

PIMCO MUNICIPAL INCOME FUND III

Form N-CSRS

June 04, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM N-CSR  
CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES  
Investment Company Act file number 811-21187  
PIMCO Municipal Income Fund III**

(Exact name of registrant as specified in charter)

**1345 Avenue of the Americas, New York, NY**

**10105**

(Address of principal executive offices)

(Zip code)

**Lawrence G. Altadonna 1345 Avenue of the Americas, New York, New York 10105**

(Name and address of agent for service)

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

Date of fiscal year end: **September 30, 2009**

Date of reporting period: **March 31, 2009**

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.

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ITEM 1. REPORT TO SHAREHOLDERS

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

Semi-Annual Report  
March 31, 2009

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**PIMCO Municipal Income Funds III Letter to Shareholders**

May 15, 2009

Dear Shareholder:

Please find enclosed the semi-annual report for the PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund III (the Funds) for the six months ended March 31, 2009.

The U.S. bond market provided positive returns during the fiscal six-month period, with municipal and high quality corporate bonds showing marked improvement as liquidity infusions improved credit market conditions and bolstered investor sentiment. In this environment, the Barclays Capital Municipal Bond Index returned a tax-advantaged 5.00% for the fiscal six-month period, outperforming the taxable, broad bond market return of 4.70% as represented by the Barclays Capital U.S. Aggregate Index. The Federal Reserve (the Fed) and U.S. Treasury Department moved aggressively during the fiscal six-month period to stave off bank failures and to inject liquidity into the banking system. The Fed reduced the Federal Funds rate three times during the fiscal six-month period, lowering the benchmark rate on loans between member banks from 2.00% to a target of 0% to 0.25%. In addition, the Fed pursued a policy of quantitative easing, buying securities from banks in order to add to the supply of cash available for lending.

On April 6, 2009, the Funds announced a change increasing the amount of Residual Interest Municipal Bonds (RIBs) in which a Fund may invest to 15% from 10% of their total assets. The change potentially allows the Funds to earn additional tax-free income. In addition, the use of RIBs, which results in a form of economic leverage, will allow the Funds to replace or increase leverage to some degree.

Please refer to the following pages for information on the Funds. 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 (866) 298-8462. In addition, a wide range of information and resources is available on our Web site, [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds).

Together with Allianz Global Investors Fund Management LLC, the Funds investment manager, and Pacific Investment Management Company LLC (PIMCO), the Funds sub-adviser, we thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess  
*Chairman*

Brian S. Shlissel  
*President & Chief Executive Officer*

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**PIMCO Municipal Income Fund III Fund Insights**

March 31, 2009 (unaudited)

For the fiscal six-month period ended March 31, 2009, PIMCO Municipal Income Fund III ( Muni III ) declined 23.73% on net asset value ( NAV ) and 18.27% on market price, compared with the decrease of 3.33% and rise of 3.94%, respectively, for the Lipper Analytical General Municipal Debt Funds (Leveraged) average.

High-quality municipal bond yields decreased across the curve for the fiscal six-month period ended March 31, 2009. The market began to rebound at the end of 2008 and continued into the first quarter of 2009.

Duration hedging strategies detracted from performance during the fiscal six-month period. Interest rates for Treasuries and London Inter-bank Offered Rate ( LIBOR ) swaps moved significantly lower due to a flight-to-quality and uncertain economic conditions. This move lower was larger than the move in high-quality municipal yields, causing municipals to underperform. However these rates moved higher off their lows in the first quarter of 2009, helping to recoup some of the negative performance for the hedge from the last quarter of 2008.

Municipal-to-Treasury yield ratios moved higher, remaining at very high levels compared to historical averages during the fiscal six-month period. The 10-year ratio increased to 118% and 30-year ratio increased to 135%.

Tobacco securitization sector holdings detracted from performance as municipal investors avoided all but the highest quality, most liquid issues during the period. The sector lost in excess of 15% during the fiscal six-month period due to this flight-to-quality.

