

PIMCO NEW YORK MUNICIPAL INCOME FUND
Form N-CSR
December 08, 2006

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 811-21189

PIMCO New York Municipal Income Fund III
(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, New York 10105
(Address of principal executive offices) (Zip code)

Lawrence G. Altadonna - 1345 Avenue of the Americas, New York, New York 10105
(Name and address of agent for service)

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

Date of fiscal year end: September 30, 2006

Date of reporting period: September 30, 2006

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, 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.

PIMCO Municipal Income Fund III
PIMCO California Municipal Income Fund III
PIMCO New York Municipal Income Fund III
Annual Report
September 30, 2006
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PIMCO Municipal Income Funds III Letter to Shareholders

October 30, 2006

Dear Shareholder:

We are pleased to provide you with the 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 fiscal year ended September 30, 2006.

After a difficult period, the bond market picked up in the third quarter of 2006 as the economy slowed and expectations grew that the Federal Reserve (the "Fed") might begin easing. In fact, the Fed left rates unchanged at 5.25% at each of the last three Fed meetings (August, September and October), citing weakness in the housing sector and falling energy prices. Prior to the August meeting, the Fed had raised the fed funds rate 25 basis points at seventeen consecutive meetings. Nine of the seventeen interest rate increases took place during the Funds' fiscal year, and as a result the inherent increase in borrowing costs proved to be a headwind for the Funds during the year.

For specific information on the Funds and their performance during the reporting period, 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) 331-1710. You will also find a wide range of information and resources on our Web site, 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
 September 30, 2006 (unaudited)

Management Review

- For the 12 months ended September 30, 2006, PIMCO Municipal Income Fund III returned 7.89% on net asset value and 7.69% on market price, compared with 6.37% and 8.73%, respectively, for the Lipper Analytical General Municipal Debt Funds (Leveraged) average.
- The municipal bond market outperformed the taxable bond market for the one-year reporting period, as the Lehman Municipal Bond Index returned 4.45% and the Lehman Aggregate Bond Index returned 3.67%, respectively.
- Longer-dated municipal bonds outperformed shorter-dated municipals during the reporting period as the yield curve flattened. For example, five- and 10-year AAA General Obligation yields rose 27 and 6 basis points, while 20- and 25-year yields declined 13 and 22 basis points, respectively. Note that when a bond's yield rises, its price declines, and vice versa.
- Longer-dated municipals also outperformed longer-dated Treasuries for the period. Consequently, interest rate hedging strategies that benefit when longer-term Treasuries lag municipals added to performance.
- Exposure to tobacco-securitized debt was positive for performance.
- Exposure to zero-coupon bonds, which have outperformed most other fixed-income sectors in 2006, also enhanced performance.
- A focus on higher credit quality bonds detracted from performance as lower-rated, more speculative issues outperformed during the year.

Total Return ⁽¹⁾ :	Market Price	Net Asset Value (“NAV”)
1 Year	7.69%	7.89%
3 Years	10.51%	8.97%
Commencement of Operations (10/31/02) to 9/30/06	7.97%	7.78%

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 9/30/06

Market Price / NAV:	
Market Price	\$15.70
NAV	\$14.90
Premium to NAV	5.37%
Market Price Yield ⁽²⁾	5.35%

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

(1)**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.

(2)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 September 30, 2006.

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PIMCO California Municipal Income Fund III
 Performance & Statistics
 September 30, 2006 (unaudited)

Management Review

- For the 12 months ended September 30, 2006, PIMCO California Municipal Income Fund III returned 6.99% on net asset value and 19.43% on market price, compared with 6.19% and 9.94%, respectively, for the Lipper Analytical California Municipal Debt Funds average.
- California municipal bonds, as measured by the Lehman California Municipal Bond Index, outperformed the broader national municipal market, as measured by the Lehman Municipal Bond

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Index, for the one-year reporting period, returning 4.61% and 4.45%, respectively.

- The California General Obligation AAA municipal yield curve flattened over the reporting period. For example, five-year maturity AAA municipal yields increased 27 basis points, while 10-, 20- and 30-year maturities decreased 7, 16 and 25 basis points, respectively.
- Exposure to tobacco-securitized debt was positive for performance.
- Exposure to zero-coupon bonds, which have outperformed most other fixed-income sectors in 2006, also enhanced performance.
- A focus on higher credit quality bonds detracted from performance as lower-rated, more speculative issues outperformed during the year.

