

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*
<b>MUNICIPAL BONDS &amp; NOTES 97.7%</b>			
<b>Alabama 0.7%</b>			
\$ 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
<b>Alaska 0.9%</b>			
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
<b>Arizona 5.8%</b>			
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
<b>Arkansas 0.1%</b>			
7,000	Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/46 (AMBAC)	Aaa/NR	862,470

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	<b>California 9.5%</b>		
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
	<b>Colorado 2.6%</b>		
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)

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	<b>Colorado (continued)</b>		
\$ 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
	<b>Florida 4.1%</b>		
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
	<b>Georgia 0.7%</b>		
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
	<b>Idaho 0.8%</b>		
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
	<b>Illinois 7.0%</b>		
	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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June 30, 2008 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	<b>Illinois (continued)</b>		
\$ 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
	<b>Indiana 2.9%</b>		
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

	<b>Iowa 1.9%</b>		
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
	<b>Kentucky 0.1%</b>		
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*
	<b>Louisiana 1.0%</b>		
\$ 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
	<b>Maryland 0.2%</b>		
1,500	Health & Higher Educational Facs. Auth. Rev., Calvert Health Systems, 5.50%, 7/1/36	A2/NR	1,509,120
	<b>Massachusetts 0.8%</b>		
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
	<b>Michigan 13.6%</b>		
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

	<b>Minnesota 0.3%</b>		
2,400	Upsala Independent School Dist. No. 487, GO, 5.00%, 2/1/28 (FGIC)	A3/AAA	2,539,536
	<b>Mississippi 0.5%</b>		
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
	<b>Missouri 1.6%</b>		
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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June 30, 2008 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	<b>Missouri (continued)</b>		
\$ 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
	<b>Montana 1.4%</b>		
11,250	Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31 (AMBAC)	Aaa/AAA	11,331,900
	<b>Nevada 0.4%</b>		
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
	<b>New Hampshire 0.6%</b>		
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
	<b>New Jersey 6.1%</b>		
1,000	Camden Cnty., Improvement Auth. Rev., 5.00%, 2/15/35, Ser. A	Baa3/BBB	845,630
	Economic Dev. Auth. Rev.,		
4,500	Kapkowski Road Landfill, Special Assessment, 6.50%, 4/1/28	Baa3/NR	4,723,245
300	Newark Airport, 7.00%, 10/1/14	Ba1/NR	300,747
450	Seashore Gardens, 5.375%, 11/1/36	NR/NR	368,874
	Financing Auth. Rev.,		
2,500	Middlesex Cnty. Pollution Control Auth. Rev., 5.75%, 9/15/32	Baa3/BBB-	2,417,400
2,000	South Port Corp., 5.10%, 1/1/33	NR/A	2,004,760
	Health Care Facs. Financing Auth. Rev.,		
3,000	Pascack Valley Hospital, 6.625%, 7/1/36 (d)	NR/CC	1,860,000
2,000	Somerset Medical Center, 5.50%, 7/1/33	Ba2/NR	1,702,220
1,000	St. Peters Univ. Hospital, 5.75%, 7/1/37	Baa2/BBB-	960,530

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1,150	Trinitas Hospital, 5.25%, 7/1/30, Ser. A	Baa3/BBB-	967,644
1,500	State Educational Facs. Auth. Rev., Fairfield Dickinson Univ., 6.00%, 7/1/25, Ser. D	NR/NR	1,522,305
22,645	Tobacco Settlement Financing Corp. Rev., 5.00%, 6/1/41, Ser. 1A	Baa3/BBB	17,124,375
525	6.00%, 6/1/37, (Pre-refunded @ \$100, 6/1/12) (b)	Aaa/AAA	575,584
950	6.125%, 6/1/24	Aaa/AAA	1,000,626
230	6.125%, 6/1/42, (Pre-refunded @ \$100, 6/1/12) (b)	Aaa/AAA	253,207
350	6.25%, 6/1/43, (Pre-refunded @ \$100, 6/1/13) (b)	Aaa/AAA	393,407
10,750	6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (b)	Aaa/AAA	12,323,908
			49,344,462
	<b>New Mexico 0.1%</b>		
1,000	Farmington Pollution Control Rev., 5.80%, 4/1/22	Baa3/BB+	982,270

