

PIMCO CALIFORNIA MUNICIPAL INCOME FUND III
Form N-CSR
November 30, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21188

PIMCO California Municipal Income
Fund III

(Exact name of registrant as specified in charter)

1633 Broadway,

New York, New York
(Address of principal executive offices)

10019
(Zip code)

Lawrence G. Altadonna 1633 Broadway, New York, New York 10019

(Name and address of agent for service)

Registrant's telephone number, including area code: 212-739-3371

Date of fiscal year end: September 30, 2011

Date of reporting period: September 30, 2011

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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR 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 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.

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Item 1. REPORT TO SHAREHOLDERS

Annual Report

September 30, 2011

PIMCO Municipal Income Fund III
PIMCO California Municipal Income Fund III
PIMCO New York Municipal Income Fund III

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Hans W. Kertess

Chairman

Brian S. Shlissel

President & CEO

Dear Shareholder:

Municipal bonds see-sawed during the twelve-month fiscal period ended September 30, 2011. The fiscal year began with a selloff sparked by a rise in interest rates and a surge in new issuances. Both trends soon reversed, with new issuance plunging and interest rates falling. Also contributing to the rally in the second-half of the fiscal period was a series of economic and geopolitical worries that swept the globe, prompting a flight to safety. U.S. Treasuries benefited from this trend, as did municipal bonds, which tend to track Treasuries.

The Twelve-Month Period in Review

For the twelve-month fiscal reporting period ended September 30, 2011:

PIMCO Municipal Income Fund III advanced 3.12% on net asset value (NAV) and 2.01% on market price.

PIMCO California Municipal Income Fund III returned 2.36% on NAV and declined 0.47% on market price.

PIMCO New York Municipal Income Fund III advanced 1.27% on NAV and declined 1.27% on market price.

In contrast, the Barclays Capital Municipal Bond Index returned a tax-advantaged 3.88% for the reporting period. The broad taxable bond market, represented by the Barclays Capital U.S. Aggregate Bond Index, returned 5.26% for the twelve-months ended September 30, 2011.

The underlying fiscal picture at state and local levels remained challenging during the twelve-month period. No sooner did states close a collective budget gap of \$130 billion in their 2011 fiscal year (after cutting \$191 billion in 2010) than they confronted another sea of red ink in 2012: \$103 billion, according to the Center on Budget and Policy Priorities. In addition, 57% of cities report greater financial difficulties in 2011 than in 2010, according to a separate report from the National League of Cities.

Despite these difficulties, municipal bond defaults remain quite rare. The ten-year cumulative default rate for all municipals is less than one-tenth of one percent. For higher-yielding (riskier) municipals, the rate is just over one-half of one percent.

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In terms of new issuance, the flood of new municipal bonds coming to market in the final months of 2010 slowed considerably in 2011, with supply dropping approximately 35%, according to Morgan Stanley Smith Barney. As the fiscal year drew to a close, however, there were signs that new issuance was picking up, driven largely by bond issuers taking advantage of historically low interest rates.

The Road Ahead

Municipal bonds, after an impressive rally during the second half of the fiscal period, are still priced at attractive levels relative to U.S. Treasury bonds. We believe states and cities will continue to manage their ongoing fiscal difficulties. It is also worth noting that the yield curve, a chart depicting the interest-rate relationship between shorter-term and longer-term bonds, suggests that the risk

of a recession might not be as likely as some market commentators believe. We maintain our view that the U.S. economy, troubled as it may be, will not slip into a recession.

For specific information on the Funds and their performance, please review the following pages. 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) 254-5197. In addition, a wide range of information and resources is available on our website, www.allianzinvestors.com/closedendfunds.

Together with Allianz Global Investors Fund Management LLC, the Funds' investment manager, and Pacific Investment Management Company LLC (PIMCO), the Funds' sub-adviser, we thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess

Chairman

Brian S. Shlissel

President & Chief Executive Officer

Receive this report electronically and eliminate paper mailings. To enroll, go to www.allianzinvestors.com/edelivery.

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PIMCO Municipal Income Funds III Fund Insights

September 30, 2011 (unaudited)

For the fiscal year ended September 30, 2011, PIMCO Municipal Income Fund III returned 3.12% on net asset value (NAV) and 2.01% on market price.

For the fiscal year ended September 30, 2011, PIMCO California Municipal Income Fund III returned 2.36% on NAV and -0.47% on market price.

For the fiscal year ended September 30, 2011, PIMCO New York Municipal Income Fund III returned 1.27% on NAV and -1.27% on market price.

The municipal bond market overcame a weak start for the year and produced a positive return during the fiscal year ended September 30, 2011. The overall municipal market (as measured by the Barclays Capital Municipal Bond Index) posted a negative return during five of the first six months of the fiscal year. This was the result of a number of factors, including rising interest rates, concerns regarding municipal defaults, increasing issuance of Build America Bonds at the end of 2010, and substantial mutual fund redemptions. The municipal market posted a positive return during each of the last six months of the fiscal year. This turnaround was the result of rising tax revenues and sharply lower new issuance. Investor sentiment for the municipal market also improved as many states took meaningful actions to improve their balance sheets. In addition, a flight to quality caused interest rates to fall sharply toward the end of the reporting period.

During the fiscal year, a slightly shorter duration than that of the benchmark detracted from all three Funds' performance, as municipal yields declined during the reporting period. A steepening yield curve bias was a negative for results, as the municipal curve flattened during the fiscal period ended September 30, 2011.

The Funds' performance was hurt by exposure to the tobacco sector. During the fourth quarter of 2010, a number of municipal tobacco settlement trusts were downgraded to below investment grade status. This triggered a sharp sell-off, which was exacerbated by forced selling into an illiquid market by mutual funds not permitted to hold non-investment grade securities. The Funds' exposure to the corporate-backed sector also adversely impacted performance, as it lagged the benchmark.

The Funds were also negatively impacted for having a preference for revenue bonds versus general obligation bonds. This detracted from results as revenue bonds underperformed the benchmark, whereas general obligation bonds outperformed the benchmark during the reporting period.

In contrast, the Funds benefited from exposure to the water and sewer sector, as it outperformed the benchmark. An exposure to the healthcare sector was also beneficial to performance during the fiscal year.

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PIMCO Municipal Income Funds III Performance & Statistics

September 30, 2011 (unaudited)

Municipal Income III:

Total Return⁽¹⁾:	Market Price	NAV
1 Year	2.01%	3.12%
5 Year	0.08%	0.77%
Commencement of Operations (10/31/02) to 9/30/11	3.38%	2.89%

Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 9/30/11

Market Price/NAV:

Market Price	\$10.75
NAV	\$9.69
Premium to NAV	10.94%
Market Price Yield ⁽²⁾	7.81%

Moody's Rating

(as a % of total investments)

California Municipal Income III:

Total Return⁽¹⁾:	Market Price	NAV
1 Year	0.47%	2.36%
5 Year	4.25%	2.52%
Commencement of Operations (10/31/02) to 9/30/11	1.79%	1.83%

Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 9/30/11

Market Price/NAV:

Market Price	\$9.53
NAV	\$9.08

Premium to NAV	4.96%
Market Price Yield ⁽²⁾	7.56%

Moody's Rating

(as a % of total investments)

Table of Contents**PIMCO Municipal Income Funds III Performance & Statistics**

September 30, 2011 (unaudited)

New York Municipal Income III:

Total Return⁽¹⁾:	Market Price	NAV
1 Year	1.27%	1.27%
5 Year	5.48%	4.31%
Commencement of Operations (10/31/02) to 9/30/11	0.62%	0.85%

Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 9/30/11

Market Price/NAV:

Market Price	\$9.00
NAV	\$8.82
Premium to NAV	2.04%
Market Price Yield ⁽²⁾	7.00%

Moody's Rating

(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Funds, market conditions, supply and demand for each Fund's shares, or changes in the Funds' dividends.

