

PIMCO CALIFORNIA MUNICIPAL INCOME FUND III  
Form N-CSRS  
June 07, 2006

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, 2006

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May 5, 2006

Dear Shareholder:

We are pleased to provide you with the semi-annual report for 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, 2006.

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For the six-month period, the national municipal bond market posted positive returns, with the Lehman Brothers Municipal Bond Index returning 0.98% despite four 0.25% rate increases by the Federal Reserve. The California municipal bond market also recorded positive returns, outperforming the national municipal market. The Lehman Brothers California Insured Municipal Bond Index returned 1.22%. New York municipals also outperformed the broader market, with the Lehman Brothers New York Insured Municipal Bond Index returning 1.16% for the period. During the reporting period, the municipal yield curve flattened, with short-term rates climbing higher than long-term rates. This was also the case for the California and New York municipal yield curves.

For the six months ended March 31, 2006, PIMCO Municipal Income Fund III returned 3.30% on net asset value and (1.80)% on market price. PIMCO California Municipal Income Fund III returned 2.50% on net asset value and 8.69% on market price. PIMCO New York Municipal Income Fund III returned 2.13% on net asset value and (3.07)% on market price.

Please review the following pages for specific 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 (800) 331-1710. You will also find a wide range of information and resources 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, the Funds' sub-adviser, we thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Robert E. Connor

Chairman

Brian S. Shlissel

President & Chief Executive Officer

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PIMCO Municipal Income Fund III

Performance & Statistics  
March 31, 2006 (unaudited)

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Symbol:

PMX

Objective:

To provide income exempt from federal income tax.

Primary Investments:

Municipal fixed-income securities, the interest from which is exempt from federal income tax.

Inception Date:

October 31, 2002

Total Net Assets<sup>(1)</sup>:

\$728.8 million

Portfolio Manager:

Mark McCray

Total Return <sup>(2)</sup> :	Market Price	Net Asset Value ("NAV")
Six months	(1.80)%	3.30%
1 Year	10.01%	7.15%
Commencement of Operations (10/31/02) to 3/31/06	6.28%	7.59%

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 3/31/06

Market Price / NAV:	
Market Price	\$14.73
NAV	\$14.68
Premium to NAV	0.34%
Market Price Yield <sup>(3)</sup>	5.70%

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

(1) Inclusive of net assets attributable to Preferred Shares outstanding.

(2) **Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period more than one year represents the average annual total return.

An investment in the Fund involves risk, including the loss of principal. Total return, price, 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. A portion of the income generated by the Fund may be subject to federal, state and local taxes, and may at times be subject to the alternative minimum tax. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(3) Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at March 31, 2006.

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PIMCO California Municipal Income Fund III  
Performance & Statistics  
March 31, 2006 (unaudited)

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Symbol:

PZC

Objective:

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To provide current income exempt from federal and California state income tax.

Primary Investments:

Municipal fixed-income securities, the interest from which is exempt from federal and California state income tax.

Inception Date:

October 31, 2002

Total Net Assets<sup>(1)</sup>:

\$499.2 million

Portfolio Manager:

Mark McCray

Total Return <sup>(2)</sup> :	Market Price	Net Asset Value (“NAV”)
Six months	8.69%	2.50%
1 Year	20.13%	7.33%
Commencement of Operations (10/31/02) to 3/31/06	8.60%	7.49%

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 3/31/06

Market Price / NAV:	
Market Price	\$15.90
NAV	\$14.68
Premium to NAV	8.31%
Market Price Yield <sup>(3)</sup>	6.04%

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

(1) Inclusive of net assets attributable to Preferred Shares outstanding.

(2) **Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period more than one year represents the average annual total return.

An investment in the Fund involves risk, including the loss of principal. Total return, price, 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. A portion of the income generated by the Fund may be subject to federal, state and local taxes, and may at times be subject to the alternative minimum tax. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(3) Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at March 31, 2006.

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PIMCO New York Municipal Income Fund III  
Performance & Statistics  
March 31, 2006 (unaudited)

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Symbol:

PYN

Objective:

To provide current income exempt from federal, New York state and New York City income tax.

Primary Investments:

Municipal fixed-income securities, the interest from which is exempt from federal, New York state and New York City income tax.

Inception Date:

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October 31, 2002

Total Net Assets<sup>(1)</sup>:

\$128.5 million

Portfolio Manager:

Mark McCray

Total Return <sup>(2)</sup> :	Market Price	Net Asset Value (“NAV”)
Six months	(3.07)%	2.13%
1 Year	13.27%	5.07%
Commencement of Operations (10/31/02) to 3/31/06	6.74%	7.71%

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 3/31/06

Market Price / NAV:	
Market Price	\$15.08
NAV	\$14.88
Premium to NAV	1.34%
Market Price Yield <sup>(3)</sup>	5.57%

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

(1) Inclusive of net assets attributable to Preferred Shares outstanding.