Total Return ⁽¹⁾ :	Market Price	Net Asset Value (“NAV”)
1 Year	19.43%	6.99%
3 Years	14.93%	10.50%
Commencement of Operations (10/31/02) to 9/30/06	10.07%	7.67%

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 9/30/06

Market Price / NAV:	
Market Price	\$16.94
NAV	\$14.83
Premium to NAV	14.23%
Market Price Yield ⁽²⁾	5.67%

Moody's Ratings

(as a % of total investments)

(1)**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.

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(2)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 September 30, 2006.

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PIMCO New York Municipal Income Fund III
 Performance & Statistics
 September 30, 2006 (unaudited)

Management Review

- For the 12 months ended September 30, 2006, PIMCO New York Municipal Income Fund III returned 6.53% on net asset value and 8.73% on market price, compared with 5.89% and 9.02%, respectively, for the Lipper Analytical New York Municipal Debt Funds average.
- Municipal bonds issued within New York, as measured by the Lehman New York Municipal Bond Index, slightly underperformed the national market, as measured by the Lehman Municipal Bond Index, for the one-year reporting period, returning 4.37% and 4.45%, respectively.
- The New York General Obligation AAA municipal yield curve flattened over the reporting period. For example, five-year maturity AAA yields increased 19 basis points, while 10-, 20- and 30-year maturities decreased 8, 9, and 26 basis points, respectively.
- Exposure to tobacco-securitized debt was positive for performance.
- Exposure to zero-coupon bonds, which have outperformed most other fixed-income sectors in 2006, also enhanced performance.
- A focus on higher credit quality bonds detracted from performance as lower-rated, more speculative issues outperformed during the year.

Total Return ⁽¹⁾ :	Market Price	Net Asset Value (“NAV”)
1 Year	8.73%	6.53%
3 Years	13.35%	8.89%
Commencement of Operations (10/31/02) to 9/30/06	9.00%	7.85%

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 9/30/06

Market Price / NAV:	
Market Price	\$16.45
NAV	\$15.09
Premium to NAV	9.01%
Market Price Yield ⁽²⁾	5.11%

Moody's Ratings

(as a % of total investments)

(1)**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.

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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.

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PIMCO Municipal Income Fund III
Schedule of Investments
September 30, 2006

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
MUNICIPAL BONDS & NOTES—89.8%			
Alabama—1.4%			
	Birmingham, GO, Ser. B (AMBAC),		
\$1,000	5.00%, 12/1/27	Aaa/AAA	\$1,040,760
2,560	5.00%, 12/1/32	Aaa/AAA	2,650,317
5,000	Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/30, Ser. A	Baa1/NR	5,117,350
1,500	Colbert Cnty., Northwest Health Care Auth., Health Care Facs. Rev., 5.75%, 6/1/27	Baa3/NR	1,530,090
			10,338,517
Alaska—0.7%			
	State Housing Finance Corp. Rev.,		
3,900	5.00%, 12/1/33, Ser. A	Aaa/AAA	3,997,305
1,000	5.25%, 6/1/32, Ser. C (MBIA)	Aaa/AAA	1,020,690
			5,017,995
Arizona—0.6%			
2,200	Health Facs. Auth. John C. Lincoln Health Network Rev., 7.00%, 12/1/25, (Pre-refunded @ \$102, 12/1/10) (a)	NR/BBB	2,520,584
1,500	Maricopa Cnty. Pollution Control Corp., Pollution Control Rev., 5.05%, 5/1/29 (AMBAC)	Aaa/AAA	1,569,330
			4,089,914
Arkansas—0.1%			
7,000	Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/46 (AMBAC)	Aaa/AAA	1,056,580
California—7.8%			
1,000	Alameda Public Financing Auth. Rev., 7.00%, 6/1/09	NR/NR	1,003,270
2,000	Chula Vista Community Facs. Dist., Special Tax, 5.25%, 9/1/30	NR/NR	2,033,540

