

PIMCO CALIFORNIA MUNICIPAL INCOME FUND III
Form N-Q
March 01, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act File Number: 811-21188

Registrant Name: PIMCO California Municipal Income Fund III

Address of Principal Executive Offices: 1345 Avenue of the Americas New York, New York 10105

Name and Address of Agent for Service: Lawrence G. Altadonna — 1345 Avenue of the Americas New York, New York 10105

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

Date of Fiscal Year End: September 30, 2007

Date of Reporting Period: December 31, 2006

Form N-Q is to be used by the registered management investment company, other than a small business investment company registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b 1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to the collection of information contained in Form N-Q 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 the 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. Schedule of Investments

PIMCO California Municipal Income Fund III
 Schedule of Investments
 December 31, 2006 (unaudited)

| Principal Amount (000) | | Credit Rating (Moody's/S&P) | Value* |
|--|---|-----------------------------|--------------|
| CALIFORNIA MUNICIPAL BONDS & NOTES—95.2% | | | |
| \$ 1,000 | Alameda Public Financing Auth. Rev., 7.00%, 6/1/09 | NR/NR | \$ 1,000,830 |
| 3,200 | Assoc. of Bay Area Gov't Finance Auth. Rev., Odd Fellows Home, 5.20%, 11/15/22 | NR/A+ | 3,362,944 |
| 11,725 | 5.35%, 11/15/32 | NR/A+ | 12,393,794 |
| | Burbank Public Finance Auth. Rev., San Fernando Redev. Project, 5.50%, 12/1/28 | NR/BBB | 1,187,982 |
| 1,000 | 5.50%, 12/1/33 | NR/BBB | 1,044,280 |
| 2,000 | Butte-Glenn Community College, GO, 5.00%, 8/1/26, Ser. A (MBIA) | Aaa/NR | 2,111,020 |
| 2,000 | Capistrano Unified School Dist., Community Fac. Dist., Special Tax, 6.00%, 9/1/32, (Pre-refunded @ \$100, 9/1/13) (a) | NR/NR | 2,272,960 |
| 500 | Carson Public Financing Auth., Special Assessment, 5.00%, 9/2/31, Ser. B | NR/NR | 503,215 |
| 1,000 | Cathedral City Public Financing Auth., Tax Allocation Rev., 5.00%, 8/1/33, Ser. A (MBIA) | Aaa/AAA | 1,052,080 |
| 1,150 | Ceres Redev. Agcy. Tax Allocation, 5.00%, 11/1/33 (MBIA) | Aaa/AAA | 1,224,324 |
| 2,825 | Ceres Unified School Dist., GO (FGIC), zero coupon, 8/1/28 | Aaa/AAA | 862,614 |
| 2,940 | zero coupon, 8/1/29 | Aaa/AAA | 845,309 |
| 2,000 | Chula Vista Community Facs. Dist., Special Tax, 5.125%, 9/1/36 | NR/NR | 2,043,440 |
| 1,600 | 5.75%, 9/1/33 | NR/NR | 1,651,216 |
| 675 | 6.15%, 9/1/26 | NR/NR | 721,069 |
| 1,620 | 6.20%, 9/1/33 | NR/NR | 1,730,403 |
| 1,000 | City of Carlsbad, 6.00%, 9/2/34 | NR/NR | 1,045,690 |
| 8,000 | Contra Costa Cnty. Public Financing Auth. Tax Allocation Rev., 5.625%, 8/1/33, Ser. A | NR/BBB | 8,488,320 |
| 3,775 | Cucamonga School Dist., CP, 5.20%, 6/1/27 | NR/A- | 3,906,106 |
| 2,500 | Educational Facs. Auth. Rev., Institute of Technology, 5.00%, 10/1/32, Ser. A, | Aaa/AAA | 2,659,025 |