An investment in the Funds involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. 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 traded in the open market through a stock exchange. NAV is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

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(2) Market Price Yield is determined by dividing the annualized current monthly per common share dividend (comprised of net investment income) payable to common shareholders by the market price per common share at September 30, 2011.

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September 30, 2011

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
MUNICIPAL BONDS & NOTES 96.7%			
Alabama 1.3%			
\$ 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	\$ 4,384,000
500	Birmingham Special Care Facs. Financing Auth. Rev., Childrens Hospital, 6.00%, 6/1/39 (AGC)	Aa3/AA+	551,485
1,500	Colbert Cnty. Northwest Health Care Auth. Rev., 5.75%, 6/1/27	Ba1/NR	1,450,320
1,000	State Docks Department Rev., 6.00%, 10/1/40	NR/BBB+	1,069,450
			7,455,255
Alaska 1.2%			
3,900	Housing Finance Corp. Rev., 5.00%, 12/1/33, Ser. A	Aaa/AAA	3,913,260
1,000	5.25%, 6/1/32, Ser. C (NPFGC)	Aa2/AA+	1,005,600
3,100	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	B2/NR	1,974,266
			6,893,126
Arizona 5.1%			
1,250	Health Facs. Auth. Rev., Banner Health, 5.00%, 1/1/35, Ser. A	NR/AA-	1,274,725
900	5.50%, 1/1/38, Ser. D	NR/AA-	944,424
2,250	Beatitudes Campus Project, 5.20%, 10/1/37	NR/NR	1,713,712
13,000	Pima Cnty. Industrial Dev. Auth. Rev., 5.00%, 9/1/39 (h)	Aa2/AA	13,148,460
750	Tuscon Electric Power Co., 5.25%, 10/1/40, Ser. A	Baa3/BBB-	714,638
5,000	Salt River Project Agricultural Improvement & Power Dist. Rev., 5.00%, 1/1/39, Ser. A (h)	Aa1/AA	5,363,250
5,600	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	A3/A	5,015,584
			28,174,793
California 13.3%			
1,500	Bay Area Toll Auth. Rev., San Francisco Bay Area, 5.00%, 10/1/29	A1/A+	1,599,480
500	5.00%, 4/1/34, Ser. F-1	Aa3/AA	528,325
3,260	5.00%, 10/1/42	A1/A+	3,418,729
2,000	Golden State Tobacco Securitization Corp. Rev., Ser. A-1, 5.00%, 6/1/33	B3/BB+	1,402,740
4,600	5.125%, 6/1/47	B3/BB+	2,929,602
2,120	5.75%, 6/1/47	B3/BB+	1,497,102
2,500	Health Facs. Financing Auth. Rev., Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	A2/A	2,676,800
600	Sutter Health, 5.00%, 11/15/42, Ser. A (IBC-NPFGC)	Aa3/AA-	592,500
1,500	6.00%, 8/15/42, Ser. B	Aa3/AA-	1,637,625

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

September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
	California (continued)		
\$ 3,350	Indian Wells Redev. Agcy., Tax Allocation, Whitewater Project, 4.75%, 9/1/34, Ser. A (AMBAC)	A2/A	\$ 2,784,822
130	Los Angeles Unified School Dist., GO, 5.00%, 7/1/30, Ser. E (AMBAC)	Aa2/AA-	134,100
1,660	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	NR/NR	1,785,745
1,250	Palomar Pomerado Health, CP, 6.75%, 11/1/39	Baa3/NR	1,293,075
1,600	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A State, GO,	Aa2/AA-	1,683,616
3,000	5.00%, 12/1/31 (NPFGC)	A1/A-	3,074,700
5,000	5.00%, 6/1/37	A1/A-	5,095,800
250	5.00%, 11/1/37	A1/A-	255,105
5,300	5.00%, 12/1/37	A1/A-	5,409,339
1,350	5.25%, 3/1/38	A1/A-	1,401,178
1,300	5.25%, 11/1/40	A1/A-	1,367,964
3,200	5.50%, 3/1/40	A1/A-	3,435,648
2,500	5.75%, 4/1/31	A1/A-	2,728,325
5,000	6.00%, 4/1/38	A1/A-	5,535,950
1,000	Statewide Communities Dev. Auth. Rev., American Baptist Homes West, 6.25%, 10/1/39	NR/BBB	1,001,860
2,410	California Baptist Univ., Ser. B (a)(d), 5.75%, 11/1/17 (b)(j)(k)	NR/NR	2,313,600
75	(acquisition cost-\$2,410,000; purchased 7/12/11) 9.00%, 11/1/17	NR/NR	70,412
2,900	Methodist Hospital Project (FHA), 6.625%, 8/1/29	Aa2/NR	3,481,624
10,300	6.75%, 2/1/38	Aa2/NR	11,953,047
1,200	Tobacco Securitization Auth. of Southern California Rev., 5.00%, 6/1/37, Ser. A-1	B3/BBB	829,596
1,500	Torrance Rev., Memorial Medical Center, 5.00%, 9/1/40, Ser. A	A2/A	1,479,615
500	Univ. of California Rev., 5.00%, 5/15/41, Ser. D (FGIC-NPFGC)	Aa2/AA-	516,255
			73,914,279
	Colorado 2.3%		
9,955	Colorado Springs Utilities Rev., 5.00%, 11/15/30, Ser. B (h)	Aa2/AA	10,082,324
500	Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34	NR/NR	376,635
500	Health Facs. Auth. Rev., Evangelical Lutheran, 6.125%, 6/1/38, Ser. A	A3/A-	504,390
1,500	Housing & Finance Auth. Rev., Evergreen Country Day School, Inc. Project, 5.875%, 6/1/37 (a)(d)	NR/CCC	990,780
500	Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	Baa1/A	522,905

