

PIMCO CALIFORNIA MUNICIPAL INCOME FUND III
Form N-Q
August 17, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

OMB APPROVAL
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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, 2006

Date of Reporting Period: June 30, 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

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PIMCO California Municipal Income Fund III
 Schedule of Investments
 June 30, 2006 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
CALIFORNIA MUNICIPAL BONDS & NOTES—88.7%			
\$1,000	Alameda Public Financing Auth. Rev., 7.00%, 6/1/09	NR/NR	\$997,890
	Assoc. of Bay Area Gov't Finance Auth. Rev., Odd Fellows Home,		
3,200	5.20%, 11/15/22	NR/A+	3,283,328
11,725	5.35%, 11/15/32	NR/A+	12,015,897
	Burbank Public Finance Auth. Rev., San Fernando Redev. Project,		
1,135	5.50%, 12/1/28	NR/BBB	1,143,853
1,000	5.50%, 12/1/33	NR/BBB	1,002,950
2,000	Butte-Glenn Community College, GO, 5.00%, 8/1/26, Ser. A (MBIA)	Aaa/NR	2,050,180
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	2,233,400
1,000	Carlsbad Impt. Bond Act 1915, 6.00%, 9/2/34	NR/NR	1,018,940
1,000	Cathedral City Public Financing Auth., Tax Allocation Rev.,		
	5.00%, 8/1/33, Ser. A (MBIA)	Aaa/AAA	1,013,220
1,150	Ceres Redev. Agcy. Tax Allocation, 5.00%, 11/1/33 (MBIA)	Aaa/AAA	1,173,161
	Ceres Unified School Dist., GO (FGIC),		
2,825	zero coupon, 8/1/28	Aaa/AAA	815,973
2,940	zero coupon, 8/1/29	Aaa/AAA	799,562
	Chula Vista Community Facs. Dist., Special Tax,		
2,000	5.125%, 9/1/36	NR/NR	1,959,260
1,600	5.75%, 9/1/33	NR/NR	1,625,488
675	6.15%, 9/1/26	NR/NR	708,730
1,620	6.20%, 9/1/33	NR/NR	1,700,806
8,000	Contra Costa Cnty. Public Financing Auth. Tax Allocation Rev.,		
	5.625%, 8/1/33, Ser. A	NR/BBB	8,174,960
3,775	Cucamonga School Dist., CP, 5.20%, 6/1/27	NR/A-	3,755,747
	Eastern Muni. Water Dist. Community Facs., Special Tax,		
425	5.75%, 9/1/33	NR/NR	430,754
1,500	5.95%, 9/1/33	NR/NR	1,530,420
1,745	6.05%, 9/1/27	NR/NR	1,780,999
1,535	6.10%, 9/1/33	NR/NR	1,566,406
	Educational Fac. Auth. Rev.,		
2,500	Institute of Technology, 5.00%, 10/1/32, Ser. A, (Pre-refunded @ \$100, 10/1/11)(a)	Aaa/AAA	2,558,725
2,455	Loyola Marymount Univ., zero coupon, 10/1/34 (MBIA)	Aaa/NR	592,220

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5,000	Pepperdine Univ., 5.00%, 9/1/33, Ser. A (FGIC)	Aaa/AAA	5,065,700
2,195	Elk Grove Unified School Dist., Community Facs. Dist. No. 1, Special Tax, 5.00%, 12/1/35 (MBIA)	AAA/AAA	2,224,479
500	Franklin-McKinley School Dist., GO, 5.00%, 8/1/27, Ser. B, (Pre-refunded @ \$100, 8/1/13) (FSA)(a)	Aaa/AAA	530,510
1,250	Fremont Community Facs. Dist., Special Tax, 5.30%, 9/1/30	NR/NR	1,238,138
5,000	6.30%, 9/1/31	NR/NR	5,094,400
9,500	Fresno School Unified Dist., GO, 6.00%, 8/1/26, Ser. A (MBIA)	Aaa/AAA	11,257,975

PIMCO California Municipal Income Fund III
 Schedule of Investments
 June 30, 2006 (unaudited) (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
\$4,380	Glendale Electric Works Rev., 5.00%, 2/1/27 (MBIA)	Aaa/AAA	\$4,478,200
	Golden State Tobacco Securitization Corp., Tobacco Settlement Rev.,		
9,000	5.00%, 6/1/45, Ser. A (AMBAC-TCRS)	Aaa/AAA	9,038,070
4,000	5.00%, 6/1/45, Ser. A (FGIC-TCRS)	AAA/AAA	4,016,920
18,000	6.25%, 6/1/33, Ser. 2003-A-1	Baa3/BBB	19,627,560
38,490	6.75%, 6/1/39, Ser. 2003-A-1	Baa3/BBB	43,093,404
	Health Facs. Finance Auth. Rev.,		
5,000	Adventist Health System, 5.00%, 3/1/33	NR/A	4,970,500
6,000	Cottage Health System, 5.00%, 11/1/33, Ser. B (MBIA)	Aaa/AAA	6,054,480
5,000	Kaiser Permanente, 5.00%, 10/1/18, Ser. B Paradise VY Estates (CA Mtg. Ins.)	A3/AAA	5,136,250
2,000	5.125%, 1/1/22	NR/A+	2,050,400
1,550	5.25%, 1/1/26	NR/A+	1,590,207
2,000	Sutter Health, 6.25%, 8/15/35, Ser. A	Aa3/AA-	2,185,040
	Infrastructure & Economic Dev. Bank Rev.,		
2,750	Claremont Univ. Consortium, 5.25%, 10/1/33	Aa3/NR	2,845,755
	Kaiser Assistance Corp.,		
3,000	5.50%, 8/1/31, Ser. B	A2/A+	3,117,240
8,000	5.55%, 8/1/31, Ser. A	NR/A+	8,336,320
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	3,942,391
1,400	La Quinta Redev. Agcy., Tax Allocation, 5.10%, 9/1/31 (AMBAC)	Aaa/AAA	1,418,312