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| | | | |
|--------|---|---------|------------|
| | (Pre-refunded @ \$100, 10/1/11) (a) | | |
| 2,455 | Loyola Marymount Univ., zero coupon, 10/1/34 (MBIA) | Aaa/NR | 718,210 |
| 5,000 | Pepperdine Univ., 5.00%, 9/1/33, Ser. A (FGIC) | Aaa/AAA | 5,238,050 |
| 2,195 | Elk Grove Unified School Dist., Community Facs. Dist. No. 1, Special Tax, 5.00%, 12/1/35 (MBIA) | Aaa/AAA | 2,324,307 |
| 500 | Franklin-McKinley School Dist., GO, 5.00%, 8/1/27, Ser. B, (Pre-refunded @ \$100, 8/1/13) (FSA) (a) | Aaa/AAA | 541,560 |
| | Fremont Community Facs. Dist., Special Tax, | | |
| 1,250 | 5.30%, 9/1/30 | NR/NR | 1,278,475 |
| 5,000 | 6.30%, 9/1/31 | NR/NR | 5,278,000 |
| 9,500 | Fresno School Unified Dist., GO, 6.00%, 8/1/26, Ser. A (MBIA) | Aaa/AAA | 11,685,000 |
| 4,380 | Glendale Electric Works Rev., 5.00%, 2/1/27 (MBIA) | Aaa/AAA | 4,604,387 |
| | Golden State Tobacco Securitization Corp., Tobacco Settlement Rev., | | |
| 10,000 | 5.00%, 6/1/35, Ser. A (FGIC) (g) | Aaa/AAA | 10,558,400 |
| 9,000 | 5.00%, 5/1/45, Ser. A (AMBAC-TCRS) (g) | Aaa/AAA | 9,407,970 |

PIMCO California Municipal Income Fund III
 Schedule of Investments
 December 31, 2006 (unaudited) (continued)

| Principal Amount (000) | | Credit Rating (Moody's/S&P) | Value* |
|------------------------|---|-----------------------------|--------------|
| \$ 4,000 | 5.00%, 6/1/45, Ser. A (FGIC-TCRS) (g) | Aaa/AAA | \$ 4,181,320 |
| 18,000 | 6.25%, 6/1/33, Ser. 2003-A-1 | Baa3/BBB | 20,139,300 |
| 38,490 | 6.75%, 6/1/39, Ser. 2003-A-1 Health Facs. Finance Auth. Rev., | Baa3/BBB | 44,138,792 |
| 5,000 | Adventist Health System, 5.00%, 3/1/33 | NR/A | 5,132,850 |
| 6,000 | Cottage Health System, 5.00%, 11/1/33, Ser. B (MBIA) | Aaa/AAA | 6,267,420 |
| 5,000 | Kaiser Permanente, 5.00%, 10/1/18, Ser. B Paradise VY Estates (CA Mtg. Ins.), | A3/AAA | 5,156,150 |
| 2,000 | 5.125%, 1/1/22 | NR/A+ | 2,101,420 |
| 1,550 | 5.25%, 1/1/26 | NR/A+ | 1,632,910 |
| 2,000 | Sutter Health, 6.25%, 8/15/35, Ser. A Infrastructure & Economic Dev. Bank Rev., | Aa3/AA- | 2,193,440 |
| 7,750 | Bay Area Toll Bridges, 5.00%, 1/1/28, (Pre-refunded @ \$100, 1/1/28) (AMBAC) (a)(g) | Aaa/AAA | 8,796,250 |
| 2,750 | Claremont Univ. Consortium, 5.25%, 10/1/33 Kaiser Assistance Corp., | Aa3/NR | 2,933,342 |
| 3,000 | 5.50%, 8/1/31, Ser. B | A/A+ | 3,198,630 |
| 8,000 | 5.55%, 8/1/31, Ser. A | NR/A+ | 8,546,160 |