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	Golden State Tobacco Securitization Corp., Tobacco Settlement Rev., Ser. 2003-A-1,		
27,585	6.25%, 6/1/33	Baa3/BBB	30,383,774
21,000	6.75%, 6/1/39	Baa3/BBB	23,729,580
			57,150,164
	Colorado—2.6%		
	El Paso Cnty., CP (AMBAC),		
1,735	5.00%, 12/1/23, Ser. A	Aaa/AAA	1,823,954
1,725	5.00%, 12/1/23, Ser. B	Aaa/AAA	1,813,441
2,820	5.00%, 12/1/27, Ser. A	Aaa/AAA	2,950,481
1,500	5.00%, 12/1/27, Ser. B	Aaa/AAA	1,569,405
1,500	Garfield Cnty. School Dist. Re-2, GO, 5.00%, 12/1/25 (FSA)	Aaa/NR	1,572,735
2,000	La Plata Cnty. School Dist. No. 9-R, Durango, GO, 5.25%, 11/1/25, (Pre-refunded @ \$100, 11/1/12) (MBIA) (a)	Aaa/NR	2,179,720
4,000	Saddle Rock Metropolitan Dist., GO, 5.35%, 12/1/31 (Radian)	NR/AA	4,137,960
2,500	School Mines Auxiliary Facs. Rev., 5.00%, 12/1/37 (AMBAC)	Aaa/AAA	2,590,925
			18,638,621

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PIMCO Municipal Income Fund III
Schedule of Investments
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Florida—6.5%		
\$3,480	Brevard Cnty. Health Facs. Auth. Rev., 5.00%, 4/1/34	A2/A	\$3,610,465
8,000	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System, 5.25%, 11/15/23, Ser. B	A2/A+	8,391,280
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital, 5.25%, 10/1/34, Ser. B	A3/NR	2,632,850
1,485	Julington Creek Plantation Community Dev. Dist., Special Assessment Rev., 5.00%, 5/1/29 (MBIA)	Aaa/AAA	1,561,300
1,000	Orange Cnty. Housing Finance Auth. Multifamily Rev., Palm Grove Gardens, 5.25%, 1/1/28, Ser. G	Aaa/NR	1,035,940
15,000	Pinellas Cnty. Health Fac. Auth. Rev., Baycare Health, 5.50%, 11/15/33, (Pre-refunded @ \$100, 5/15/13) (a)	Aa3/NR	16,552,050
7,500	South Miami Health Facs. Auth., Hospital Rev., Baptist Health, 5.25%, 11/15/33	Aa3/AA-	7,860,825

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5,615	Tampa, Water & Sewer Rev., 5.00%, 10/1/26, Ser. A	Aa2/AA	5,865,878
			47,510,588
	Georgia-0.6%		
4,000	Griffin Combined Public Utility Rev., 5.00%, 1/1/32 (AMBAC)	Aaa/AAA	4,220,720
	Idaho-1.0%		
	State Building Auth. Building Rev., Ser. A (XLCA),		
1,000	5.00%, 9/1/33	Aaa/AAA	1,042,220
5,750	5.00%, 9/1/43	Aaa/AAA	5,976,435
			7,018,655
	Illinois-8.7%		
2,250	Chicago, GO, 5.00%, 1/1/31, Ser. A (MBIA)	Aaa/AAA	2,323,058
	Chicago, Lake Shore East, Special Assessment,		
1,600	6.625%, 12/1/22	NR/NR	1,734,080
3,456	6.75%, 12/1/32	NR/NR	3,749,034
5,000	Chicago Board of Education, GO, 5.00%, 12/1/31, Ser. C, (Pre-refunded @ \$100, 12/1/11) (FSA) (a)	Aaa/AAA	5,336,350
500	Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC)	Aaa/AAA	182,920
3,000	Chicago Kingsbury Redev. Project, Tax Allocation,		
	6.57%, 2/15/13, Ser. A	NR/NR	3,095,010
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)	Aaa/AAA	7,275,380
4,000	Chicago Park Dist., GO, 5.00%, 1/1/29, Ser. D (FGIC)	Aaa/AAA	4,130,840
2,500	Chicago Water Rev., 5.00%, 11/1/31, (Pre-refunded @ \$100, 11/1/11) (AMBAC) (a)	Aaa/AAA	2,665,725
2,935	City of Springfield Rev., 5.00%, 3/1/35 (MBIA)	AAA/AAA	3,083,217
1,050	Dev. Finance Auth., 5.875%, 2/15/38	NR/NR	1,086,204
	Educational Facs. Auth. Rev., Univ. of Chicago,		
4,780	5.00%, 7/1/33	Aa1/AA	4,968,045
220	5.00%, 7/1/33, (Pre-refunded @ \$100, 7/1/13)		
	(a)	Aa1/AA	238,005
165	5.25%, 7/1/41	Aa1/AA	174,233
4,160	5.25%, 7/1/41, (Pre-refunded @ \$101, 7/1/11)		
	(a)	Aa1/AA	4,489,911

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PIMCO Municipal Income Fund III
 Schedule of Investments
 September 30, 2006 (continued)

