

PIMCO MUNICIPAL INCOME FUND III
Form N-Q
August 25, 2008

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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: June 30, 2008

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, 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, 2008 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
MUNICIPAL BONDS & NOTES 97.7%			
Alabama 0.7%			
\$ 5,000	Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/30, Ser. A	Baa1/NR	\$ 4,284,250
1,500	Colbert Cnty., Northwest Health Care Auth., Health Care Facs. Rev., 5.75%, 6/1/27	Baa3/NR	1,456,185
			5,740,435
Alaska 0.9%			
3,100	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR	2,315,917
3,900	State Housing Finance Corp. Rev., 5.00%, 12/1/33, Ser. A	Aaa/AAA	3,695,835
1,000	5.25%, 6/1/32, Ser. C (MBIA)	Aaa/AAA	1,003,070
			7,014,822
Arizona 5.8%			
2,250	Health Facs. Auth. Rev., Beatitudes Project, 5.20%, 10/1/37	NR/NR	1,764,675
2,200	John C. Lincoln Health Network, 7.00%, 12/1/25, (Pre-refunded @ \$102, 12/1/10) (b)	NR/BBB	2,452,318
1,500	Maricopa Cnty. Pollution Control Corp., Pollution Control Rev., 5.05%, 5/1/29 (AMBAC)	Aaa/AAA	1,312,545
16,000	Pima Cnty. Industrial Dev. Auth. Rev., Correctional Facs., 5.00%, 9/1/39	Aa2/AA	15,701,440
5,000	Salt River Project Agricultural Improvement & Power Dist. Rev., Ser. A (h), 5.00%, 1/1/35	Aa1/NR	5,065,450
16,000	5.00%, 1/1/37	Aa1/AA	16,189,280
5,600	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	Aa3/AA-	4,880,624
			47,366,332
Arkansas 0.1%			
7,000	Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/46 (AMBAC)	Aaa/NR	862,470

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	California 9.5%		
2,000	Chula Vista Community Facs. Dist., Special Tax, 5.25%, 9/1/30	NR/NR	1,716,760
	Golden State Tobacco Securitization Corp. Rev., Ser. A-1,		
25,735	6.25%, 6/1/33	Aaa/AAA	27,819,278
21,000	6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (b)	Aaa/AAA	23,770,740
	State, GO,		
400	5.00%, 6/1/37	A1/A+	392,780
15,300	5.00%, 11/1/37 (h)	A1/A+	15,021,693
5,800	5.00%, 12/1/37	A1/A+	5,694,556
3,060	Statewide Community Dev. Auth. Rev.,	NR/NR	3,128,911
	Baptist Univ., 9.00%, 11/1/17, Ser. B (c)		
			77,544,718
	Colorado 2.6%		
1,000	Aurora Single Tree Metropolitan Dist., GO, 5.50%, 11/15/31	NR/NR	891,560
9,955	Colorado Springs Rev., 5.00%, 11/15/30, Ser. B (h)	Aa2/AA	10,039,817
500	Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34	NR/NR	409,810
	El Paso Cnty., CP, Ser. B (AMBAC),		
1,725	5.00%, 12/1/23	Aaa/AAA	1,723,085

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June 30, 2008 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	Colorado (continued)		
\$ 1,500	5.00%, 12/1/27	Aaa/AAA	\$ 1,458,180
1,000	Health Facs. Auth. Rev., American Baptist Homes, 5.90%, 8/1/37, Ser. A	NR/NR	870,690
1,500	Housing & Finance Auth. Rev., Evergreen Country Day School, 5.875%, 6/1/37 (c)	NR/BB	1,335,705
4,000	Saddle Rock Metropolitan Dist., GO, 5.35%, 12/1/31 (Radian)	NR/AA	3,916,160
340	State School Of Mines Auxiliary Facs. Rev., 5.00%, 12/1/37 (AMBAC)	Aaa/AAA	340,384
			20,985,391
	Florida 4.1%		
3,480	Brevard Cnty. Health Facs. Auth. Rev., 5.00%, 4/1/34	A2/A	3,189,211
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+	8,578,800
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital, 5.25%, 10/1/34, Ser. B	A3/NR	2,363,800
1,485	Julington Creek Plantation Community Dev. Dist., Special Assessment, 5.00%, 5/1/29 (MBIA)	Aaa/AAA	1,498,840
1,000	Orange Cnty. Housing Finance Auth., Multifamily Rev., Palm Grove Gardens, 5.25%, 1/1/28, Ser. G	Aaa/NR	980,990
3,895	Sarasota Cnty. Health Fac. Auth. Rev., 5.75%, 7/1/45	NR/NR	3,236,472
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-	8,040,675
5,615	Tampa Water & Sewer Rev., 5.00%, 10/1/26, Ser. A	Aa2/AA	5,713,319
			33,602,107
	Georgia 0.7%		
1,750	Fulton Cnty. Rev., 5.125%, 7/1/42, Ser. A	NR/NR	1,352,085
4,000	Griffin Combined Public Utility Rev., 5.00%, 1/1/32 (AMBAC)	Aaa/AAA	3,940,200
400	Medical Center Hospital Auth. Rev., 5.25%, 7/1/37	NR/NR	322,792
			5,615,077
	Idaho 0.8%		
1,000	State Building Auth., Building Rev., Ser. A (XLCA), 5.00%, 9/1/33	A3/AA-	1,000,760

