

PIMCO MUNICIPAL INCOME FUND III

Form N-Q

February 29, 2008

OMB APPROVAL

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act File Number: 811-21187

Registrant Name: PIMCO Municipal Income Fund III

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

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

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

Date of Fiscal Year End: September 30, 2008

Date of Reporting Period: December 31, 2007

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 30b1-5 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

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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.

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## Item 1. Schedule of Investments

PIMCO Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited)

Amount (000) Credit Rating (Moody's/S&P) Value*	Principal
<b>MUNICIPAL BONDS &amp; NOTES—97.6%</b>	
<b>Alabama—1.1%</b>	
Birmingham, GO, Ser. B, (Pre-refunded @ \$100, 12/1/12) (AMBAC)(b), Aaa/AAA \$ 1,079,250 2,560 5.00%, 12/1/32 Aaa/AAA 2,762,880 5,000	\$ 1,000 5.00%, 12/1/27 Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/30, Ser. A Baa1/NR 4,561,450 1,500
Colbert Cnty., Northwest Health Care Auth., Health Care Facs. Rev., 5.75%, 6/1/27 Baa3/NR 1,457,250	9,860,830
<b>Alaska—0.8%</b>	
3,100 Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A Baa3/NR 2,550,277	
State Housing Finance Corp. Rev., 3,900 5.00%, 12/1/33, Ser. A Aaa/AAA 3,902,964 1,000 5.25%, 6/1/32, Ser. C (MBIA) Aaa/AAA 1,001,410	7,454,651
<b>Arizona—3.1%</b>	
2,200 Health Facs. Auth. Rev., 2,250 Beatitudes Project, 5.20%, 10/1/37 NR/NR 1,851,705	
John C. Lincoln Health Network, 2,473,724 1,500 7.00%, 12/1/25, (Pre-refunded @ \$102, 12/1/10) (b) NR/BBB Maricopa Cnty. Pollution Control Corp., Pollution Control Rev., 5.05%, 5/1/29 (AMBAC) Aaa/AAA 1,542,540 Salt River Project Agricultural Improvement & Power Dist. Rev., Ser. A (i), 5,000 5.00%, 1/1/35 Aa1/AA 5,200,300 16,000 5.00%, 1/1/37 Aa1/AA 16,629,920	27,698,189
<b>Arkansas—0.1%</b>	
7,000 Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/46 (AMBAC) Aaa/NR	991,130
<b>California—6.7%</b>	
1,000 Alameda Public Financing Auth. Rev., 7.00%, 6/1/09 NR/NR 999,260 2,000 Chula Vista Community Facs. Dist., Special Tax, 5.25%, 9/1/30 NR/NR 1,776,860 Golden State Tobacco Securitization Corp., Tobacco Settlement Rev., Ser. A, 27,585 6.25%, 6/1/33 Aaa/AAA 30,272,882 21,000 6.75%,	

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6/1/39, (Pre-refunded @ \$100, 6/1/13) (b)	Aaa/AAA	24,279,570	3,060	Statewide Community Dev. Auth.
	Rev., Baptist Univ.,			
9.00%, 11/1/17, Ser. B (c)	NR/NR	3,186,776		60,515,348

Colorado-3.4%

1,000	Aurora Single Tree Metropolitan Dist., GO, 5.50%, 11/15/31	NR/NR	939,320	Colorado		
School of Mines Aux. Facs. Rev. (AMBAC),	340	5.00%, 12/1/37	Aaa/AAA	347,850	2,160	5.00%,
	12/1/37, (Pre-refunded @ \$100, 12/1/12) (b)	Aaa/AAA	2,331,180			