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September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
Colorado (continued)			
\$ 500	Regional Transportation Dist. Rev., Denver Transportation Partners, 6.00%, 1/15/34	Baa3/NR	\$ 515,770
			12,992,804
Connecticut 0.3%			
1,250	Harbor Point Infrastructure Improvement Dist., Tax Allocation, 7.875%, 4/1/39, Ser. A	NR/NR	1,364,862
District of Columbia 2.0%			
10,000	Water & Sewer Auth. Rev., 5.50%, 10/1/39, Ser. A (h)	Aa2/AA	11,349,800
Florida 4.2%			
3,480	Brevard Cnty. Health Facs. Auth. Rev., Health First, Inc. Project, 5.00%, 4/1/34	A3/A-	3,383,813
500	Broward Cnty. Airport Rev., 5.375%, 10/1/29, Ser. O	A1/A+	530,460
4,500	Broward Cnty. Water & Sewer Rev., 5.25%, 10/1/34, Ser. A (h)	Aa2/AA	4,885,695
3,000	Cape Coral Rev., 5.00%, 10/1/41	Aa3/NR	3,075,900
350	Dev. Finance Corp. Rev., Renaissance Charter School, 6.50%, 6/15/21, Ser. A	NR/NR	353,209
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital Project, 5.25%, 10/1/34, Ser. B	A3/NR	2,434,900
1,000	Miami-Dade Cnty. Airport Rev., 5.50%, 10/1/36, Ser. A	A2/A-	1,044,640
3,895	Sarasota Cnty. Health Facs. Auth. Rev., 5.75%, 7/1/45	NR/NR	3,169,790
4,200	State Board of Education, GO, 5.00%, 6/1/38, Ser. D (h)	Aa1/AAA	4,541,880
			23,420,287
Georgia 0.3%			
1,750	Fulton Cnty. Residential Care Facs. for the Elderly Auth. Rev., Lenbrook Project, 5.125%, 7/1/42, Ser. A	NR/NR	1,168,685
400	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project, 5.25%, 7/1/37	NR/NR	324,676
			1,493,361
Hawaii 0.3%			
1,500	Hawaii Pacific Health Rev., 5.50%, 7/1/40, Ser. A	A3/BBB+	1,429,215
Illinois 7.2%			
695	Chicago, GO, 5.00%, 1/1/31, Ser. A (NPFGC)	Aa3/A+	695,723
5,000	5.00%, 1/1/34, Ser. C (h)	Aa3/A+	5,158,900
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)	Aa3/AA+	7,142,030
1,175	Finance Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	Baa1/NR	1,186,797
1,000	Leafs Hockey Club Project (m), 5.875%, 3/1/27, Ser. A	NR/NR	257,250
625	6.00%, 3/1/37, Ser. A	NR/NR	157,237

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September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
Illinois (continued)			
\$ 400	OSF Healthcare System, 7.125%, 11/15/37, Ser. A	A3/A	\$ 447,860
12,795	Peoples Gas Light & Coke Co., 5.00%, 2/1/33 (AMBAC)	A1/A-	12,904,909
1,000	Swedish Covenant Hospital, 6.00%, 8/15/38, Ser. A Univ. of Chicago,	NR/BBB+	1,011,040
165	5.25%, 7/1/41, Ser. 05-A	Aa1/AA	166,477
5,000	5.50%, 7/1/37, Ser. B (h)	Aa1/AA	5,494,600
5,000	State Toll Highway Auth. Rev., 5.50%, 1/1/33, Ser. B	Aa3/AA-	5,313,700
			39,936,523
Indiana 1.3%			
500	Dev. Finance Auth. Rev., 5.00%, 3/1/30, Ser. B (AMBAC)	A1/NR	500,035
2,000	Finance Auth. Rev., U.S. Steel Corp., 6.00%, 12/1/26 Portage, Tax Allocation, Ameriplex Project,	Ba2/BB	2,034,900
1,000	5.00%, 7/15/23	NR/A	982,470
775	5.00%, 1/15/27	NR/A	735,235
2,800	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc., 7.50%, 9/1/22	NR/NR	3,123,316
			7,375,956
Iowa 1.7%			
120	Finance Auth. Rev., Deerfield Retirement Community, Inc., Ser. A, 5.50%, 11/15/27	NR/NR	90,427
575	5.50%, 11/15/37	NR/NR	394,645
11,010	Tobacco Settlement Auth. Rev., 5.60%, 6/1/34, Ser. B	B2/BBB	8,857,215
			9,342,287
Kentucky 0.8%			
1,000	Economic Dev. Finance Auth. Rev., Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	1,004,860
2,000	Owensboro Medical Healthcare Systems, 6.375%, 6/1/40, Ser. A Ohio Cnty. Pollution Control Rev.,	Baa2/NR	2,098,000
1,250	Big Rivers Electric Corp., 6.00%, 7/15/31, Ser. A	Baa1/BBB-	1,295,575
			4,398,435
Louisiana 1.5%			
400	Local Gov t Environmental Facs. & Community Dev. Auth. Rev., Westlake Chemical Corp., 6.50%, 11/1/35, Ser. A-2	Baa3/BBB-	418,940
1,500	Woman s Hospital Foundation, Ser. A, 5.875%, 10/1/40	A3/BBB+	1,517,205
1,000	6.00%, 10/1/44	A3/BBB+	1,016,650
1,700	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project, 5.50%, 5/15/47, Ser. B	Baa1/NR	1,645,787
2,000	6.50%, 5/15/37	Baa1/NR	2,156,900

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September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
Louisiana (continued)			
\$ 1,345	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	A3/A-	\$ 1,345,256
			8,100,738
Maryland 0.8%			
1,000	Economic Dev. Corp. Rev., 5.75%, 6/1/35, Ser. B	Baa3/NR	1,001,260
	Health & Higher Educational Facs. Auth. Rev.,		
1,500	Calvert Health System, 5.50%, 7/1/36	A3/NR	1,533,870
700	Charlestown Community, 6.25%, 1/1/41	NR/NR	728,812
1,000	Lifebridge Health, 6.00%, 7/1/41	A2/A	1,057,300
			4,321,242
Massachusetts 1.3%			
	Dev. Finance Agcy. Rev.		
300	Adventcare Project, 7.625%, 10/15/37	NR/NR	307,347
	Linden Ponds,		
140	zero coupon, 11/15/56, Ser. B	NR/NR	1,407
28	5.50%, 11/15/46, Ser. A-2	NR/NR	18,473
529	6.25%, 11/15/39, Ser. A-1	NR/NR	397,845
4,910	Housing Finance Agcy. Rev., 5.125%, 6/1/43, Ser. H	Aa3/AA-	4,927,430
1,600	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	Aa2/AA-	1,741,248
			7,393,750
Michigan 15.2%			
500	Conner Creek Academy East Rev., 5.25%, 11/1/36	NR/BB+	356,705
1,500	Detroit, GO, 5.25%, 11/1/35	Aa3/AA	1,555,830
9,320	Detroit Sewer Rev., 5.00%, 7/1/32, Ser. A (AGM)	Aa3/AA+	9,357,746
	Detroit Water Rev., (NPFGC),		
30,000	5.00%, 7/1/34, Ser. A	A1/A+	30,086,700
7,555	5.00%, 7/1/34, Ser. B	A2/A	7,559,382
	Royal Oak Hospital Finance Auth. Rev.,		
1,500	William Beaumont Hospital, 8.25%, 9/1/39	A1/A	1,782,585
	State Hospital Finance Auth. Rev.,		
	Oakwood Group, Ser. A,		
5,405	5.75%, 4/1/32	A2/A	5,430,890
575	6.00%, 4/1/22	A2/A	599,420
	Trinity Health,		
18,310	5.375%, 12/1/30	NR/NR	18,481,198
1,690	5.375%, 12/1/30 (Pre-refunded @ \$100, 12/1/12) (c)	NR/NR	1,789,068
10,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BB	7,032,000
			84,031,524
Minnesota 0.0%			
125	Duluth Housing & Redev. Auth. Rev., 5.875%, 11/1/40, Ser. A	NR/BBB-	114,541