Value

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Principal Amount (000)		Credit Rating (Moody's/S&P)*	
	Illinois—8.7% (continued)		
\$9,045	Metropolitan Pier & Exposition Auth., Dedicated State Tax Rev., McCormick Place Expansion, 5.25%, 6/15/42 (MBIA)	Aaa/AAA	\$9,592,584
4,300	Round Lake, Special Tax Rev., 6.70%, 3/1/33	NR/NR	4,643,269
1,175	State Health Facs. Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	A2/NR	1,248,085
3,050	Univ. Rev., 5.00%, 4/1/30, Ser. A (AMBAC)	Aaa/AAA	3,140,128
			63,156,078
	Indiana—3.6%		
7,535	Bond Bank Rev., 5.00%, 2/1/33, Ser. A (FSA)	Aaa/AAA	7,839,112
3,000	Brownsburg 1999 School Building Corp. Rev., 5.25%, 3/15/25, Ser. A, (Pre-refunded @ \$100, 9/15/13) (FSA) (a)	Aaa/AAA	3,297,930
1,375	Fort Wayne Pollution Control Rev., 6.20%, 10/15/25	Caa1/B-	1,410,764
5,000	Indianapolis Local Public Improvement Board, Tax Allocation, 5.00%, 2/1/29, Ser. G (MBIA)	Aaa/AAA	5,208,600
	Michigan City Area Wide School Building Corp. Rev. (FGIC),		
2,500	zero coupon, 1/15/21	Aaa/AAA	1,344,675
1,000	zero coupon, 7/15/21	Aaa/AAA	526,320
1,000	zero coupon, 1/15/22	Aaa/AAA	512,710
1,000	Plainfield Parks Facs. Corp. Lease Rent Rev., 5.00%, 1/15/22 (AMBAC)	Aaa/AAA	1,044,030
	Portage Industrial Economic Dev. Rev.,		
1,000	5.00%, 7/15/23	NR/BBB+	1,018,520
775	5.00%, 1/15/27	NR/BBB+	783,370
3,500	State Dev. Finance Auth. Pollution Control Rev., 5.00%, 3/1/30 (AMBAC)	Aaa/AAA	3,510,115
			26,496,146
	Iowa—1.8%		
1,000	Coralville, CP, 5.25%, 6/1/26, Ser. D	NR/A2	1,056,560
1,000	Tobacco Settlement Auth., Tobacco Settlement Rev., 5.60%, 6/1/35, Ser. B, (Pre-refunded @ \$101, 6/1/11) (a)	Baa3/AAA	1,090,790
11,010	Tobacco Settlement Auth. of Iowa Rev., zero coupon, 6/1/34, Ser. B	Baa3/BBB	10,700,509
			12,847,859
	Kentucky—0.3%		
	Economic Dev. Finance Auth. Hospital Facs. Rev.,		
1,000	Catholic Healthcare Partners, 5.25%, 10/1/30	Aa3/AA-	1,048,090
1,140	St. Luke's Hospital, 6.00%, 10/1/19	A3/A	1,273,585
			2,321,675
	Louisiana—1.0%		
5,000	Public Facs. Auth. Rev., Ochsner Clinic Foundation,	A3/NR	5,274,250

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	5.50%, 5/15/32, Ser. B		
1,595	Tobacco Settlement Financing Corp. Rev.,		
	5.875%, 5/15/39, Ser. 2001 B	Baa3/BBB	1,685,389
			6,959,639