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20	Lancaster Financing Auth. Tax Allocation, 4.75%, 2/1/34 (MBIA)	Aaa/AAA	19,519
825	Lee Lake Water Dist. Community Facs. Dist., Montecito Ranch, Special Tax, 6.125%, 9/1/32	NR/NR	849,280
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	5,307,850
500	Los Angeles Department of Water & Power Rev., 4.75%, 7/1/36 (FSA)	AAA/AAA	486,740
7,650	Los Angeles Unified School Dist., GO (MBIA), 5.00%, 1/1/28, Ser. A	Aaa/AAA	7,798,945
3,000	5.125%, 1/1/27, Ser. E	Aaa/AAA	3,097,410
1,000	Lynwood Unified School Dist., GO, 5.00%, 8/1/27, Ser. A (FSA)	Aaa/NR	1,023,870
5,280	Modesto Irrigation Dist., CP, 5.00%, 7/1/33, Ser. A (MBIA)	Aaa/AAA	5,357,669
2,180	Murrieta Valley Unified School Dist., Special Tax, 6.40%, 9/1/24	NR/NR	2,235,481
5,000	Oakland, GO, 5.00%, 1/15/33, Ser. A (MBIA)	Aaa/AAA	5,083,400
985	Oakland Redev. Agcy., Tax Allocation, 5.25%, 9/1/27	NR/A-	995,943
1,545	5.25%, 9/1/33	NR/A-	1,557,823
5,000	Orange Cnty. Community Facs. Dist., Special Tax, Ladera Ranch, 5.55%, 8/15/33, Ser. A	NR/NR	5,074,600
5,000	Orange Cnty. Unified School Dist., CP, 4.75%, 6/1/29 (MBIA)	Aaa/AAA	4,903,950
1,000	Orange Cnty. Water Dist. Rev., CP, 5.00%, 8/15/28, Ser. B (MBIA)	Aaa/AAA	1,013,680

PIMCO California Municipal Income Fund III
Schedule of Investments
June 30, 2006 (unaudited) (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
\$2,000	Palm Desert Financing Auth., Tax Allocation, 5.00%, 4/1/25, Ser. A (MBIA)	Aaa/AAA	\$2,033,200
1,410	Pomona Public Financing Auth. Rev., 5.00%, 12/1/37, Ser. AF (MBIA)	Aaa/AAA	1,423,776
3,650	Poway Unified School Dist., Community Facs. Dist. No. 6, Special Tax, 5.125%, 9/1/28	NR/NR	3,628,246
1,285	6.05%, 9/1/25	NR/NR	1,350,291
2,100	6.125%, 9/1/33	NR/NR	2,203,362