Exposures to healthcare related municipals detracted from Muni III s performance while exposure to the education sector contributed to performance during the fiscal six-month period.

Pre-refunded bond exposure contributed positively to performance as the sector performed well due to continued investor demand for the highest quality securities.

Exposure to zero coupon municipals detracted from performance as these securities underperformed coupon bonds during the period. The Barclays Capital Zero Coupon Index declined 1.46% for the fiscal six-month period.

The municipal yield curve saw a significant steepening during the fiscal six-month period as yields on the front end of the curve declined more than the longer end. The 15-, 20-, and 30-year maturity AAA General Obligation yields decreased by 105, 67, and 51 basis points, respectively while the two-year yield decreased by 155 basis points. Significant exposure in the long end of the yield curve detracted from Muni III s performance as that area underperformed during the period.

Compared to long taxable sectors, long municipals underperformed due to the Treasury rally with the Barclays Capital Long Municipal Bond Index returning 1.63%% while the Barclays Capital U.S. Long Government/Credit and the Barclays Capital U.S. Long Treasury Indices returned 6.10% and 12.45%, respectively.

Municipal bond issuance continued to trend lower during the fourth quarter of 2008, remaining consistent with the previous year for the first quarter in 2009. During the fiscal six-month period, the overall municipal bond issuance was \$35 billion, less than the same period in the prior year at \$155 billion.

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**PIMCO Municipal Income Fund III Performance & Statistics**

March 31, 2009 (unaudited)

<b>Total Return(1):</b>	<b>Market Price</b>	<b>Net Asset Value ( NAV )</b>
Six Months	(18.27)%	(23.73)%
1 Year	(33.54)%	(35.31)%
5 Year	(3.79)%	(5.49)%
Commencement of Operations (10/31/02) to 3/31/09	(1.92)%	(2.79)%

**Market Price/NAV Performance:**

Commencement of Operations (10/31/02) to 3/31/09

**Market Price/NAV:**

Market Price	\$8.68
NAV	\$7.85
Premium to NAV	10.57%
Market Price Yield(2)	9.68%

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

(1)

**Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in net asset value or market share price (as applicable) in the specified period. The calculation assumes that all 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 less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from 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 onetime 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 payable to common shareholders by the market price per common share at March 31, 2009.

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**PIMCO California Municipal Income Fund III Fund Insights**

March 31, 2009 (unaudited)

For the fiscal six-month period ended March 31, 2009, PIMCO California Municipal Income Fund III ( California Muni III ) declined 30.58% on net asset value ( NAV ) and 23.40% on market price, compared with decreases of 3.84% and 3.60%, respectively, for the Lipper Analytical California Municipal Debt Funds average.

High-quality municipal bond yields decreased across the curve for the fiscal six-month period ended March 31, 2009. The market began to rebound at the end of 2008 and continued into the first quarter of 2009.

Duration hedging strategies detracted from performance during the fiscal six-month period. Interest rates for Treasuries and London Inter-bank Offered Rate ( LIBOR ) swaps moved significantly lower due to a flight-to-quality and uncertain economic conditions. This move lower was larger than the move in high-quality municipal yields causing municipals to underperform. However these rates moved higher off their lows in the first quarter of 2009, helping to recoup some of the negative performance for the hedge from the last quarter of 2008.

Municipal-to-Treasury yield ratios moved higher, remaining at very high levels compared to historical averages during the fiscal six-month period. The 10-year ratio increased to 118% and 30-year ratio increased to 135%.

Tobacco securitization sector holdings detracted from performance as municipal investors avoided all but the highest quality, most liquid issues during the period. The sector lost in excess of 15% during the fiscal six-month period due to this flight-to-quality.

Exposure to healthcare related municipals detracted from California Muni III s performance while exposure to the education sector contributed to performance during the fiscal six-month period.

Pre-refunded bond exposure contributed positively to performance as the sector performed well due to continued investor demand for the highest quality securities.

Exposure to zero coupon municipals detracted from performance as these securities underperformed coupon bonds during the period. The Barclays Capital Zero Coupon Index declined 1.46% for the fiscal six-month period.