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|--------|--|---------|------------|
| 3,725 | La Mesa-Spring Valley School Dist., GO, 5.00%, 8/1/26, Ser. A, (Pre-refunded @ \$100, 8/1/12) (FGIC) (a) | Aaa/AAA | 3,997,856 |
| 20 | Lancaster Financing Auth. Tax Allocation, 4.75%, 2/1/34 (MBIA) | Aaa/AAA | 20,712 |
| 825 | Lee Lake Water Dist. Community Facs. Dist., Montecito Ranch, Special Tax, 6.125%, 9/1/32 | NR/NR | 861,688 |
| 5,000 | Long Beach Community College Dist., GO, 5.00%, 5/1/28, Ser. A, (Pre-refunded @ \$100, 5/1/13) (MBIA) (a) | Aaa/AAA | 5,401,400 |
| 6,000 | Los Angeles Department of Water & Power Rev., 4.75%, 7/1/30, Ser. A-2 (FSA) (g) | Aaa/AAA | 6,224,940 |
| 500 | 4.75%, 7/1/36, Ser. A (FSA) | Aaa/AAA | 515,145 |
| 10,000 | 5.00%, 7/1/30, Ser. A-2 (g) | Aa3/AA- | 10,438,900 |
| 20,000 | 5.00%, 7/1/35, Ser. A-1 (FSA) (g) | Aaa/AAA | 21,279,800 |
| | Los Angeles Unified School Dist., GO (MBIA), | | |
| 7,650 | 5.00%, 1/1/28, Ser. A | Aaa/AAA | 8,070,138 |
| 3,000 | 5.125%, 1/1/27, Ser. E, (Pre-refunded @ \$100, 7/1/12) (a) | Aaa/AAA | 3,235,410 |
| 1,000 | Lynwood Unified School Dist., GO, 5.00%, 8/1/27, Ser. A (FSA) | Aaa/NR | 1,054,920 |
| 5,280 | Modesto Irrigation Dist., CP, 5.00%, 7/1/33, Ser. A (MBIA) | Aaa/AAA | 5,551,498 |
| 4,585 | Moreno Valley Unified School Dist. Community Facs. Dist., Special Tax, 5.20%, 9/1/36 | NR/NR | 4,695,086 |
| 2,180 | Murrieta Valley Unified School Dist., Special Tax, 6.40%, 9/1/24, (Pre-refunded @ \$102, 9/1/09) (a) | NR/NR | 2,372,363 |
| 5,000 | Oakland, GO, 5.00%, 1/15/33, Ser. A (MBIA) | Aaa/AAA | 5,240,950 |
| | Oakland Redev. Agcy., Tax Allocation, (Pre-refunded @ \$100, 3/1/13) (a) | | |
| 985 | 5.25%, 9/1/27 | NR/A | 1,072,872 |
| 1,545 | 5.25%, 9/1/33 | NR/A | 1,687,279 |
| 5,000 | Orange Cnty. Community Facs. Dist., Special Tax, Ladera Ranch, 5.55%, 8/15/33, Ser. A | NR/NR | 5,142,700 |

PIMCO California Municipal Income Fund III
Schedule of Investments
December 31, 2006 (unaudited) (continued)

| Principal Amount (000) | | Credit Rating (Moody's/S&P) | Value* |
|------------------------------|---|--------------------------------|--------------|
| \$ 5,000 | Orange Cnty. Unified School Dist., CP, 4.75%, 6/1/29 (MBIA) | Aaa/AAA | \$ 5,096,950 |
| 1,000 | Orange Cnty. Water Dist. Rev., CP (MBIA), 5.00%, 8/15/28, Ser. B | Aaa/AAA | 1,045,740 |
| 3,053 | 5.00%, 8/15/34, Ser. B (g) | Aaa/AAA | 3,192,953 |