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

	Amount (000)	Credit Rating (Moody's/S&P) Value*	Principal
Colorado--(continued)			
\$ 9,955 Colorado Springs Rev., 5.00%, 11/15/30, Ser. B (i) Aa2/AA	\$ 10,248,573	500	Confluence
Metropolitan Dist. Rev, 5.45%, 12/1/34 NR/NR	431,945		El Paso Cnty., CP (AMBAC), 1,735
5.00%, 12/1/23, Ser. A, (Pre-refunded @ \$100, 12/1/12) (b) Aaa/AAA	1,872,499	1,725	5.00%, 12/1/23, Ser.
B Aaa/AAA	1,791,775	2,820	5.00%, 12/1/27, Ser. A, (Pre-refunded @ \$100, 12/1/12) (b) Aaa/AAA
3,043,485	1,500		5.00%, 12/1/27, Ser. B Aaa/AAA
1,545,960	1,500		Garfield Cnty. School Dist. Re-2,
GO, 5.00%, 12/1/25 (FSA) Aaa/NR	1,554,690	1,000	Health Facs. Auth. Rev., American Baptist Homes,
5.90%, 8/1/37, Ser. A NR/NR	915,450	1,500	Housing & Finance Auth. Rev., Evergreen Country Day School,
5.875%, 6/1/37 (c) NR/BB	1,436,280	4,000	Saddle Rock Metropolitan Dist., GO, 5.35%, 12/1/31 (Radian)
	NR/AA	4,012,360	30,471,367
Florida--5.7%			
3,480 Brevard Cnty. Health Facs. Auth. Rev., 5.00%, 4/1/34 A2/A	3,323,156	8,000	Highlands Cnty.
Health Facs. Auth. Rev., Adventist Health System, 5.25%, 11/15/23, Ser. B, (Pre-refunded @ \$100, 11/15/12) (b)			
A1/A+	8,643,120	2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital, 5.25%,
10/1/34, Ser. B A3/NR	2,433,250	1,485	Julington Creek Plantation Community Dev. Dist., Special
Assessment Rev., 5.00%, 5/1/29 (MBIA) Aaa/AAA	1,527,516	1,000	Orange Cnty. Housing Finance Auth.,
Multifamily Rev., Palm Grove Gardens, 5.25%, 1/1/28, Ser. G Aaa/NR	1,012,280	15,000	Pinellas Cnty.
Health Facs. Auth. Rev., Baycare Health, 5.50%, 11/15/33, (Pre-refunded @ \$100, 5/15/13) (b) Aa3/NR			
16,563,000	3,895		Sarasota Cnty. Health Facs. Auth. Rev., 5.75%, 7/1/45 NR/NR
3,471,536	7,500		South
Miami Health Facs. Auth., Hospital Rev., Baptist Health, 5.25%, 11/15/33, (Pre-refunded @ \$100, 2/1/13) (b)			
Aaa/AA-	8,137,950	5,615	Tampa Water & Sewer Rev., 5.00%, 10/1/26 Aa2/AA
			5,791,311
			50,903,119
Georgia--0.6%			
1,750 Fulton Cnty. Rev., 5.125%, 7/1/42, Ser. A NR/NR	1,424,623	4,000	Griffin Combined Public
Utility Rev., 5.00%, 1/1/32 (AMBAC) Aaa/AAA	4,143,080		5,567,703
Idaho--0.8%			
State Building Auth., Building Rev., Ser. A (XLCA),		1,000	5.00%, 9/1/33 Aaa/AAA
1,021,810	5,750		5.00%, 9/1/43 Aaa/AAA
			5,854,190
			6,876,000
Illinois--6.1%			

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Chicago, GO, Ser. A (MBIA), 1,530 5.00%, 1/1/31, (Pre-refunded @ \$101, 1/1/11) (b)  
Aaa/AAA 1,623,682 720 5.00%, 1/1/31 Aaa/AAA 733,810

