

PIMCO MUNICIPAL INCOME FUND III
Form N-CSR
December 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: September 30, 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

Annual Report
September 30, 2008

Contents

Letter to Shareholders	1
Fund Insights/Performance & Statistics	2-7
Schedules of Investments	8-26
Statements of Assets and Liabilities	27
Statements of Operations	28
Statements of Changes in Net Assets	30-31
Statements of Cash Flows	32-34
Notes to Financial Statements	35-43
Financial Highlights	44-46
Report of Independent Registered Public Accounting Firm	47
Tax Information/Annual Shareholder Meeting Results/Appointment of New Trustee	48
Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements	49-51
Privacy Policy/Proxy Voting Policies & Procedures	52
Dividend Reinvestment Plan	53
Board of Trustees	54-55
Principal Officers	56

PIMCO Municipal Income Funds III Letter to Shareholders

November 21, 2008

Dear Shareholder:

We are pleased to provide you with the 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 fiscal year ended September 30, 2008.

The U.S. bond market weakened during the second half of the reporting period as sub-prime mortgage exposure led to instability among banking institutions and tight credit throughout the economy. In this environment, investors shunned all but the safest of U.S. government securities. The Lehman Brothers Municipal Bond Index returned (1.87)% for the twelve-month period, trailing the broad market return of 3.65% as represented by the Lehman Brothers Aggregate Bond Index. The Federal Reserve and U.S. Treasury Department moved aggressively during the period to stave off bank failures and to inject liquidity into the banking system. The central bank reduced the Federal Funds rate six times in the period, reducing the benchmark rate on loans between member banks from 4.75% to 2%.

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

PIMCO Municipal Income Fund III Fund Insights

September 30, 2008 (unaudited)

For the 12-month period ended September 30, 2008, PIMCO Municipal Income Fund III (the Fund) returned (20.92)% on net asset value (NAV) and (21.07)% on market price, compared with (12.44)% and (19.30)%, respectively, for the Lipper Analytical General Municipal Debt Funds (Leveraged) average.

Municipal bond yields decreased in the shortest maturities inside of five years, while increasing in all other maturities during the 12-month period ended September 30, 2008.

Duration hedging strategies affected performance negatively in the Fund during the reporting period. Interest rates on Treasuries and London Inter-Bank Offered Rate (LIBOR) swaps moved significantly lower for the 12-month period across all maturities due to a dramatic flight to quality twice during the period, leading to municipal underperformance.

Municipal to Treasury yield ratios moved much higher during the period, ended at ratios never before experienced in the municipal bond market. The 10-year ratio increased to 110% and 30-year ratio increased to 122%.

Exposure to corporate backed munis affected performance negatively as the corporate sector experienced considerable uncertainty, especially toward the end of the period. Exposure to hospital bonds also hurt performance as this sector underperformed during the period.

Exposure to pre-refunded bonds was positive for performance as investors moved into this sector as they moved to the higher quality investments. Exposure to General Obligation bonds was slightly positive for performance as they outperformed for the period.

Tobacco securitization sector holdings detracted from performance due to the flight to quality with investors only choosing to purchase the highest quality munis, especially toward the end of the period.

Exposure to zero coupon municipals was negative for performance as the Lehman Zero Coupon Index returned (13.76)% for the 12-month period.

The municipal yield curve steepened significantly during the period. The 15-, 20-, and 30-year maturity AAA General Obligation yields increased by 87, 88, and 84 basis points, respectively, while the two-year yield decreased by 90 basis points. The Fund had significant exposure to the long end of the muni curve which hurt performance as the curve steepened.

Long municipals dramatically underperformed long Treasuries and the taxable debt sector during the period as we saw two extreme flights to quality in February and September. The Lehman Long Municipal Bond Index returned (9.55)% during the 12-month period while the Long Government/Credit and the Long Lehman Treasury Indices returned (0.37)% and 10.43%, respectively.

Municipal bond issuance remained at increased levels with April and June both seeing issuance over \$50 billion, which has never been experienced before. Auction rate issuers, as well as money market issuers, continue to refinance into longer-term debt due to rising interest costs. However, due to market turmoil towards the latter half of the third quarter, issuance has slowed from the pace set during the first two quarters. During the 12-month period, issuance totaled over \$456 billion.

PIMCO Municipal Income Fund III Performance & Statistics

September 30, 2008 (unaudited)

Total Return(1):	Market Price	Net Asset Value (NAV)
1 Year	(21.07)%	(20.92)%
5 Year	1.55%	1.09%
Commencement of Operations (10/31/02) to 9/30/08	1.32%	1.53%

Common Share Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 9/30/08

Market Price/NAV:

Market Price	\$11.17
NAV	\$10.81
Premium to NAV	3.33%
Market Price Yield(2)	7.52%

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 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 September 30, 2008.

PIMCO California Municipal Income Fund III Fund Insights

September 30, 2008 (unaudited)

For the 12-month period ended September 30, 2008, PIMCO California Municipal Income Fund III (the Fund) returned (18.96)% on net asset value (NAV) and (21.60)% on market price, compared with (10.68)% and (16.14)%, respectively, for the Lipper Analytical California Municipal Debt Funds average.

Municipal bond yields decreased in the shortest maturities inside of five years, while increasing in all other maturities during the 12-month period ended September 30, 2008.

Duration hedging strategies affected performance negatively in the Fund during the reporting period. Interest rates on Treasuries and London Inter-Bank Offered Rate (LIBOR) swaps moved significantly lower for the 12-month period across all maturities due to a dramatic flight to quality twice during the period, leading to municipal underperformance.

Municipal to Treasury yield ratios moved much higher during the period, ended at ratios never before experienced in the municipal bond market. The 10-year ratio increased to 110% and 30-year ratio increased to 122%.

Exposure to hospital related bonds affected performance negatively as this sector underperformed during the period. Exposure to pre-refunded munis was positive for performance as investors moved into the sector seeking the highest quality asset toward the end of the period.

Tobacco securitization sector holdings detracted from performance due to the flight to quality with investors only choosing to purchase the highest quality munis, especially toward the end of the period.

Exposure to zero coupon municipals was negative for performance as the Lehman Zero Coupon Index returned (13.76)% for the 12-month period.

The municipal yield curve steepened significantly during the period. The 15-, 20-, and 30-year maturity AAA General Obligation yields increased by 87, 88, and 84 basis points, respectively, while the two-year yield decreased by 90 basis points.

Long municipals dramatically underperformed long Treasuries and the taxable debt sector during the period as we saw two extreme flights to quality in February and September. The Lehman Long Municipal Bond Index returned (9.55)% during the 12-month period while the Long Government/Credit and the Long Lehman Treasury Indices returned (0.37)% and 10.43%, respectively.

Municipal bonds within California underperformed the Lehman Municipal Bond Index during the 12-month period. Year-to-date, California continues to lead all other states in new issue volume. The state's issuance has decreased by 8.20% from the same period last year to \$48.2 billion.

The shape of the California State AAA insured municipal yield curve steepened significantly during the period in-line with the national market. Two-year maturity credits decreased by 75 basis points, 10-year maturities increased by 60 basis points, and 30-year maturities increased by 104 basis points. The Fund curves positioning affected performance negatively as a significant portion of the holdings were in the longer portion of the curve.

PIMCO California Municipal Income Fund III Performance & Statistics

September 30, 2008 (unaudited)

Total Return(1):	Market Price	Net Asset Value (NAV)
1 Year	(21.60)%	(18.96)%
5 Year	1.07%	2.52%
Commencement of Operations (10/31/02) to 9/30/08	0.20%	1.94%

Common Share Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 9/30/08

Market Price/NAV:

Market Price	\$10.54
NAV	\$11.13
Discount to NAV	(5.30)%
Market Price Yield(2)	6.83%

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 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 September 30, 2008.

PIMCO New York Municipal Income Fund III Fund Insights

September 30, 2008 (unaudited)

For the 12-month period ended September 30, 2008, PIMCO New York Municipal Income Fund III (the Fund) returned (17.77)% on net asset value (NAV) and (22.55)% on market price, compared with (10.26)% and (16.98)%, respectively, for the Lipper Analytical New York Municipal Debt Funds average.

Municipal bond yields decreased in the shortest maturities inside of five years, while increasing in all other maturities during the 12-month period ended September 30, 2008.

Duration hedging strategies affected performance negatively in the Fund during the reporting period. Interest rates on Treasuries and London Inter-Bank Offered Rate (LIBOR) swaps moved significantly lower for the 12-month period across all maturities due to a dramatic flight to quality twice during the period, leading to municipal underperformance.

Municipal to Treasury yield ratios moved much higher during the period, ended at ratios never before experienced in the municipal bond market. The 10-year ratio increased to 110% and 30-year ratio increased to 122%.

Exposure to corporate backed munis affected performance negatively as the corporate sector experienced considerable uncertainty, especially toward the end of the period. Exposure to transportation related bonds also hurt performance as this sector underperformed during the period.

Exposure to pre-refunded munis was positive for performance as investors moved into the sector seeking the highest quality asset toward the end of the period. Exposure to special tax revenue bonds also helped performance during the period.

Tobacco securitization sector holdings detracted from performance due to the flight to quality with investors only choosing to purchase the highest quality munis, especially toward the end of the period.

Exposure to zero coupon municipals was negative for performance as the Lehman Zero Coupon Index returned (13.76)% for the 12-month period.

Long municipals dramatically underperformed long Treasuries and the taxable debt sector during the period as we saw two extreme flights to quality in February and September. The Lehman Long Municipal Bond Index returned (9.55)% during the 12-month period while the Long Government/Credit and the Long Lehman Treasury Indices returned (0.37)% and 10.43%, respectively.

Municipal bonds within New York outperformed the Lehman Municipal Bond Index for the 12-month period. Year-to-date, issuers in New York State have issued \$32.3 billion in bonds, 52% higher than the same period last year. New York ranks third among states in terms of issuance.

The shape of the New York Insured AAA municipal yield curve steepened during the period. Two-year maturity AAA credits decreased by 76 basis points, 10-year maturities increased by 52 basis points, and 30-year maturities increased by 94 basis points. The Fund curves positioning affected performance negatively as a significant portion of the holdings were in the longer portion of the curve.

