.
Rev, 5.45%, 12/1/34 NR/NR 475,515

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PIMCO Municipal Income Fund III
 Schedule of Investments
 September 30, 2007 (continued)

	Principal
Amount (000) Credit Rating (Moody's/S&P)* Value	
Colorado—(continued)	
El Paso Cnty., CP (AMBAC), \$ 1,735 5.00%, 12/1/23, Ser. A, (Pre-refunded @ \$100, 12/1/12)	
(a) Aaa/AAA \$ 1,850,083 1,725 5.00%, 12/1/23, Ser. B Aaa/AAA 1,786,720 2,820 5.00%, 12/1/27, Ser. A, (Pre-refunded @ \$100, 12/1/12) (a) Aaa/AAA 3,007,051 1,500 5.00%, 12/1/27, Ser. B Aaa/AAA 1,544,550 1,500 Garfield Cnty. School Dist. Re-2, GO, 5.00%, 12/1/25 (FSA) Aaa/NR 1,549,455 1,000 Health Facs. Auth. Rev., American Baptist Homes, 5.90%, 8/1/37, Ser. A NR/NR 1,001,380 1,500 Housing & Finance Auth. Rev., Evergreen Country Day School, 5.875%, 6/1/37 (b) NR/BB 1,486,335 4,000 Saddle Rock Metropolitan Dist., GO, 5.35%, 12/1/31 (Radian) NR/AA 4,020,400 2,500 School Mines Auxiliary Facs. Rev., 5.00%, 12/1/37 (AMBAC) Aaa/AAA 2,549,925 30,422,731	
Florida—5.6%	
3,480 Brevard Cnty. Health Facs. Auth. Rev., 5.00%, 4/1/34 A2/A 3,459,746 8,000 Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System, 5.25%, 11/15/23, Ser. B, (Pre-refunded @ \$100, 11/15/12) (a) A1/A+ 8,572,880 2,500 Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital, 5.25%, 10/1/34, Ser. B A3/NR 2,508,900 1,485 Julington Creek Plantation Community Dev. Dist., Special Assessment Rev., 5.00%, 5/1/29 (MBIA) Aaa/AAA 1,528,600 1,000 Orange Cnty. Housing Finance Auth., Multifamily Rev., Palm Grove Gardens, 5.25%, 1/1/28, Ser. G Aaa/NR 1,017,320 15,000 Pinellas Cnty. Health Fac. Auth. Rev., Baycare Health, 5.50%, 11/15/33, (Pre-refunded @ \$100, 5/15/13) (a) Aa3/NR 16,405,050 3,895 Sarasota Cnty. Health Fac. Auth. Rev., 5.75%, 7/1/45 NR/NR 3,829,759 7,500 South Miami Health Facs. Auth., Hospital Rev., Baptist Health, 5.25%, 11/15/33, (Pre-refunded @ \$100, 2/1/13) (a) Aaa/AA- 8,060,850 5,615 Tampa, Water & Sewer Rev., 5.00%, 10/1/26, Ser. A Aa2/AA 5,774,690 51,157,795	
Georgia—0.6%	
1,750 Fulton Cnty. Rev., 5.125%, 7/1/42, Ser. A NR/NR 1,555,138 4,000 Griffin Combined Public Utility Rev., 5.00%, 1/1/32 (AMBAC) Aaa/AAA 4,134,680 5,689,818	
Idaho—0.8%	
State Building Auth., Building Rev., Ser. A (XLCA), 1,000 5.00%, 9/1/33 Aaa/AAA 1,024,700 5,750 5.00%, 9/1/43 Aaa/AAA 5,867,128 6,891,828	
Illinois—6.4%	

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2,250	Chicago, GO, 5.00%, 1/1/31, Ser. A (MBIA) Aaa/AAA	2,290,252	Chicago, Lake Shore
East, Special Assessment,	1,600 6.625%, 12/1/22 NR/NR	1,695,504 3,456	6.75%, 12/1/32 NR/NR
		3,658,245	

