

PIMCO MUNICIPAL INCOME FUND III  
Form N-Q  
August 25, 2009

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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, 2009

**Date of Reporting Period:** June 30, 2009

Form N-Q is to be used by management investment companies, other than small business investment companies 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 concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-2001. 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, 2009 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
<b>MUNICIPAL BONDS &amp; NOTES 93.5%</b>			
<b>Alabama 0.9%</b>			
\$ 5,000	Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev., Baptist Health Systems, Inc., 5.00%, 11/15/30, Ser. A	Baa2/NR	\$ 3,725,750
1,500	Colbert Cnty. Northwest Health Care Facs. Auth. Rev., 5.75%, 6/1/27	Baa3/NR	1,284,285
			5,010,035
<b>Alaska 1.2%</b>			
3,100	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR	1,679,084
3,900	State Housing Finance Corp. Rev., 5.00%, 12/1/33, Ser. A	Aaa/AAA	3,750,981
1,000	5.25%, 6/1/32, Ser. C (NPFGC)	Aa2/AA	979,080
			6,409,145
<b>Arizona 4.9%</b>			
1,250	Health Facs. Auth. Rev., Banner Health, 5.00%, 1/1/35, Ser. A	NR/A+	1,141,550
900	5.50%, 1/1/38, Ser. D	NR/A+	874,116
2,250	Beatitudes Campus Project, 5.20%, 10/1/37	NR/NR	1,381,860
1,500	Maricopa Cnty. Pollution Control Corp. Rev., Palo Verde Project, 5.05%, 5/1/29, Ser. A (AMBAC)	Baa2/A	1,216,020
13,000	Pima Cnty. Industrial Dev. Auth. Rev., Correctional Facs., 5.00%, 9/1/39	Aa2/AA	11,984,700
5,000	Salt River Project Agricultural Improvement & Power Dist. Rev., 5.00%, 1/1/39, Ser. A (i)	Aa1/AA	4,969,400
5,600	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	A3/A	4,136,664
			25,704,310
<b>California 5.6%</b>			
2,500	Health Facs. Financing Auth. Rev., Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	A2/A	2,421,475

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	State, GO,		
250	5.00%, 11/1/37	A2/A	209,983
5,300	5.00%, 12/1/37	A2/A	4,451,152
6,000	6.00%, 4/1/38	A2/A	6,008,100
3,060	Statewide Communities Dev. Auth. Rev., Baptist Univ., 9.00%, 11/1/17, Ser. B (a)(c) Methodist Hospital Project, (FHA),	NR/NR	2,553,325
2,900	6.625%, 8/1/29	Aa2/AA	3,123,967
10,300	6.75%, 2/1/38	Aa2/AA	11,021,618
			29,789,620
	<b>Colorado 3.0%</b>		
9,955	Colorado Springs Rev., 5.00%, 11/15/30, Ser. B (i)	Aa2/AA	10,073,962
500	Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34	NR/NR	312,195
500	Health Facs. Auth. Rev., Evangelical Lutheran, 6.125%, 6/1/38, Ser. A	A3/A-	494,290
1,500	Housing & Finance Auth. Rev., Evergreen Country Day School, Inc. Project, 5.875%, 6/1/37 (a)(c)	NR/BB	953,385
500	Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	A2/A	474,915
4,000	Saddle Rock Metropolitan Dist., GO, 5.35%, 12/1/31, (Radian)	NR/BBB-	3,418,600
			15,727,347
	<b>District of Columbia 1.9%</b>		
10,000	Dist. of Columbia Water & Sewer Auth. Rev., 5.50%, 10/1/39, Ser. A (i)	Aa3/AA	10,320,600

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June 30, 2009 (unaudited)