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

		Amount				Principal	
		(000)	Credit Rating				
		(Moody's/S&P) Value*					
Illinois--(continued)							
Chicago, Lake Shore East, Special Assessment,		\$ 1,600	6.625%, 12/1/22	NR/NR		\$ 1,646,656	
3,456	6.75%, 12/1/32	NR/NR	3,551,489	500	Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC)	Aaa/AAA	176,600
				3,000	Chicago Kingsbury Redev. Project, Tax Allocation, 6.57%, 2/15/13, Ser. A	NR/NR	3,029,970
				7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)		
Dev. Finance Auth. Rev.,	Aaa/AAA	7,168,630	2,000	Christian Homes, Inc., 5.75%, 5/15/31, Ser. A	NR/NR		
1,827,200	1,500	Franciscan Communities, 5.50%, 5/15/37	NR/NR	1,364,340	12,795	People Gas Light & Coke 5.00%, 2/1/33 (AMBAC)(i)	Aaa/AAA
				13,018,017	1,500	Sedgebrook, 6.00%, 11/15/37, Ser. A	NR/NR
				1,394,130	1,050	Three Crowns Park Plaza, 5.875%, 2/15/38	NR/NR
				955,962		Educational Facs. Auth. Rev., Univ. of Chicago,	4,780
				5.00%, 7/1/33	Aa1/AA	4,916,182	220
				5.00%, 7/1/33, (Pre-refunded @ \$100, 7/1/13) (b)	Aa1/AA	238,531	165
				5.25%, 7/1/41	Aa1/AA	171,613	4,160
				5.25%, 7/1/41, (Pre-refunded @ \$101, 7/1/11) (b)	Aa1/AA	4,479,741	Finance Auth. Rev.,
				5.875%, 3/1/27, Ser. A	NR/NR	968,110	625
				6.00%, 3/1/37, Ser. A	NR/NR	599,250	1,175
				Health Facs. Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	A2/NR	1,222,211	4,283
				Round Lake, Special Tax Rev., 6.70%, 3/1/33, (Pre-refunded @ \$102, 3/1/13) (b)	NR/NR	4,906,690	600
				Southwestern Dev. Auth. Rev., Comprehensive Mental Health Center, 6.625%, 6/1/37	NR/NR	589,662	54,582,476
Indiana--3.1%							
7,535	Bond Bank Rev., 5.00%, 2/1/33, Ser. A (FSA)(i)	Aaa/AAA	7,700,996	3,000	Brownsburg 1999 School Building Corp. Rev., 5.25%, 3/15/25,		
	Ser. A, (Pre-refunded @ \$100, 9/15/13) (FSA)(b)	Aaa/AAA	3,299,790	1,375	Fort Wayne Pollution Control Rev., 6.20%, 10/15/25	Caa1/B-	1,328,910
				5,000	Indianapolis Local Public Improvement Board, Tax Allocation,		
	5.00%, 2/1/29, Ser. G (MBIA)	Aaa/AAA	5,114,400		Michigan City Area Wide School Building Corp., Rev. (FGIC),	2,500	zero coupon, 1/15/21
				Aaa/AAA	1,380,450	1,000	zero coupon, 7/15/21
				Aaa/AAA	523,250	1,000	Plainfield Parks Facs. Corp. Lease Rent Rev., 5.00%, 1/15/22 (AMBAC)
				Aaa/AAA	1,031,650		Portage Industrial Economic Dev. Rev.,
				5.00%, 7/15/23	NR/BBB+	940,650	775
				5.00%, 1/15/27	NR/BBB+	715,937	



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 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

		Amount		Principal	
		(000)	Credit Rating		
		(Moody's/S&P) Value*			
Indiana--(continued)					
\$ 3,500	State Dev. Finance Auth., Pollution Control Rev., 5.00%, 3/1/30 (AMBAC)		Aaa/AAA	\$ 3,505,460	
2,000	Vigo Cnty. Hospital Auth. Rev., 5.70%, 9/1/37 (c)	NR/NR		1,809,940	27,891,163
Iowa--1.7%					
1,000	Coralville, CP, 5.25%, 6/1/26, Ser. D	A2/NR		1,028,000	3,715
	Walnut Ridge LLC, 5.625%, 12/1/45, Ser. A	NR/NR		3,235,691	
B,	11,010	5.60%, 6/1/34	Baa3/BBB	10,007,539	1,000
		6/1/11) (b)	NR/AAA	1,079,790	5.60%, 6/1/35, (Pre-refunded @ \$101, 15,351,020
Kentucky--0.2%					
	Economic Dev. Finance Auth., Hospital Facs. Rev.,			1,000	Catholic Healthcare Partners, 5.25%,
10/1/30	A1/AA-	1,010,780	1,080	St. Luke's Hospital, 6.00%, 10/1/19, Ser. B	A3/A
				2,098,459	1,087,679
Louisiana--1.0%					
	Public Facs. Auth. Rev., Ochsner Clinic Foundation, Ser. B,			5,000	5.50%, 5/15/32,
(Pre-refunded @ \$100, 5/15/26) (b)	Aaa/NR	5,735,550	1,700	5.50%, 5/15/47	A3/NR
				1,675,622	1,595
	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	Baa3/BBB		1,538,489	
				8,949,661	
Maryland--0.2%					
500	Health & Higher Educational Facs. Auth. Rev., 5.30%, 1/1/37	NR/NR		432,585	1,500
	Health & Higher Educational Facs. Auth. Rev., Calvert Health Systems, 5.50%, 7/1/36	A2/NR		1,543,650	
				1,976,235	
Massachusetts--1.1%					
	1,000	State Dev. Finance Agcy. Rev.,			
	5.75%, 7/1/33, Ser. C, (Pre-refunded @ \$101, 7/1/13) (b)	A3/A-		1,128,880	750
	11/15/35, Ser. A	NR/NR		677,063	4,910
				4,910	State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H
	Aa3/AA-	4,925,614	3,225	State Water Pollution Abatement Trust Rev., 5.00%, 8/1/32, Ser. 8	Aaa/AAA
				3,312,365	10,043,922