Municipal bonds within California underperformed the Barclays Capital Municipal Bond Index returning 2.97% compared with 5.00% for during the fiscal six-month period. This underperformance reflected a worsening budget situation in the state due to the economic downturn, and the new issue in the first quarter which pushed yields higher. New issue supply in California for the first quarter of 2009 was 11% higher compared with the first quarter of 2008 at \$15 billion.

Long California municipals underperformed the Barclays Capital Long Municipal Bond Index declining 1.25% compared to a rise of 1.63%, respectively during the fiscal six-month period ended March 31, 2009. The California municipal curve also steepened with 30-year yields increasing 35 basis points while 5-year yields decreased 8 basis points. Positioning in longer-maturity California municipals detracted from California Muni III s performance due to this curve steepening.



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**PIMCO California Municipal Income Fund III Performance & Statistics**

March 31, 2009 (unaudited)

<b>Total Return(1):</b>	<b>Market Price</b>	<b>Net Asset Value ( NAV )</b>
Six Months	(23.40)%	(30.58)%
1 Year	(39.99)%	(38.60)%
5 Year	(5.61)%	(6.34)%
Commencement of Operations (10/31/02) to 3/31/09	(3.90)%	(3.84)%

**Market Price/NAV Performance:**

Commencement of Operations (10/31/02) to 3/31/09

**Market Price/NAV:**

Market Price	\$7.71
NAV	\$7.40
Premium to NAV	4.19%
Market Price Yield(2)	9.34%

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

(1)

**Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in net asset value or market share price (as applicable) in the specified period. The calculation assumes that all 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 less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from 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 onetime 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 payable to common shareholders by the market price per common share at March 31, 2009.

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**PIMCO New York Municipal Income Fund III Fund Insights**

March 31, 2009 (unaudited)

For the fiscal six-month period ended March 31, 2009, PIMCO New York Municipal Income Fund III ( New York Muni III ) declined 29.78% on net asset value ( NAV ) and 18.10% on market price, compared with the decrease of 2.87% and rise of 0.46%, respectively, for the Lipper Analytical New York Municipal Debt Funds average.

High-quality municipal bond yields decreased across the curve for the fiscal six-month period ended March 31, 2009. The market began to rebound at the end of 2008 and continued into the first quarter of 2009.

Duration hedging strategies significantly detracted from performance during the fiscal six-month period. Interest rates for Treasuries and London Inter-bank Offered Rate ( LIBOR ) swaps moved significantly lower due to a flight to quality and uncertain economic conditions. This move lower was larger than the move in high-quality municipal yields causing municipals to underperform. However these rates moved higher off their lows in the first quarter of 2009, thus helping to recoup some of the negative performance for the hedge from the last quarter of 2008.

Municipal-to-Treasury yield ratios moved higher, remaining at very high levels compared to historical averages during the fiscal six-month period. The 10-year ratio increased to 118% and 30-year ratio increased to 135%.

Tobacco securitization sector holdings detracted from performance as municipal investors avoided all but the highest quality, most liquid issues during the period. The sector lost in excess of 15% during the fiscal six-month period due to this flight-to-quality.

Exposure to healthcare related municipals detracted from New York Muni III s performance while exposure to the education sector contributed to performance during the fiscal six-month period.

Pre-refunded bond exposure contributed positively to performance as the sector performed well due to continued investor demand for the highest quality securities.

Exposure to zero coupon municipals detracted from performance as these securities underperformed coupon bonds during the period. The Barclays Capital Zero Coupon Index declined 1.46% for the fiscal six-month period. .

Municipal bonds within New York slightly outperformed the Barclays Capital Municipal Bond Index returning 5.07% compared with 5.00% for the National Index during the period. New issue supply for New York during the first quarter of 2009 was \$9.7 billion, 7.5% lower than during the first quarter of 2008.