Municipal bond issuance remained at increased levels with April and June both seeing issuance over \$50 billion, which has never been experienced before. Auction rate issuers, as well as money market issuers, continue to refinance into longer term debt due to rising interest costs. However, due to market turmoil towards the latter half of

the third quarter, issuance has slowed from the pace set during the first two quarters. During the 12-month period, issuance totaled over \$456 billion.

PIMCO New York Municipal Income Fund III Performance & Statistics

September 30, 2008 (unaudited)

Total Return(1):	Market Price	Net Asset Value (NAV)
1 Year	(22.55)%	(17.77)%
5 Year	(0.41)%	1.55%
Commencement of Operations (10/31/02) to 9/30/08	(0.99)%	2.00%

Common Share Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 9/30/08

Market Price/NAV:

Market Price	\$10.00
NAV	\$11.45
Discount to NAV	(12.66)%
Market Price Yield(2)	6.30%

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 more than one year represents the average

annual total return.

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- (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, 2008.

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
MUNICIPAL BONDS & NOTES 97.5%			
Alabama 0.7%			
\$ 5,000	Birmingham Baptist Medical Centers Special Care Facs. Financing		
	Auth. Rev, 5.00%, 11/15/30, Ser. A	Baa1/NR	\$ 3,927,100
1,500	Colbert Cnty., Northwest Health Care Auth., Health Care Facs. Rev., 5.75%, 6/1/27	Baa3/NR	1,355,250
			5,282,350
Alaska 0.8%			
3,100	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR	2,017,480
3,900	State Housing Finance Corp. Rev., 5.00%, 12/1/33, Ser. A	Aaa/AAA	3,367,845
1,000	5.25%, 6/1/32, Ser. C (MBIA)	Aa2/AA	917,360
			6,302,685
Arizona 5.8%			
2,250	Health Facs. Auth. Rev., Beatitudes Project, 5.20%, 10/1/37	NR/NR	1,643,648
2,200	John C. Lincoln Health Network, 7.00%, 12/1/25, (Pre-refunded @ \$102, 12/1/10) (c)	NR/BBB	2,426,886
1,500	Maricopa Cnty. Pollution Control Corp., Pollution Control Rev., 5.05%, 5/1/29 (AMBAC)	Aa3/AA	1,209,270
16,000	Pima Cnty. Industrial Dev. Auth. Rev., Correctional Facs., 5.00%, 9/1/39	Aa2/AA	14,206,880
	Salt River Project Agricultural Improvement & Power Dist. Rev., Ser. A (i),		
5,000	5.00%, 1/1/35	Aa1/NR	4,720,700
16,000	5.00%, 1/1/37	Aa1/AA	15,054,560
5,600	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	Aa3/AA-	3,884,160
			43,146,104
Arkansas 0.1%			
7,000		Aa3/NR	740,950

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Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/46
(AMBAC)

California 10.1%

1,980	Chula Vista Community Facs. Dist., Special Tax, 5.25%, 9/1/30	NR/NR	1,642,608
25,735	Golden State Tobacco Securitization Corp. Rev., Ser. A-1, 6.25%, 6/1/33	Aaa/AAA	27,675,934
21,000	6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (c) State, GO,	Aaa/AAA	23,479,470
400	5.00%, 6/1/37	A1/A+	362,148
840	5.00%, 11/1/37	A1/A+	760,208
14,460	5.00%, 11/1/37 (i)	A1/A+	13,086,445
5,800	5.00%, 12/1/37	A1/A+	5,248,478
3,060	Statewide Community Dev. Auth. Rev., Baptist Univ., 9.00%, 11/1/17, Ser. B (a)(d)	NR/NR	2,991,364
			75,246,655

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
California (continued)			
Colorado 2.6%			
\$ 1,000	Aurora Single Tree Metropolitan Dist., GO, 5.50%, 11/15/31	NR/NR	\$ 829,310
9,955	Colorado Springs Rev., 5.00%, 11/15/30, Ser. B (i)	Aa2/NR	9,419,322
500	Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34	NR/NR	393,135
	El Paso Cnty., CP, Ser. B (AMBAC),		
1,725	5.00%, 12/1/23	Aa3/AA	1,578,858
1,500	5.00%, 12/1/27	Aa3/AA	1,329,135
1,000	Health Facs. Auth. Rev., American Baptist Homes, 5.90%, 8/1/37, Ser. A	NR/NR	802,240
1,500	Housing & Finance Auth. Rev., Evergreen Country Day School,		
	5.875%, 6/1/37 (a)(d)	NR/BB	1,239,900
4,000	Saddle Rock Metropolitan Dist., GO, 5.35%, 12/1/31 (Radian)	NR/BBB+	3,425,960
340	State School of Mines Auxiliary Facs. Rev., 5.00%, 12/1/37 (AMBAC)	Aa3/AA	315,418
			19,333,278
Florida 4.3%			
3,480	Brevard Cnty. Health Facs. Auth. Rev., 5.00%, 4/1/34	A2/A-	2,829,171
8,000	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System,		
	5.25%, 11/15/23, Ser. B, (Pre-refunded @ \$100, 11/15/12) (c)	A1/NR	8,484,800
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital,		
	5.25%, 10/1/34, Ser. B	A3/NR	2,113,800
1,485	Julington Creek Plantation Community Dev. Dist., Special Assessment, 5.00%, 5/1/29 (MBIA)	A2/AA	1,299,553
1,000	Orange Cnty. Housing Finance Auth., Multifamily Rev., Palm Grove		
	Gardens, 5.25%, 1/1/28, Ser. G	Aaa/NR	900,820
3,895	Sarasota Cnty. Health Fac. Auth. Rev., 5.75%, 7/1/45	NR/NR	2,969,509
7,500	South Miami Health Facs. Auth., Hospital Rev., Baptist Health, 5.25%, 11/15/33, (Pre-refunded @ \$100, 2/1/13) (c)	Aaa/AA-	8,053,650
5,615	Tampa Water & Sewer Rev., 5.00%, 10/1/26, Ser. A	Aa2/AA	5,471,986
			32,123,289

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Georgia 0.7%			
1,750	Fulton Cnty. Rev., 5.125%, 7/1/42, Ser. A	NR/NR	1,238,615
4,000	Griffin Combined Public Utility Rev., 5.00%, 1/1/32 (AMBAC)	Aa3/AA	3,610,040
400	Medical Center Hospital Auth. Rev., 5.25%, 7/1/37	NR/NR	296,632
			5,145,287
Idaho 0.8%			
	State Building Auth., Building Rev., Ser. A (XLCA),		
1,000	5.00%, 9/1/33	NR/AA-	921,790
5,750	5.00%, 9/1/43	NR/AA-	5,166,720
			6,088,510

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Illinois 6.6%			
\$ 720	Chicago, GO, Ser. A (MBIA), 5.00%, 1/1/31	Aa3/AA	\$ 658,541
1,530	5.00%, 1/1/31, (Pre-refunded @ \$101, 1/1/11) (c)	Aa3/AA	1,614,288
1,600	Chicago, Lake Shore East, Special Assessment, 6.625%, 12/1/22	NR/NR	1,546,432
3,456	6.75%, 12/1/32	NR/NR	3,252,372
500	Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC)	A1/AA-	139,485
3,000	Chicago Kingsbury Redev. Project, Tax Allocation, 6.57%, 2/15/13, Ser. A	NR/NR	3,002,730
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)	Aa3/AA+	6,472,690
4,780	Educational Facs. Auth. Rev., Univ. of Chicago, 5.00%, 7/1/33	Aa1/AA	4,483,066
165	5.25%, 7/1/41	Aa1/AA	158,755
65	5.25%, 7/1/41, (Pre-refunded @ \$101, 7/1/11) (c)	Aa1/AA	69,546
	Finance Auth. Rev.,		
2,000	Christian Homes, Inc., 5.75%, 5/15/31, Ser. A	NR/NR	1,612,200
1,500	Franciscan Communities, Inc., 5.50%, 5/15/37	NR/NR	1,181,985
	Leafs Hockey Club, Ser. A,		
1,000	5.875%, 3/1/27	NR/NR	785,620
625	6.00%, 3/1/37	NR/NR	472,881
12,795	Peoples Gas Light & Coke, 5.00%, 2/1/33 (AMBAC)	Aa3/AA	11,671,599
1,500	Sedgebrook, Inc., 6.00%, 11/15/37, Ser. A	NR/NR	1,256,475
1,050	Three Crowns Park Plaza, 5.875%, 2/15/38	NR/NR	860,192
1,175	Health Facs. Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	Baa1/NR	1,130,009
	Hillside, Tax Allocation, Mannheim Redev. Project,		
2,400	6.55%, 1/1/20	NR/NR	2,282,568
1,600	7.00%, 1/1/28	NR/NR	1,480,736
4,283	Round Lake, Special Tax, 6.70%, 3/1/33, (Pre-refunded @ \$102, 3/1/13) (c)	NR/NR	4,807,411
600	Southwestern Dev. Auth. Rev., Comprehensive Mental Health Center, 6.625%, 6/1/37	NR/NR	514,788
			49,454,369

Indiana 2.9%

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1,375	Fort Wayne Pollution Control Rev., 6.20%, 10/15/25	Caa2/B-	783,489
7,535	Indiana Bond Bank Rev., 5.00%, 2/1/33, Ser. A (FSA) (i)	Aaa/AAA	7,006,872
5,000	Indianapolis Local Public Improvement Board, Tax Allocation, 5.00%, 2/1/29, Ser. G (MBIA)	A2/AA	4,689,900
2,500	Michigan City Area Wide School Building Corp., Rev. (FGIC), zero coupon, 1/15/21	NR/AA+	1,221,000
1,000	zero coupon, 7/15/21	NR/AA+	472,600
1,000	zero coupon, 1/15/22	NR/AA+	451,900