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Michigan-13.9%

500	Corner Creek Academy East Rev., 5.25%, 11/1/36	A1/BB+	430,560	250	Crescent Academy,
	CP, 5.75%, 12/1/36	NR/NR	221,835		Detroit Water Supply System Rev.,
	Ser. A (FSA)(i)	Aaa/AAA	33,884,172	35,000	5.00%, 7/1/32,
					Ser. A (MBIA)(i)
					Aaa/AAA
					35,706,650

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

		Amount		Principal	
		(000)	Credit Rating		
		(Moody's/S&P) Value*			
Michigan--(continued)					
\$ 7,555	5.00%, 7/1/34, Ser. B (MBIA)	Aaa/AAA	\$ 7,707,535	500	Star International Academy, CP,
6.125%, 3/1/37	NR/BB+	499,610	5,000		State Building Auth. Rev., 5.00%, 10/15/26, Ser. III, (Pre-refunded @
\$100, 10/15/12)	(FSA)(b)	Aaa/AAA	5,386,600		State Hospital Finance Auth. Rev., 175
	Medical Center, 5.25%, 8/15/23	Ba3/BB-	157,537	4,000	Henry Ford Health System,
5.00%, 3/1/17, (Pre-refunded @ \$100, 3/1/13)	(b)	A1/A	4,304,200		Oakwood Group, Ser. A, 5,405
5.75%, 4/1/32	A2/A	5,574,339	575	6.00%, 4/1/22	A2/A
611,518	20,000				Trinity Health Credit,
5.375%, 12/1/30	Aa2/AA	20,505,400	1,000	State Technical Univ. Rev., 5.00%, 10/1/33 (XLCA)	Aaa/AAA
1,026,810	10,000			Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BBB
					9,689,700
					125,706,466
Minnesota--0.4%					
750	Cottage Grove Rev., 5.00%, 12/1/31	NR/NR	631,133	2,400	Upsala Independent School Dist.
	No. 487, GO, 5.00%, 2/1/28 (FGIC)	Aaa/AAA	2,566,008		3,197,141
Mississippi--0.5%					
	Business Finance Corp., Pollution Control Rev.,		3,000	5.875%, 4/1/22	Ba1/BBB
	1,250	5.90%, 5/1/22	Ba1/BBB	1,251,613	4,254,133
					3,002,520
Missouri--1.5%					
	1,350				St. Louis Cnty. Industrial Dev. Auth.,
	Housing Dev. Rev., 5.20%, 1/20/36 (GNMA)	NR/AAA	1,360,395		St. Louis Industrial Dev. Auth. Rev.
	(GNMA),	1,500	5.125%, 12/20/29	NR/AAA	1,514,670
	1,508,115	7,500		5.125%, 12/20/30	NR/AAA
					State Health & Educational Facs. Auth., Health Facs. Rev.,
					St. Anthony's Medical Center, 6.25%, 12/1/30,
	(Pre-refunded @ \$101, 12/1/10)	(b)	A2/NR	8,220,525	250
					Township of Jennings Rev., 5.00%, 11/1/23
	NR/NR	228,722	500		Univ. Place Transportation Dev. Dist., Special Assessment, 5.00%, 3/1/32 (d)
					NR/NR
					444,760
					13,277,187
Montana--1.3%					
11,250	Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31 (AMBAC)	Aaa/AAA			11,579,400
Nevada--0.4%					

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3,355 Henderson Health Care Facs. Rev., Catholic Healthcare West,  
5.125%, 7/1/28, (Pre-refunded @ \$101, 7/1/08) (b) A2/NR 3,423,912