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PIMCO Municipal Income Fund III
 Schedule of Investments
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Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Maryland—0.2%		
\$1,500	State Health & Higher Educational Facs. Auth. Rev., Calvert Health Systems, 5.50%, 7/1/36	A2/NR	\$1,610,205
	Massachusetts—3.4%		
1,000	State Dev. Finance Agcy. Rev., 5.75%, 7/1/33, Ser. C	Baa1/BBB+	1,070,890
7,000	State Health & Educational Facs. Auth. Rev., Harvard Univ., 5.125%, 7/15/37, Ser. FF	Aaa/AAA	7,358,120
4,910	State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H	Aa3/AA-	5,027,791
3,225	State Water Pollution Abatement Trust Rev., 5.00%, 8/1/32, Ser. 8	Aaa/AAA	3,367,061
7,555	State Water Res. Auth. Rev., 5.00%, 8/1/32, Ser. J (FSA)	Aaa/AAA	7,844,206
			24,668,068
	Michigan—7.0%		
	Detroit Water Supply System, Ser. B (MBIA),		
7,555	5.00%, 7/1/34	AAA/AAA	7,865,662
4,685	5.00%, 7/1/34, (Pre-refunded @ \$100, 7/1/13) (a)	AAA/AAA	5,068,420
5,000	State Building Auth. Rev., 5.00%, 10/15/26, Ser. III, (Pre-refunded @ \$100, 10/15/12) (FSA) (a)	Aaa/AAA	5,379,200
	State Hospital Finance Auth. Rev.,		
175	Detroit Medical Center, 5.25%, 8/15/23	Ba3/BB-	165,800
4,000	Henry Ford Health System, 5.00%, 3/1/17, (Pre-refunded @ \$100, 3/1/13) (a)	A1/A	4,289,400
	Oakwood Group, Ser. A,		
5,405	5.75%, 4/1/32	A2/A	5,762,865
575	6.00%, 4/1/22	A2/A	627,135
20,000	Trinity Health Credit, 5.375%, 12/1/30	Aa3/AA-	21,217,800
1,000	State Technical Univ., 5.00%, 10/1/33 (XLCA)	Aaa/AAA	1,039,860
			51,416,142

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	Minnesota-0.3%		
2,400	Upsala Independent School Dist. No. 487, GO, 5.00%, 2/1/28 (FGIC)	Aaa/AAA	2,520,504
	Mississippi-0.6%		
3,000	Business Finance Corp., Pollution Control Rev., 5.875%, 4/1/22	Ba1/BBB-	3,014,700
1,250	5.90%, 5/1/22	Ba1/BBB-	1,252,025
			4,266,725
	Missouri-3.0%		
4,000	Bi-State Dev. Agcy. Rev., Missouri Illinois Metropolitan Dist., 5.00%, 10/1/32 (FSA)	Aaa/AAA	4,187,200
1,350	St. Louis Cnty. Industrial Dev. Auth., Housing Dev. Rev., 5.20%, 1/20/36 (GNMA)	NR/AAA	1,392,026
1,500	St. Louis Industrial Dev. Auth. Rev. (GNMA), 5.125%, 12/20/29	NR/AAA	1,553,085
1,500	5.125%, 12/20/30	NR/AAA	1,544,880

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PIMCO Municipal Income Fund III
Schedule of Investments
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Missouri-3.0% (continued)		
\$4,365	State Environmental Improvement & Energy Res. Auth., Water Pollution Control Rev., 5.00%, 7/1/23, Ser. B	Aaa/NR	\$4,611,142
7,500	State Health & Educational Facs. Auth., Health Facs., St. Anthony's Medical Center, 6.25%, 12/1/30, (Pre-refunded @ \$101, 12/1/10) (a)	A2/A	8,328,525
			21,616,858
	Montana-1.6%		
11,250	Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31 (AMBAC)	Aaa/AAA	11,817,450
	Nevada-0.6%		
3,355	Henderson Health Care Fac. Rev., Catholic Healthcare West, 5.125%, 7/1/28	A3/A-	3,399,722
895	Henderson Local Improvement Dists., Special Assessment, 5.80%, 3/1/23	NR/NR	925,126
			4,324,848

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New Hampshire—0.7%			
Manchester Water Works Rev. (FGIC),			
1,500	5.00%, 12/1/28	Aaa/AAA	1,578,180
3,250	5.00%, 12/1/34	Aaa/AAA	3,396,867
4,975,047			
New Jersey—4.7%			
Camden Cnty.,			
1,000	Improvement Auth., 5.00%, 2/15/35, Ser. A	Baa3/BBB	1,025,360
1,540	Improvement Auth. Rev., Cooper Health System, 6.00%, 2/15/27, (Pre-refunded @ \$102, 2/15/07) (a)	Baa3/BBB	1,583,690
Economic Dev. Auth.,			
4,500	Kapkowski Rd. Landfill, 6.50%, 4/1/28	Baa3/NR	5,479,020
300	Newark Airport, 7.00%, 10/1/14	Ba3/NR	306,429
Health Care Facs. Financing Auth. Rev.,			
2,500	Middlesex Cnty. Pollution Control Auth. Rev., 5.75%, 9/15/32	Ba1/BBB—	2,660,075
3,000	Pascack Valley Hospital, 6.625%, 7/1/36	NR/B+	3,119,190
2,000	Somerset Medical Center, 5.50%, 7/1/33	Baa3/NR	2,052,660
2,000	South Port Corp. Rev., 5.10%, 1/1/33	NR/A	2,079,760
1,500	State Educational Facs. Auth. Rev., 6.00%, 7/1/25, Ser. D	NR/NR	1,643,160
Tobacco Settlement Financing Corp. Rev.,			
525	6.00%, 6/1/37	Baa3/BBB	559,870
1,000	6.125%, 6/1/24	Baa3/BBB	1,083,560
230	6.125%, 6/1/42	Baa3/BBB	246,691
350	6.25%, 6/1/43	Baa3/BBB	382,354
10,750	6.75%, 6/1/39	Baa3/BBB	12,048,708
34,270,527			