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September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
Mississippi 0.8%			
\$ 3,000	Business Finance Corp. Rev., System Energy Res., Inc. Project, 5.875%, 4/1/22	Ba1/BBB	\$ 3,015,000
1,250	5.90%, 5/1/22	Ba1/BBB	1,254,038
			4,269,038
Missouri 0.1%			
250	Jennings Rev., Northland Redev. Area Project, 5.00%, 11/1/23	NR/NR	225,188
500	Manchester, Tax Allocation, Highway141/Manchester Road Project, 6.875%, 11/1/39	NR/NR	512,860
			738,048
New Hampshire 0.4%			
2,000	Business Finance Auth. Rev., Elliot Hospital, 6.125%, 10/1/39, Ser. A	Baa1/BBB+	1,988,060
New Jersey 4.3%			
1,000	Camden Cnty. Improvement Auth. Rev., Cooper Health Systems Group, 5.00%, 2/15/35, Ser. A	Baa3/BBB	868,370
300	Economic Dev. Auth. Rev., Newark Airport Marriott Hotel, 7.00%, 10/1/14	Ba1/NR	300,765
4,500	Economic Dev. Auth., Special Assessment, Kapkowski Road Landfill Project, 6.50%, 4/1/28	Ba2/NR	4,767,975
1,000	Health Care Facs. Financing Auth. Rev., St. Peters Univ. Hospital, 5.75%, 7/1/37	Baa3/BBB-	935,090
1,150	Trinitas Hospital, 5.25%, 7/1/30, Ser. A	Baa3/BBB-	1,060,910
1,600	Tobacco Settlement Financing Corp. Rev., Ser. 1-A, 4.75%, 6/1/34	B2/BB+	1,044,000
22,645	5.00%, 6/1/41	B2/BB-	14,638,407
			23,615,517
New Mexico 0.2%			
1,000	Farmington Pollution Control Rev., 5.90%, 6/1/40, Ser. D	Baa3/BBB-	978,270
New York 6.2%			
9,800	Brooklyn Arena Local Dev. Corp. Rev., Barclays Center Project, 6.25%, 7/15/40	Baa3/NR	10,255,994
1,700	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.50%, 10/1/37	A1/A	1,764,804
1,150	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	1,089,625
10,450	New York City Industrial Dev. Agcy. Rev., Yankee Stadium, 7.00%, 3/1/49 (AGC)	Aa3/AA+	12,029,622
4,900	New York City Municipal Water Finance Auth. Water & Sewer Rev., (h), 5.00%, 6/15/37, Ser. D	Aa1/AAA	5,129,908
4,000	Second Generation Resolutions, 4.75%, 6/15/35, Ser. DD	Aa2/AA+	4,157,400
			34,427,353

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September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
North Carolina 1.4%			
\$ 1,500	Medical Care Commission Rev., Cleveland Cnty. Healthcare, 5.00%, 7/1/35, Ser. A (AMBAC)	WR/A	\$ 1,459,245
6,000	New Hanover Cnty. Rev., 5.00%, 10/1/28	A1/NR	6,205,020
			7,664,265
Ohio 1.1%			
500	Allen Cnty. Catholic Healthcare Rev., Allen Hospital, 5.00%, 6/1/38, Ser. A	A1/AA-	499,235
2,400	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/30, Ser. A-2	B3/BB-	1,800,888
250	Higher Educational Fac. Commission Rev., Ashland Univ. Project, 6.25%, 9/1/24	Ba1/NR	255,803
500	Univ. Hospital Health Systems, 6.75%, 1/15/39, Ser. 2009-A	A2/A	528,425
2,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	A1/AA-	2,522,850
500	Montgomery Cnty. Rev., Miami Valley Hospital, 6.25%, 11/15/39, Ser. A	Aa3/NR	522,160
			6,129,361
Pennsylvania 2.8%			
1,000	Allegheny Cnty. Hospital Dev. Auth. Rev., Univ. of Pittsburgh Medical Center, 5.625%, 8/15/39	Aa3/A+	1,060,820
1,000	West Penn Allegheny Health System, 5.375%, 11/15/40, Ser. A	B2/B+	833,410
750	Cumberland Cnty. Municipal Auth. Rev., Messiah Village Project, Ser. A, 5.625%, 7/1/28	NR/BBB-	698,010
670	6.00%, 7/1/35	NR/BBB-	622,048
1,000	Dauphin Cnty. General Auth. Rev., Pinnacle Health System Project, 6.00%, 6/1/36, Ser. A	A2/A	1,037,770
1,250	Harrisburg Auth. Rev., Harrisburg Univ. of Science, 6.00%, 9/1/36, Ser. B	NR/NR	1,133,425
100	Luzerne Cnty. Industrial Dev. Auth. Rev., Pennsylvania American Water Co., 5.50%, 12/1/39	A2/A	107,605
6,200	Philadelphia Hospitals & Higher Education Facs. Auth. Rev., Temple Univ. Hospital, 6.625%, 11/15/23, Ser. A	Baa3/BBB	6,204,898
500	Philadelphia Water Rev., 5.25%, 1/1/36, Ser. A	A1/A	524,805
3,000	Turnpike Commission Rev., 5.125%, 12/1/40, Ser. D	A3/A-	3,099,720
			15,322,511
Puerto Rico 1.1%			
2,400	Sales Tax Financing Corp. Rev., 5.00%, 8/1/40, Ser. A (AGM) (h)	Aa3/AA+	2,465,616
3,000	5.375%, 8/1/38, Ser. C	A1/A+	3,140,250
600	5.50%, 8/1/42, Ser. A	A1/A+	628,914
			6,234,780