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|--------|---|---------|------------|
| 5,000 | Pajaro Valley Unified School Dist., GO, 5.00%, 8/1/26, Ser. A, (Pre-refunded @ \$100, 8/1/13) (FSA) (a)(g) | NR/NR | 5,415,600 |
| 2,000 | Palm Desert Financing Auth., Tax Allocation, 5.00%, 4/1/25, Ser. A (MBIA) | Aaa/AAA | 2,096,340 |
| 6,455 | Pasadena Water Rev., 5.00%, 6/1/33 (FGIC) (g) | NR/NR | 6,782,979 |
| 1,410 | Pomona Public Financing Auth. Rev., 5.00%, 12/1/37, Ser. AF (MBIA) Poway Unified School Dist., Special Tax, Community Facs. Dist. No. 6, | Aaa/AAA | 1,468,430 |
| 3,650 | 5.125%, 9/1/28 | NR/NR | 3,748,623 |
| 1,285 | 6.05%, 9/1/25 | NR/NR | 1,367,780 |
| 2,100 | 6.125%, 9/1/33 | NR/NR | 2,232,132 |
| 5,000 | Riverside, CP, 5.00%, 9/1/33 (AMBAC) | Aaa/AAA | 5,232,900 |
| 500 | Rocklin Unified School Dist. Community Facs., Special Tax, 5.00%, 9/1/29 (MBIA) | Aaa/AAA | 525,665 |
| 7,680 | Rowland Unified School Dist., GO, 5.00%, 8/1/28, Ser. B (FSA) | Aaa/AAA | 8,097,254 |
| 1,400 | Sacramento City Financing Auth. Rev., North Natomas CFD No. 2, 6.25%, 9/1/23, Ser. A | NR/NR | 1,449,462 |
| 9,365 | Sacramento Cnty. Water Financing Auth. Rev., 5.00%, 6/1/34 (AMBAC) (g) | NR/NR | 9,808,707 |
| 8,000 | Sacramento Muni Utility Dist., Electric Rev., 5.00%, 8/15/33, Ser. R (MBIA) (g) | Aaa/AAA | 8,417,760 |
| 12,075 | San Diego Community College Dist., 5.00%, 5/1/28, Ser. A (g) San Diego Community Facs. Dist. No. 3, Ser. A, | Aaa/AAA | 12,708,817 |
| 890 | 5.60%, 9/1/21 | NR/NR | 908,743 |
| 580 | 5.70%, 9/1/26 | NR/NR | 591,884 |
| 1,700 | 5.75%, 9/1/36 San Diego Unified School Dist., GO (FSA), | NR/NR | 1,737,145 |
| 480 | 5.00%, 7/1/26, Ser. C | Aaa/AAA | 514,368 |
| 11,000 | 5.00%, 7/1/26, Ser. E | Aaa/AAA | 11,785,730 |
| 8,425 | 5.00%, 7/1/28, Ser. E | Aaa/AAA | 9,026,798 |
| 1,500 | San Diego Univ. Foundation Auxiliary Organization, Rev., 5.00%, 3/1/27, Ser. A (MBIA) | Aaa/AAA | 1,562,820 |
| 3,000 | San Jose, Libraries & Parks, GO, 5.125%, 9/1/31 | Aa1/AA+ | 3,144,600 |
| 11,248 | San Marcos Public Facs. Auth. Tax Allocation, 5.00%, 8/1/33, Ser. A (FGIC) (g) Santa Ana Unified School Dist., GO, Ser. B (FGIC), | NR/NR | 11,799,231 |
| 2,515 | zero coupon, 8/1/26 | Aaa/AAA | 1,062,613 |
| 3,520 | zero coupon, 8/1/28 | Aaa/AAA | 1,356,186 |
| 2,500 | zero coupon, 8/1/30 | Aaa/AAA | 877,650 |
| 3,780 | zero coupon, 8/1/31 | Aaa/AAA | 1,266,300 |
| 3,770 | zero coupon, 8/1/32 | Aaa/AAA | 1,204,967 |
| 1,250 | Santa Clara Valley Transportation Auth., Sales Tax Rev., 6/1/26, Ser. A, (Pre-refunded @ \$100, 6/1/11) (MBIA) (a) | Aaa/AAA | 1,324,375 |

PIMCO California Municipal Income Fund III
 Schedule of Investments
 December 31, 2006 (unaudited) (continued)