10 PIMCO Municipal Income Funds III Annual Report 9.30.08

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Indiana (continued)			
\$ 1,000	Plainfield Parks Facs. Corp. Lease Rent Rev., 5.00%, 1/15/22 (AMBAC)	Aa3/AA	\$ 973,430
1,000	Portage Industrial Economic Dev. Rev., Tax Allocation, 5.00%, 7/15/23	NR/BBB+	881,310
775	5.00%, 1/15/27	NR/BBB+	657,789
3,500	State Dev. Finance Auth., Pollution Control Rev., 5.00%, 3/1/30 (AMBAC)	Aa3/AAA	3,208,485
2,000	Vigo Cnty. Hospital Auth. Rev., 5.70%, 9/1/37 (a)(d)	NR/NR	1,594,620
			21,941,395
Iowa 1.9%			
1,000	Coralville, CP, 5.25%, 6/1/26, Ser. D Finance Auth. Rev.,	A2/NR	904,110
575	5.50%, 11/15/37	NR/NR	384,646
120	Deerfield Retirement Community, 5.50%, 11/15/27, Ser. A	NR/NR	86,616
3,715	Wedum Walnut Ridge LLC, 5.625%, 12/1/45, Ser. A	NR/NR	2,809,543
11,010	Tobacco Settlement Auth. of Iowa Rev., Ser. B, 5.60%, 6/1/34	Baa3/BBB	8,916,229
1,000	5.60%, 6/1/35, (Pre-refunded @ \$101, 6/1/11) (c)	NR/AAA	1,070,430
			14,171,574
Kentucky 0.1%			
1,000	Economic Dev. Finance Auth. Rev., Hospital Facs. Rev., Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	901,280
Louisiana 1.1%			
5,000	Public Facs. Auth. Rev., Ochsner Clinic Foundation, Ser. B, 5.50%, 5/15/32, (Pre-refunded @ \$100, 5/15/26) (c)	Aaa/NR	5,159,700
1,700	5.50%, 5/15/47	A3/NR	1,422,883
1,595	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	Baa3/BBB	1,369,706
			7,952,289
Maryland 0.2%			
1,500		A2/NR	1,378,290

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Health & Higher Educational Facs. Auth. Rev., Calvert Health
Systems,
5.50%, 7/1/36

Massachusetts 0.8%

1,000	Dev. Finance Agcy. Rev., 5.75%, 7/1/33, (Pre-refunded @ \$101, 7/1/13) Ser. C (c)	A3/A-	1,103,690
750	Linden Ponds, 5.75%, 11/15/35, Ser. A	NR/NR	585,870
4,910	State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H	Aa3/AA-	4,427,003
			6,116,563

Michigan 13.3%

500	Conner Creek Academy East Rev., 5.25%, 11/1/36	NR/BB+	379,750
33,040	Detroit Sewer Disposal System Rev., 5.00%, 7/1/32, Ser. A (FSA) (i)	Aaa/AAA	29,236,435

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Michigan (continued)			
\$ 35,000	Detroit Water Supply System Rev. (MBIA), 5.00%, 7/1/34, Ser. A	A2/AA	\$ 30,519,300
7,555	5.00%, 7/1/34, Ser. B	A2/AA	6,374,984
500	Star International Academy, CP, 6.125%, 3/1/37	NR/BB+	415,075
175	State Hospital Finance Auth. Rev., Detroit Medical Center, 5.25%, 8/15/23	Ba3/BB-	144,706
5,405	Oakwood Group, Ser. A, 5.75%, 4/1/32	A2/A	4,869,527
575	6.00%, 4/1/22	A2/A	576,340
20,000	Trinity Health Credit, 5.375%, 12/1/30	Aa2/AA	18,012,600
110	State Public Educational Facs. Auth. Rev., 7.00%, 10/1/36 (a)(b)	NR/NR	103,478
1,000	State Technological Univ. Rev., 5.00%, 10/1/33 (XLCA)	A1/BBB-	894,650
10,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BBB	7,578,100
			99,104,945
Minnesota 0.3%			
2,400	Upsala Independent School Dist. No. 487, GO, 5.00%, 2/1/28 (FGIC)	NR/AAA	2,529,480
Mississippi 0.5%			
3,000	Business Finance Corp., Pollution Control Rev., 5.875%, 4/1/22	Ba1/BBB	2,764,890
1,250	5.90%, 5/1/22	Ba1/BBB	1,154,337
			3,919,227
Missouri 1.7%			
1,350	St. Louis Cnty. Industrial Dev. Auth., Housing Dev. Rev., 5.20%, 1/20/36 (GNMA)	NR/AAA	1,200,177
1,500	St. Louis Industrial Dev. Auth. Rev. (GNMA), 5.125%, 12/20/29	NR/AAA	1,313,670
1,500	5.125%, 12/20/30	NR/AAA	1,303,485
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) (c)	A2/NR	8,143,950
250	Township of Jennings Rev., 5.00%, 11/1/23	NR/NR	215,365

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500	Univ. Place Transportation Dev. Dist., Special Assessment, 5.00%, 3/1/32	NR/NR	407,820
			12,584,467
	Montana 1.3%		
11,250	Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31 (AMBAC)	Aa3/AA	9,651,037

12 PIMCO Municipal Income Funds III Annual Report 9.30.08

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
New Hampshire 0.6%			
\$ 1,500	Manchester Water Works Rev. (FGIC), 5.00%, 12/1/28	Aa3/AA	\$ 1,409,190
3,250	5.00%, 12/1/34	Aa3/AA	2,987,823
			4,397,013
New Jersey 5.8%			
1,000	Camden Cnty., Improvement Auth. Rev., 5.00%, 2/15/35, Ser. A	Baa3/BBB	775,580
4,500	Economic Dev. Auth. Rev., Kapkowski Road Landfill, Special Assessment, 6.50%, 4/1/28	Baa3/NR	4,440,690
300	Newark Airport, 7.00%, 10/1/14	Ba1/NR	300,930
450	Seashore Gardens, 5.375%, 11/1/36 Financing Auth. Rev.,	NR/NR	339,444
2,500	Middlesex Cnty. Pollution Control Auth. Rev., 5.75%, 9/15/32	Baa2/BBB-	2,313,650
2,000	South Port Corp., 5.10%, 1/1/33 Health Care Facs. Financing Auth. Rev.,	NR/A	1,865,540
1,159	Pascack Valley Hospital, 6.625%, 7/1/36 (e)(k)	NR/D	149,999
2,000	Somerset Medical Center, 5.50%, 7/1/33	Ba2/NR	1,571,280
1,000	St. Peters Univ. Hospital, 5.75%, 7/1/37	Baa2/BBB-	879,420
1,150	Trinitas Hospital, 5.25%, 7/1/30, Ser. A	Baa3/BBB-	894,850
1,500	State Educational Facs. Auth. Rev., Fairfield Dickinson Univ., 6.00%, 7/1/25, Ser. D	NR/NR	1,466,715
22,645	Tobacco Settlement Financing Corp. Rev., 5.00%, 6/1/41, Ser. 1A	Baa3/BBB	14,374,367
525	6.00%, 6/1/37, (Pre-refunded @ \$100, 6/1/12) (c)	Aaa/AAA	575,001
950	6.125%, 6/1/24	Aaa/AAA	995,923
230	6.125%, 6/1/42, (Pre-refunded @ \$100, 6/1/12) (c)	Aaa/AAA	252,890
350	6.25%, 6/1/43, (Pre-refunded @ \$100, 6/1/13) (c)	Aaa/AAA	391,842
10,750	6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (c)	Aaa/AAA	12,116,755
			43,704,876
New Mexico 0.1%			
1,000	Farmington Pollution Control Rev., 5.80%, 4/1/22	Baa3/BB+	884,350
New York 1.5%			
1,150		NR/NR	1,088,038

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	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A		
	New York City Municipal Water Finance Auth., Water & Sewer System Rev.,		
8,180	5.00%, 6/15/37, Ser. D (i)	Aa2/AAA	7,637,011
500	5.00%, 6/15/39, Ser. A	Aa2/AAA	465,895
2,000	State Environmental Facs. Corp. Rev., 5.00%, 6/15/28	Aaa/AAA	1,941,300
			11,132,244

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
North Carolina 1.4%			
\$ 2,000	Eastern Municipal Power Agcy., Power System Rev., 5.125%, 1/1/23, Ser. D	Baa1/BBB+	\$ 1,794,280
2,000	5.125%, 1/1/26, Ser. D	Baa1/BBB+	1,755,480
3,795	5.375%, 1/1/17, Ser. C	Baa1/BBB+	3,818,225
1,500	Medical Care Commission Rev., Carolina Villiage, 6.00%, 4/1/38	NR/NR	1,269,840
1,500	Cleveland Cnty., 5.00%, 7/1/35 (AMBAC)	Aa3/AA	1,310,175
1,000	Village at Brookwood, 5.25%, 1/1/32	NR/NR	760,300
			10,708,300
Ohio 1.4%			
5,000	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	Baa3/BBB	3,786,450
2,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	A1/AA-	2,291,450
5,000	Ohio Air Quality Dev. Auth. Rev., Dayton Power & Light Co., 4.80%, 1/1/34, Ser. B (FGIC) (i)	Aaa/NR	4,195,000
			10,272,900
Pennsylvania 4.6%			
11,300	Allegheny Cnty. Hospital Dev. Auth. Rev., 5.375%, 11/15/40, Ser. A	Ba3/BB	7,794,175
4,350	9.25%, 11/15/30, Ser. B, (Pre-refunded @ \$102, 11/15/10) (c)	Ba3/AAA	5,010,417
750	Cumberland Cnty. Auth., Retirement Community Rev., Messiah Village, Ser A, 5.625%, 7/1/28	NR/BBB-	651,262
670	6.00%, 7/1/35	NR/BBB-	591,597
1,500	Wesley Affiliated Services, 7.25%, 1/1/35, Ser. A, (Pre-refunded @ \$101, 1/1/13) (c)	NR/NR	1,739,355
3,250	Delaware River JT Toll Bridge, Commission Bridge Rev., 5.00%, 7/1/28	A2/A-	3,010,670
1,250	Harrisburg Auth. Rev., 6.00%, 9/1/36	NR/NR	1,107,913
3,000	Lehigh Cnty. General Purpose Auth. Rev., St. Luke s Bethlehem Hospital, 5.375%, 8/15/33, (Pre-refunded @ \$100, 8/15/13) (c)	Baa1/AAA	3,263,580
6,200	Philadelphia Hospitals & Higher Education Facs. Auth. Hospital Rev., Temple Univ. Hospital, 6.625%, 11/15/23, Ser.	Baa3/BBB	5,459,224