Long New York municipals outperformed the Barclays Capital Long Municipal Bond Index returning 2.59% compared to 1.63%, respectively. The New York curve also steepened during the fiscal six-month period ended March 31, 2009 with 30-year yields declining 29 basis points while 5-year yields decreased 74 basis points. Significant positions in the longer portions of the curve detracted from New York Muni III s performance as the curve steepened.

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**PIMCO New York Municipal Income Fund III Performance & Statistics**

March 31, 2009 (unaudited)

<b>Total Return(1):</b>	<b>Market Price</b>	<b>Net Asset Value ( NAV )</b>
Six Months	(18.10)%	(29.78)%
1 Year	(34.47)%	(37.53)%
5 Year	(6.29)%	(6.59)%
Commencement of Operations (10/31/02) to 3/31/09	(3.95)%	(3.62)%

**Market Price/NAV Performance:**

Commencement of Operations (10/31/02) to 3/31/09

**Market Price/NAV:**

Market Price	\$7.87
NAV	\$7.75
Premium to NAV	1.55%
Market Price Yield(2)	8.01%

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

(1)

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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 onetime 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 payable to common shareholders by the market price per common share at March 31, 2009.

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March 31, 2009 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value
<b>MUNICIPAL BONDS &amp; NOTES 95.4%</b>			
<b>Alabama 0.8%</b>			
\$ 5,000	Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev., Baptist Health Systems, Inc., 5.00%, 11/15/30, Ser. A	Baa1/NR	\$ 3,033,900
1,500	Colbert Cnty., Northwest Health Care Facs. Auth., Health Care Fac. Rev., 5.75%, 6/1/27	Baa3/NR	1,191,540
			4,225,440
<b>Alaska 1.2%</b>			
3,100	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR	1,582,612
3,900	State Housing Finance Corp. Rev., 5.00%, 12/1/33, Ser. A	Aaa/AAA	3,656,172
1,000	5.25%, 6/1/32, Ser. C (NPFGC)	Aa2/AA	969,950
			6,208,734
<b>Arizona 4.7%</b>			
1,250	Health Facs. Auth. Rev., Banner Health, 5.00%, 1/1/35, Ser. A	NR/AA-	1,055,900
900	5.50%, 1/1/38, Ser. D	NR/AA-	807,390
2,250	Beatitudes Campus Project, 5.20%, 10/1/37	NR/NR	1,252,463
1,500	Maricopa Cnty. Pollution Control Corp. Rev., Palo Verde Project, 5.05%, 5/1/29, Ser. A (AMBAC)	Baa1/A	1,177,140
13,000	Pima Cnty. Industrial Dev. Auth. Rev., 5.00%, 9/1/39	Aa2/AA	11,676,210
5,000	Salt River Project Agricultural Improvement & Power Dist. Rev., 5.00%, 1/1/39, Ser. A (j)	Aa1/AA	4,769,100
5,600	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	A3/A	3,279,640
			24,017,843

**California 9.4%**

16,875	Golden State Tobacco Securitization Corp. Rev., Ser. A-1, 6.25%, 6/1/33	Aaa/AAA	18,653,119
2,750	6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (c) State, GO,	NR/AAA	3,232,845
250	5.00%, 11/1/37	A2/A	215,267
5,300	5.00%, 12/1/37	A2/A	4,562,929
4,500	6.00%, 4/1/38 (e)	A2/A	4,493,835
3,060	Statewide Communities Dev. Auth. Rev., Baptist Univ., 9.00%, 11/1/17, Ser. B (a)(d)	NR/NR	2,612,261
2,900	Methodist Hospital Project, (FHA), 6.625%, 8/1/29	Aa2/AA	2,994,888
10,300	6.75%, 2/1/38	Aa2/AA	10,646,801
			47,411,945