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

Amount (000) Credit Rating (Moody's/S&P) Value*	Principal
New Hampshire-0.5%	
Manchester Water Works Rev. (FGIC), \$ 1,500 5.00%, 12/1/28 Aaa/AAA	\$ 1,551,840 3,250
5.00%, 12/1/34 Aaa/AAA 3,345,258	4,897,098
New Jersey-5.7%	
1,000 Camden Cnty., Improvement Auth. Rev., Cooper Health System, 5.00%, 2/15/35, Ser. A Baa3/BBB 876,480 Economic Dev. Auth. Rev., 4,500 Kapkowski Road Landfill Project, Special Assessment, 6.50%, 4/1/28 Baa3/NR 4,959,495 300 Newark Airport Rev., 7.00%, 10/1/14 Ba1/NR 301,485 450 Seashore Gardens, 5.375%, 11/1/36 NR/NR 388,035 Health Care Facs. Financing Auth. Rev., 2,500 Middlesex Cnty. Pollution Control Auth. Rev., 5.75%, 9/15/32 Baa3/BBB- 2,500,775 3,000 Pascack Valley Hospital, 6.625%, 7/1/36 (j) NR/CC 1,531,500 2,000 Somerset Medical Center, 5.50%, 7/1/33 Ba1/NR 1,791,300 2,000 South Port Corp., 5.10%, 1/1/33 NR/A 2,043,240 1,000 St. Peters Univ. Hospital, 5.75%, 7/1/37 Baa2/BBB- 975,060 1,150 Trinitas Hospital, 5.25%, 7/1/30, Ser. A Baa3/BBB- 1,061,588 1,500 State Educational Facs. Auth. Rev., 6.00%, 7/1/25, Ser. D NR/NR 1,544,850 Tobacco Settlement Financing Corp. Rev., 22,645 5.00%, 6/1/41, Ser. 1A Baa3/BBB 18,830,903 525 6.00%, 6/1/37, (Pre-refunded @ \$100, 6/1/12) (b) Aaa/AAA 582,466 1,000 6.125%, 6/1/24 Aaa/AAA 1,062,750 230 6.125%, 6/1/42, (Pre-refunded @ \$100, 6/1/12) (b) Aaa/AAA 256,346 350 6.25%, 6/1/43, (Pre-refunded @ \$100, 6/1/13) (b) Aaa/AAA 399,259 10,750 6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (b) Aaa/AAA 12,526,545 51,632,077	
New Mexico-0.1%	
1,000 Farmington Pollution Control Rev., 5.80%, 4/1/22 Baa2/BBB-	1,002,310
New York-3.6%	
10,000 Metropolitan Transportation Auth. Rev., 5.25%, 11/15/32, Ser. B, (Pre-refunded @ \$100, 11/15/13) (b) A2/AAA 11,054,000 New York City Municipal Water Finance Auth., Water & Sewer System Rev., 5,000 5.00%, 6/15/35, Ser. C Aa2/AA+ 5,146,900 8,180 5.00%, 6/15/37, Ser. D (i) Aa2/AA+ 8,441,433 1,500 5.00%, 6/15/39, Ser. A Aa2/AA+ 1,542,375 3,800 State Dormitory Auth. Rev., State Personal Income Tax, 5.00%, 3/15/32, (Pre-refunded @ \$100, 3/15/13) (b) Aa3/AAA 4,113,576 2,000 State Environmental Facs. Corp. Rev., 5.00%, 6/15/28 Aaa/AAA 2,076,160 32,374,444	
North Carolina-1.3%	

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2,000 Charlotte-Mecklenburg Hospital Auth., Healthcare System Rev.,  
5.00%, 1/15/33, Ser. A, (Pre-refunded @ \$100, 1/15/13) (b) Aa3/AA- 2,148,720