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<b>Florida 4.9%</b>			
\$ 3,480	Brevard Cnty. Health Facs. Auth. Rev., Health First, Inc. Project, 5.00%, 4/1/34	A3/A-	\$ 2,771,019
4,500	Broward Cnty. Water & Sewer Utility Rev., 5.25%, 10/1/34, Ser. A (i)	Aa3/AA	4,502,880
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital Project, 5.25%, 10/1/34, Ser. B	A3/NR	2,076,675
1,485	Julington Creek Plantation Community Dev. Dist., Special Assessment, 5.00%, 5/1/29, (NPFGC)	Baa1/A	1,156,340
1,000	Miami-Dade Cnty. Rev., 5.50%, 10/1/36, Ser. A	A2/A-	955,130
3,895	Sarasota Cnty. Health Facs. Auth. Rev., 5.75%, 7/1/45	NR/NR	2,672,710
4,200	State Board of Education, GO, 5.00%, 6/1/38, Ser. D (i)	Aa1/AAA	4,168,038
6,900	State Board of Governors Rev., Florida Univ., 6.50%, 7/1/33	Aa2/AA	7,565,229
			25,868,021
<b>Georgia 0.2%</b>			
1,750	Fulton Cnty. Residential Care Facs. Rev., Lenbrook Project, 5.125%, 7/1/42, Ser. A	NR/NR	1,050,892
400	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project, 5.25%, 7/1/37	NR/NR	273,204
			1,324,096
<b>Idaho 1.2%</b>			
1,000	State Building Auth. Building Rev., Ser. A (XLCA), 5.00%, 9/1/33	NR/AA-	977,980
5,750	5.00%, 9/1/43	NR/AA-	5,452,668
			6,430,648
<b>Illinois 8.1%</b>			
500	Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC-NPFGC)	A1/AA-	151,480
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)	A1/AA+	6,820,590
500	5.00%, 1/1/38, Ser. A	Aa2/AAA	491,055
720	Chicago, GO, 5.00%, 1/1/31, Ser. A (NPFGC)	Aa3/AA-	706,975

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5,000	5.00%, 1/1/34, Ser. C (i) Educational Facs. Auth. Rev., Univ. of Chicago, Ser. A	Aa3/AA-	4,835,500
4,780	5.00%, 7/1/33	Aa1/AA	4,802,227
165	5.25%, 7/1/41 Finance Auth. Rev., Leafs Hockey Club Project, Ser. A	Aa1/AA	166,175
1,000	5.875%, 3/1/27	NR/NR	400,010
625	6.00%, 3/1/37 (e)	NR/NR	249,631
400	OSF Healthcare Systems, 7.125%, 11/15/37, Ser. A	A2/A	417,648
12,795	Peoples Gas Light & Coke, 5.00%, 2/1/33, (AMBAC)	A2/A-	12,381,594
5,000	Univ. of Chicago, 5.50%, 7/1/37, Ser. B (i)	Aa1/AA	5,182,800
1,175	Health Facs. Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	Baa1/NR	1,054,210
5,000	State Toll Highway Auth. Rev., 5.50%, 1/1/33, Ser. B	Aa3/AA-	5,178,100
			42,837,995
	<b>Indiana 2.1%</b>		
1,375	Fort Wayne Pollution Control Rev., General Motors Corp. Project, 6.20%, 10/15/25 (e)	Caa3/D	294,580
5,000	Indianapolis Local Public Improvement Board, Tax Allocation, 5.00%, 2/1/29, Ser. G (NPFGC)	Baa1/AA	5,046,950
1,000	Plainfield Parks Facs. Corp. Lease Rent Rev., 5.00%, 1/15/22, (AMBAC)	NR/A	1,015,200

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<b>Indiana (continued)</b>			
	Portage Industrial Economic Dev. Rev., Ameriplex Project, Tax Allocation,		
\$ 1,000	5.00%, 7/15/23	NR/BBB+	\$ 823,900
775	5.00%, 1/15/27	NR/BBB+	607,383
3,500	State Dev. Finance Auth. Pollution Control Rev., 5.00%, 3/1/30, Ser. B (AMBAC)	Aaa/A	3,124,870
			10,912,883
<b>Iowa 1.5%</b>			
	Finance Auth. Rev., Deerfield Retirement Community, Inc., Ser. A,		
120	5.50%, 11/15/27	NR/NR	74,494
575	5.50%, 11/15/37	NR/NR	320,879
11,010	Tobacco Settlement Auth. Rev., 5.60%, 6/1/34, Ser. B	Baa3/BBB	7,393,435
			7,788,808
<b>Kentucky 0.6%</b>			
	Economic Dev. Finance Auth. Hospital Facs. Rev., Baptist Healthcare System, Ser. A,		
1,000	5.375%, 8/15/24	Aa3/NR	1,045,570
1,300	5.625%, 8/15/27	Aa3/NR	1,340,872
1,000	Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	916,980
			3,303,422
<b>Louisiana 0.5%</b>			
1,700	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project, 5.50%, 5/15/47, Ser. B	A3/NR	1,330,590
1,595	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser.2001- B	Baa3/BBB	1,255,169
			2,585,759
<b>Maryland 0.3%</b>			
1,500		A2/NR	1,366,485

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Health & Higher Educational Facs. Auth. Rev., Calvert Health Systems, 5.50%, 7/1/36

**Massachusetts 1.3%**

750	Dev. Finance Agcy. Rev., Linden Ponds, Inc., 5.75%, 11/15/35, Ser. A	NR/NR	453,660
1,600	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	A1/A+	1,641,376
4,910	State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H	Aa3/AA-	4,722,880
			6,817,916