(2) **Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the

period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period more than one year represents the average annual total return.

An investment in the Fund involves risk, including the loss of principal. Total return, price, 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. A portion of the income generated by the Fund may be subject to federal, state and local taxes, and may at times be subject to the alternative minimum tax. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(3) Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at March 31, 2006.

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value
	MUNICIPAL BONDS & NOTES—89.3%		
	Alabama—1.4%		
	Birmingham, GO, Ser. B (AMBAC),		
\$ 1,000	5.00%, 12/1/27	Aaa/AAA	\$1,027,270
2,560	5.00%, 12/1/32	Aaa/AAA	2,625,357
5,000	Birmingham Baptist Medical Centers Special Care Facs.		
	Financing Auth. Rev., 5.00%, 11/15/30, Ser. A	Baa1/NR	4,888,950
1,500	Colbert Cnty., Northwest Health Care Auth., Health Care Facs. Rev., 5.75%, 6/1/27	Baa3/NR	1,496,235
			10,037,812
	Alaska—0.7%		
	State Housing Finance Corp. Rev.,		
3,900	5.00%, 12/1/33, Ser. A	Aaa/AAA	3,947,346
1,000	5.25%, 6/1/32, Ser. C (MBIA)	Aaa/AAA	1,007,410
			4,954,756
	Arizona—0.6%		
2,200	Health Facs. Auth. John C. Lincoln Health Network Rev.,	NR/BBB	2,533,564



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	7.00%, 12/1/25, (Pre-refunded @ \$102, 12/01/10)		
	(a)		
1,500	Maricopa Cnty. Pollution Control Corp., Pollution Control Rev., 5.05%, 5/1/29 (AMBAC)	Aaa/AAA	1,552,470 4,086,034
	California-7.9%		
1,000	Alameda Public Financing Auth. Rev., 7.00%, 6/1/09	NR/NR	1,000,480
2,000	Chula Vista Community Facs. Dist., Special Tax, 5.25%, 9/1/30	NR/NR	1,999,900
	Golden State Tobacco Securitization Corp., Tobacco Settlement Rev., Ser. 2003-A-1,		
27,585	6.25%, 6/1/33	Baa3/BBB	30,085,580
21,000	6.75%, 6/1/39	Baa3/BBB	23,643,060 56,729,020
	Colorado-2.6%		
	El Paso Cnty., CP (AMBAC),		
1,735	5.00%, 12/1/23, Ser. A	Aaa/AAA	1,800,479
1,725	5.00%, 12/1/23, Ser. B	Aaa/AAA	1,790,102
2,820	5.00%, 12/1/27, Ser. A	Aaa/AAA	2,913,257
1,500	5.00%, 12/1/27, Ser. B	Aaa/AAA	1,549,605
1,500	Garfield Cnty. School Dist. Re-2, GO, 5.00%, 12/1/25 (FSA)	Aaa/NR	1,553,985
2,000	La Plata Cnty. School Dist. No. 9-R, Durango, GO, 5.25%, 11/1/25 (MBIA) (Pre-refunded @ \$100, 11/1/12) (a)	Aaa/NR	2,161,160
4,000	Saddle Rock Met. Dist., GO, 5.35%, 12/1/31 (Radian)	NR/AA	4,103,600
2,500	School Mines Auxiliary Facs. Rev., 5.00%, 12/1/37 (AMBAC)	Aaa/AAA	2,565,275 18,437,463