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PIMCO Municipal Income Fund III
 Schedule of Investments
 September 30, 2007 (continued)

		Amount		Principal	
		(000)	Credit Rating		
		(Moody's/S&P)* Value			
Illinois--(continued)					
\$ 500	Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC)	Aaa/AAA	\$		
184,775	3,000 Chicago Kingsbury Redev. Project, Tax Allocation,				
6.57%, 2/15/13, Ser. A NR/NR	3,052,230 7,000 Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A				
(AMBAC) Aaa/AAA	7,135,940 4,000 Chicago Park Dist., GO, 5.00%, 1/1/29, Ser. D (FGIC) Aaa/AAA				
4,073,440	Dev. Finance Auth. Rev., 1,500 5.50%, 5/15/37 NR/NR 1,438,620 1,000 5.875%,				
3/1/27, Ser. A NR/NR	991,370 2,000 Christian Homes, Inc., 5.75%, 5/15/31, Ser. A NR/NR 1,942,060				
12,795	Peoples Gas Light & Coke, 5.00%, 2/1/33 (AMBAC) (h) Aaa/AAA 12,997,289 1,050 Three Crowns				
	Park Plaza, 5.875%, 2/15/38 NR/NR 1,050,945 Educational Facs. Auth. Rev., Univ. of Chicago,				
4,780	5.00%, 7/1/33 Aa1/AA 4,897,062 220 5.00%, 7/1/33, (Pre-refunded @ \$100, 7/1/13) (a) Aa1/AA				
235,607	165 5.25%, 7/1/41 Aa1/AA 171,293 4,160 5.25%, 7/1/41, (Pre-refunded @ \$101, 7/1/11) (a)				
Aa1/AA	4,439,183 Finance Auth. Rev., Ser. A, 425 6.00%, 3/1/37 NR/NR 422,875 1,500				
	6.00%, 11/15/37 NR/NR 1,504,395 1,175 Health Facs. Auth. Rev., Elmhurst Memorial Healthcare,				
	5.50%, 1/1/22 A2/NR 1,222,576 4,283 Round Lake, Special Tax Rev., 6.70%, 3/1/33,				
	(Pre-refunded @ \$102, 3/1/13) (a) NR/NR 4,868,829 58,272,490				

Indiana--3.1%

7,535	Bond Bank Rev., 5.00%, 2/1/33, Ser. A (FSA) Aaa/AAA 7,710,264 3,000 Brownsburg 1999				
	School Building Corp. Rev., 5.25%, 3/15/25, Ser. A, (Pre-refunded @ \$100, 9/15/13) (FSA) (a)				
Aaa/AAA	3,259,590 1,375 Fort Wayne Pollution Control Rev., 6.20%, 10/15/25 Caa1/B- 1,398,045				
5,000	Indianapolis Local Public Improvement Board, Tax Allocation, 5.00%, 2/1/29, Ser. G (MBIA)				
Aaa/AAA	5,124,100 Michigan City Area Wide School Building Corp., Rev. (FGIC), 2,500 zero				
	coupon, 1/15/21 Aaa/AAA 1,382,475 1,000 zero coupon, 7/15/21 Aaa/AAA 540,790 1,000 zero				
	coupon, 1/15/22 Aaa/AAA 525,920 Plainfield Parks Facs. Corp. Lease Rent Rev., 1,000 5.00%,				
	1/15/22 (AMBAC) Aaa/AAA 1,030,190 Portage Industrial Economic Dev. Rev., 1,000 5.00%,				
	7/15/23 NR/BBB+ 993,450 775 5.00%, 1/15/27 NR/BBB+ 760,926 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 (b) NR/NR 1,994,180 28,223,780				