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	A		
5,000	Philadelphia School Dist., GO, 5.125%, 6/1/34, Ser. D, (Pre-refunded @ \$100, 6/1/14) (FGIC) (c)	A1/A+	5,408,400
			34,036,593
	Puerto Rico 0.1%		
460	Electric Power Auth. Power Rev., 5.125%, 7/1/29, Ser. NN, (Pre-refunded @ \$100, 7/1/13) (c)	A3/BBB+	494,472

14 PIMCO Municipal Income Funds III Annual Report 9.30.08

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
	South Carolina 1.8%		
\$ 7,500	Florence Cnty. Rev., McLeod Regional Medical Center, 5.00%, 11/1/31, Ser. A (FSA)	Aaa/AAA	\$ 6,567,300
5,305	Jobs-Economic Dev. Auth. Rev., Bon Secours, 5.625%, 11/15/30	A3/A-	4,839,858
1,395	5.625%, 11/15/30, (Pre-refunded @ \$100, 11/15/12) (c)	A3/A-	1,521,638
750	Woodlands at Furman, 6.00%, 11/15/37, Ser. A	NR/NR	615,247
			13,544,043
	South Dakota 0.2%		
1,705	Minnehaha Cnty. Health Facs. Rev., Bethany Lutheran, 5.375%, 12/1/27	NR/NR	1,393,241
	Tennessee 0.2%		
1,250	Knox Cnty. Health Educational & Housing Facs. Board Rev., Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	1,126,600
	Texas 13.0%		
1,300	Comal Cnty. Health Facs. Dev. Rev., McKenna Memorial Hospital Project, 6.25%, 2/1/32, (Pre-refunded @ \$100, 2/1/13) (c)	NR/AAA	1,447,862
6,810	Crowley Independent School Dist., GO, 4.75%, 8/1/35 (PSF-GTD) (i)	Aaa/AAA	5,942,338
5,745	Denton Independent School Dist., GO (PSF-GTD), zero coupon, 8/15/26, (Pre-refunded @ \$44.73, 8/15/12) (c)	Aaa/AAA	2,234,345
255	zero coupon, 8/15/26	Aaa/AAA	91,815
5,745	zero coupon, 8/15/27, (Pre-refunded @ \$42.17, 8/15/12) (c)	Aaa/AAA	2,106,462
255	zero coupon, 8/15/27	Aaa/AAA	86,465
4,785	zero coupon, 8/15/28, (Pre-refunded @ \$39.75, 8/15/12) (c)	Aaa/AAA	1,653,792
215	zero coupon, 8/15/28	Aaa/AAA	68,639
5,745	zero coupon, 8/15/29, (Pre-refunded @ \$37.46, 8/15/12) (c)	Aaa/AAA	1,871,204
255	zero coupon, 8/15/29	Aaa/AAA	76,635
1,915	zero coupon, 8/15/30, (Pre-refunded @ \$35.30, 8/15/12) (c)	Aaa/AAA	587,694
85	zero coupon, 8/15/30	Aaa/AAA	24,042
7,660	zero coupon, 8/15/31, (Pre-refunded @ \$33.25, 8/15/12) (c)	Aaa/AAA	2,214,582
340	zero coupon, 8/15/31	Aaa/AAA	90,559
10,115	5.00%, 8/15/33 (i)	Aaa/NR	9,498,491
12,855	El Paso, GO, 4.75%, 8/15/33 (FSA)(i)	Aaa/AAA	11,512,810

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5,000	Houston Water & Sewer System Rev., 5.00%, 12/1/30, Ser. A, (Pre-refunded @ \$100, 12/1/12) (FSA) (c)	Aaa/AAA	5,317,750
465	Judson Independent School Dist., GO, 5.00%, 2/1/30 (PSF-GTD)	Aaa/NR	441,011
11,950	Mansfield Independent Sch. Dist., GO, 5.00%, 2/15/28, (PSF-GTD) (i) Mesquite Independent School Dist. No. 1, GO, Ser. A (PSF-GTD),	Aaa/AAA	11,434,716
1,365	zero coupon, 8/15/16	NR/AAA	947,870
1,000	zero coupon, 8/15/18	NR/AAA	614,300
1,000	zero coupon, 8/15/19	NR/AAA	567,610
1,000	zero coupon, 8/15/20	NR/AAA	515,900

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Texas (continued)			
\$ 5,500	North Harris Cnty. Regional Water Auth. Rev., 5.25%, 12/15/33	A3/A+	\$ 4,878,115
5,500	5.50%, 12/15/38	A3/A+	4,997,630
11,800	North Texas Tollway Auth. Rev., 5.625%, 1/1/33, Ser. A	A2/A-	10,756,172
2,105	Northwest Harris Cnty. Municipal Utility Dist. No. 16, GO, 5.30%, 10/1/29 (Radian)	NR/BBB+	2,124,787
2,000	Sabine River Auth. Rev., 5.20%, 5/1/28	Caa1/CCC	1,384,260
11,115	Univ. Rev., 5.00%, 8/15/33, Ser. B, (Pre-refunded @ \$100, 8/15/13) (c)(i)	Aaa/AAA	11,651,743
2,500	Willacy Cnty. Rev., 6.875%, 9/1/28, Ser. A-1	NR/NR	2,236,725
			97,376,324
Utah 0.4%			
1,750	Cnty. of Weber, IHC Health Services Rev., 5.00%, 8/15/30	NR/NR	1,494,868
750	Spanish Fork City Rev., 5.70%, 11/15/36	NR/NR	614,295
720	Utah Cnty. Lincoln Academy Charter School Rev., GO, 5.875%, 6/15/37, Ser. A (a)(d)	NR/NR	604,814
			2,713,977
Virginia 0.1%			
1,000	James City Cnty. Economic Dev. Auth. Rev., 5.50%, 7/1/37, Ser. A	NR/NR	742,180
Washington 9.6%			
6,375	Chelan Cnty. Public Utility Dist. Rev., 5.125%, 7/1/33, Ser. C (AMBAC)	Aa2/AA	6,103,106
15,000	King Cnty. Sewer Rev., 5.00%, 1/1/35, Ser. A (FSA)(i)	Aaa/AAA	14,162,100
17,375	Port Tacoma GO, 5.00%, 12/1/33, (Pre-refunded @ \$100, 12/1/13) (AMBAC) (c)	Aa3/AA	18,680,037
10,000	Seattle Drain & Wastewater Rev., 5.00%, 7/1/32 (FGIC)	Aa2/AA+	9,055,000
3,400	State Housing Finance Commission Rev., Skyline at First Hill, 5.625%, 1/1/38, Ser. A	NR/NR	2,658,120
21,505	Tobacco Settlement Auth., Tobacco Settlement Rev., 6.50%, 6/1/26	Baa3/BBB	20,744,368
			71,402,731

Wisconsin 0.1%

560	Badger Tobacco Asset Securitization Corp. Rev., 6.00%, 6/1/17	Baa3/BBB	552,154
700	Milwaukee Redev. Auth. Rev., 5.65%, 8/1/37, Ser. A	NR/NR	565,264

1,117,418

Total Municipal Bonds & Notes (cost \$786,547,445) 728,161,286

VARIABLE RATE NOTES (g) 2.2%

Florida 0.6%

6,385	State Turnpike Auth. Rev., 1.71%, 7/1/31, Ser. 1450 (a)(d)(f)	Aa2/NR	4,554,548
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PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
	New York 1.3%		
\$ 11,650	Liberty Dev. Corp. Rev., 3.00%, 10/1/35, Ser. 1451 (a)(d)(f)	Aa3/NR	\$ 1,561,100
10,000	State Dormitory Auth. Rev., Univ. & College Improvement., 1.43%, 3/15/35, Ser. 1216 (a)(d)(f)	NR/AAA	7,867,600
			9,428,700
	Ohio 0.3%		
3,460	State Air Quality Dev. Auth. Rev., 2.971%, 1/1/34 (FGIC) (a)(d)(f)	A2/NR	1,801,414
	Pennsylvania 0.0%		
350	Washington Cnty. Redev. Auth., Tax Allocation, 5.45%, 7/1/35, Ser. A	NR/NR	280,014
	Total Variable Rate Notes (cost \$34,855,956)		16,064,676
	SHORT-TERM INVESTMENTS 0.3%		
	Municipal Bonds & Notes 0.1%		
	California 0.1%		
1,000	Alameda Public Financing Auth. Rev., 7.00%, 6/1/09	NR/NR	791,480
	U.S. Treasury Bills (j) 0.2%		
1,750	0.62%-1.00%, 10/16/08-12/11/08		1,748,666
	Total Short-Term Investments (cost \$2,747,056)		2,540,146
	Total Investments (cost \$824,150,457) 100.0%		\$ 746,766,108

PIMCO California Municipal Income Fund III Schedule of Investments
September 30, 2008