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

		Amount				Principal
		(000)	Credit Rating			
		(Moody's/S&P) Value*				
North Carolina--(continued)						
	Eastern Municipal Power Agcy., Power System Rev.,	\$ 2,000	5.125%, 1/1/23, Ser. D	Baa1/BBB		
\$ 2,034,760	2,000 5.125%, 1/1/26, Ser. D	Baa1/BBB	2,022,340	3,795	5.375%, 1/1/17, Ser. C	
Baa1/BBB	3,964,371 1,500	Medical Care Commission, Health Care Facs. Rev., Cleveland Cnty., 5.00%,				
	7/1/35 (AMBAC) Aaa/AAA	1,542,660		11,712,851		
Ohio--1.4%						
5,000	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	Baa3/BBB				
4,775,300	2,500 Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	A1/AA-	2,540,000			
	5,000 Ohio Air Quality Dev. Auth. Rev., Dayton Power & Light Co.,					
	4.80%, 1/1/34, Ser. B (FGIC)(i) Aaa/AAA	4,977,900		12,293,200		
Pennsylvania--4.0%						
	Allegheny Cnty. Hospital Dev. Auth. Rev.,	11,300	5.375%, 11/15/40, Ser. A	Ba2/BB		
9,786,365	4,350 9.25%, 11/15/30, Ser. B, (Pre-refunded @ \$102, 11/15/10) (b)	Ba3/AAA	5,130,694	1,500		
	Cumberland Cnty. Auth., Retirement Community Rev., Wesley Affiliated Services, 7.25%, 1/1/35, Ser. A,					
	(Pre-refunded @ \$101, 1/1/13) (b) NR/NR	1,773,480	3,250	Delaware River Toll Bridge, Commission Bridge		
	Rev., 5.00%, 7/1/28	A2/A-	3,337,815	1,250	Harrisburg Auth. Rev., 6.00%, 9/1/36	NR/NR 1,224,762
3,000	Lehigh Cnty. General Purpose Auth. Rev., St. Luke's Bethlehem Hospital, 5.375%, 8/15/33, (Pre-refunded @					
	\$100, 8/15/13) (b) Baa1/BBB	3,295,560	5,000	Philadelphia School Dist., GO, 5.125%, 6/1/34, Ser. D,		
	(Pre-refunded @ \$100, 6/1/14) (FGIC)(b) Aaa/AAA	5,495,750	6,300	St. Mary Hospital Auth., Bucks Cnty.		
	Rev., 5.00%, 12/1/28, (Partially Pre-refunded @ \$101, 6/1/08) (b)	Aa2/NR	6,203,358		36,247,784	
Puerto Rico--0.3%						
	Electric Power Auth. Power Rev.,	2,200	5.125%, 7/1/29, Ser. NN, (Pre-refunded @ \$100,			
	7/1/13) (b) A3/BBB+	2,402,466				
South Carolina--1.7%						
7,500	Florence Cnty. Rev., McLeod Regional Medical Center, 5.00%, 11/1/31, Ser. A (FSA)	Aaa/AAA				
7,784,775	Jobs Economic Dev. Auth. Rev., Bon Secours Health System,	6,700	5.625%, 11/15/30			
A3/A-	6,817,652 750	6.00%, 11/15/37, Ser. A	NR/NR	685,208		15,287,635
South Dakota--0.2%						

1,705 Minnehaha Cnty. Health Facs. Rev., Bethany Lutheran, 5.375%, 12/1/27 NR/NR 1,554,363

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

Amount (000) Credit Rating (Moody's/S&P) Value*	Principal
Tennessee-0.1%	
\$ 1,250 Knox Cnty. Health Educational & Housing Facs., Board Hospital Facs. Rev., Catholic Healthcare Partners, 5.25%, 10/1/30 A1/AA-	\$ 1,263,475
Texas-14.3%	
2,500 Columbia & Brazoria Independent School Dist., GO, 5.00%, 8/1/29 (PSF-GTD) NR/AAA	
2,575,850 1,300 Comal Cnty. Health Facs. Dev., McKenna Memorial Hospital Project Rev., 6.25%, 2/1/32 Baa2/BBB-	
1,317,927 6,810 Crowley Independent School Dist., GO, 4.75%, 8/1/35 (PSF-GTD)(i) Aaa/AAA	
6,839,896 12,975 Dallas Area Rapid Transit Rev., 5.00%, 12/1/32, (Pre-refunded @ \$100, 12/1/12) (FGIC)(b)(i) Aaa/AAA	
14,003,269 Denton Independent School Dist., GO, (PSF-GTD), 5,745 zero coupon, 8/15/26, (Pre-refunded @ \$44.73, 8/15/12) (b) Aaa/AAA	
2,190,568 255 zero coupon, 8/15/26 Aaa/AAA	
93,223 5,745 zero coupon, 8/15/27, (Pre-refunded @ \$42.17, 8/15/12) (b) Aaa/AAA	
2,065,213 255 zero coupon, 8/15/27 Aaa/AAA	
87,733 4,785 zero coupon, 8/15/28, (Pre-refunded @ \$39.75, 8/15/12) (b) Aaa/AAA	
1,621,397 215 zero coupon, 8/15/28 Aaa/AAA	
69,598 5,745 zero coupon, 8/15/29, (Pre-refunded @ \$37.46, 8/15/12) (b) Aaa/AAA	
1,834,551 255 zero coupon, 8/15/29 Aaa/AAA	
77,688 1,915 zero coupon, 8/15/30, (Pre-refunded @ \$35.30, 8/15/12) (b) Aaa/AAA	
576,185 85 zero coupon, 8/15/30 Aaa/AAA	
24,367 7,660 zero coupon, 8/15/31, (Pre-refunded @ \$33.25, 8/15/12) (b) Aaa/AAA	
2,171,227 340 zero coupon, 8/15/31 Aaa/AAA	
91,735 10,115 5.00%, 8/15/33 (i) Aaa/AAA	
10,340,059 4,400 Harris Cnty., GO, 5.125%, 8/15/31, (Pre-refunded @ \$100, 8/15/12) (b) Aa1/AA+	
4,748,744 Harris Cnty. Health Facs. Dev. Corp. Rev., 5,000 Christus Health, 5.375%, 7/1/29, Ser. A, (Pre-refunded @ \$101, 7/1/09) (MBIA)(b) Aaa/AAA	
5,219,050 2,750 St. Luke's Episcopal Hospital, 5.375%, 2/15/26, Ser. A, (Pre-refunded @ \$100, 8/15/11) (b) NR/AAA	
2,954,435 19,500 Harris Cnty. Rev., 5.125%, 8/15/32, (Pre-refunded @ \$100, 8/15/12) (FSA)(b) Aaa/AAA	
21,062,925 5,000 Houston Water & Sewer System Rev., 5.00%, 12/1/30, Ser. A, (Pre-refunded @ \$100, 12/1/12) (FSA)(b) Aaa/AAA	
5,391,550 Judson Independent School Dist., GO, (PSF-GTD), 6,535 5.00%, 2/1/30, (Pre-refunded @ \$100, 2/1/11) (b) Aaa/NR	
6,884,557 465 5.00%, 2/1/30 Aaa/NR	
472,793 11,950 Mansfield Independent School Dist., GO, 5.00%, 2/15/28 (PSF-GTD)(i) Aaa/AAA	
12,296,670 Mesquite Independent School Dist. No. 1, GO, Ser. A (PSF-GTD), 1,365 zero coupon, 8/15/16 NR/AAA	
949,535 1,000 zero coupon, 8/15/18 NR/AAA	
625,510 1,000 zero coupon, 8/15/19 NR/AAA	
586,880 1,000 zero coupon, 8/15/20 NR/AAA	
553,240 2,105 Northwest Harris Cnty. Municipal Utility Dist. No. 16, GO, 5.30%, 10/1/29 (Radian) NR/AA	
2,127,271	

