

PIMCO MUNICIPAL INCOME FUND III
Form N-Q
August 28, 2007

OMB APPROVAL

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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: 811-21187

Registrant Name: PIMCO 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: June 30, 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 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 Municipal Income Fund III
 Schedule of Investments
 June 30, 2007 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
MUNICIPAL BONDS & NOTES—97.8%			
	Alabama—1.1%		
\$ 1,000	Birmingham, GO, Ser. B (AMBAC) (a), 5.00%, 12/1/27, (Pre-refunded @ \$100, 12/1/12)	Aaa/AAA	\$ 1,046,160
2,560	5.00%, 12/1/32, (Pre-refunded @ \$100, 8/15/12)	Aaa/AAA	2,678,170
5,000	Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/30, Ser. A	Baa1/NR	4,986,050
1,500	Colbert Cnty., Northwest Health Care Auth., Health Care Facs. Rev., 5.75%, 6/1/27	Baa3/NR	1,528,980
			10,239,360
	Alaska—0.5%		
3,900	State Housing Finance Corp. Rev., 5.00%, 12/1/33, Ser. A	Aaa/AAA	3,941,964
1,000	5.25%, 6/1/32, Ser. C (MBIA)	Aaa/AAA	1,008,090
			4,950,054
	Arizona—2.8%		
2,200	Health Facs. Auth. Rev., John C. Lincoln Health Network, 7.00%, 12/1/25, (Pre-refunded @ \$102, 12/1/10) (a)	NR/BBB	2,449,502
1,500	Maricopa Cnty. Pollution Control Corp., Pollution Control Rev., 5.05%, 5/1/29 (AMBAC)	Aaa/AAA	1,542,135
	Salt River Project Agricultural Improvement & Power Dist. Rev, Ser. A (h)		
5,000	5.00%, 1/1/35	Aa1/AA	5,171,200
16,000	5.00%, 1/1/37	Aa1/AA	16,536,320
			25,699,157
	Arkansas—0.1%		
7,000	Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/46 (AMBAC)	Aaa/NR	997,640
	California—7.3%		
1,000	Alameda Public Financing Auth. Rev., 7.00%, 6/1/09	NR/NR	999,750
2,000	Chula Vista Community Facs. Dist., Special Tax,	NR/NR	2,004,580

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	5.25%, 9/1/30		
	Golden State Tobacco Securitization Corp., Tobacco Settlement Rev.,		
8,000	5.00%, 6/1/33, Ser. A-1	Baa3/BBB	7,762,240
27,585	6.25%, 6/1/33, Ser. 2003-A-1	Aaa/AAA	30,035,100
21,000	6.75%, 6/1/39, Ser. 2003-A-1, (Pre-refunded @ \$100, 6/1/13) (a)	Aaa/AAA	24,009,930
3,060	Statewide Community Dev. Auth. Rev., Baptist Univ.,		
	9.00%, 11/1/17, Ser. B (b)	NR/NR	3,079,706
			67,891,306
	Colorado—3.2%		
1,000	Aurora Single Tree Metropolitan Dist., GO, 5.50%, 11/15/31	NR/NR	978,780
9,955	Colorado Springs Rev., 5.00%, 11/15/30, Ser. B (h)	Aa2/AA	10,194,020
1,735	El Paso Cnty., CP (AMBAC), 5.00%, 12/1/23, Ser. A, (Pre-refunded @ \$100, 12/1/12) (a)	Aaa/AAA	1,819,390
1,725	5.00%, 12/1/23, Ser. B	Aaa/AAA	1,778,423
2,820	5.00%, 12/1/27, Ser. A, (Pre-refunded @ \$100, 12/1/12) (a)	Aaa/AAA	2,957,165
1,500	5.00%, 12/1/27, Ser. B	Aaa/AAA	1,541,370
1,500	Garfield Cnty. School Dist. Re-2, GO, 5.00%, 12/1/25 (FSA)	Aaa/NR	1,544,280

PIMCO Municipal Income Fund III
Schedule of Investments
June 30, 2007 (unaudited) (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
	Colorado—(continued)		
\$ 2,000	La Plata Cnty. School Dist. No. 9-R, Durango, GO, 5.25%, 11/1/25, (Pre-refunded @ \$100, 11/1/12) (MBIA) (a)	Aaa/NR	