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
CALIFORNIA MUNICIPAL BONDS & NOTES 92.6%			
	Assoc. of Bay Area Gov't Finance Auth. Rev., Odd Fellows Home (CA Mtg. Ins.),		
\$ 3,200	5.20%, 11/15/22	NR/A+	\$ 3,137,152
11,725	5.35%, 11/15/32	NR/A+	11,249,199
	Burbank Public Finance Auth., Tax Allocation, San Fernando Redev. Project,		
1,135	5.50%, 12/1/28	NR/BBB	1,018,322
1,000	5.50%, 12/1/33	NR/BBB	890,540
2,000	Butte-Glenn Community College Dist., GO, Ser. A (MBIA), 5.00%, 8/1/26	A1/NR	1,887,200
2,000	Capistrano Unified School Dist., Community Fac. Dist., Special Tax, 6.00%, 9/1/32, (Pre-refunded @ \$100, 9/1/13) (c)	NR/NR	2,238,100
500	Carson Public Financing Auth., Special Assessment, 5.00%, 9/2/31, Ser. B	NR/NR	392,825
1,000	Cathedral City Public Financing Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (MBIA)	A2/AA	894,800
1,150	Ceres Redev. Agcy., Tax Allocation, 5.00%, 11/1/33 (MBIA)	A2/AA	1,021,131
2,825	Ceres Unified School Dist., GO (FGIC), zero coupon, 8/1/28	NR/A	800,831
2,940	zero coupon, 8/1/29	NR/A	777,365
	Chula Vista Community Facs. Dist., Special Tax, Eastlake Woods,		
675	6.15%, 9/1/26	NR/NR	630,524
1,620	6.20%, 9/1/33	NR/NR	1,486,107
	Otay Ranch Village,		
1,920	5.125%, 9/1/36	NR/NR	1,508,179
1,600	5.75%, 9/1/33	NR/NR	1,387,536
1,000	City of Carlsbad, Special Assessment, 6.00%, 9/2/34	NR/NR	917,080
	Contra Costa Cnty. Public Financing Auth., Tax Allocation, Ser. A,		
1,415	5.625%, 8/1/33	NR/BBB	1,324,327
1,585	5.625%, 8/1/33, (Pre-refunded @ \$100, 8/1/13) (c)	NR/BBB	1,744,419
3,775	Cucamonga School Dist., CP, 5.20%, 6/1/27	NR/A-	3,417,054
	Educational Facs. Auth. Rev.,		
2,455	Loyola Marymount Univ., zero coupon, 10/1/34, Ser. A (MBIA)	A2/NR	483,414
5,000	Pepperdine Univ., 5.00%, 9/1/33, Ser. A (FGIC)	Aa3/NR	4,574,150

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1,250	Fremont Community Dist., Special Tax, 5.30%, 9/1/30	NR/NR	1,094,438
5,000	6.30%, 9/1/31	NR/NR	4,607,200
9,500	Fresno School Unified Dist., GO, 6.00%, 8/1/26, Ser. A (MBIA)	A2/AA	9,564,980
4,380	Glendale Electric Works Rev., 5.00%, 2/1/27 (MBIA)	Aa3/AA	4,246,760
10,000	Golden State Tobacco Securitization Corp. Rev., 5.00%, 6/1/33, Ser. A-1	Baa3/BBB	6,965,200
10,000	5.00%, 6/1/35, Ser. A (FGIC)	A2/A	8,437,600

18 PIMCO Municipal Income Funds III Annual Report 9.30.08

PIMCO California Municipal Income Fund III Schedule of Investments
September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
\$ 10,000	5.00%, 6/1/35, Ser. A (FGIC) (i)	A2/A	\$ 8,437,600
4,000	5.00%, 6/1/45, Ser. A (FGIC-TCRS) (i)	A2/AAA	3,202,480
9,000	5.00%, 6/1/45 (AMBAC-TCRS) (i)	Aa3/AAA	7,119,630
16,795	6.25%, 6/1/33, Ser. A-1	Aaa/AAA	18,061,679
38,490	6.75%, 6/1/39, Ser. A-1, (Pre-refunded @ \$100, 6/1/13) (c) Health Facs. Finance Auth. Rev.,	Aaa/AAA	43,034,514
6,000	Cottage Health System, 5.00%, 11/1/33, Ser. B (MBIA) Paradise VY Estates (CA Mtg. Ins.),	A2/AA	5,447,040
2,000	5.125%, 1/1/22	NR/A+	1,939,080
1,550	5.25%, 1/1/26	NR/A+	1,485,396
7,750	Infrastructure & Economic Dev. Bank Rev., Bay Area Toll Bridges, 5.00%, 7/1/36, (Pre-refunded @ \$100, 1/1/28) (AMBAC) (c) Kaiser Assistance Corp.,	Aaa/AAA	7,525,560
3,000	5.50%, 8/1/31, Ser. B	A2/A	2,752,380
8,000	5.55%, 8/1/31, Ser. A	NR/A+	7,388,240
20	Lancaster Financing Auth., Tax Allocation, 4.75%, 2/1/34 (MBIA)	A2/AA	16,537
825	Lee Lake Water Dist. Community Facs. Dist. No. 2, Montecito Ranch, Special Tax, 6.125%, 9/1/32	NR/NR	768,784
6,000	Los Angeles Department of Water & Power Rev. (i), 4.75%, 7/1/30, Ser. A-2 (FSA)	Aa1/NR	5,206,260
10,000	5.00%, 7/1/30, Ser. A	Aa3/AA-	9,293,500
20,000	5.00%, 7/1/35, Ser. A (FSA)	Aaa/AAA	18,342,600
5,280	Modesto Irrigation Dist., CP, 5.00%, 7/1/33, Ser. A (MBIA)	A2/AA	4,831,094
4,585	Moreno Valley Unified School Dist. Community Facs. Dist., Special Tax, 5.20%, 9/1/36	NR/NR	3,528,249
5,000	Oakland, GO, 5.00%, 1/15/33, Ser. A (MBIA)	A1/AA	4,445,300
1,545	Oakland Redev. Agcy., Tax Allocation, 5.25%, 9/1/33, (Pre-refunded @ \$100, 3/1/13) (c)	NR/A	1,674,286
5,000	Orange Cnty. Community Facs. Dist., Ladera Ranch, Special Tax, 5.55%, 8/15/33, Ser. A	NR/NR	4,445,800
5,000	Orange Cnty. Unified School Dist., CP, 4.75%, 6/1/29 (MBIA)	A1/AA	4,326,300
1,000	Orange Cnty. Water Dist. Rev., CP, Ser. B (MBIA), 5.00%, 8/15/28	Aa2/AA+	933,130
5,525	5.00%, 8/15/34	Aa2/AA+	5,083,556
2,000		A2/AA	1,876,740

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	Palm Desert Financing Auth., Tax Allocation, 5.00%, 4/1/25 (MBIA)		
1,410	Pomona Public Financing Auth. Rev., 5.00%, 12/1/37, Ser. AF (MBIA)	A2/AA	1,231,522
	Poway Unified School Dist. Community Facs. Dist. No. 6, Special Tax,		
1,950	5.125%, 9/1/28 Area A,	NR/BBB	1,701,960
1,285	6.05%, 9/1/25	NR/NR	1,259,634
2,100	6.125%, 9/1/33	NR/NR	2,025,870
1,700	Area B, 5.125%, 9/1/28	NR/NR	1,430,873

9.30.08 PIMCO Municipal Income Funds III Annual Report **19**

PIMCO California Municipal Income Fund III Schedule of Investments
September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
\$ 5,000	Riverside, CP, 5.00%, 9/1/33 (AMBAC)	Aa3/AA	\$ 4,506,700
500	Rocklin Unified School Dist. Community Facs., Special Tax, 5.00%, 9/1/29 (MBIA)	A2/AA	460,985
1,315	Sacramento City Financing Auth. Rev., North Natomas Community Facs. Dist. No. 2, 6.25%, 9/1/23, Ser. A	NR/NR	1,209,208
7,520	Sacramento Cnty. Water Financing Auth. Rev., 5.00%, 6/1/34, (Pre-refunded @ \$100, 6/1/13) (AMBAC) (c)	Aa3/AA	8,101,522
8,000	Sacramento Muni Utility Dist. Rev., 5.00%, 8/15/33, Ser. R (MBIA)	A1/AA	7,211,040
12,075	San Diego Community College Dist., GO, 5.00%, 5/1/28, Ser. A (FSA) (i)	Aaa/AAA	11,780,008
	San Diego Community Facs. Dist. No. 3, Special Tax, Ser. A (a),		
890	5.60%, 9/1/21	NR/NR	839,199
580	5.70%, 9/1/26	NR/NR	509,559
1,700	5.75%, 9/1/36	NR/NR	1,437,163
	San Diego Unified School Dist., GO, Ser. E (FSA),		
11,000	5.00%, 7/1/26	Aaa/AAA	11,587,070
8,425	5.00%, 7/1/28	Aaa/AAA	8,874,642
1,500	San Diego Univ. Foundation Auxiliary Organization, Rev., 5.00%, 3/1/27, Ser. A (MBIA)	A2/AA	1,347,435
3,000	San Jose, Libraries & Parks, GO, 5.125%, 9/1/31	Aa1/AAA	3,013,140
15,700	San Marcos Public Facs. Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (FGIC)	A3/A-	13,450,190
	Santa Ana Unified School Dist., GO, Ser. B (FGIC),		
2,515	zero coupon, 8/1/26	NR/A+	839,582
3,520	zero coupon, 8/1/28	NR/A+	1,036,922
2,500	zero coupon, 8/1/30	NR/A+	642,825
3,780	zero coupon, 8/1/31	NR/A+	921,451
3,770	zero coupon, 8/1/32	NR/A+	863,896
	Santa Margarita Water Dist., Special Tax,		
1,820	6.25%, 9/1/29	NR/NR	1,847,901
4,090	6.25%, 9/1/29, (Pre-refunded @ \$102, 9/1/09) (c)	NR/NR	4,305,257
3,550	Santa Monica Community College Dist., GO, zero coupon, 8/1/27, Ser. C (MBIA)	Aa2/AA	1,078,668
4,425	South Tahoe JT Powers Financing Auth. Rev., 5.45%, 10/1/33	NR/BBB	3,900,726
12,310		Aa3/AA	13,249,499

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	Southern CA Public Power Auth., Power Project Rev., Ser. A, 5.00%, 7/1/33, (Pre-refunded @ \$100, 7/1/13) (AMBAC) (a)(c)(i)		
4,095	State Department Veteran Affairs Home Purchase Rev., 5.35%, 12/1/27, Ser. A (AMBAC)	Aa2/AA	3,928,866
500	State Muni Finance Auth. Rev., 7.00%, 10/1/39, Ser. A State Public Works Board Lease Rev.,	NR/NR	468,365
1,105	Patton, 5.375%, 4/1/28	A2/A	1,048,115
4,600	Univ. CA M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A State, GO,	Aa2/AA-	4,342,768
265	5.00%, 6/1/37	A1/A+	239,923
10,300	5.00%, 11/1/37(i)	A1/A+	9,321,603