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

		Amount		Principal	
		(000)	Credit Rating		
		(Moody's/S&P) Value*			
Texas--(continued)					
\$ 2,000	Sabine River Auth. Rev., 5.20%, 5/1/28	NR/CCC	\$ 1,640,600	Univ. Rev., Ser. B (b),	
2,000	5.00%, 7/1/26, (Pre-refunded @ \$100, 7/1/14)	Aaa/AAA	2,186,220	11,115	5.00%, 8/15/33,
(Pre-refunded @ \$100, 8/15/13) (i)	Aaa/AAA	12,069,778	2,500	Willacy Cnty. Rev., 6.875%, 9/1/28, Ser. A-1	
	NR/NR	2,609,200		128,359,444	
Utah--0.3%					
750	Spanish Fork City Rev., 5.70%, 11/15/36	NR/NR	696,045	720	Utah Cnty. Lincoln Academy
Charter School, GO, 5.875%, 6/15/37, Ser. A (c)	NR/NR	685,678	1,750	Weber Cnty., IHC Health Services	
	Rev., 5.00%, 8/15/30	Aa1/NR	1,757,367	3,139,090	
Virginia--0.1%					
1,000	James City Cnty. Economic Dev. Auth. Rev., 5.50%, 7/1/37, Ser. A	NR/NR	887,320		
Washington--10.2%					
6,375	Chelan Cnty. Public Utility Dist. Rev., 5.125%, 7/1/33, Ser. C (AMBAC)	Aaa/AAA	6,566,760		
King Cnty. Sewer Rev., Ser. A (i),	10,000	5.00%, 1/1/35 (FGIC)	Aaa/AAA	10,226,200	15,000
5.00%, 1/1/35 (FSA)	Aaa/AAA	15,326,100	21,625	Port Tacoma, GO, 5.00%, 12/1/33, (Pre-refunded @ \$100,	
12/1/13) (AMBAC)(b)(i)	Aaa/AAA	23,571,034	10,000	Seattle Drain & Wastewater Rev., 5.00%, 7/1/32	
(FGIC)(i)	Aaa/AAA	10,213,500	3,400	State Housing Finance Commission Rev., Skyline at First Hill,	
5.625%, 1/1/38, Ser. A	NR/NR	3,017,636	22,415	Tobacco Settlement Auth., Tobacco Settlement Rev.,	
	6.50%, 6/1/26	Baa3/BBB	23,343,653	92,264,883	
Wisconsin--0.1%					
560	Badger Tobacco Asset Securitization Corp. Rev., 6.00%, 6/1/17	Baa3/BBB	580,535	700	
Milwaukee Redev. Auth. Rev., 5.65%, 8/1/37, Ser. A	NR/NR	641,018	1,221,553	Total Municipal	
	Bond & Notes (cost--\$847,822,704)	879,209,505			
VARIABLE RATE NOTES (f)--2.0%					
Florida--0.3%					