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5,750	5.00%, 9/1/43	A3/AA-	5,628,445
			6,629,205
Illinois 7.0%			
	Chicago, GO, Ser. A (MBIA),		
720	5.00%, 1/1/31	Aaa/AAA	723,435
1,530	5.00%, 1/1/31, (Pre-refunded @ \$101, 1/1/11) (b)	Aaa/AAA	1,611,916
	Chicago, Lake Shore East, Special Assessment,		
1,600	6.625%, 12/1/22	NR/NR	1,612,720
3,456	6.75%, 12/1/32	NR/NR	3,469,962
500	Chicago Board of Education School Reform, GO, zero coupon,		
	12/1/28, Ser. A (FGIC)	A1/AA-	168,180
3,000	Chicago Kingsbury Redev. Project, Tax Allocation, 6.57%,		
	2/15/13, Ser. A	NR/NR	3,012,960
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A		
	(AMBAC)	Aaa/AAA	7,012,250
	Educational Facs. Auth. Rev., Univ. of Chicago,		
4,780	5.00%, 7/1/33	Aa1/AA	4,811,453

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Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	Illinois (continued)		
\$ 165	5.25%, 7/1/41	Aa1/AA	\$ 167,610
4,160	5.25%, 7/1/41, (Pre-refunded @ \$101, 7/1/11) (b) Finance Auth. Rev.,	Aa1/AA	4,446,970
2,000	Christian Homes, Inc., 5.75%, 5/15/31, Ser. A	NR/NR	1,733,020
1,500	Franciscan Communities, Inc., 5.50%, 5/15/37 Leafs Hockey Club, Ser. A,	NR/NR	1,283,115
1,000	5.875%, 3/1/27	NR/NR	906,840
625	6.00%, 3/1/37	NR/NR	542,569
12,795	Peoples Gas Light & Coke, 5.00%, 2/1/33 (AMBAC)	Aa3/NR	12,687,138
1,500	Sedgebrook, Inc., 6.00%, 11/15/37, Ser. A	NR/NR	1,365,765
1,050	Three Crowns Park Plaza, 5.875%, 2/15/38	NR/NR	908,964
1,175	Health Facs. Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	A2/NR	1,182,414
2,400	Hillside, Tax Allocation, Mannheim Redev. Project, 6.55%, 1/1/20	NR/NR	2,367,672
1,600	7.00%, 1/1/28	NR/NR	1,571,664
4,283	Round Lake, Special Tax Rev., 6.70%, 3/1/33, (Pre-refunded @ \$102, 3/1/13) (b)	NR/NR	4,836,792
600	Southwestern Dev. Auth. Rev., Comprehensive Mental Health Center, 6.625%, 6/1/37	NR/NR	556,866
			56,980,275
	Indiana 2.9%		
1,375	Fort Wayne Pollution Control Rev., 6.20%, 10/15/25	Caa1/B	1,089,935
7,535	Indiana Bond Bank Rev., 5.00%, 2/1/33, Ser. A (FSA) (h)	Aaa/AAA	7,578,326
5,000	Indianapolis Local Public Improvement Board, Tax Allocation, 5.00%, 2/1/29, Ser. G (MBIA)	Aaa/AAA	5,030,250
2,500	Michigan City Area Wide School Building Corp., Rev. (FGIC), zero coupon, 1/15/21	A3/AA	1,293,050
1,000	zero coupon, 7/15/21	A3/AA	501,880
1,000	zero coupon, 1/15/22	A3/AA	486,210
1,000	Plainfield Parks Facs. Corp. Lease Rent Rev., 5.00%, 1/15/22 (AMBAC)	Aaa/AAA	1,016,390
1,000	Portage Industrial Economic Dev. Rev., Tax Allocation, 5.00%, 7/15/23	NR/BBB+	935,680
775	5.00%, 1/15/27	NR/BBB+	702,197
3,500	State Dev. Finance Auth., Pollution Control Rev., 5.00%, 3/1/30 (AMBAC)	Aaa/AAA	3,504,445
2,000	Vigo Cnty. Hospital Auth. Rev., 5.70%, 9/1/37 (c)	NR/NR	1,742,680