**Michigan 14.2%**

500	Conner Creek Academy East Rev., 5.25%, 11/1/36	NR/BB+	327,300
9,320	Detroit Sewer Disposal System Rev., 5.00%, 7/1/32, Ser. A (FSA)	Aa3/AAA	8,673,938
30,000	Detroit Water Supply System Rev., (NPFGC), 5.00%, 7/1/34, Ser. A	A2/A+	26,458,200
7,555	5.00%, 7/1/34, Ser. B	A3/A	6,591,284
1,500	Royal Oak Hospital Finance Auth. Rev., William Beaumont Hospital, 8.25%, 9/1/39	A1/A	1,698,690
175	State Hospital Finance Auth. Rev., Detroit Medical Center, 5.25%, 8/15/23, Ser. A	Ba3/BB-	132,167
5,405	Oakwood Group, Ser. A, 5.75%, 4/1/32	A2/A	4,643,057
575	6.00%, 4/1/22	A2/A	548,567
20,000	Trinity Health Credit, 5.375%, 12/1/30, Ser. C	Aa2/AA	19,686,600
10,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BBB	5,967,100
			74,726,903

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Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	<b>Mississippi 0.7%</b>		
	Business Finance Corp. Pollution Control Rev., System Energy Resources, Inc. Project,		
\$ 3,000	5.875%, 4/1/22	Ba1/BBB	\$ 2,763,270
1,250	5.90%, 5/1/22	Ba1/BBB	1,140,650
			3,903,920
	<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	1,327,077
250	Township of Jennings Rev., Northland Redev. Area Project, 5.00%, 11/1/23	NR/NR	186,190
			1,513,267
	<b>Montana 1.6%</b>		
11,250	Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31, Ser. A (AMBAC)	Baa2/A-	8,622,225
	<b>Nevada 0.7%</b>		
4,000	Clark Cnty., GO, 4.75%, 6/1/30, (FSA)	Aa1/AAA	3,582,840
	<b>New Jersey 3.9%</b>		
1,000	Camden Cnty. Improvement Auth. Rev., Cooper Health Systems Group, 5.00%, 2/15/35, Ser. A	Baa3/BBB	681,680
4,500	Economic Dev. Auth. Rev., Kapkowski Road Landfill Project, Special Assessment, 6.50%, 4/1/28	Baa3/NR	3,803,580
300	Newark Airport, 7.00%, 10/1/14	Ba1/NR	290,328
1,085	Health Care Facs. Financing Auth. Rev., Pascack Valley Hospital Assoc., 6.625%, 7/1/36 (e)	NR/D	27,113
1,000	St. Peters Univ. Hospital, 5.75%, 7/1/37	Baa2/BBB-	819,250
1,150	Trinitas Hospital, 5.25%, 7/1/30, Ser. A	Baa3/BBB-	854,232
2,000	State Turnpike Auth. Rev., 5.25%, 1/1/40, Ser. E	A3/A+	2,001,460
22,645	Tobacco Settlement Financing Corp. Rev., 5.00%, 6/1/41, Ser. 1A	Baa3/BBB	12,270,646



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			20,748,289
	<b>New Mexico 0.2%</b>		
1,000	Farmington Pollution Control Rev., 5.80%, 4/1/22	Baa3/BB+	925,190
	<b>New York 4.5%</b>		
1,700	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.50%, 10/1/37	A1/A	1,600,227
1,250	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/34, Ser. B	NR/AA	1,228,750
1,150	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	872,459
10,450	New York City Industrial Dev. Agcy. Rev., Yankee Stadium, 7.00%, 3/1/49	Aa2/AAA	11,333,756
4,900	New York City Municipal Water Finance Auth. Rev. (i), 5.00%, 6/15/37, Ser. D	Aa2/AAA	4,848,893
4,000	Second Gen. Resolution, 4.75%, 6/15/35, Ser. DD	Aa3/AA+	3,777,720
			23,661,805
	<b>North Carolina 1.7%</b>		
2,000	Eastern Municipal Power Agcy. Power System Rev., 5.125%, 1/1/23, Ser. D	Baa1/BBB+	2,007,260
2,000	5.125%, 1/1/26, Ser. D	Baa1/BBB+	1,959,680
3,795	5.375%, 1/1/17, Ser. C	Baa1/BBB+	3,953,176
1,500	Medical Care Commission Rev., Cleveland Cnty. Healthcare, 5.00%, 7/1/35, Ser. A (AMBAC)	NR/A	1,168,170
			9,088,286

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June 30, 2009 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	<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	\$ 14,106,255
5,000	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	Baa3/BBB	2,828,750
500	Cnty. of Montgomery Rev., Miami Valley Hospital, 6.25%, 11/15/39, Ser. A	Aa3/AA-	518,860
2,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.		