20 PIMCO Municipal Income Funds III Annual Report 9.30.08

PIMCO California Municipal Income Fund III Schedule of Investments
September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
\$ 4,000	5.00%, 12/1/37 Statewide Community Dev. Auth. Rev.,	A1/A+	\$ 3,619,640
1,150	Baptist Univ., 5.50%, 11/1/38, Ser. A	NR/NR	945,680
2,500	Berkeley Montessori School, 7.25%, 10/1/33 Catholic Healthcare West,	NR/NR	2,427,150
1,200	5.50%, 7/1/31, Ser. D	A2/A	1,091,976
1,200	5.50%, 7/1/31, Ser. E	A2/A	1,091,964
15,000	Health Facs., Memorial Health Services, 5.50%, 10/1/33, Ser. A	NR/A+	13,339,800
1,250	Huntington Park Chapter School, 5.25%, 7/1/42, Ser. A	NR/NR	952,525
3,505	Internext Group, CP, 5.375%, 4/1/30	NR/BBB	2,906,767
7,300	Jewish Home, 5.50%, 11/15/33 (CA St. Mtg.)	NR/A+	7,124,800
10,000	Sutter Health, 5.50%, 8/15/34, Ser. B	Aa3/AA-	9,471,900
2,500	Valleycare Health, 5.125%, 7/15/31, Ser. A	NR/NR	1,929,925
975	Windrush School, 5.50%, 7/1/37	NR/NR	766,048
2,000	Tamalpais Union High School Dist., GO, 5.00%, 8/1/26 (MBIA)	A2/AA+	1,946,940
2,000	Temecula Public Financing Auth. Community Facs. Dist., Crowne Hill, Special Tax, 6.00%, 9/1/33, Ser. A Tobacco Securitization Agcy. Rev., Alameda Cnty.,	NR/NR	1,842,680
8,100	5.875%, 6/1/35	Baa3/NR	6,732,072
7,000	6.00%, 6/1/42	Baa3/NR	5,756,380
4,860	Gold Cnty., zero coupon, 6/1/33	NR/BBB	646,088
2,000	Kern Cnty., 6.125%, 6/1/43, Ser. A	NR/BBB	1,674,740
5,000	Tobacco Securitization Auth. of Southern California Rev., 5.00%, 6/1/37, Ser. A-1	Baa3/BBB	3,548,450
2,950	Torrance Medical Center Rev., 5.50%, 6/1/31, Ser. A	A1/A+	2,757,926
5,500	Univ. Rev., 4.75%, 5/15/35, Ser. 1119 (FSA)(i)	NR/AAA	4,838,130
1,000	West Basin Municipal Water Dist. Rev., CP, 5.00%, 8/1/30, Ser. A (MBIA)	Aa3/AA	923,560
2,500	William S. Hart Union High School Dist., Special Tax, 6.00%, 9/1/33	NR/NR	2,233,225
2,750	Woodland Finance Auth., Lease Rev., 5.00%, 3/1/32 (XLCA)	A3/BBB-	2,386,641
	Total California Municipal Bonds & Notes (cost \$489,281,132)		458,831,262

OTHER MUNICIPAL BONDS & NOTES 4.4%

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Florida 0.8%			
4,720	Sarasota Cnty. Health Fac. Auth. Rev., 5.625%, 7/1/27	NR/NR	3,893,811
Indiana 0.8%			
5,000	Vigo Cnty. Hospital Auth. Rev., 5.70%, 9/1/37 (a)(d)	NR/NR	3,986,550
Pennsylvania 0.7%			
1,000	Allegheny Cnty. Hospital Dev. Auth. Rev., Ser. A, 5.00%, 11/15/28	Ba3/BB	706,170
4,000	5.375%, 11/15/40	Ba3/BB	2,759,000
			3,465,170

PIMCO California Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Puerto Rico 1.8%		
\$ 315	Electric Power Auth. Power Rev., 5.125%, 7/1/29, Ser. NN, (Pre-refunded @ \$100, 7/1/13) (c)	A3/BBB+	\$ 338,606
4,420	Public Building Auth. Rev., Gov't Facs., 5.00%, 7/1/36, Ser. I (GTD)	Baa3/BBB-	3,814,018
290	5.25%, 7/1/36, Ser. D	Baa3/BBB-	260,388
23,200	Sales Tax Financing Corp. Rev., Ser. A, zero coupon, 8/1/47 (AMBAC)	Aa3/AA	2,017,472
29,200	zero coupon, 8/1/54 (AMBAC)	Aa3/AA	1,536,504
26,300	zero coupon, 8/1/56	A1/A+	1,183,500
			9,150,488
	South Dakota 0.3%		
2,000	Minnehaha Cnty. Health Facs. Rev., Bethany Lutheran, 5.50%, 12/1/35	NR/NR	1,561,460
	Total Other Municipal Bonds & Notes (cost \$29,174,164)		22,057,479
	CALIFORNIA VARIABLE RATE NOTE (a)(d)(f)(g) 0.1%		
1,745	Los Angeles Unified School Dist., GO, 24.429%, 1/1/23 (MBIA) (cost \$1,694,479)	NR/AA	645,877
	OTHER VARIABLE RATE NOTES (g) 1.0%		
	New York 0.2%		
1,090	New York City Municipal Water Finance Auth., Water & Sewer System Rev., 2.11%, 6/15/37, Ser. 1226 (a)(d)(f)	Aa2/NR	873,017
	Puerto Rico 0.8%		
3,800	Public Finance Corp. Rev., 5.75%, 8/1/27, Ser. A	Ba1/BBB-	3,841,990
	Total Other Variable Rate Notes (cost \$5,037,756)		4,715,007
	SHORT-TERM INVESTMENTS 1.9%		
	Municipal Bonds & Notes 0.2%		
	California 0.2%		
1,000	Alameda Public Financing Auth. Rev., 7.00%, 6/1/09	NR/NR	791,480

California Variable Rate Demand Note (a)(g)(h) 1.6%

7,835	Los Angeles Unified School District, GO, zero coupon, 10/2/08 (MBIA)	NR/A-1	7,835,000
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U.S. Treasury Bill (j) 0.1%

750	1.00%, 10/16/08		749,688
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	Total Short-Term Investments (cost \$9,583,077)		9,376,168
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	Total Investments (cost \$534,770,608) 100.0%		\$ 495,625,793
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PIMCO New York Municipal Income Fund III Schedule of Investments
September 30, 2008

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
NEW YORK MUNICIPAL BONDS & NOTES 86.6%			
\$ 790	Dutchess Cnty. Industrial Dev. Agcy. Rev., 5.25%, 1/1/37 East Rochester Housing Auth. Rev.,	NR/NR	\$ 593,653
2,800	St. Mary s Residence Project, 5.375%, 12/20/22 (GNMA)	NR/AAA	2,784,628
1,400	Woodland Project, 5.50%, 8/1/33	NR/NR	1,120,938
1,300	Erie Cnty. Industrial Dev. Agcy., Orchard Park Rev., 6.00%, 11/15/36	NR/NR	1,063,634
1,060	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.25%, 10/1/35	Aa3/AA-	876,408
2,990	5.25%, 10/1/35 (i)	Aa3/AA-	2,472,132
900	5.50%, 10/1/37	Aa3/AA-	769,941
1,000	Long Island Power Auth., Electric System Rev., 5.00%, 9/1/27, Ser. C	A3/A-	908,630
1,200	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/26, Ser. B	A2/A	1,102,236
6,220	5.00%, 11/15/32, Ser. A (FGIC) (i)	A2/A	5,629,287
100	Monroe Tobacco Asset Securitization Corp. Rev., 6.375%, 6/1/35, (Pre-refunded @ \$101, 6/1/10) (c)	Aaa/AAA	107,273
2,750	Mortgage Agcy. Rev., 4.75%, 10/1/27, Ser. 128	Aa1/NR	2,428,855
1,300	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	1,229,956
2,000	Nassau Cnty. Tobacco Settlement Corp., Rev., 6.60%, 7/15/39, (Pre-refunded @ \$101, 7/15/09) (c)	Aaa/AAA	2,085,940
7,195	New York City, GO Ser. I, 5.00%, 3/1/33	Aa3/AA	6,588,174
235	5.375%, 3/1/27	Aa3/AAA	230,281
800	New York City Industrial Dev. Agcy. Rev., Liberty Interactive Corp., 5.00%, 9/1/35 Yankee Stadium,	Ba2/BB+	617,552
2,000	5.00%, 3/1/31 (FGIC)	Baa3/BBB-	1,771,660
200	5.00%, 3/1/36 (MBIA)	A2/AA	174,076
3,000	New York City Municipal Water Finance Auth., Water & Sewer System Rev., 5.00%, 6/15/32, Ser. A	Aa2/AAA	2,832,750
5,000	New York City Trust for Cultural Res. Rev., 5.00%, 2/1/34 (FGIC) (i)	Aa3/AA-	4,670,550
2,995	New York Cntys. Tobacco Trust II Rev., 5.625%, 6/1/35	Ba1/BBB	2,717,364
1,000	Niagara Falls Public Water Auth., Water & Sewer System Rev., 5.00%, 7/15/34, Ser. A (MBIA)	A2/AA	900,330
1,855	Sachem Central School Dist. of Holbrook, GO,	A1/AA+	1,995,349

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	5.00%, 6/15/30 (MBIA)		
	State Dormitory Auth. Rev.,		
1,400	Catholic Health of Long Island, 5.10%, 7/1/34	Baa1/BBB	1,168,580
2,250	Jewish Board Family & Children, 5.00%, 7/1/33 (AMBAC)	Aa3/AA	2,136,555
2,000	Kaleida Health Hospital, 5.05%, 2/15/25 (FHA)	NR/AAA	1,824,440
3,250	Lenox Hill Hospital, 5.50%, 7/1/30	Ba1/NR	2,951,195