PIMCO Municipal Income Fund III
 Schedule of Investments
 September 30, 2007 (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/B+	\$ 1,021,560 3,715 Finance Auth. Rev., Wedum Walnut Ridge LLC,
5.625%, 12/1/45, Ser. A NR/NR	3,571,193 Tobacco Settlement Auth. of Iowa Rev., Ser. B,	11,010
zero coupon, 6/1/34, (Converts to 5.60% on 12/1/07)	Baa3/BBB 10,163,661 1,000 5.60%, 6/1/35,	
(Pre-refunded @ \$101, 6/1/11) (a) NR/AAA	1,076,040	15,832,454
Kentucky-0.3%		
Economic Dev. Finance Auth., Hospital Facs. Rev.,	1,000 Catholic Healthcare Partners, 5.25%,	
10/1/30 Aa3/AA-	1,018,440 1,080 St. Luke's Hospital, 6.00%, 10/1/19, Ser. B A3/A	1,190,527
		2,208,967
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) (a) A3/NR	5,686,950 1,700 5.50%, 5/15/47 A3/NR	1,721,420 1,595
	Tobacco Settlement Financing Corp. Rev.,	
5.875%, 5/15/39, Ser. 2001-B Baa3/BBB	1,580,166	8,988,536
Maryland-0.2%		
500 Health & Higher Educational Facs. Auth. Rev., 5.30%, 1/1/37 NR/NR	473,005 1,500 State	
	Health & Higher Educational Facs. Auth. Rev., Calvert	
Health Systems, 5.50%, 7/1/36 A2/NR	1,551,915	2,024,920
Massachusetts-1.1%		
State Dev. Finance Agcy. Rev.,	1,000 5.75%, 7/1/33, Ser. C, (Pre-refunded @ \$101, 7/1/13) (a)	
A3/A-	1,063,020 750 Linden Ponds, 5.75%, 11/15/35, Ser. A NR/NR	756,817 4,910 State Housing
Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H Aa3/AA-	4,957,038 3,225 State Water Pollution	
Abatement Trust Rev., 5.00%, 8/1/32, Ser. 8 Aaa/AAA	3,301,110	10,077,985
Michigan-13.8%		
500 Corner Creek Academy East Rev., 5.25%, 11/1/36 A1/BB+	445,545 250 Crescent Academy,	
CP, 5.75%, 12/1/36 NR/NR	246,363 Detroit Water Supply System Rev.,	33,040 5.00%, 7/1/32,
Ser. A (FSA) (h) Aaa/AAA	33,765,228 35,000 5.00%, 7/1/34, Ser. A (MBIA) (h) Aaa/AAA	35,732,550

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7,555 5.00%, 7/1/34, Ser. B (MBIA) Aaa/AAA 7,713,126 500 Star International Academy, CP, 6.125%,
3/1/37 NR/BB+ 507,240 5,000 State Building Auth. Rev., 5.00%, 10/15/26, Ser. III,
(Pre-refunded @ \$100, 10/15/12) (FSA) (a) Aaa/AAA 5,324,300

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PIMCO Municipal Income Fund III
 Schedule of Investments
 September 30, 2007 (continued)