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23,881,043

	Iowa 1.9%		
1,000	Coralville, CP, 5.25%, 6/1/26, Ser. D Finance Auth. Rev.,	A2/NR	991,930
575	5.50%, 11/15/37	NR/NR	426,949
120	Deerfield Retirement Community, 5.50%, 11/15/27, Ser. A	NR/NR	95,988
3,715	Wedum Walnut Ridge LLC, 5.625%, 12/1/45, Ser. A Tobacco Settlement Auth. of Iowa Rev., Ser. B,	NR/NR	3,065,655
11,010	5.60%, 6/1/34	Baa3/BBB	9,621,529
1,000	5.60%, 6/1/35, (Pre-refunded @ \$101, 6/1/11) (b)	NR/AAA	1,072,690
			15,274,741
	Kentucky 0.1%		
1,000	Economic Dev. Finance Auth. Rev., Hospital Facs. Rev., Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	973,050

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Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	Louisiana 1.0%		
\$ 5,000	Public Facs. Auth. Rev., Ochsner Clinic Foundation, Ser. B, 5.50%, 5/15/32, (Pre-refunded @ \$100, 5/15/26) (b)	Aaa/NR	\$ 5,524,500
1,700	5.50%, 5/15/47	A3/NR	1,594,192
1,595	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	Baa3/BBB	1,451,019
			8,569,711
	Maryland 0.2%		
1,500	Health & Higher Educational Facs. Auth. Rev., Calvert Health Systems, 5.50%, 7/1/36	A2/NR	1,509,120
	Massachusetts 0.8%		
1,000	Dev. Finance Agcy. Rev., 5.75%, 7/1/33, Ser. C, (Pre-refunded @ \$101, 7/1/13) (b)	A3/A-	1,106,810
750	Linden Ponds, 5.75%, 11/15/35, Ser. A	NR/NR	653,535
4,910	State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H	Aa3/AA-	4,910,736
			6,671,081
	Michigan 13.6%		
500	Conner Creek Academy East Rev., 5.25%, 11/1/36	NR/BB+	409,015
250	Crescent Academy, CP, 5.75%, 12/1/36	NR/NR	197,395
33,040	Detroit Sewer Disposal System Rev., 5.00%, 7/1/11, Ser. A (FSA) (h)	NR/AAA	32,902,553
35,000	Detroit Water Supply System Rev. (MBIA), 5.00%, 7/1/34, Ser. A	Aaa/AA	33,527,200
7,555	5.00%, 7/1/34, Ser. B	Aaa/AAA	7,237,085
500	Star International Academy, CP, 6.125%, 3/1/37	NR/BB+	445,580
175	State Hospital Finance Auth. Rev., Detroit Medical Center, 5.25%, 8/15/23	Ba3/BB-	154,284
5,405	Oakwood Group, Ser. A, 5.75%, 4/1/32	A2/A	5,356,085
575	6.00%, 4/1/22	A2/A	590,180
20,000	Trinity Health Credit, 5.375%, 12/1/30	Aa2/AA	20,166,800
1,000	State Technological Univ. Rev., 5.00%, 10/1/33 (XLCA)	A1/A-	1,021,940
10,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BBB	8,628,000

110,636,117

	Minnesota 0.3%		
2,400	Upsala Independent School Dist. No. 487, GO, 5.00%, 2/1/28 (FGIC)	A3/AAA	2,539,536
	Mississippi 0.5%		
3,000	Business Finance Corp., Pollution Control Rev., 5.875%, 4/1/22	Ba1/BBB	2,940,180
1,250	5.90%, 5/1/22	Ba1/BBB	1,227,888
			4,168,068
	Missouri 1.6%		
1,350	St. Louis Cnty. Industrial Dev. Auth., Housing Dev. Rev., 5.20%, 1/20/36 (GNMA)	NR/AAA	1,307,718
1,500	St. Louis Industrial Dev. Auth. Rev. (GNMA), 5.125%, 12/20/29	NR/AAA	1,438,725
1,500	5.125%, 12/20/30	NR/AAA	1,413,915

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Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	Missouri (continued)		
\$ 7,500	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	\$ 8,169,150
250	Township of Jennings Rev., 5.00%, 11/1/23	NR/NR	228,665
500	Univ. Place Transportation Dev. Dist., Special Assessment, 5.00%, 3/1/32	NR/NR	440,065
			12,998,238
	Montana 1.4%		
11,250	Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31 (AMBAC)	Aaa/AAA	11,331,900
	Nevada 0.4%		
3,355	Henderson Health Care Facs. Rev., Catholic Healthcare West, 5.125%, 7/1/28, (Pre-refunded @ \$101, 7/1/08) (b)	A2/NR	3,388,550
	New Hampshire 0.6%		
1,500	Manchester Water Works Rev. (FGIC), 5.00%, 12/1/28	Aa3/AA	1,509,120
3,250	5.00%, 12/1/34	Aa3/AA	3,226,308
			4,735,428