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September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
South Carolina 1.3%			
\$ 1,000	Greenwood Cnty. Rev., Self Regional Healthcare, 5.375%, 10/1/39	A1/A+	\$ 1,021,140
5,305	Jobs-Economic Dev. Auth. Rev., Bon Secours Health System, 5.625%, 11/15/30, Ser. B	A3/A-	5,307,175
800	State Ports Auth. Rev., 5.25%, 7/1/40	A1/A+	856,632
			7,184,947
Tennessee 0.6%			
1,250	Claiborne Cnty. Industrial Dev. Board Rev., Lincoln Memorial Univ. Project, 6.625%, 10/1/39	NR/NR	1,326,650
1,000	Johnson City Health & Educational Facs. Board Rev., Mountain States Health Alliance, 6.00%, 7/1/38	Baa1/BBB+	1,041,260
1,200	Tennessee Energy Acquisition Corp. Rev., 5.25%, 9/1/21, Ser. A	Ba3/B	1,199,940
			3,567,850
Texas 8.9%			
1,300	Dallas Rev., Dallas Civic Center, 5.25%, 8/15/38 (AGC)	Aa3/AA+	1,386,034
10,115	Denton Independent School Dist., GO, 5.00%, 8/15/33 (PSF-GTD) (h)	Aaa/AAA	10,270,670
150	Municipal Gas Acquisition & Supply Corp. I Rev., 5.25%, 12/15/26, Ser. A	Baa1/A	139,143
5,500	North Harris Cnty. Regional Water Auth. Rev., 5.25%, 12/15/33	A1/A+	5,855,025
5,500	5.50%, 12/15/38	A1/A+	5,939,615
600	North Texas Tollway Auth. Rev., 5.50%, 9/1/41, Ser. A	NR/AA	665,730
10,800	5.625%, 1/1/33, Ser. A	A2/A-	11,405,664
700	5.75%, 1/1/33, Ser. F	A3/BBB+	723,611
2,000	Sabine River Auth. Pollution Control Rev., 5.20%, 5/1/28, Ser. C	Ca/NR	580,960
3,000	Tarrant Cnty. Cultural Education Facs. Finance Corp. Rev., Baylor Health Care Systems Project, 6.25%, 11/15/29	Aa2/AA-	3,378,450
8,100	Texas Municipal Gas Acquisition & Supply Corp. I Rev., 6.25%, 12/15/26, Ser. D	Baa1/A	8,323,641
500	Wise Cnty. Rev., Parker Cnty. Junior College Dist., 8.00%, 8/15/34	NR/NR	527,465
			49,196,008
Virginia 0.3%			
1,000	Fairfax Cnty. Industrial Dev. Auth. Rev., Inova Health Systems, 5.50%, 5/15/35, Ser. A	Aa2/AA+	1,065,120
1,000	James City Cnty. Economic Dev. Auth. Rev., United Methodist Homes, 5.50%, 7/1/37, Ser. A	NR/NR	600,920
			1,666,040

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September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
Washington 6.5%			
	Health Care Facs. Auth. Rev.,		
\$ 500	Kadlec Regional Medical Center, 5.50%, 12/1/39	Baa2/NR	\$ 479,935
1,000	Seattle Cancer Care Alliance, 7.375%, 3/1/38	A3/NR	1,118,530
15,000	King Cnty. Sewer Rev., 5.00%, 1/1/35, Ser. A (AGM) (h)	Aa2/AA+	15,061,800
19,005	Tobacco Settlement Auth. Rev., 6.50%, 6/1/26	A3/BBB	19,240,092
			35,900,357
West Virginia 0.2%			
1,000	Hospital Finance Auth. Rev., Highland Hospital, 9.125%, 10/1/41	NR/NR	1,057,460
Wisconsin 0.4%			
	Health & Educational Facs. Auth. Rev.,		
1,000	Aurora Health Care, Inc., 5.625%, 4/15/39, Ser. A	A3/NR	1,022,050
1,000	Prohealth Care, Inc., 6.625%, 2/15/39	A1/A+	1,095,750
			2,117,800
	Total Municipal Bonds & Notes (cost-\$522,582,167)		535,560,443
VARIABLE RATE NOTES (a)(d)(e)(f) 2.7%			
California 0.3%			
1,675	Los Angeles Community College Dist., GO, 13.86%, 8/1/33, Ser. 3096	NR/AA	1,941,475
Florida 1.0%			
5,000	Greater Orlando Aviation Auth. Rev., 9.45%, 10/1/39, Ser. 3174	NR/NR	5,331,350
Texas 1.4%			
6,500	JPMorgan Chase Putters/Drivers Trust, GO, 9.39%, 2/1/17, Ser. 3480	NR/AA+	7,834,645
-	Total Variable Rate Notes (cost-\$13,074,351)		15,107,470
SHORT-TERM INVESTMENTS 0.6%			
U.S. Treasury Obligations (g)(l) 0.6%			
3,329	U.S. Treasury Bills, 0.005%-0.041%, 11/10/11-3/29/12 (cost-\$3,328,801)		3,328,801
-	Total Investments (cost-\$538,985,319) 100.0%		\$ 553,996,714

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September 30, 2011

Principal Amount (000s)		Credit Rating (Moody's/S&P)*	Value
CALIFORNIA MUNICIPAL BONDS & NOTES 94.2%			
\$ 11,725	Assoc. of Bay Area Gov't Finance Auth. for Nonprofit Corps. Rev., Odd Fellows Home of California, 5.35%, 11/15/32, Ser. A (CA Mtg. Ins.)	NR/A-	\$ 11,741,767
1,250	Bay Area Toll Auth. Rev., San Francisco Bay Area, 5.00%, 4/1/34, Ser. F-1	Aa3/AA	1,320,813
1,000	Cathedral City Public Financing Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (NPFGC)	Baa1/BBB	854,240
1,150	Ceres Redev. Agcy., Tax Allocation, Project Area No. 1, 5.00%, 11/1/33 (NPFGC)	Baa1/A-	1,057,655
2,000	Chula Vista Rev., San Diego Gas & Electric, 5.875%, 2/15/34, Ser. B	Aa3/A+	2,220,020
550	City & Cnty. of San Francisco, Capital Improvement Projects, CP, 5.25%, 4/1/31, Ser. A	A1/AA-	567,859
1,415	Contra Costa Cnty. Public Financing Auth., Tax Allocation, 5.625%, 8/1/33, Ser. A	NR/BBB+	1,262,477
3,775	Cucamonga School Dist., CP, 5.20%, 6/1/27	NR/AA-	3,869,677
9,800	Educational Facs. Auth. Rev. (h), Claremont McKenna College, 5.00%, 1/1/39	Aa2/NR	10,384,766
10,000	Univ. of Southern California, 5.00%, 10/1/39, Ser. A	Aa1/AA	10,679,800
1,695	El Dorado Irrigation Dist. & El Dorado Water Agcy., CP, 5.75%, 8/1/39 (AGC)	Aa3/AA+	1,757,732
2,750	Golden State Tobacco Securitization Corp. Rev., 5.00%, 6/1/33, Ser. A-1	B3/BB+	1,928,768
11,000	5.00%, 6/1/45 (AMBAC-TCRS)	A2/BBB+	10,858,100
4,000	5.00%, 6/1/45, Ser. A (FGIC-TCRS)	A2/BBB+	3,948,400
13,865	5.75%, 6/1/47, Ser. A-1	B3/BB+	9,791,186
500	Hartnell Community College Dist., GO, zero coupon, 8/1/34, Ser. 2002-D (i)	Aa2/AA-	285,250
500	Health Facs. Financing Auth. Rev., Adventist Health System, Ser. A, 5.00%, 3/1/33	NR/A	496,080
4,000	5.75%, 9/1/39	NR/A	4,183,080
1,935	Catholic Healthcare West, Ser. A, 6.00%, 7/1/34	A2/A	1,992,257
4,000	6.00%, 7/1/39	A2/A	4,282,880
450	Children's Hospital of Los Angeles, 5.25%, 7/1/38 (AGM)	Aa3/AA+	455,625
500	Children's Hospital of Orange Cnty., 6.50%, 11/1/38, Ser. A	NR/A	539,645
6,000	Cottage Health System, 5.00%, 11/1/33, Ser. B (NPFGC)	Baa1/A+	6,003,300
1,300	Scripps Health, 5.00%, 11/15/36, Ser. A	Aa3/AA-	1,324,232
2,900	Stanford Hospital, 5.25%, 11/15/40, Ser. A-2	Aa3/A+	3,001,065
5,000	Sutter Health, 5.00%, 8/15/38, Ser. A	Aa3/AA-	4,963,150
500	5.00%, 11/15/42, Ser. A (IBC-NPFGC)	Aa3/AA-	493,750
1,200	6.00%, 8/15/42, Ser. B	Aa3/AA-	1,310,100