		Amount		Principal	
		(000)	Credit Rating		
		(Moody's/S&P)* Value			
Michigan--(continued)					
\$ 175	State Hospital Finance Auth. Rev.,			Detroit Medical Center, 5.25%, 8/15/23	Ba3/BB-
	165,960	4,000		Henry Ford Health System, 5.00%, 3/1/17,	
(Pre-refunded @ \$100, 3/1/13)	(a) A1/A	4,254,760		Oakwood Group, Ser. A,	5,405 5.75%, 4/1/32
	A2/A	5,610,768	575	6.00%, 4/1/22	A2/A 612,254 20,000
	Aa2/AA-	20,574,000	1,000	State Technical Univ. Rev., 5.00%	10/1/33 (XLCA) Aaa/AAA 1,025,570
	10,000			Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BBB 9,975,000
					125,952,664
Minnesota--0.4%					
750	Cottage Grove Rev., 5.00%, 12/1/31	NR/NR	673,380	2,400	Upsala Independent School Dist.
	No. 487, GO, 5.00%, 2/1/28 (FGIC)	Aaa/AAA	2,536,416		3,209,796
Mississippi--0.5%					
	Business Finance Corp., Pollution Control Rev.,		3,000	5.875%, 4/1/22	Ba1/BBB 3,009,000
	1,250	5.90%, 5/1/22	Ba1/BBB	1,250,500	4,259,500
Missouri--2.4%					
	4,000			Bi-State Dev. Agcy. Rev., Missouri Illinois Metropolitan Dist.,	
	5.00%, 10/1/32 (FSA)	Aaa/AAA	4,123,120	1,350	St. Louis Cnty. Industrial Dev. Auth., Housing Dev. Rev.,
	5.20%, 1/20/36 (GNMA)	NR/AAA	1,367,969		St. Louis Industrial Dev. Auth. Rev. (GNMA),
	5.125%, 12/20/29	NR/AAA	1,528,725	1,500	5.125%, 12/20/30
				NR/AAA	1,521,795 4,365
	Environmental Improvement & Energy Res. Auth.,			Water Pollution Control Rev., 5.00%, 7/1/23, Ser. B	
	Aaa/NR	4,542,175	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) (a) A2/NR	8,169,525 250
	Township of Jennings Rev., 5.00%, 11/1/23	NR/NR	240,162	500	Univ. Place Transportation Dev. Dist.,
				Special Assessment,	
	5.00%, 3/1/32 (c)	NR/NR	476,280		21,969,751
Montana--1.3%					
	11,250			Forsyth Pollution Control Rev., Puget Sound Energy,	
	5.00%, 3/1/31 (AMBAC)	Aaa/AAA	11,635,763		
Nevada--0.4%					

3,355 Henderson Health Care Fac. Rev., Catholic Healthcare West, 5.125%, 7/1/28,
(Pre-refunded @ \$101, 7/1/08) (a) A2/A 3,427,971

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PIMCO Municipal Income Fund III
 Schedule of Investments
 September 30, 2007 (continued)

		Amount		Principal
		(000)	Credit Rating	
		(Moody's/S&P)* Value		
New Hampshire—0.5%				
Manchester Water Works Rev. (FGIC),	\$ 1,500	5.00%, 12/1/28	Aaa/AAA	\$ 1,554,570
3,250	5.00%, 12/1/34	Aaa/AAA	3,348,735	4,903,305
New Jersey—4.4%				
1,000	Camden Cnty., Improvement Auth. Rev., Cooper Health System, 5.00%, 2/15/35, Ser. A	Baa3/BBB		
944,460	Economic Dev. Auth., 4,500	Kapkowski Road Landfill Project, Special Assessment,		
	6.50%, 4/1/28	Baa3/NR	5,078,115	300
	Newark Airport Rev., 7.00%, 10/1/14	Ba1/NR	303,288	450
	Seashore Gardens, 5.375%, 11/1/36	NR/NR	423,256	
	Health Care Facs. Financing Auth. Rev.,			2,500
	Middlesex Cnty. Pollution Control Auth. Rev., 5.75%, 9/15/32	Baa3/BBB-	2,581,250	3,000
	Pascack Valley Hospital, 6.625%, 7/1/36 (j)	NR/CC	1,500,000	2,000
	Somerset Medical Center, 5.50%, 7/1/33	Ba1/NR		
1,943,520	2,000	South Port Corp., 5.10%, 1/1/33	NR/A	2,044,860
	1,150	Trinitas Hospital, 5.25%, 7/1/30,		
	Ser. A	Baa3/BBB-	1,109,945	1,500
	State Educational Facs. Auth. Rev., 6.00%, 7/1/25, Ser. D	NR/NR		
	1,566,360	Tobacco Settlement Financing Corp. Rev.,	9,250	5.00%, 6/1/41, Ser. 1A
	7,828,275	525	6.00%, 6/1/37, (Pre-refunded @ \$100, 6/1/12) (a)	Aaa/AAA
	577,411	1,000	6.125%,	
	6/1/24	Aaa/AAA	1,059,680	230
	6.125%, 6/1/42, (Pre-refunded @ \$100, 6/1/12) (a)			