9.30.08 PIMCO Municipal Income Funds III Annual Report **23**

PIMCO New York Municipal Income Fund III Schedule of Investments
September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
\$ 2,040	Long Island Univ., Ser. A (Radian), 5.00%, 9/1/23	A3/BBB+	\$ 1,836,306
\$ 4,000	5.00%, 9/1/32	A3/BBB+	3,434,920
3,000	Lutheran Medical Hospital, 5.00%, 8/1/31 (FHA-MBIA)	A2/AA	2,843,400
	Mount St. Mary College (Radian), 5.00%, 7/1/27	NR/BBB+	1,807,240
2,000	5.00%, 7/1/32	NR/BBB+	1,769,700
1,000	New York Univ., 5.00%, 7/1/31, Ser. 2 (AMBAC)	Aa3/AA	959,260
1,000	New York Univ. Hospital, 5.625%, 7/1/37, Ser. B	Ba2/BB	900,530
6,150	North General Hospital, 5.00%, 2/15/25	NR/AA-	5,884,504
1,000	North Shore L.I. Jewish Group, 5.50%, 5/1/33, (Pre-refunded @ \$100, 5/1/13) (c)	Aaa/NR	1,094,960
7,000	Rockefeller Univ., 5.00%, 7/1/32 (i)	Aaa/AAA	6,690,320
1,000	School Dist. Financing, 5.00%, 10/1/30, Ser. D (MBIA)	A2/AA	926,930
1,250	Skidmore College, 5.00%, 7/1/28 (FGIC)	A1/NR	1,179,238
3,740	St. Barnabas Hospital, 5.00%, 2/1/31, Ser. A (AMBAC-FHA)	Aa3/AA	3,348,123
1,400	State Personal Income Tax, 5.00%, 3/15/32, (Pre-refunded @ \$100, 3/15/13) (c)	Aa3/AAA	1,497,734
1,250	Student Housing Corp., 5.125%, 7/1/34, (Pre-refunded @ \$100, 7/1/14) (FGIC) (c)	NR/NR	1,345,375
1,500	Teachers College, 5.00%, 7/1/32 (MBIA)	A1/NR	1,447,350
2,500	Winthrop-Nassau Univ., 5.75%, 7/1/28	Baa1/NR	2,330,775
620	Winthrop Univ. Hospital Assoc., 5.50%, 7/1/32, Ser. A	Baa1/NR	543,405
2,000	Yeshiva Univ., 5.125%, 7/1/34 (AMBAC)	Aa2/NR	1,953,720
	State Environmental Facs Corp. Rev., (i) 4.75%, 7/15/28	Aaa/AAA	5,149,460
5,575	4.75%, 7/15/33	Aaa/AAA	8,005,717
8,855	State Urban Dev. Corp. Rev., Personal Income Tax, 5.00%, 3/15/33, Ser. C-1, (Pre-refunded @ \$100, 3/15/13) (c)	Aa3/AAA	2,028,573
	Triborough Bridge & Tunnel Auth. Rev., 5.00%, 11/15/32 (MBIA) (i)	Aa3/AA	3,749,600
4,000	5.00%, 11/15/37, Ser. A	Aa2/AA-	934,620
1,000	Ulster Cnty. Industrial Dev. Agcy. Rev., 6.00%, 9/15/37, Ser. A	NR/NR	828,864
960	Warren & Washington Cntys. Industrial Dev. Agcy. Rev., Glens Falls Hospital, 5.00%, 12/1/35, Ser. A (FSA)	Aaa/AAA	1,862,340
2,000	Westchester Cnty. Industrial Dev. Agcy. Continuing Care Retirement Rev., Kendal on Hudson, 6.50%, 1/1/34,	NR/NR	1,404,500
1,250			

(Pre-refunded @ \$100, 1/1/13) (c)

Total New York Municipal Bonds & Notes
(cost \$127,299,712)

119,509,831

PIMCO New York Municipal Income Fund III Schedule of Investments
September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
OTHER MUNICIPAL BONDS & NOTES 11.4%			
California 2.9%			
\$ 3,560	Golden State Tobacco Securitization Corp. Rev., 6.75%, 6/1/39, Ser. A-1, (Pre-refunded @ \$100, 6/1/13) (c)	Aaa/AAA	\$ 3,980,329
District of Columbia 0.1%			
175	Tobacco Settlement Financing Corp. Rev., 6.50%, 5/15/33	Baa3/BBB	156,641
Indiana 1.7%			
1,000	Vigo Cnty. Hospital Auth. Rev. (a)(d), 5.70%, 9/1/37	NR/NR	797,310
2,000	5.75%, 9/1/42	NR/NR	1,573,620
			2,370,930
Puerto Rico 6.0%			
2,400	Aqueduct & Sewer Auth. Rev., 6.00%, 7/1/38, Ser. A	Baa3/BBB-	2,315,976
1,700	Children s Trust Fund Tobacco Settlement Rev., 5.50%, 5/15/39	Baa3/BBB	1,481,448
580	5.625%, 5/15/43	Baa3/BBB	504,386
210	Electric Power Auth. Power Rev., 5.125%, 7/1/29, Ser. NN, (Pre-refunded @ \$100, 7/1/13) (c)	A3/BBB+	225,737
4,000	Public Building Auth. Rev., Gov t Facs., 5.00%, 7/1/36, Ser. I (GTD)	Baa3/BBB-	3,451,600
5,000	Sales Tax Financing Corp. Rev., zero coupon, 8/1/54, Ser. A (AMBAC)	Aa3/AA	263,100
			8,242,247
Rhode Island 0.3%			
500	Tobacco Settlement Financing Corp. Rev., 6.125%, 6/1/32, Ser. A	Baa3/BBB	444,455
South Carolina 0.3%			
370	Tobacco Settlement Rev. Management Auth. Rev., 6.375%, 5/15/30, Ser. B	Baa3/BBB	390,298
Washington 0.1%			
135	Tobacco Settlement Auth. Rev., 6.625%, 6/1/32	Baa3/BBB	127,684

Total Other Municipal Bonds & Notes (cost \$16,119,995)			15,712,584
NEW YORK VARIABLE RATE NOTE (a)(d)(g) 0.3%			
700	State Urban Dev. Corp. Rev., 1.967%, 3/15/35 (cost \$757,713)	NR/AAA	451,220
NEW YORK VARIABLE RATE DEMAND NOTES (g)(h) 1.7%			
City of New York NY, GO,			
1,465	2.80%, 11/3/08 (FSA)	VMIG1/A-1+	1,465,000
900	3.50%, 11/3/08	VMIG1/A-1+	900,000
Total New York Variable Rate Demand Notes (cost \$2,365,000)			2,365,000
Total Investments (cost \$146,542,420) 100.0%			\$ 138,038,635

PIMCO Municipal Income Funds III Notes to Schedules of Investments

September 30, 2008

* Unaudited

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$22,318,838, representing 2.99% of total investments in Municipal III; securities with an aggregate value of \$29,375,864, representing 5.93% of total investments in California Municipal III; securities with an aggregate value of \$2,822,150, representing 2.04% of total investments in New York Municipal III.
- (b) Illiquid security.
- (c) 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).
- (d) 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.
- (e) Fair Valued Security security with an aggregate value of \$149,999, representing 0.02% of total investments in Municipal III.
- (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 September 30, 2008.
- (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 September 30, 2008.
- (h) Maturity date shown is date of next put.
- (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 the Funds acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (j) All or partial amount segregated as collateral for swap contracts.
- (k) Security in default.

Glossary:

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

FSA insured by Financial Security Assurance, Inc.

GNMA insured by Government National Mortgage Association

GO General Obligation Bond

GTD Guaranteed

MBIA insured by Municipal Bond Investors Assurance

NR Not Rated

PSF Public School Fund

Radian insured by Radian Guaranty, Inc.

TCRS Temporary Custodian Receipts
XLCA insured by XL Capital Assurance

26 PIMCO Municipal Income Funds III Annual Report 9.30.08 **See accompanying Notes to Financial Statements**

PIMCO Municipal Income Funds III Statements of Assets and Liabilities
September 30, 2008

	Municipal III	California Municipal III	New York Municipal III
Assets:			
Investments, at value (cost \$824,150,457, \$534,770,608 and \$146,542,420, respectively)	\$746,766,108	\$495,625,793	\$138,038,635
Cash	4,067,565	2,010,856	163,800
Interest receivable	12,617,682	7,534,594	1,835,608
Premium for swaps purchased	5,764,508	3,895,748	1,116,218
Deposits with brokers for futures contracts collateral	1,905,000	1,420,000	450,000
Receivable for variation margin on futures contracts	1,785,000	1,208,594	345,312
Prepaid expenses and other assets	133,330	739,618	40,365
Total Assets	773,039,193	512,435,203	141,989,938
Liabilities:			
Payable for floating rate notes	122,778,152	72,874,411	29,010,325
Payable for investments purchased	20,878,652	1,906,688	3,461
Proceeds payable from retirement of floating rate notes	7,019,500	5,640,000	802,000
Dividends payable to common and preferred shareholders	2,589,551	1,667,221	300,620
Interest payable	508,114	592,145	184,971
Investment management fees payable	299,845	204,298	53,366
Unrealized depreciation of swaps	5,896,675	3,985,072	1,141,808
Accrued expenses and other liabilities	143,132	129,469	342,056
Total Liabilities	160,113,621	86,999,304	31,838,607
	270,000,000	185,000,000	47,000,000

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)

Net Assets Applicable to Common Shareholders	\$342,925,572	\$240,435,899	\$63,151,331
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Composition of Net Assets Applicable to Common Shareholders:

Common Stock:

Par value (\$0.00001 per share)	\$317	\$216	\$55
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Paid-in-capital in excess of par	450,706,272	306,191,464	78,189,823
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Undistributed net investment income	4,009,960	1,707,824	669,514
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Accumulated net realized loss	(29,029,315)	(24,350,716)	(6,900,302)
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Net unrealized depreciation of investments, futures contracts and swaps	(82,761,662)	(43,112,889)	(8,807,759)
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Net Assets Applicable to Common Shareholders	\$342,925,572	\$240,435,899	\$63,151,331
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Common Shares Outstanding	31,729,114	21,595,180	5,517,633
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Net Asset Value Per Common Share	\$10.81	\$11.13	\$11.45
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See accompanying Notes to Financial Statements 9.30.08 PIMCO Municipal Income Funds III Annual Report 27