| Principal Amount (000) | | Credit Rating (Moody's/S&P) | Value* |
|---------------------------|--|--------------------------------|--------------|
| \$ 2,500 | Santa Margarita Water Dist., Special Tax, 6.25%, 9/1/29 | NR/NR | \$ 2,668,775 |
| 3,470 | Community Facs. Dist. No. 99-1 Escrow, 6.25%, 9/1/29 | NR/NR | 3,704,260 |
| 3,550 | Santa Monica Community College Dist., GO, zero coupon, 8/1/27, Ser. C (MBIA) | Aaa/AAA | 1,310,554 |
| 1,205 | Sequoia Union High School Dist., GO, 5.00%, 7/1/23 (Pre-refunded @ \$102, 7/1/11) (MBIA) (a) | Aaa/NR | 1,298,568 |
| 4,250 | Sonoma Cnty. Jr. College Dist., GO, 5.00%, 8/1/27, Ser. A, (Pre-refunded @ \$100, 8/1/13) (FSA) (a) | Aaa/AAA | 4,603,260 |
| 1,000 | Sonoma Cnty. Water Agcy., Water Rev., 5.00%, 7/1/32, Ser. A (MBIA) | Aaa/AAA | 1,047,330 |
| 2,500 | South Tahoe JT Powers Financing Auth. Rev., 5.125%, 10/1/09 | NR/NR | 2,504,775 |
| 4,425 | 5.45%, 10/1/33 | NR/BBB | 4,630,143 |
| 2,700 | Southern CA Public Power Auth., Power Project Rev., Magnolia Power (AMBAC), 5.00%, 7/1/33, Ser. A-2003-1 (g) | Aaa/AAA | 2,837,268 |
| 12,200 | 5.00%, 7/1/33, Ser. A-2003-1 | Aaa/AAA | 12,820,248 |
| 4,095 | State Department Veteran Affairs Home Purchase Rev., 5.35%, 12/1/27, Ser. A (AMBAC) | Aaa/AAA | 4,367,604 |
| 5,385 | State Public Works Board Lease Rev., CA State Univ., 5.00%, 10/1/19 | A2/A | 5,536,588 |
| 1,105 | Patton, 5.375%, 4/1/28 | A2/A | 1,175,565 |
| 4,600 | Univ. CA M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A | Aa2/AA- | 4,812,796 |
| 3,505 | Statewide Community Dev. Auth., CP, Internext Group, 5.375%, 4/1/30 | NR/BBB | 3,565,111 |
| 2,500 | Statewide Community Dev. Auth. Rev., Berkeley Montessori School, 7.25%, 10/1/33 Health Fac., | NR/NR | 2,649,450 |
| 7,300 | Jewish Home, 5.50%, 11/15/33 (CA St. Mtg.) | NR/A+ | 7,887,504 |
| 15,000 | Memorial Health Services, 5.50%, 10/1/33, Ser. A | A3/A+ | 15,975,150 |
| 10,000 | Sutter Health, 5.50%, 8/15/34, Ser. B | Aa3/AA- | 10,684,900 |
| 1,795 | Sunnyvale Financing Auth., Water & Wastewater Rev., 5.00%, 10/1/26 (AMBAC) | Aaa/AAA | 1,869,367 |
| 2,000 | Tamalpais Union High School Dist., GO, 5.00%, 8/1/26 (MBIA) | Aaa/AAA | 2,095,940 |
| 2,000 | Temecula Public Financing Auth., Crowne Hill, | NR/NR | 2,091,900 |

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|-------|--|----------|-----------|
| | Special Tax, 6.00%, 9/1/33, Ser. A Tobacco Securitization Agcy. Rev., Alameda Cnty., | | |
| 8,100 | 5.875%, 6/1/35 | Baa3/NR | 8,617,023 |
| 7,000 | 6.00%, 6/1/42 | Baa3/NR | 7,557,970 |
| 5,000 | Gold Cnty., zero coupon, 6/1/33 | NR/BBB | 1,113,200 |
| 2,000 | Kern Cnty., 6.125%, 6/1/43, Ser. A | NR/BBB | 2,166,360 |
| 5,000 | Tobacco Securitization Auth. of Southern California Rev., 5.00%, 6/1/37, Ser. A1 | Baa3/BBB | 5,105,250 |
| 2,950 | Torrance Medical Center Rev., 5.50%, 6/1/31, Ser. A | A1/A+ | 3,132,192 |

PIMCO California Municipal Income Fund III
Schedule of Investments
December 31, 2006 (unaudited) (continued)

| Principal Amount (000) | | Credit Rating (Moody's/S&P) | Value* |
|------------------------------|--|--------------------------------|--------------|
| \$ 5,500 | Univ. Rev. (FSA) (g), 4.75%, 5/15/35, Ser. F | NR/NR | \$ 5,665,055 |
| 2,147 | 5.00%, 9/1/33, Ser. Q, (Pre-refunded @ \$101, 9/1/11) (a) | NR/NR | 2,246,073 |
| 17,303 | 5.00%, 9/1/34, Ser. Q, (Pre-refunded @ \$101, 4/1/08) (a) | NR/NR | 18,106,763 |
| 4,000 | Vernon Electric System Rev., Malburg Generating Station, 5.50%, 4/1/33, (Pre-refunded @ \$100, 4/1/08) (a) | Aaa/NR | 4,097,600 |
| 1,000 | West Basin Municipal Water Dist. Rev., CP, 5.00%, 8/1/30, Ser. A (MBIA) | Aaa/AAA | 1,053,150 |
| 2,500 | William S. Hart Union High School Dist., Special Tax, 6.00%, 9/1/33 | NR/NR | 2,655,825 |
| 2,750 | Woodland Finance Auth. Lease Rev., 5.00%, 3/1/32 (XLCA) | Aaa/AAA | 2,902,432 |
| | Total California Municipal Bonds & Notes (cost-\$556,048,115) | | 594,430,072 |
| | OTHER MUNICIPAL BONDS & NOTES-1.6% | | |
| | New York-0.4% | | |
| 2,500 | State Dormitory Auth. Rev., Hospital, 6.25%, 8/15/15 (FHA) | Aa2/AAA | 2,833,925 |
| | Puerto Rico-1.2% | | |
| 1,500 | Electric Power Auth., Power Rev., 5.125%, 7/1/29, Ser. NN | A3/BBB+ | 1,583,355 |
| 4,420 | Public Building Auth. Rev., 5.00%, 7/1/36, Ser. I (GTD) | Baa3/BBB | 4,599,142 |
| 290 | 5.25%, 7/1/36, Ser. D | Baa3/BBB | 303,926 |
| 790 | | Baa3/BBB | 850,759 |