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PIMCO Municipal Income Fund III
Schedule of Investments
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
New Mexico—0.1%			
\$1,000	Farmington Pollution Control Rev., 5.80%, 4/1/22	Baa2/BBB	\$1,011,770
New York—5.5%			
10,000	Metropolitan Transportation Auth. Rev., 5.25%, 11/15/32, Ser. B	A2/A	10,658,500
New York City Municipal Water Finance Auth., Water & Sewer System Rev.,			
5,000	5.00%, 6/15/35, Ser. C	Aa2/AA+	5,217,000

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1,500	5.00%, 6/15/39, Ser. A State Dormitory Auth. Rev.,	Aa2/AA+	1,562,100
4,000	Saint Barnabas Hospital, 5.125%, 2/1/22, Ser. A (AMBAC-FHA)	Aaa/AAA	4,242,200
11,590	Sloan-Kettering Center Memorial, 5.00%, 7/1/34, Ser. 1	Aa2/AA	12,066,581
3,800	State Personal Income Tax, 5.00%, 3/15/32, (Pre-refunded @ \$100, 3/15/13) (a)	Aa3/AAA	4,110,422
2,000	State Environmental Facs. Corp. Rev., 5.00%, 6/15/28	Aaa/AAA	2,106,760
			39,963,563
	North Carolina–1.6%		
2,000	Charlotte-Mecklenburg Hospital Auth., Healthcare System Rev., 5.00%, 1/15/33, Ser. A	Aa3/AA	2,078,440
	Eastern Municipal Power Agcy., Power System Rev.,		
2,000	5.125%, 1/1/23, Ser. D	Baa2/BBB	2,076,040
2,000	5.125%, 1/1/26, Ser. D	Baa2/BBB	2,068,320
3,795	5.375%, 1/1/17, Ser. C	Baa2/BBB	4,048,089
1,500	Medical Care Commission, Health Care Facs. Rev., Cleveland Cnty., 5.00%, 7/1/35 (AMBAC)	Aaa/AAA	1,564,410
			11,835,299
	Ohio–0.4%		
2,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	Aa3/AA–	2,629,850
	Oklahoma–0.5%		
3,500	Tulsa Cnty. Industrial Auth. Rev., Legacy Apartments, 4.90%, 11/20/46 (FHA-GNMA)	Aaa/NR	3,612,910
	Pennsylvania–3.4%		
4,350	Allegheny Cnty. Hospital Dev. Auth. Rev., 9.25%, 11/15/30, Ser. B	Ba3/B+	5,183,677
	Cumberland Cnty. Auth. Retirement Community Rev., Wesley Affiliated Services, Ser. A,		
415	7.25%, 1/1/35	NR/NR	449,217
1,085	7.25%, 1/1/35, (Pre-refunded @ \$101, 1/1/13) (a)	NR/NR	1,305,125
3,250	Delaware River Joint Toll Bridge, Commission Bridge Rev., 5.00%, 7/1/28	A2/A–	3,389,425
3,000	Lehigh Cnty. General Purpose Auth. Rev., St. Luke's Bethlehem Hospital, 5.375%, 8/15/33	Baa1/BBB	3,153,360
5,000	Philadelphia School Dist., GO, 5.125%, 6/1/34, Ser. D (FGIC)	Aaa/AAA	5,306,650
6,300	St. Mary Hospital Auth., Bucks Cnty. Rev., 5.00%, 12/1/28, (Partially pre-refunded @ \$101, 6/1/08) (a)	Aa2/NR	6,322,554
			25,110,008