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<b>New York 1.5%</b>			
\$ 1,150	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	\$ 1,145,389
8,180	New York City Municipal Water Finance Auth., Water & Sewer System Rev., 5.00%, 6/15/37, Ser. D (h)	Aa2/AA+	8,241,841
500	5.00%, 6/15/39, Ser. A	Aa2/AA+	503,055
2,000	State Environmental Facs. Corp. Rev., 5.00%, 6/15/28	Aaa/AAA	2,040,320
			11,930,605
<b>North Carolina 1.4%</b>			
2,000	Eastern Municipal Power Agcy., Power System Rev., 5.125%, 1/1/23, Ser. D	Baa1/BBB	1,964,900
2,000	5.125%, 1/1/26, Ser. D	Baa1/BBB	1,938,240
3,795	5.375%, 1/1/17, Ser. C	Baa1/BBB	3,891,507
1,500	Medical Care Commission Rev., Carolina Village, 6.00%, 4/1/38	NR/NR	1,381,395
1,500	Cleveland Cnty., 5.00%, 7/1/35 (AMBAC)	Aaa/AAA	1,507,710
1,000	Village at Brookwood, 5.25%, 1/1/32	NR/NR	822,460
			11,506,212
<b>Ohio 1.4%</b>			
5,000	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	Baa3/BBB	4,178,350
2,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	A1/AA-	2,472,600
5,000	Ohio Air Quality Dev. Auth. Rev., Dayton Power & Light Co., 4.80%, 1/1/34, Ser. B (FGIC)(h)	A2/A	4,712,550
			11,363,500
<b>Pennsylvania 3.8%</b>			
11,300	Allegheny Cnty. Hospital Dev. Auth. Rev., 5.375%, 11/15/40, Ser. A	Ba2/BB	9,329,054
4,350	9.25%, 11/15/30, Ser. B, (Pre-refunded @ \$102, 11/15/10) (b)	Ba3/AAA	5,041,998
750	Cumberland Cnty. Auth., Retirement Community Rev., Messiah Village, Ser. A, 5.625%, 7/1/28	NR/BBB-	700,958

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670	6.00%, 7/1/35	NR/BBB-	643,234
1,500	Wesley Affiliated Services, 7.25%, 1/1/35, Ser. A, (Pre-refunded @ \$101, 1/1/13) (b)	NR/NR	1,742,850
3,250	Delaware River JT Toll Bridge, Commission Bridge Rev., 5.00%, 7/1/28	A2/A-	3,268,525
1,250	Harrisburg Auth. Rev., 6.00%, 9/1/36	NR/NR	1,195,187
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+	3,256,920
5,000	Philadelphia School Dist., GO, 5.125%, 6/1/34, Ser. D, (Pre-refunded @ \$100, 6/1/14) (FGIC)(b)	A1/A+	5,416,450
			30,595,176
<b>Puerto Rico 0.3%</b>			
	Electric Power Auth. Power Rev., Ser. NN, (Pre-refunded @ \$100, 7/1/13) (b),		
1,740	5.125%, 7/1/29	A3/AAA	1,882,610
460	5.125%, 7/1/29	A3/BBB+	496,607
			2,379,217
<b>South Carolina 1.8%</b>			
7,500	Florence Cnty. Rev., McLeod Regional Medical Center, 5.00%, 11/1/31, Ser. A (FSA)	Aaa/AAA	7,499,475

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Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	<b>South Carolina (continued)</b>		
\$ 5,305	Jobs-Economic Dev. Auth. Rev., Bon Secours, 5.625%, 11/15/30	A3/A-	\$ 5,315,769
1,395	5.625%, 11/15/30, (Pre-refunded @ \$100, 11/15/12) (b)	A3/A-	1,519,908
750	Woodlands at Furman, 6.00%, 11/15/37, Ser. A	NR/NR	668,018
			15,003,170
	<b>South Dakota 0.2%</b>		
1,705	Minnehaha Cnty. Health Facs. Rev., Bethany Lutheran, 5.375%, 12/1/27	NR/NR	1,496,751
	<b>Tennessee 0.1%</b>		
1,250	Knox Cnty. Health Educational & Housing Facs. Board Rev., Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	1,216,312
	<b>Texas 13.1%</b>		
1,300	Comal Cnty. Health Facs. Dev. Rev., McKenna Memorial Hospital Project, 6.25%, 2/1/32, (Pre-refunded @ \$100, 2/1/13) (b)	Baa2/AAA	1,451,125
6,810	Crowley Independent School Dist., GO, 4.75%, 8/1/35 (PSF-GTD) (h)	Aaa/AAA	6,529,428
5,745	Denton Independent School Dist., GO (PSF-GTD), zero coupon, 8/15/26, (Pre-refunded @ \$44.73, 8/15/12) (b)	Aaa/AAA	2,205,276
255	zero coupon, 8/15/26	Aaa/AAA	92,963
5,745	zero coupon, 8/15/27, (Pre-refunded @ \$42.17, 8/15/12) (b)	Aaa/AAA	2,079,058
255	zero coupon, 8/15/27	Aaa/AAA	87,470
4,785	zero coupon, 8/15/28, (Pre-refunded @ \$39.75, 8/15/12) (b)	Aaa/AAA	1,632,307
215	zero coupon, 8/15/28	Aaa/AAA	69,376
5,745	zero coupon, 8/15/29, (Pre-refunded @ \$37.46, 8/15/12) (b)	Aaa/AAA	1,846,845
255	zero coupon, 8/15/29	Aaa/AAA	77,387
1,915	zero coupon, 8/15/30, (Pre-refunded @ \$35.30, 8/15/12) (b)	Aaa/AAA	580,054
85	zero coupon, 8/15/30	Aaa/AAA	24,267
7,660	zero coupon, 8/15/31, (Pre-refunded @ \$33.25, 8/15/12) (b)	Aaa/AAA	2,185,781
340	zero coupon, 8/15/31	Aaa/AAA	91,331
10,115	5.00%, 8/15/33 (h)	Aaa/AAA	10,133,105
12,855	El Paso, GO, 4.75%, 8/15/33, (FSA)(h)	NR/AAA	12,487,090
5,000	Harris Cnty. Health Facs. Dev. Corp. Rev., Christus Health, 5.375%, 7/1/29, Ser. A, (Pre-refunded @ \$101, 7/1/09) (MBIA)(b)	Aaa/AAA	5,215,850