**Table of Contents****PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2009 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value
	<b>Colorado 3.0%</b>		
\$ 9,955	Colorado Springs Utilities Rev., 5.00%, 11/15/30, Ser. B (j)	Aa2/AA	\$ 10,000,196
500	Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34	NR/NR	291,325
1,500	Housing & Finance Auth. Rev., Evergreen Country Day School, 5.875%, 6/1/37 (a)(d)	NR/BB	1,031,595
500	Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	A1/A	374,125
4,000	Saddle Rock Metropolitan Dist., GO, 5.35%, 12/1/31 (Radian)	NR/BBB+	3,314,880
			15,012,121
	<b>District of Columbia 2.0%</b>		
10,000	Dist. Of Columbia Water & Sewer Auth. Rev., 5.50%, 10/1/39, Ser. A (j)	Aa3/AA	10,103,100
	<b>Florida 4.7%</b>		
4,200	Board of Education, GO, 5.00%, 6/1/38, Ser. D (j)	Aa1/AAA	4,130,070
3,480	Brevard Cnty. Health Facs. Auth. Rev., Health First, Inc. Project, 5.00%, 4/1/34	A3/A-	2,483,537
4,500	Broward Cnty. Rev., 5.25%, 10/1/34, Ser. A (j)	Aa3/AA	4,388,895
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital, 5.25%, 10/1/34, Ser. B	A3/NR	1,896,725
1,485	Julington Creek Plantation Community Dev. Dist., Special Assessment, 5.00%, 5/1/29, (NPFGC)	Baa1/AA-	1,154,439
3,895	Sarasota Cnty. Health Fac. Auth. Rev., 5.75%, 7/1/45	NR/NR	2,481,621
6,900	State Board of Governors Rev., Florida Univ., 6.50%, 7/1/33	Aa2/AA	7,273,842
			23,809,129
	<b>Georgia 0.2%</b>		
1,750	Fulton Cnty. Rev., Lenbrook Project, 5.125%, 7/1/42, Ser. A	NR/NR	965,947
400	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project, 5.25%, 7/1/37	NR/NR	243,020
			1,208,967
	<b>Idaho 1.2%</b>		
1,000	State Building Auth. Building Rev., Ser. A (XLCA), 5.00%, 9/1/33	NR/AA-	952,560
5,750	5.00%, 9/1/43	NR/AA-	5,324,443



6,277,003

**Illinois 8.3%**

	Chicago, GO, (NPFGC)		
720	5.00%, 1/1/31, Ser. A	Aa3/AA-	686,001
5,000	5.00%, 1/1/34, Ser. C (j)	Aa3/AA-	4,909,100
500	Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC)	A1/AA	150,100
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)	A1/AA+	6,645,170
4,780	Educational Facs. Auth. Rev., Univ. of Chicago, Ser. A, 5.00%, 7/1/33	Aa1/AA	4,739,800
165	5.25%, 7/1/41	Aa1/AA	165,523

**Table of Contents****PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2009 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value
<b>Illinois (continued)</b>			
	Finance Auth. Rev., Leafs Hockey Club, Ser. A, 5.875%, 3/1/27	NR/NR	\$ 450,040
\$ 1,000	6.00%, 3/1/37	NR/NR	281,244
625	OSF Healthcare Systems, 7.125%, 11/15/37, Ser. A	A2/A	398,744
400	Peoples Gas Light & Coke, 5.00%, 2/1/33 (AMBAC)	A1/A	12,063,510
12,795	Univ. of Chicago, 5.50%, 7/1/37, Ser. B (j)	Aa1/AA	5,127,000
5,000	Health Facs. Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	Baa1/NR	1,040,533
1,175	State Toll Highway Auth. Rev., 5.50%, 1/1/33, Ser. B	Aa3/AA-	5,114,450
5,000			
			41,771,215
<b>Indiana 2.1%</b>			
	Fort Wayne Pollution Control Rev., General Motors Corp. Project, 6.20%, 10/15/25	Caa3/C	172,288
1,375	Indianapolis Local Public Improvement Board, Tax Allocation, 5.00%, 2/1/29, Ser. G (NPFGC)	Baa1/AA	5,006,550
5,000	Plainfield Parks Facs. Corp. Lease Rent Rev., 5.00%, 1/15/22 (AMBAC)	Baa1/A	1,016,050
1,000	Portage Industrial Economic Dev. Rev., Ameriplex Project, Tax Allocation, 5.00%, 7/15/23	NR/BBB+	711,550
1,000	5.00%, 1/15/27	NR/BBB+	512,290
775	State Dev. Finance Auth. Pollution Control Rev., 5.00%, 3/1/30 (AMBAC)	Aaa/A	3,039,050
3,500			
			10,457,778
<b>Iowa 1.4%</b>			
	Finance Auth. Rev., Deerfield Retirement Community, Inc., Ser. A, 5.50%, 11/15/27	NR/NR	74,836
120	5.50%, 11/15/37	NR/NR	327,002
575	Tobacco Settlement Auth. of Iowa Rev., 5.60%, 6/1/34, Ser. B	Baa3/BBB	6,574,952
11,010			
			6,976,790