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September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
\$ 20	Lancaster Financing Auth., Tax Allocation, 4.75%, 2/1/34 (NPFGC)	Baa1/BBB	\$ 15,467
150	Lancaster Redev. Agcy. Rev., Capital Improvements Projects, 5.90%, 12/1/35	NR/A	138,749
500	Lancaster Redev. Agcy., Tax Allocation, 6.875%, 8/1/39	NR/BBB+	508,235
5,600	Long Beach Bond Finance Auth. Rev., Long Beach Natural Gas, 5.50%, 11/15/37, Ser. A	Baa1/A	5,375,048
5,000	Long Beach Unified School Dist., GO, 5.75%, 8/1/33, Ser. A	Aa2/AA-	5,694,050
6,000	Los Angeles Department of Water & Power Rev. (h), 4.75%, 7/1/30, Ser. A-2 (AGM)	Aa3/AA+	6,152,400
10,000	Los Angeles Unified School Dist., GO, 5.00%, 7/1/39, Ser. A	Aa3/AA-	10,500,600
9,580	Los Angeles Unified School Dist., GO, 4.75%, 1/1/28, Ser. A (NPFGC)	Aa2/AA-	9,646,102
10,000	Malibu, City Hall Project, CP, 5.00%, 7/1/39, Ser. A	Aa2/AA-	10,442,600
550	Manteca Financing Auth. Sewer Rev., 5.75%, 12/1/36	NR/AA+	575,449
1,000	Metropolitan Water Dist. of Southern California Rev., 5.00%, 7/1/37, Ser. A (h)	Aa3/NR	1,085,900
5,000	Modesto Irrigation Dist., Capital Improvement Projects, CP, 5.00%, 7/1/33, Ser. A (NPFGC)	Aa1/AAA	5,311,800
2,980	Montebello Unified School Dist., GO, 5.00%, 8/1/33 (AGM)	A2/A+	2,986,645
3,000	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	Aa3/AA+	3,146,340
200	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	NR/A	220,168
1,000	Oakland, GO, 5.00%, 1/15/33, Ser. A (NPFGC)	NR/NR	1,075,750
5,000	Orange Unified School Dist., CP, 4.75%, 6/1/29 (NPFGC)	Aa2/AA-	5,057,000
3,900	Peralta Community College Dist., GO, 5.00%, 8/1/39, Ser. C	Aa3/A+	3,908,268
1,250	Pollution Control Financing Auth. Rev., American Water Capital Corp. Project, 5.25%, 8/1/40 (a)(d)	NR/AA-	1,275,862
1,250	Poway Unified School Dist., Special Tax, 5.125%, 9/1/28	Baa2/BBB+	1,228,025
1,950	Riverside, CP, 5.00%, 9/1/33 (AMBAC)	NR/BBB+	1,865,936
5,000	Rocklin Unified School Dist. Community Facs. Dist., Special Tax, 5.00%, 9/1/29 (NPFGC)	WR/A+	4,744,650
500	Sacramento Municipal Utility Dist. Rev., 5.00%, 8/15/33, Ser. R (NPFGC)	Baa1/A-	492,995
3,250	San Diego Cnty. Water Auth., CP, 5.00%, 5/1/38, Ser. 2008-A (AGM)	A1/A+	3,284,872
6,250	San Diego Community College Dist., GO, 5.00%, 5/1/28, Ser. A (AGM)	Aa2/AA+	6,494,312
12,075	San Diego Public Facs. Financing Auth. Rev., 5.25%, 5/15/39, Ser. A	Aa1/AA+	12,974,467
4,000	San Diego Regional Building Auth. Rev., Cnty. Operations Center & Annex, 5.375%, 2/1/36, Ser. A	Aa3/A+	4,257,600
2,200	San Diego State Univ. Foundation Rev., 5.00%, 3/1/27, Ser. A (NPFGC)	Aa3/AA+	2,341,394
1,500		Baa1/BBB	1,503,465

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September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
\$ 1,500	San Jose Rev., Convention Center Expansion, 6.50%, 5/1/36	A2/A-	\$ 1,611,555
12,200	San Marcos Public Facs. Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (FGIC-NPFGC)	A2/A-	11,473,612
1,000	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	Aa2/AA-	1,052,260
500	Santa Clara Cnty. Financing Auth. Rev., El Camino Hospital, 5.75%, 2/1/41, Ser. A (AMBAC)	A2/A+	512,865
1,200	Santa Cruz Cnty. Redev. Agcy., Tax Allocation, Live Oak/Soquel Community, 7.00%, 9/1/36, Ser. A	A1/A	1,329,876
4,425	South Tahoe JT Powers Financing Auth. Rev., South Tahoe Redev. Project, 5.45%, 10/1/33, Ser. 1-A	NR/BBB+	3,973,738
7,300	State, GO, 6.00%, 4/1/38	A1/A-	8,082,487
2,000	State Public Works Board Rev., California State Univ., 6.00%, 11/1/34, Ser. J	Aa3/BBB+	2,131,420
2,050	Univ. CA M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A	Aa2/AA-	2,084,378
500	Statewide Communities Dev. Auth. Rev., American Baptist Homes West, 6.25%, 10/1/39	NR/BBB	500,930
1,300	California Baptist Univ., 5.50%, 11/1/38, Ser. A	NR/NR	1,154,894
500	6.50%, 11/1/21	NR/NR	541,870
1,015	Catholic Healthcare West, 5.50%, 7/1/31, Ser. D	A2/A	1,037,421
1,015	5.50%, 7/1/31, Ser. E	A2/A	1,037,421
4,500	Kaiser Permanente, 5.00%, 3/1/41, Ser. B	NR/A+	4,501,530
1,000	Lancer Student Housing Project, 7.50%, 6/1/42	NR/NR	1,049,000
7,300	Los Angeles Jewish Home, 5.50%, 11/15/33 (CA St. Mtg.)	NR/A-	7,376,212
15,000	Memorial Health Services, 5.50%, 10/1/33, Ser. A	WR/AA-	15,108,300
2,000	Methodist Hospital Project (FHA), 6.625%, 8/1/29	Aa2/NR	2,401,120
7,200	6.75%, 2/1/38	Aa2/NR	8,355,528
3,100	St. Joseph Health System, 5.75%, 7/1/47, Ser. A (FGIC)	A1/AA-	3,215,227
10,000	Sutter Health, 5.50%, 8/15/34, Ser. B (h)	Aa3/AA-	10,056,900
1,800	6.00%, 8/15/42, Ser. A	Aa3/AA-	1,965,150
3,505	Statewide Communities Dev. Auth., The Internext Group, CP, 5.375%, 4/1/30	NR/BBB	3,196,595
8,100	Tobacco Securitization Agcy. Rev., Alameda Cnty., 5.875%, 6/1/35	Baa1/NR	6,241,860
7,000	6.00%, 6/1/42	Baa3/NR	5,244,050
2,000	Kern Cnty., 6.125%, 6/1/43, Ser. A	NR/BBB	1,573,880
5,000	Tobacco Securitization Auth. of Southern California Rev., 5.00%, 6/1/37, Ser. A-1	B3/BBB	3,456,650