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2,750	St. Luke s Episcopal Hospital, 5.375%, 2/15/26, Ser. A, (Pre-refunded @ \$100, 8/15/11) (b)	NR/AAA	2,922,618
5,000	Houston Water & Sewer System Rev., 5.00%, 12/1/30, Ser. A, (Pre-refunded @ \$100, 12/1/12) (FSA)(b)	Aaa/AAA	5,325,000
6,535	Judson Independent School Dist., GO (PSF-GTD), 5.00%, 2/1/30, (Pre-refunded @ \$100, 2/1/11) (b)	Aaa/NR	6,841,818
465	5.00%, 2/1/30	Aaa/NR	467,548
11,950	Mansfield Independent School Dist., GO, 5.00%, 2/15/28 (PSF-GTD) (h)	Aaa/AAA	12,076,909
	Mesquite Independent School Dist. No. 1, GO, Ser. A (PSF-GTD),		
1,365	zero coupon, 8/15/16	NR/AAA	950,682
1,000	zero coupon, 8/15/18	NR/AAA	623,140
1,000	zero coupon, 8/15/19	NR/AAA	583,500
1,000	zero coupon, 8/15/20	NR/AAA	547,750
11,800	North Texas Tollway Auth. Rev., 5.625%, 1/1/33, Ser. A	A2/A-	11,838,704
2,105	Northwest Harris Cnty. Municipal Utility Dist. No. 16, GO, 5.30%, 10/1/29 (Radian)	NR/AA	2,154,867
2,000	Sabine River Auth. Rev., 5.20%, 5/1/28	NR/CCC	1,453,840

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**PIMCO Municipal Income Fund III Schedule of Investments**

June 30, 2008 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
	<b>Texas (continued)</b>		
\$ 11,115	Univ. Rev., 5.00%, 8/15/33, Ser. B, (Pre-refunded @ \$100, 8/15/13) (b)(c)(h)	Aaa/AAA	\$ 11,740,108
2,500	Willacy Cnty. Rev., 6.875%, 9/1/28, Ser. A-1	NR/NR	2,449,550
			106,764,747
	<b>Utah 0.4%</b>		
1,750	Cnty. Of Weber, IHC Health Services Rev., 5.00%, 8/15/30	Aa1/NR	1,658,002
750	Spanish Fork City Rev., 5.70%, 11/15/36	NR/NR	661,268
720	Utah Cnty. Lincoln Academy Charter School Rev., GO, 5.875%, 6/15/37, Ser. A (c)	NR/NR	651,240
			2,970,510
	<b>Virginia 0.1%</b>		
1,000	James City Cnty. Economic Dev. Auth. Rev., 5.50%, 7/1/37, Ser. A	NR/NR	837,420
	<b>Washington 9.8%</b>		
6,375	Chelan Cnty. Public Utility Dist. Rev., 5.125%, 7/1/33, Ser. C (AMBAC)	Aaa/AAA	6,451,819
15,000	King Cnty. Sewer Rev., 5.00%, 1/1/35, Ser. A (FSA)(h)	Aaa/AAA	15,114,600
21,625	Port Tacoma, GO, 5.00%, 12/1/33, (Pre-refunded @ \$100, 12/1/13) (AMBAC)(b)(h)	Aaa/AAA	23,232,818
10,000	Seattle Drain & Wastewater Rev., 5.00%, 7/1/32 (FGIC)	Aa2/NR	10,028,700
3,400	State Housing Finance Commission Rev., Skyline at First Hill, 5.625%, 1/1/38, Ser. A	NR/NR	2,898,024
21,505	Tobacco Settlement Auth., Tobacco Settlement Rev., 6.50%, 6/1/26	Baa3/BBB	21,791,232
			79,517,193
	<b>Wisconsin 0.1%</b>		
560	Badger Tobacco Asset Securitization Corp. Rev., 6.00%, 6/1/17	Baa3/BBB	558,818
700	Milwaukee Redev. Auth. Rev., 5.65%, 8/1/37, Ser. A	NR/NR	608,797
			1,167,615



