

PIMCO CALIFORNIA 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: 811-21188

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, 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.

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.

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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%

1,000	State Building Auth., Building Rev., Ser. A (XLCA), 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
 			