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September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
	Torrance Rev., Torrance Memorial Medical Center, Ser. A,		
\$ 2,000	5.00%, 9/1/40	A2/A	\$ 1,972,820
2,950	5.50%, 6/1/31	A2/A	2,961,830
	West Basin Municipal Water Dist., CP,		
1,000	5.00%, 8/1/30, Ser. A (NPFGC)	Aa2/AA-	1,012,260
2,000	Western Municipal Water Dist. Facs. Auth. Rev.,		
	5.00%, 10/1/39, Ser. B	NR/AA+	2,103,460
1,000	Westlake Village, CP, 5.00%, 6/1/39	NR/AA+	1,038,170
2,500	William S. Hart Union High School Dist.,		
	Special Tax, 6.00%, 9/1/33, Ser. 2002-1	NR/NR	2,499,825
2,750	Woodland Finance Auth.Rev., 5.00%, 3/1/32 (XLCA)	A1/NR	2,842,592
	Total California Municipal Bonds & Notes (cost-\$321,468,641)		338,575,509
OTHER MUNICIPAL BONDS & NOTES 3.9%			
	Indiana 1.2%		
5,000	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc., 5.75%, 9/1/42 (a)(d)	NR/NR	4,545,650
	New Jersey 0.2%		
1,000	Tobacco Settlement Financing Corp. Rev., 4.75%, 6/1/34, Ser. 1-A	B2/BB+	652,500
	New York 1.0%		
3,300	New York City Municipal Water Finance Auth. Water & Sewer Rev., 5.00%, 6/15/37, Ser. D (h)	Aa1/AAA	3,454,836
	Puerto Rico 1.5%		
1,000	Electric Power Auth. Rev., 5.25%, 7/1/40, Ser. XX	A3/BBB+	1,014,620
4,420	Public Buildings Auth. Gov t Facs. Rev., 5.00%, 7/1/36, Ser. I (GTD)	Baa1/BBB	4,315,423
			5,330,043
	Total Other Municipal Bonds & Notes (cost-\$11,776,694)		13,983,029
CALIFORNIA VARIABLE RATE NOTES (a)(d)(e)(f) 0.3%			
1,000	Los Angeles Community College Dist., GO, 13.86%, 8/1/33, Ser. 3096 (cost-\$996,646)	NR/AA	1,159,090
SHORT-TERM INVESTMENTS 1.6%			
	U.S. Treasury Obligations (g)(l) 1.6%		
5,572	U.S. Treasury Bills,		
	0.005%-0.039%, 11/3/11-3/22/12 (cost-\$5,571,580)		5,571,580
	Total Investments (cost-\$339,813,561) 100.0%		\$ 359,289,208

Table of Contents**PIMCO New York Municipal Income Fund III Schedule of Investments**

September 30, 2011

Principal Amount (000s)		Credit Rating (Moody's/S&P)*	Value
NEW YORK MUNICIPAL BONDS & NOTES 80.8%			
\$ 1,000	Brooklyn Arena Local Dev. Corp. Rev., Barclays Center Project, 6.375%, 7/15/43	Baa3/BBB-	\$ 1,050,000
1,500	Chautauqua Cnty. Industrial Dev. Agcy. Rev., Dunkirk Power Project, 5.875%, 4/1/42	Baa3/BB+	1,484,250
730	Dutchess Cnty. Industrial Dev. Agcy. Rev., Elant Fishkill, Inc., 5.25%, 1/1/37, Ser. A	NR/NR	511,825
800	East Rochester Housing Auth. Rev., St. Mary's Residence Project, 5.375%, 12/20/22, Ser. A (GNMA)	NR/NR	863,488
	Liberty Dev. Corp. Rev.,		
1,050	6.375%, 7/15/49	NR/BBB-	1,119,668
	Goldman Sachs Headquarters,		
1,810	5.25%, 10/1/35	A1/A	1,844,788
2,400	5.50%, 10/1/37	A1/A	2,491,488
1,500	Long Island Power Auth. Rev., 5.75%, 4/1/39, Ser. A	A3/A-	1,659,225
	Metropolitan Transportation Auth. Rev.,		
5,220	5.00%, 11/15/32, Ser. A (FGIC-NPFGC)	A2/A	5,299,083
600	5.00%, 11/15/32, Ser. B-2	Aa3/AA	648,954
500	5.00%, 11/15/34, Ser. B	NR/AA	531,830
3,000	Monroe Cnty. Industrial Dev. Corp. Rev., Unity Hospital Rochester Project, 5.50%, 8/15/40 (FHA) (h)	Aa2/AA-	3,226,950
200	Mortgage Agcy. Rev., 4.75%, 10/1/27, Ser. 128	Aa1/NR	201,578
500	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	473,750
2,695	New York City, GO, 5.00%, 3/1/33, Ser. I	Aa2/AA	2,739,144
	New York City Industrial Dev. Agcy. Rev. (AGC),		
600	Queens Baseball Stadium, 6.50%, 1/1/46	Aa3/AA+	643,506
2,200	Yankee Stadium, 7.00%, 3/1/49	Aa3/AA+	2,532,552
	New York City Municipal Water Finance Auth. Water & Sewer Rev., Second Generation Resolutions,		
5,000	4.75%, 6/15/35, Ser. DD (h)	Aa2/AA+	5,196,750
1,500	5.00%, 6/15/39, Ser. GG-1	Aa2/AA+	1,599,435
	New York City Trust for Cultural Res. Rev.,		
3,450	Wildlife Conservation Society, 5.00%, 2/1/34 (FGIC-NPFGC)	Aa3/AA-	3,567,404
1,000	Niagara Falls Public Water Auth. Water & Sewer Rev., 5.00%, 7/15/34, Ser. A (NPFGC)	Baa1/BBB	1,006,170
400	Onondaga Cnty. Rev., Syracuse Univ. Project, 5.00%, 12/1/36	Aa3/A+	435,184
600	Port Auth. of New York & New Jersey Rev., JFK International Air Terminal, 6.00%, 12/1/36	Baa3/BBB-	621,300
	State Dormitory Auth. Rev.,		
1,000	5.00%, 3/15/38, Ser. A	NR/AAA	1,075,140
2,250	Jewish Board Family & Children, 5.00%, 7/1/33 (AMBAC)	WR/BBB	2,223,382

Table of Contents**PIMCO New York Municipal Income Fund III Schedule of Investments**