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| | 5.25%, 7/1/36, Ser. D, (Pre-refunded @ \$100, 7/1/12) (a) | | 7,337,182 |
| | Total Other Municipal Bonds & Notes (cost-\$9,452,909) | | 10,171,107 |
| | CALIFORNIA VARIABLE RATE NOTES (b)(c)(d)-2.2% | | |
| | Golden State Tobacco Securitization Corp., Tobacco Settlement Rev., | | |
| 123 | 7.66%, 6/1/45, Ser. 1421 (AMBAC-TCRS) | Aaa/AAA | 145,803 |
| 2,000 | 8.857%, 6/1/35 (FGIC) | Aaa/AAA | 2,558,400 |
| | Los Angeles Unified School Dist., GO (MBIA), | | |
| 1,745 | 7.324%, 1/1/23 | NR/NR | 2,025,212 |
| 2,090 | 10.473%, 1/1/11 | NR/NR | 3,231,370 |
| | —(h)Los Angeles Water & Power Rev., 5.694%, 7/1/30 | | |
| 425 | Orange Cnty. Water Dist. Rev., CP, 5.96%, 2/15/11 (MBIA) | NR/NR | 2 |
| | —(h)Pajaro Valley Unified School Dist., GO, 6.068%, 8/1/11 | | |
| | —(h)Pasadena Water Rev., 5.899%, 6/1/33 (FGIC) | | |
| 240 | Sacramento Cnty. Water Financing Auth. Rev., 6.009%, 6/1/11 (AMBAC) | NR/NR | 308,899 |
| | San Marcos Public Facs. Auth. Tax Allocation (FGIC), | | |
| 550 | 5.968%, 2/1/11 | NR/NR | 707,976 |
| 210 | 5.968%, 8/1/11 | NR/NR | 270,316 |
| 2,065 | Southern CA Public Power Auth., Power Project Rev., 5.989%, 7/1/11 (AMBAC) | NR/NR | 2,690,840 |
| 560 | Univ. Rev. (FSA), 6.165%, 9/1/33 | NR/NR | 737,609 |

PIMCO California Municipal Income Fund III
Schedule of Investments
December 31, 2006 (unaudited) (continued)

| Principal Amount (000) | | Credit Rating (Moody's/S&P) | Value* |
|------------------------------|---|--------------------------------|-------------|
| \$ 30 | 6.165%, 9/1/34 | NR/NR | \$39,567 |
| 275 | 7.28%, 5/15/35, Ser. 1119 | NR/AAA | 316,264 |
| | Total California Variable Rate Notes (cost-\$12,517,982) | | 13,570,326 |
| | OTHER VARIABLE RATE NOTES (d)-0.6% | | |
| | Puerto Rico-0.6% | | |
| 3,800 | Public Finance Corp. Rev., 5.75%, 8/1/27, Ser. A (cost-\$4,017,044) | Ba1/BBB- | 4,104,380 |
| | U.S. TREASURY BILLS (e)-0.4% | | |
| 2,470 | 4.80%-4.91%, 3/1/07-3/15/07 (cost-\$2,446,207) | | 2,446,207 |
| | Total Investments before options written (cost-\$584,482,257)- 100.0% | | 624,722,092 |

OPTIONS WRITTEN (f)–(0.0)%

Contracts

| | | |
|-----|--|----------------------|
| | Call Options — (0.0)% | |
| | U.S. Treasury Notes 10 yr. Futures, Chicago Board of Trade, | |
| 210 | strike price \$110, expires 2/23/07 (premiums received–\$87,911) | (16,407) |
| | Total Investments net of options written | |
| | (cost–\$584,394,346)– 100.0% | \$624,705,685 |