PIMCO Municipal Income Funds III Statements of Operations

Year ended September 30, 2008

	Municipal III	California Municipal III	New York Municipal III
Investment Income:			
Interest	\$51,272,697	\$32,828,798	\$8,418,371
Expenses:			
Interest expense	5,420,965	4,497,771	1,275,870
Investment management fees	4,564,331	3,094,546	800,957
Auction agent fees and commissions	703,325	474,640	123,900
Custodian and accounting agent fees	456,558	191,330	67,171
Audit and tax services	75,107	61,048	40,688
Trustees' fees and expenses	64,247	48,554	24,369
Shareholder communications	56,509	40,601	11,539
Transfer agent fees	34,420	35,033	33,571
Legal fees	28,492	22,381	14,973
New York Stock Exchange listing fees	25,188	21,163	20,962
Insurance expense	11,059	7,835	2,406
Miscellaneous	12,997	11,998	11,268
Total expenses	11,453,198	8,506,900	2,427,674
Less: investment management fees waived	(733,062)	(497,163)	(128,631)
custody credits earned on cash balances	(35,182)	(23,109)	(7,636)
Net expenses	10,684,954	7,986,628	2,291,407
Net Investment Income	40,587,743	24,842,170	6,126,964

Realized and Change In Unrealized Gain (Loss)

Net realized gain (loss) on:

Investments	9,737,988	4,133,822	377,209
Futures contracts	(16,930,807)	(11,183,508)	(2,997,797)
Options written	1,336,920	918,253	235,823
Net change in unrealized appreciation/depreciation of:			
Investments	(111,322,831)	(65,631,188)	(14,861,172)
Futures contracts	589,304	468,678	103,097
Swaps	(5,896,675)	(3,985,072)	(1,141,808)
Net realized and change in unrealized loss on investments, futures contracts, options written and swaps	(122,486,101)	(75,279,015)	(18,284,648)
Net Decrease in Net Assets Resulting from Investment Operations	(81,898,358)	(50,436,845)	(12,157,684)
Dividends on Preferred Shares from Net Investment Income	(9,396,018)	(6,269,965)	(1,631,983)
Net Decrease in Net Assets Applicable to Shareholders Resulting from Investment Operations	\$(91,294,376)	\$(56,706,810)	\$(13,789,667)

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

	Municipal III	
	Year ended September 30, 2008	Year ended September 30, 2007
Investment Operations:		
Net investment income	\$40,587,743	\$36,929,364
Net realized gain (loss) on investments, futures contracts and options written	(5,855,899)	4,167,656
Net change in unrealized appreciation/depreciation of investments, futures contracts, options written and swaps	(116,630,202)	(16,790,726)
Net increase (decrease) in net assets resulting from investment operations	(81,898,358)	24,306,294
Dividends on Preferred Shares from Net Investment Income	(9,396,018)	(9,548,808)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	(91,294,376)	14,757,486
Dividends to Common Shareholders from Net Investment Income	(26,568,968)	(26,397,297)
Capital Share Transactions:		
Reinvestment of dividends	2,874,798	3,042,593
Total decrease in net assets applicable to common shareholders	(114,988,546)	(8,597,218)
Net Assets Applicable to Common Shareholders:		
Beginning of year	457,914,118	466,511,336
End of year (including undistributed (dividends in excess of) net investment income of \$4,009,960 and \$(612,794); \$1,707,824 and \$(1,366,248); \$669,514 and \$(318,262), respectively)	\$342,925,572	\$457,914,118
Common Shares Issued in Reinvestment of Dividends	206,774	202,633

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

California Municipal III		New York Municipal III	
Year ended September 30, 2008	Year ended September 30, 2007	Year ended September 30, 2008	Year ended September 30, 2007
\$24,842,170	\$23,096,778	\$6,126,964	\$5,690,778
(6,131,433)	1,814,644	(2,384,765)	1,013,886
(69,147,582)	(7,584,274)	(15,899,883)	(3,634,317)
(50,436,845)	17,327,148	(12,157,684)	3,070,347
(6,269,965)	(6,244,266)	(1,631,983)	(1,607,055)
(56,706,810)	11,082,882	(13,789,667)	1,463,292
(15,524,827)	(18,727,275)	(3,476,109)	(4,316,067)
709,712	1,365,933		433,794
(71,521,925)	(6,278,460)	(17,265,776)	(2,418,981)
311,957,824	318,236,284	80,417,107	82,836,088
\$240,435,899	\$311,957,824	\$63,151,331	\$80,417,107
53,487	86,683		28,231

See accompanying Notes to Financial Statements 9.30.08 PIMCO Municipal Income Funds III Annual Report **31**

PIMCO Municipal Income Fund III Statement of Cash Flows

Year ended September 30, 2008

Cash Flows provided by Operating Activities:

Purchases of long-term investments	\$(116,947,731)
Proceeds from sales of long-term investments	204,698,831
Increase in deposits with brokers for futures collateral	(1,905,000)
Interest received	40,035,935
Net cash used for swap transactions	(5,764,508)
Operating expenses paid	(5,507,648)
Net cash used for futures transactions	(18,126,503)
Net cash provided by options written	1,336,920
Net decrease in short-term investments	6,078,283
Net cash provided by operating activities	103,898,579

Cash Flows used for Financing Activities:

Cash dividends paid (excluding reinvestment of \$2,874,798)	(32,844,420)
Payments to retire floating rate notes	(104,242,945)
Cash receipts on issuance of floating rate notes	34,624,666
Net cash used for financing activities*	(102,462,699)

Net increase in cash	1,435,880
Cash at beginning of year	2,631,685
Cash at end of year	4,067,565

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	(81,898,358)
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Increase in deposits with brokers for futures contracts collateral	(1,905,000)
Decrease in receivable for investments sold	60,000
Increase in payable for investments purchased	19,703,510
Increase in proceeds payable from retirement of floating rate notes	7,019,500
Increase in interest receivable	(1,173,869)
Increase in premium for swaps purchased	(5,764,508)
Decrease in prepaid expenses and other assets	6,883
Increase in investment management fees payable	1,783
Increase in net unrealized depreciation of swaps	5,896,675
Increase in net receivable for variation margin on futures contracts	(1,785,000)
Decrease in accrued expenses and other liabilities	(252,325)
Net decrease in investments	163,989,288
Net cash provided by operating activities	\$103,898,579

* **Supplemental Disclosure**

Non-cash financing activity not included consists of interest expense on floating rate notes issued of \$5,420,965.

PIMCO California Municipal Income Fund III Statement of Cash Flows
Year ended September 30, 2008

Cash Flows provided by Operating Activities:	
Purchases of long-term investments	\$(41,514,446)
Proceeds from sales of long-term investments	128,716,303
Increase in deposits with brokers for futures collateral	(1,420,000)
Interest received	26,731,997
Net cash used for swap transactions	(3,895,748)
Operating expenses paid	(3,625,762)
Net cash provided by options written	918,253
Net cash used for futures transactions	(11,923,424)
Net increase in short-term investments	(1,960,552)
Net cash provided by operating activities	92,026,621
 Cash Flows used for Financing Activities:	
Cash dividends paid (excluding reinvestment of \$709,712)	(20,784,107)
Payments to retire floating rate notes	(86,589,476)
Cash receipts on issuance of floating rate notes	15,225,000
Net cash used for financing activities*	(92,148,583)
 Net decrease in cash	 (121,962)
Cash at beginning of year	2,132,818
Cash at end of year	2,010,856
 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	(50,436,845)

Increase in deposits with brokers for futures contracts collateral	(1,420,000)
Increase in payable for investments purchased	1,906,688
Increase in proceeds payable from retirement of floating rate notes	5,640,000
Increase in interest receivable	(136,693)
Increase in premium for swaps purchased	(3,895,748)
Decrease in prepaid expenses and other assets	4,799
Increase in investment management fees payable	1,015
Increase in net unrealized depreciation of swaps	3,985,072
Increase in net receivable for variation margin on futures contracts	(1,208,594)
Decrease in accrued expenses and other liabilities	(142,719)
Net decrease in investments	137,729,646
Net cash provided by operating activities	\$92,026,621

*** Supplemental Disclosure**

Non-cash financing activity not included consists of interest expense on floating rate notes issued of \$4,497,771.

See accompanying Notes to Financial Statements 9.30.08 PIMCO Municipal Income Funds III Annual Report 33

PIMCO New York Municipal Income Fund III Statement of Cash Flows
Year ended September 30, 2008

Cash Flows provided by Operating Activities:	
Purchases of long-term investments	\$(10,747,957)
Proceeds from sales of long-term investments	20,322,793
Increase in deposits with brokers for futures collateral	(450,000)
Interest received	6,673,143
Net cash used for swap transactions	(1,116,218)
Operating expenses paid	(1,050,798)
Net cash used for futures transactions	(3,240,012)
Net cash provided by options written	235,823
Net decrease in short-term investments	3,131,762
Net cash provided by operating activities	13,758,536
Cash Flows used for Financing Activities:	
Cash dividends paid	(5,125,734)
Payments to retire floating rate notes	(20,037,667)
Cash receipts on issuance of floating rate notes	10,225,000
Net cash used for financing activities*	(14,938,401)
Net decrease in cash	(1,179,865)
Cash at beginning of year	1,343,665
Cash at end of year	163,800
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	(12,157,684)

Increase in deposits with brokers for futures contracts collateral	(450,000)
Decrease in receivable for investments sold	60,000
Increase in payable for investments purchased	3,461
Increase in proceeds payable from retirement of floating rate notes	802,000
Increase in interest receivable	(229,104)
Increase in premium for swaps purchased	(1,116,218)
Decrease in prepaid expenses and other assets	886
Increase in investment management fees payable	1,314
Increase in net unrealized depreciation on swaps	1,141,808
Increase in net receivable for variation margin on futures contracts	(345,312)
Decrease in accrued expenses and other liabilities	(37,461)
Net decrease in investments	26,084,846
Net cash provided by operating activities	\$13,758,536

*** Supplemental Disclosure**

Non-cash financing activity not included consists of interest expense on floating rate notes issued of \$1,275,870.

PIMCO Municipal Income Funds III Notes to Financial Statements
September 30, 2008

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. Each Fund has 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 generally 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 that have not yet been asserted. However, the Funds expect the risk of any loss to be remote.

In July 2006, the Financial Accounting Standards Board (FASB) 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 taxa