September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
\$ 2,000	Kaleida Health Hospital, 5.05%, 2/15/25 (FHA)	NR/NR	\$ 2,072,340
3,000	Lutheran Medical Hospital, 5.00%, 8/1/31 (FHA-NPFGC)	Baa1/BBB	3,013,890
2,750	North General Hospital, 5.00%, 2/15/25	NR/AA-	2,773,595
700	North Shore-Long Island Jewish Health System, 5.50%, 5/1/37, Ser. A	A3/A-	733,943
250	NYU Hospitals Center, 6.00%, 7/1/40, Ser. A	Baa1/BBB+	265,502
3,740	St. Barnabas Hospital, 5.00%, 2/1/31, Ser. A (AMBAC-FHA)	WR/NR	3,826,918
1,200	Teachers College, 5.50%, 3/1/39	A1/NR	1,287,300
500	The New School, 5.50%, 7/1/40	A3/A-	536,135
620	Winthrop Univ. Hospital Assoc., 5.50%, 7/1/32, Ser. A	Baa1/NR	624,129
2,500	Winthrop-Nassau Univ., 5.75%, 7/1/28	Baa1/NR	2,534,375
750	State Environmental Facs. Corp. Rev., 4.75%, 6/15/32, Ser. B	Aa1/AA+	784,575
	State Urban Dev. Corp. Rev.,		
2,400	5.00%, 3/15/35, Ser. B	NR/AAA	2,494,464
2,200	5.00%, 3/15/36, Ser. B-1 (h)	NR/AAA	2,366,782
2,000	Triborough Bridge & Tunnel Auth. Rev., 5.25%, 11/15/34, Ser. A-2 (h)	Aa2/AA-	2,197,440
	Warren & Washington Cntys. Industrial Dev. Agcy. Rev., Glens Falls Hospital Project, 5.00%, 12/1/35,		
2,000	Ser. A (AGM)	Aa3/AA+	2,030,880
600	Westchester Cnty. Healthcare Corp. Rev., 6.125%, 11/1/37, Ser. C-2	A3/BBB	630,846
100	Yonkers Economic Dev. Corp. Rev., 6.00%, 10/15/30, Ser. A	NR/BB+	95,951
	Total New York Municipal Bonds & Notes (cost-\$67,094,791)		71,315,909
OTHER MUNICIPAL BONDS & NOTES 11.8%			
District of Columbia 0.2%			
175	Tobacco Settlement Financing Corp. Rev., 6.50%, 5/15/33	Baa1/BBB	178,670
Ohio 1.0%			
1,250	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	B3/BB-	878,512
Puerto Rico 9.3%			
580	Children s Trust Fund Rev., 5.625%, 5/15/43	Baa3/BBB	469,063
2,000	Electric Power Auth. Rev., 5.25%, 7/1/40, Ser. XX	A3/BBB+	2,029,240
	Sales Tax Financing Corp. Rev.,		
4,000	5.00%, 8/1/40, Ser. A (AGM) (h)	Aa3/AA+	4,109,360
1,000	5.375%, 8/1/38, Ser. C	A1/A+	1,046,750
500	5.75%, 8/1/37, Ser. A	A1/A+	534,670
			8,189,083
South Carolina 0.6%			
370	Tobacco Settlement Rev. Management Auth. Rev., 6.375%, 5/15/30, Ser. B	WR/BBB	491,649
U.S. Virgin Islands 0.6%			
500	Public Finance Auth. Rev., 6.00%, 10/1/39, Ser. A	Baa3/NR	520,240

Table of Contents**PIMCO New York Municipal Income Fund III Schedule of Investments**

September 30, 2011 (continued)

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
	Washington 0.1%		
\$ 135	Tobacco Settlement Auth. Rev., 6.625%, 6/1/32	Baa1/BBB	\$ 136,361
	Total Other Municipal Bonds & Notes (cost-\$9,841,544)		10,394,515
	NEW YORK VARIABLE RATE NOTES (f) 5.8%		
5,000	State Dormitory Auth. Rev., Rockefeller Univ., 5.00%, 7/1/32, Ser. A-1 (cost-\$4,338,289)	Aa1/AAA	5,138,900
	SHORT-TERM INVESTMENTS 1.6%		
	U.S. Treasury Obligations (g)(l) 1.6%		
1,410	U.S. Treasury Bills, 0.015%-0.033%, 10/20/11-3/8/12 (cost-\$1,409,903)		1,409,903
	Total Investments (cost-\$82,684,527) 100.0%		\$ 88,259,227

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PIMCO Municipal Income Funds III Notes to Schedule of Investments

September 30, 2011 (continued)

- * Unaudited.
- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$18,482,262, and \$6,932,765, representing 3.3% and 1.9% of total investments in Municipal III and California Municipal III, respectively.
- (b) Illiquid.
- (c) 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).
- (d) 144A 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.
- (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 September 30, 2011.
- (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 September 30, 2011.
- (g) All or partial amount segregated for the benefit of the counterparty as collateral for derivatives.
- (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 each Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (i) Step Bond Coupon is a fixed rate for an initial period then resets at a specific date and rate.
- (j) Restricted. The acquisition cost of such security is \$2,410,000 and the market value is \$2,313,600, representing 0.4% of total investments in Municipal III.
- (k) Fair-Valued Security with a value of \$2,313,600, representing 0.4% of total investments in Municipal III. See Note 1(a) and Note 1(b) in the Notes to Financial Statements.
- (l) Rates reflect the effective yields at purchase date.
- (m) In default.

Glossary:

AGC	-	insured by Assured Guaranty Corp.
AGM	-	insured by Assured Guaranty Municipal Corp.
AMBAC	-	insured by American Municipal Bond Assurance Corp.
CA Mtg. Ins.	-	insured by California Mortgage Insurance
CA St. Mtg.	-	insured by California State Mortgage
CP	-	Certificates of Participation
FGIC	-	insured by Financial Guaranty Insurance Co.
FHA	-	insured by Federal Housing Administration
GNMA	-	insured by Government National Mortgage Association
GO	-	General Obligation Bond
GTD	-	Guaranteed
IBC	-	Insurance Bond Certificate
NPFGC	-	insured by National Public Finance Guarantee Corp.
NR	-	Not Rated
PSF	-	Public School Fund
TCRS	-	Temporary Custodian Receipts
WR	-	Withdrawn Rating
XLCA	-	insured by XL Capital Assurance

Table of Contents**PIMCO Municipal Income Funds III Statements of Assets and Liabilities**

September 30, 2011

	Municipal III	California Municipal III	New York Municipal III
Assets:			
Investments, at value (cost-\$538,985,319, \$339,813,561 and \$82,684,527, respectively)	\$553,996,714	\$359,289,208	\$88,259,227
Cash		5,722,168	2,144,996
Interest receivable	9,215,328	5,627,695	1,063,963
Deposits with brokers for swaps collateral	1,430,000		40,000
Receivable for investments sold	559,905		
Swap premiums paid		18,170	
Prepaid expenses and other assets	52,517	21,128	10,987
Total Assets	565,254,464	370,678,369	91,519,173
Liabilities:			
Payable for floating rate notes issued	56,536,224	40,288,688	8,932,500
Unrealized depreciation of OTC swaps	3,323,325	4,663,255	629,707
Dividends payable to common and preferred shareholders	2,264,912	1,314,514	295,550
Investment management fees payable	246,544	158,762	40,019
Payable to custodian for cash overdraft	171,284		
Payable for variation margin on centrally cleared swaps	167,993		