**Kentucky 0.6%**

Economic Dev. Finance Auth. Hospital Facs. Rev.,  
Baptist Healthcare System, Ser. A,

1,000	5.375%, 8/15/24	Aa3/NR	1,017,030
1,300	5.625%, 8/15/27	Aa3/NR	1,303,445
1,000	Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	891,040
			3,211,515

**Table of Contents****PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2009 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value
	<b>Louisiana 0.4%</b>		
\$ 1,700	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project, 5.50%, 5/15/47, Ser. B	A3/NR	\$ 1,205,096
1,595	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	Baa3/BBB	1,000,894
			2,205,990
	<b>Maryland 0.3%</b>		
1,500	Health & Higher Educational Facs. Auth. Rev., Calvert Health Systems, 5.50%, 7/1/36	A2/NR	1,307,430
	<b>Massachusetts 1.3%</b>		
750	Dev. Finance Agcy. Rev., Linden Ponds, Inc., 5.75%, 11/15/35, Ser. A	NR/NR	424,987
1,600	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	A1/A+	1,597,584
4,910	State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H	Aa3/AA-	4,620,114
			6,642,685
	<b>Michigan 14.0%</b>		
500	Conner Creek Academy East Rev., 5.25%, 11/1/36	NR/BB+	313,135
9,320	Detroit Sewer Disposal System Rev., 5.00%, 7/1/32, Ser. A (FSA)	Aa3/AAA	7,989,850
30,000	Detroit Water Supply System Rev. (NPFGC), 5.00%, 7/1/34, Ser. A	A2/AA-	25,133,100
7,555	5.00%, 7/1/34, Ser. B	A3/AA-	6,239,070
1,500	Royal Oak Hospital Finance Auth. Rev., William Beaumont Hospital, 8.25%, 9/1/39	A1/A	1,599,840
175	State Hospital Finance Auth. Rev., Detroit Medical Center, 5.25%, 8/15/23, Ser. A	Ba3/BB-	130,427
5,405	Oakwood Group, Ser. A, 5.75%, 4/1/32	A2/A	4,494,636
575	6.00%, 4/1/22	A2/A	540,477
20,000	Trinity Health Credit, 5.375%, 12/1/30, Ser. C	Aa2/AA	18,700,600
10,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BBB	5,550,900
			70,692,035

**Mississippi 0.7%**

Business Finance Corp. Pollution Control Rev.,  
System Energy Resources, Inc.,

3,000	5.875%, 4/1/22	Ba1/BBB	2,550,960
1,250	5.90%, 5/1/22	Ba1/BBB	1,064,650
			3,615,610