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value
	Florida-6.5%		

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\$ 3,480	Brevard Cnty. Health Facs. Auth. Rev., 5.00%, 4/1/34	A2/A	\$3,531,922
8,000	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System, 5.25%, 11/15/23, Ser. B	A2/A+	8,297,760
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital, 5.25%, 10/1/34, Ser. B	A3/NR	2,573,225
1,485	Julington Creek Plantation Community Dev. Dist., Special Assessment Rev., 5.00%, 5/1/29 (MBIA)	Aaa/AAA	1,538,594
1,000	Orange Cnty. Housing Finance Auth. Multifamily Rev., Palm Grove Gardens, 5.25%, 1/1/28, Ser. G	Aaa/NR	1,022,680
15,000	Pinellas Cnty. Health Facs. Auth. Rev., Baycare Health, 5.50%, 11/15/33	Aa3/NR	15,717,450
7,500	South Miami Health Facs. Auth., Hospital Rev., Baptist Health, 5.25%, 11/15/33	Aa3/AA-	7,733,475
5,615	Tampa, Water & Sewer Rev., 5.00%, 10/1/26, Ser. A	Aa2/AA	5,793,781
	Georgia-0.6%		46,208,887
4,000	Griffin Combined Public Utility Rev., 5.00%, 1/1/32 (AMBAC)	Aaa/AAA	4,163,440
	Idaho-1.0%		
	State Building Auth. Building Rev., Ser. A (XLCA),		
1,000	5.00%, 9/1/33	Aaa/AAA	1,031,150
5,750	5.00%, 9/1/43	Aaa/AAA	5,915,370
			6,946,520
	Illinois-8.2%		
2,250	Chicago, GO, 5.00%, 1/1/31, Ser. A (MBIA)	Aaa/AAA	2,310,772
	Chicago, Lake Shore East, Special Assessment,		
1,600	6.625%, 12/1/22	NR/NR	1,718,560
3,456	6.75%, 12/1/32	NR/NR	3,717,827
5,000	Chicago Board of Education, GO, 5.00%, 12/1/31, Ser. C (FSA)		
	(Pre-refunded @ \$100,12/1/11) (a)	Aaa/AAA	5,310,350
500	Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC)	Aaa/AAA	168,460
3,000	Chicago Kingsbury Redev. Project, Tax Allocation, 6.57%, 2/15/13, Ser. A	NR/NR	3,096,930
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)	Aaa/AAA	7,205,030
4,000	Chicago Park Dist., GO, 5.00%, 1/1/29, Ser. D (FGIC)	Aaa/AAA	4,095,880
2,500	Chicago Water Rev., 5.00%, 11/1/31 (AMBAC) (Pre-refunded @ \$100, 11/1/11) (a)	Aaa/AAA	2,646,725
	Educational Facs. Auth. Rev., Univ. of Chicago,		

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4,780	5.00%, 7/1/33	Aa1/AA	4,922,970
220	5.00%, 7/1/33, (Pre-refunded @ \$100, 7/1/13) (a)	Aa1/AA	234,694
165	5.25%, 7/1/41	Aa1/AA	172,842
4,160	5.25%, 7/1/41, (Pre-refunded @ \$101, 7/1/11) (a)	Aa1/AA	4,484,350
9,045	Metropolitan Pier & Exposition Auth., Dedicated State Tax Rev., McCormick Place Expansion, 5.25%, 6/15/42 (MBIA)	Aaa/AAA	9,519,862

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PIMCO Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value
	Illinois--(continued)		
\$ 4,300	Round Lake, Special Tax Rev., 6.70%, 3/1/33	NR/NR	\$ 4,412,574
1,175	State Health Facs. Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	A2/NR	1,227,288
3,050	Univ. Rev., 5.00%, 4/1/30, Ser. A (AMBAC)	Aaa/AAA	3,122,926
			58,368,040
	Indiana--3.6%		
7,535	Bond Bank Rev., 5.00%, 2/1/33, Ser. A (FSA)	Aaa/AAA	7,734,226
3,000	Brownsburg 1999 School Building Corp. Rev., 5.25%, 3/15/25, Ser. A (FSA) (Pre-refunded @ \$100, 9/15/13) (a)	Aaa/AAA	3,253,380
1,375	Fort Wayne Pollution Control Rev., 6.20%, 10/15/25	B2/B	1,106,009
5,000	Indianapolis Local Public Improvement Board, Tax Allocation, 5.00%, 2/1/29, Ser. G (MBIA)	Aaa/AAA	5,142,200
	Michigan City Area Wide School Building Corp., Rev. (FGIC),		
2,500	zero coupon, 1/15/21	Aaa/AAA	1,267,425
1,000	zero coupon, 7/15/21	Aaa/AAA	495,450
1,000	zero coupon, 1/15/22	Aaa/AAA	481,960
1,000	Plainfield Parks Facs. Corp. Lease Rent Rev., 5.00%, 1/15/22 (AMBAC)	Aaa/AAA	1,036,950
	Portage Industrial Economic Dev. Rev. (c),		
1,000	5.00%, 7/15/23	NR/BBB+	999,920
775	5.00%, 1/15/27	NR/BBB+	770,086

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3,500	State Dev. Finance Auth. Pollution Control Rev., 5.00%, 3/1/30 (AMBAC)	Aaa/AAA	3,506,685 25,794,291
	Iowa-1.6%		
1,000	Tobacco Settlement Auth., Tobacco Settlement Rev., 5.60%, 6/1/35, Ser. B, (Pre-refunded @ \$101, 6/1/11) (a)	Baa3/AAA	1,088,310
11,010	Tobacco Settlement Auth. of Iowa Rev., zero coupon, 6/1/34, Ser. B	Baa3/BBB	10,237,759 11,326,069
	Kentucky-0.9%		
	Economic Dev. Finance Auth. Hospital Facs. Rev.,		
1,000	Catholic Healthcare Partners, 5.25%, 10/1/30	Aa3/AA-	1,031,580
4,600	St. Luke's Hospital, 6.00%, 10/1/19	A3/A	5,094,270