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5,000	Riverside, CP, 5.00%, 9/1/33 (AMBAC)	Aaa/AAA	5,059,650
500	Rocklin Unified School Dist. Community Facs., Special Tax, 5.00%, 9/1/29 (MBIA)	Aaa/AAA	509,295
7,680	Rowland Unified School Dist., GO, 5.00%, 8/1/28, Ser. B (FSA)	Aaa/AAA	7,854,029
1,435	Sacramento City Financing Auth. Rev., North Natomas CFD No. 2, 6.25%, 9/1/23, Ser. A San Diego Unified School Dist., GO (FSA),	NR/NR	1,466,140
480	5.00%, 7/1/26, Ser. C	Aaa/AAA	508,258
11,000	5.00%, 7/1/26, Ser. E	Aaa/AAA	11,575,630
8,425	5.00%, 7/1/28, Ser. E	Aaa/AAA	8,865,880
1,500	San Diego Univ. Foundation Auxiliary Organization, Rev., 5.00%, 3/1/27, Ser. A (MBIA)	Aaa/AAA	1,525,740
3,000	San Jose, Libraries & Parks, GO, 5.125%, 9/1/31 Santa Ana Unified School Dist., GO, Ser. B (FGIC),	Aa1/AA+	3,067,200
2,515	zero coupon, 8/1/26	Aaa/AAA	937,114
3,520	zero coupon, 8/1/28	Aaa/AAA	1,175,962
2,500	zero coupon, 8/1/30	Aaa/AAA	752,675
3,780	zero coupon, 8/1/31	Aaa/AAA	1,077,413
3,770	zero coupon, 8/1/32	Aaa/AAA	1,019,483
1,250	Santa Clara Valley Transportation Auth., Sales Tax Rev., 5.00%, 6/1/26, Ser. A, (Pre-refunded @ \$100, 6/1/11) (MBIA)(a)	Aaa/AAA	1,313,625
5,985	Santa Margarita Water Dist., Special Tax, 6.25%, 9/1/29	NR/NR	6,397,917
3,550	Santa Monica Community College Dist., GO, zero coupon, 8/1/27, Ser. C (MBIA)	Aaa/AAA	1,211,047
1,205	Sequoia Union High School Dist., GO, 5.00%, 7/1/23 (MBIA)	Aaa/NR	1,237,137
4,475	Simi Valley Community Dev. Agcy., Tax Allocation, Tapo Canyon and West End, 5.00%, 9/1/25 (FGIC)	Aaa/AAA	4,585,532
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	4,509,335
1,000	Sonoma Cnty. Water Agcy. Water Rev., 5.00%, 7/1/32, Ser. A (MBIA)	Aaa/AAA	1,013,790
2,500	South Tahoe Joint Powers Financing Auth. Rev., 5.125%, 10/1/09	NR/NR	2,502,425
4,425	5.45%, 10/1/33	NR/BBB	4,464,073
12,200	Southern CA Public Power Auth., Power Project Rev., Magnolia Power, 5.00%, 7/1/33, Ser. A-2003-1 (AMBAC)	Aaa/AAA	12,409,962
600	State Dept. of Water Res. Rev., Central Valley Project, 5.00%, 12/1/25, Ser. AC (MBIA)	Aaa/AAA	619,074

PIMCO California Municipal Income Fund III
Schedule of Investments
June 30, 2006 (unaudited) (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
\$4,095	State Dept. Veteran Affairs Home Purchase Rev., 5.35%, 12/1/27, Ser. A (AMBAC)	Aaa/AAA	\$4,284,558
	State Public Works Board Lease Rev.,		
5,385	CA State Univ., 5.00%, 10/1/19	A2/A	5,505,032
1,105	Patton, 5.375%, 4/1/28	A2/A	1,143,045
4,600	Univ. CA, M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A	Aa2/AA-	4,646,828
3,505	Statewide Community Dev. Auth., CP, Internext Group, 5.375%, 4/1/30	NR/BBB	3,460,732
	Statewide Community Dev. Auth. Rev.,		
2,500	Berkeley Montessori School, 7.25%, 10/1/33	NR/NR	2,561,925
	Health Fac.,		
7,300	Jewish Home, 5.50%, 11/15/33 (CA St Mtg.)	NR/A+	7,636,165
15,000	Memorial Health Services, 5.50%, 10/1/33, Ser. A	A3/A+	15,562,050
10,000	Sutter Health, 5.50%, 8/15/34, Ser. B	Aa3/AA-	10,463,200
1,795	Sunnyvale Financing Auth., Water & Wastewater Rev., 5.00%, 10/1/26 (AMBAC)	Aaa/AAA	1,821,279
2,000	Tamalpais Union High School Dist., GO, 5.00%, 8/1/26 (MBIA)	Aaa/AAA	2,044,000
2,000	Temecula Public Financing Auth., Crowne Hill, Special Tax, 6.00%, 9/1/33, Ser. A	NR/NR	2,047,160
	Tobacco Securitization Agcy. Rev., Alameda Cnty.,		
8,100	5.875%, 6/1/35	Baa3/NR	8,441,172
7,000	6.00%, 6/1/42	Baa3/NR	7,291,900
5,000	Gold Country, zero coupon, 6/1/33	NR/BBB	1,059,950
2,000	Kern Cnty., 6.125%, 6/1/43, Ser. A	NR/BBB	2,095,980
5,000	Tobacco Securitization Auth. of Southern California, 5.00%, 6/1/37, Ser. A1	Baa3/BBB	4,758,350
2,950	Torrance Medical Center Rev., 5.50%, 6/1/31, Ser. A	A1/A+	3,035,048
4,000	Vernon Electric System Rev., Malburg Generating Station, 5.50%, 4/1/33, (Pre-refunded @ \$100, 4/1/08) (a)	Aaa/NR	4,117,720
1,000	West Basin Municipal Water Dist. Rev., CP, 5.00%, 8/1/30, Ser. A (MBIA)	Aaa/AAA	1,020,240
2,500	William S. Hart Union High School Dist., Special Tax, 6.00%, 9/1/33	NR/NR	2,627,125
2,750	Woodland Finance Auth. Lease Rev., 5.00%, 3/1/32 (XLCA)	Aaa/AAA	2,790,342

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Total California Municipal Bonds & Notes
(cost-\$419,739,552)

440,762,342