Notes to Schedule of Investments:

- * Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Portfolio securities and other financial instruments for which market quotations are not readily available or if a development/event occurs that may significantly impact the value of a security are fair-valued, in good faith, pursuant to guidelines established by the Board of Trustees. The Fund's investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or are valued at the last sale price on the exchange that is the primary market for such securities, or the quoted mean price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Exchange traded options and futures are valued at the settlement price determined by the relevant exchange. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days. The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold. The Fund's net asset value is determined daily as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange ('NYSE') on each day the NYSE is open for business.
- (a) 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).
- (b) 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.
- (c) Inverse Floater – The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index.
- (d) 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 December 31, 2006.
- (e) All or partial amount segregated as collateral for futures contracts and/or written options.
- (f) Non-income producing.

(g) 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 Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.

(h) Less than \$500.

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.

GO – General Obligation Bond

GTD – Guaranteed

MBIA – insured by Municipal Bond Investors Assurance

NR – Not Rated

TCSR – Temporary Custodian Receipts

XLCA – insured by XL Capital Assurance

Other Investments:

(1) Futures contracts outstanding at December 31, 2006:

| Type | Contracts | Market Value (000) | Expiration Date | Unrealized Appreciation (Depreciation) |
|--------------------------------------|-----------|--------------------|-----------------|--|
| Long: Financial Future Euro – 90 day | 124 | \$ 29,379 | 6/18/07 | \$ (3,100) |
| Financial Future Euro – 90 day | 124 | 29,424 | 9/17/07 | (6,200) |
| Financial Future Euro – 90 day | 124 | 29,466 | 12/17/07 | (6,200) |
| Financial Future Euro – 90 day | 124 | 29,484 | 3/17/08 | (7,750) |
| U.S. Treasury Notes 5 yr. Futures | 354 | 37,192 | 3/30/07 | (22,125) |

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| | | | | | |
|--------|------------------------------------|---------|-----------|---------|------------|
| Short: | U.S. Treasury Bond Futures | (1,378) | (153,561) | 3/21/07 | 129,188 |
| | U.S. Treasury Notes 10 yr. Futures | (317) | (34,067) | 3/21/07 | 39,625 |
| | | | | | \$ 123,438 |

(2) Transactions in options written for the period ended December 31, 2006:

| | Contracts | Premiums |
|---|-----------|-----------|
| Options outstanding, September 30, 2006 | 423 | \$ 77,938 |
| Options written | 210 | 87,911 |
| Options expired | (423) | (77,938) |
| Options outstanding, December 31, 2006 | 210 | \$ 87,911 |

Item 2. Controls and Procedures

(a) The registrant’s President and Chief Executive Officer and Principal Financial Officer have concluded that the registrant’s disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act of 1940, as amended) are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

Prior to reaching this conclusion, the principal officers had become aware of matters relating to the Registrant’s participation in certain inverse floater structures that required enhancements to certain controls. The Registrant’s management determined that controls relating to the review and analysis of relevant terms and conditions of certain transfers of securities under the provisions of Statement of Financial Accounting Standards No. 140 “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities” (“SFAS 140”) were not effective.

The Registrant’s Management is taking such further actions as are necessary to revise its disclosure controls and procedures in order to increase the effectiveness of these controls with respect to the accounting treatment of transfers of certain inverse floater transactions.

(b) There were no significant changes in the registrant’s internal controls or in factors that could affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. However, as discussed above, subsequent to December 31, 2006, the Registrant enhanced controls related to the accounting treatment of transfers of certain inverse floater transactions.

Item 3. Exhibits

(a) Exhibit 99.302 Cert. – Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: PIMCO California Municipal Income Fund III
By /s/ Brian S. Shlissel
President & Chief Executive Officer

Date: March 1, 2007

By /s/ Lawrence G. Altadonna
Treasurer, Principal Financial & Accounting Officer

Date: March 1, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dated indicated.

By /s/ Brian S. Shlissel
President & Chief Executive Officer

Date: March 1, 2007

By /s/ Lawrence G. Altadonna
Treasurer, Principal Financial & Accounting Officer

Date: March 1, 2007