PIMCO Municipal Income Fund III
Schedule of Investments
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Puerto Rico-0.3%		
\$2,200	Electric Power Auth., Power Rev., 5.125%, 7/1/29, Ser. NN	A3/BBB+	\$2,310,352
	South Carolina-2.1%		
7,500	Florence Cnty. Rev., McLeod Regional Medical Center, 5.00%, 11/1/31, Ser. A (FSA)	Aaa/AAA	7,875,600
6,700	Jobs Economic Dev. Auth. Rev., Bon Secours Health System, 5.625%, 11/15/30	A3/A-	7,113,323
	Tennessee-0.2%		14,988,923
1,250	Knox Cnty. Health Educational & Housing Facs., Board Hospital Facs. Rev., Catholic Healthcare Partners, 5.25%, 10/1/30	Aa3/AA-	1,312,812
	Texas-11.2%		
4,135	Canyon Independent School Dist., GO, 5.00%, 2/15/28, Ser. A (PSF-GTD)	NR/AAA	4,306,148
2,500	Columbia & Brazoria Independent School Dist., GO, 5.00%, 8/1/29 (PSF-GTD)	NR/AAA	2,608,425
1,300	Comal Cnty. Health Facs., McKenna Memorial Hospital Project Rev., 6.25%, 2/1/32 Denton Independent School Dist., GO (PSF-GTD),	Baa3/BBB-	1,412,151
255	zero coupon, 8/15/26	AAA/AAA	88,824
5,745	zero coupon, 8/15/26, (Pre-refunded @ \$44.73, 8/15/12) (a)	AAA/AAA	2,052,459
255	zero coupon, 8/15/27	AAA/AAA	83,648
5,745	zero coupon, 8/15/27, (Pre-refunded @ \$42.17, 8/15/12) (a)	AAA/AAA	1,934,973
215	zero coupon, 8/15/28	AAA/AAA	66,401
4,785	zero coupon, 8/15/28, (Pre-refunded @ \$39.75, 8/15/12) (a)	AAA/AAA	1,519,142
255	zero coupon, 8/15/29	AAA/AAA	74,177
5,745	zero coupon, 8/15/29, (Pre-refunded @ \$37.46, 8/15/12) (a)	AAA/AAA	1,718,846
85	zero coupon, 8/15/30	AAA/AAA	23,270
1,915	zero coupon, 8/15/30, (Pre-refunded @ \$35.30, 8/15/12) (a)	AAA/AAA	539,858

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340	zero coupon, 8/15/31	AAA/AAA	87,584
7,660	zero coupon, 8/15/31, (Pre-refunded @ \$33.25, 8/15/12) (a)	AAA/AAA	2,034,343
4,400	Harris Cnty., GO, 5.125%, 8/15/31, (Pre-refunded @ \$100, 8/15/12) (a)	Aa1/AA+	4,734,796
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) (a)	Aaa/AAA	5,274,800
2,750	St. Luke's Episcopal Hospital, 5.375%, 2/15/26, Ser. A, (Pre-refunded @ \$100, 8/15/11) (a)	NR/AAA	2,960,815
19,500	Harris Cnty. Rev., 5.125%, 8/15/32 (FSA)	Aaa/AAA	20,407,335
4,005	Houston, GO, 5.00%, 3/1/25 (MBIA)	Aaa/AAA	4,160,394
5,000	Houston Water & Sewer System Rev., 5.00%, 12/1/30, Ser. A, (Pre-refunded @ \$100, 12/1/12) (FSA) (a)	Aaa/AAA	5,363,350
7,000	Judson Independent School Dist., GO, 5.00%, 2/1/30 (PSF-GTD)	Aaa/NR	7,210,560

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PIMCO Municipal Income Fund III
 Schedule of Investments
 September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Texas—11.2% (continued)		
	Mesquite Independent School Dist. No. 1, GO, Ser. A (PSF-GTD),		
\$1,365	zero coupon, 8/15/16	NR/AAA	\$898,224
1,000	zero coupon, 8/15/18	NR/AAA	590,920
1,000	zero coupon, 8/15/19	NR/AAA	556,710
1,000	zero coupon, 8/15/20	NR/AAA	525,000
2,105	Northwest Harris Cnty. Municipal Utility Dist. No. 16, GO, 5.30%, 10/1/29 (Radian)	NR/AA	2,174,423
2,000	Sabine River Auth. Rev., 5.20%, 5/1/28	Baa2/BBB-	2,085,120
4,000	State of Texas, GO, 4.75%, 4/1/36	Aa1/AA	4,082,760
2,000	Univ. Rev., 5.00%, 7/1/26, Ser. B	Aaa/AAA	2,119,600
			81,695,056
	Utah—0.8%		
1,750	Cnty. of Weber, IHC Health Services Rev., 5.00%, 8/15/30	Aa1/AA+	1,795,692
4,100	Salt Lake Cnty. Hospital Rev., IHC Health Services, 5.125%, 2/15/33 (AMBAC)	Aaa/AAA	4,270,232