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Total Municipal Bonds & Notes (cost \$798,309,589) 796,092,575

**VARIABLE RATE NOTES (f) 2.1%**

**Florida 0.3%**

3,190 State Turnpike Auth. Rev., 13.81%, 7/1/31, Ser. 1450 (a)(c)(e) Aa2/NR 2,622,116

**New York 1.4%**

4,660 Liberty Dev. Corp. Rev., 19.40%, 10/1/35, Ser. 1451 (a)(c)(e) Aa3/NR 5,031,635

6,000 State Dormitory Auth. Rev., Univ. & College Improvement,  
18.03%, 3/15/35, Ser. 1216 (a)(c)(e) NR/AAA 6,355,200

11,386,835

**Ohio 0.4%**

3,460 State Air Quality Dev. Auth. Rev., 2.971%, 1/1/34  
(FGIC)(a)(c)(e) A2/NR 2,877,440

**Pennsylvania 0.0%**

350 Washington Cnty. Redev. Auth., Tax Allocation, 5.45%,  
7/1/35, Ser. A NR/NR 302,169

Total Variable Rate Notes (cost \$20,693,308) 17,188,560

**PIMCO Municipal Income Fund III Schedule of Investments**

June 30, 2008 (unaudited)

Principal Amount (000)		Credit Rating (Moody s/S&P)	Value*
<b>SHORT-TERM INVESTMENTS 0.2%</b>			
	<b>Municipal Bonds &amp; Notes 0.1%</b>		
	<b>California 0.1%</b>		
\$ 1,000	Alameda Public Financing Auth. Rev., 7.00%, 6/1/09	NR/NR	\$ 728,760
	<b>U.S. Treasury Bills (g) 0.1%</b>		
900	1.88%-1.97%,8/28/08-9/11/08		896,502
	Total Short-Term Investments (cost \$1,894,301)		1,625,262
	<b>Total Investments (cost \$820,897,198) 100.0%</b>		<b>\$ 814,906,397</b>

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**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 procedures 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 are valued at the last sale price on the exchange that is the primary market for such securities, or the last quoted bid 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. 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 determined daily 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 \$16,886,391, representing 2.07% 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) Security in default.
- (e) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on June 30, 2008.
- (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 June 30, 2008.
- (g) All or partial amount segregated as collateral for futures contracts.
- (h) 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.

**Glossary:**

AMBAC insured by American Municipal Bond Assurance Corp.

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

GTD Guaranteed

MBIA insured by Municipal Bond Investors Assurance

NR Not Rated

PSF Public School Fund

Radian insured by Radian Guaranty, Inc.

XLCA insured by XL Capital Assurance

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**Notes to Schedule of Investments:**

**Other Investments:**

(1) Futures contracts outstanding at June 30, 2008:

Type	Contracts	Market Value (000)	Expiration Date	Unrealized Depreciation
Short: U.S. Treasury Bond Futures	(1,917)	\$ (221,593)	9/19/08	\$ (1,168,031)

The Fund pledged \$4,485,000, in cash as collateral for futures contracts.

(2) Transactions in options written for the nine months ended June 30, 2008:

	Contracts	Premiums
Options outstanding, September 30, 2007		\$
Options written	1,873	1,336,920
Options expired	(1,873)	(1,336,920)
Options outstanding, June 30, 2008		\$

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**Item 2. Controls and Procedures**

(a) The registrant's President & Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-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 CFR 270.30a-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

**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: August 25, 2008

By /s/ Lawrence G. Altadonna

Treasurer, Principal Financial &  
Accounting Officer

Date: August 25, 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 dates indicated.

By /s/ Brian S. Shlissel

President & Chief Executive Officer

Date: August 25 2008

By /s/ Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer

Date August 25, 2008