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2,554 State Turnpike Auth. Rev., 9.02%, 7/1/31, Ser. 1450 (a)(c)(e) Aa2/NR 2,666,121

New York-1.5%

4,660 Liberty Dev. Corp. Rev., 11.60%, 10/1/35, Ser. 1451 (a)(c)(e) Aa3/NR 5,851,562

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

		Amount	Principal
		(000) Credit Rating	
		(Moody's/S&P) Value*	
New York--(continued)			
\$ 6,000	State Dormitory Auth. Rev., Univ. & College Improvement, (a)(c)(e) NR/AAA	\$ 7,154,400 13,005,962	10.23%, 3/15/35, Ser. 1216
Ohio--0.2%			
2,075	Ohio Air Quality Dev. Auth. Rev., 8.47%, 1/1/34, Ser. 1223 (FGIC)(a)(c)(e) Aaa/NR		2,044,435
Pennsylvania--0.0%			
350	Washington Cnty. Redev. Auth., Tax Allocation, 5.45%, 7/1/35, Ser. A Variable Rate Notes (cost--\$18,715,469)	NR/NR 18,035,763	319,245 Total
U.S. TREASURY BILLS (g)--0.5%			
4,425	2.99%-3.21%, 2/28/08-3/13/08 (cost--\$4,399,478) <b>written</b> (cost--\$870,937,651)-- <b>100.1%</b>	4,399,478 901,644,746	<b>Total Investments before options</b> Contracts
OPTIONS WRITTEN (h)--(0.1)%			
Call Options--(0.1)%			
	U.S. Treasury Notes 10 yr. Futures (CBOT), (856,125 )	761	strike price \$114, expires 2/22/08
Put Options--(0.0)%			
(190,250 )	U.S. Treasury Notes 10 yr. Futures (CBOT), Total Options Written (premiums received--\$1,050,188) <b>of options written</b> (cost--\$869,887,463)-- <b>100.0%</b>	761 (1,046,375 ) \$ 900,598,371	strike price \$110, expires 2/22/08 <b>Total Investments net</b>

## 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 or persons acting at their discretion 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 by using the last sale price on the exchange that is the primary market for such securities, or the last 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. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Short-term investments 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 normally determined 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) Private Placement – Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$17,716,518, representing 1.97% of total investments. (b) 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). (c) 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. (d) When-issued or delayed-delivery security. To be settled/delivered after December 31, 2007. (e) Inverse Floater – The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. (f) 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, 2007. (g) All or partial amount segregated as collateral for futures contracts. (h) Non-income producing. (i) Residual Interest Bonds held in trust – Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction. (j) Security in default.

## Glossary:

AMBAC – insured by American Municipal Bond Assurance Corp. CBOT – Chicago Board of Trade CP – Certificates of Participation FGIC – insured by Financial Guaranty Insurance Co. FSA – insured by Financial Security Assurance, Inc. GNMA – insured by Government National Mortgage Association GO – General Obligation Bond MBIA – insured by Municipal Bond Investors Assurance NR – Not Rated

PSF-GTD – Public School Fund-Guaranteed Radian – insured by Radian Guaranty, Inc. XLCA – insured by XL Capital Assurance

Other Investments:

(1) Futures contracts outstanding at December 31, 2007:

Type	Contracts	Market	Value	(000)	Expiration	Date	Unrealized	
Appreciation Long:	U.S. Treasury Notes 10 yr. Futures	31	\$ 3,515		3/19/08		\$ 31,000	Short: U.S.
Treasury Bond Futures	(1,456)	(169,442)	3/19/08	1,274,859			\$ 1,305,859	

(2) Transactions in options written for the three months ended December 31, 2007:

Contracts	Premiums	Options outstanding, September 30, 2007	—	\$—	Options written	1,522	1,050,188
Options outstanding, December 31, 2007		1,522	\$1,050,188				

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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 Act (17CFR270.30a -3(c)), 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.

(b) There were no significant changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d)) under the Act (17 CFR270.30a -3(d)) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits

(a) Exhibit

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

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SIGNATURES

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 Municipal Income Fund III

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

Date: February 29, 2008

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

Date: February 29, 2008

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: February 29, 2008

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

Date: February 29, 2008

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