**Table of Contents****PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2009 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value
	<b>Missouri 0.3%</b>		
\$ 1,350	St. Louis Cnty. Industrial Dev. Auth. Housing Dev. Rev., 5.20%, 1/20/36, Ser. A (GNMA)	NR/AAA	\$ 1,300,779
250	Township of Jennings Rev., Northland Redev. Area Project, 5.00%, 11/1/23	NR/NR	168,890
			1,469,669
	<b>Montana 1.6%</b>		
11,250	Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31, Ser. A (AMBAC)	Baa1/A	8,050,725
	<b>Nevada 0.7%</b>		
4,000	Clark Cnty., GO, 4.75%, 6/1/30 (FSA)	Aa1/AAA	3,505,240
	<b>New Jersey 3.6%</b>		
1,000	Camden Cnty. Improvement Auth. Rev., Cooper Health Systems Group, 5.00%, 2/15/35, Ser. A Economic Dev. Auth. Rev.,	Baa3/BBB	635,210
4,500	Kapkowski Road Landfill Project, Special Assessment, 6.50%, 4/1/28	Baa3/NR	3,949,515
300	Newark Airport, 7.00%, 10/1/14	Ba1/NR	269,403
1,085	Pascack Valley Hospital Assoc., 6.625%, 7/1/36 (b)(f)	NR/D	27,113
1,000	St. Peters Univ. Hospital, 5.75%, 7/1/37	Baa2/BBB-	751,060
1,150	Trinitas Hospital, 5.25%, 7/1/30, Ser. A	Baa3/BBB-	788,544
22,645	Tobacco Settlement Financing Corp. Rev., 5.00%, 6/1/41, Ser. 1A	Baa3/BBB	11,765,436
			18,186,281
	<b>New Mexico 0.2%</b>		
1,000	Farmington Pollution Control Rev., 5.80%, 4/1/22	Baa3/BB+	816,540
	<b>New York 4.3%</b>		
1,700	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.50%, 10/1/37	A1/A	1,457,359
1,150	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	868,124

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10,450	New York City Industrial Dev. Agcy. Rev., Yankee Stadium, 7.00%, 3/1/49	Aa2/AAA	11,229,570
	New York City Municipal Water Finance Auth. Water & Sewer System Rev. (j),		
4,000	4.75%, 6/15/35, Ser. DD	Aa3/AA+	3,694,560
4,900	5.00%, 6/15/37, Ser. D	Aa2/AAA	4,755,450
			22,005,063
	<b>North Carolina 1.7%</b>		
	Eastern Municipal Power Agcy. Power System Rev.,		
2,000	5.125%, 1/1/23, Ser. D	Baa1/BBB+	1,935,640
2,000	5.125%, 1/1/26, Ser. D	Baa1/BBB+	1,882,960
3,795	5.375%, 1/1/17, Ser. C	Baa1/BBB+	3,849,193

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**Table of Contents****PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2009 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value
<b>North Carolina (continued)</b>			
\$ 1,500	Medical Care Commission Rev., Cleveland Cnty. Healthcare, 5.00%, 7/1/35, Ser. A (AMBAC)	Baa1/A	\$ 1,138,980
			8,806,773
<b>Ohio 3.9%</b>			
15,375	Air Quality Dev. Auth. Pollution Control Rev., Dayton Power, 4.80%, 1/1/34, Ser. B (FGIC)	A2/A-	13,699,586
5,000	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	Baa3/BBB	2,746,950
500	Cnty. of Montgomery Rev., Miami Valley Hospital, 6.25%, 11/15/39, Ser. A	Aa3/NR	499,295
2,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	A1/AA-	2,265,025
500	State Higher Educational Fac. Commission Rev., Univ. Hospital Health Systems, 6.75%, 1/15/39, Ser. A	A2/A	494,405
			19,705,261
<b>Pennsylvania 1.5%</b>			
	Cumberland Cnty. Auth. Retirement Community Rev., Messiah Village Project, Ser. A,		
750	5.625%, 7/1/28	NR/BBB-	537,915
670	6.00%, 7/1/35	NR/BBB-	479,995
1,250	Harrisburg Auth. Rev., Harrisburg Univ. of Science, 6.00%, 9/1/36, Ser. B	NR/NR	963,687
6,200	Philadelphia Hospitals & Higher Education Facs. Auth. Rev., Temple Univ. Hospital, 6.625%, 11/15/23, Ser. A	Baa3/BBB	5,486,814
			7,468,411
<b>South Carolina 0.9%</b>			
5,305	Jobs-Economic Dev. Auth. Rev., Bon Secours,		