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			6,065,924
	Washington—4.8%		
6,375	Chelan Cnty. Public Utility Dist. Rev., 5.125%, 7/1/33, Ser. C (AMBAC)	Aaa/AAA	6,659,453
3,000	Port Seattle Rev., 5.00%, 9/1/24 (FGIC)	Aaa/AAA	3,148,320
23,230	Tobacco Settlement Auth., Tobacco Settlement Rev., 6.50%, 6/1/26	Baa3/BBB	25,539,294
			35,347,067
	Wisconsin—0.1%		
560	Badger Tobacco Asset Securitization Corp., 6.00%, 6/1/17	Baa3/BBB	596,618
	Total Municipal Bonds & Notes (cost—\$607,298,433)		654,789,677
		VARIABLE RATE NOTES (b)(c)(d)—9.8%	
	Arizona—0.7%		
	Salt River Project Agricultural Improvement & Power Dist. Rev.,		
1,000	9.03%, 1/1/35, Ser. 1227	Aa1/NR	1,283,800
3,200	9.03%, 1/1/37, Ser. 1430	NR/AA	4,095,680
			5,379,480
	Colorado—0.4%		
2,490	City of Colorado Springs, 8.262%, 11/15/30, Ser. 457	Aa2/NR	2,904,137
	Florida—0.4%		
2,554	State Turnpike Auth., 7.90%, 7/1/31, Ser. 1450	NR/AA2	2,818,850
	Illinois—0.3%		
1,990	Dev. Finance Auth., Gas Supply Rev., 10.557%, 2/1/11 (AMBAC)	NR/NR	2,387,682
	Michigan—1.8%		
	Detroit Water Supply System Rev.,		
5,720	10.238%, 1/1/11 (MBIA)	NR/AAA	7,263,542
4,990	10.753%, 7/1/11 (FSA)	NR/AAA	6,191,991
			13,455,533

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PIMCO Municipal Income Fund III
Schedule of Investments
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	New York—2.4%		
\$4,660	Liberty Dev. Corp. Rev., 10.48%, 10/1/35, Ser. 1451	NR/AA3	\$7,969,998
1,636		Aa2/NR	2,023,159

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	New York City Municipal Water Finance Auth., Water & Sewer System Rev., 9.11%, 6/15/37, Ser. 1226		
6,000	State Dormitory Auth., Univ. & College Improvement Rev., 9.11%, 3/15/35, Ser. 1216	NR/AAA	7,473,600 17,466,757
	Ohio-0.5%		
1,000	Ohio Air Quality Dev. Auth. (FGIC), 8.03%, 1/1/34, Ser. 1219	Aaa/AAA	1,110,700
2,075	8.03%, 1/1/34, Ser. 1223	Aaa/AAA	2,304,433 3,415,133
	Texas-1.7%		
1,705	Crowley Independent School Dist., GO, 7.00%, 8/1/35, Ser. 1171 (PSF-GTD)	Aaa/NR	1,889,072
2,450	Dallas Area Rapid Transit Rev., 9.394%, 12/1/32 (FGIC)	NR/NR	2,943,185
2,028	Denton Independent School Dist., GO, 8.99%, 8/15/33, Ser. 951 (PSF-GTD)	Aaa/NR	2,374,649
1,870	Mansfield Independent School Dist., GO, 10.516%, 2/15/28 (PSF-GTD)	NR/NR	2,364,615
2,060	Univ. Rev., 9.583%, 8/15/33	NR/NR	2,517,608 12,089,129
	Washington-1.6%		
3,000	King Cnty. Sewer Rev., 9.03%, 1/1/35, Ser. 1200 (FSA)	Aaa/AAA	3,458,700
1,520	10.710%, 7/1/11 (FGIC)	NR/NR	1,901,505
3,655	Port Tacoma, GO, 10.031%, 12/1/33 (AMBAC)	NR/NR	4,577,960
1,510	Seattle Drain & Wastewater Rev., 10.754%, 7/1/10 (FGIC)	NR/NR	1,867,296 11,805,461
	Total Variable Rate Notes (cost-\$65,164,858)		71,722,162
		U.S. TREASURY BILLS (e)-0.4%	
2,745	4.743%-4.955%, 11/30/06-12/14/06 (cost-\$2,718,695)		2,718,695
	Total Investments before options written (cost-\$675,181,986)- 100.0%		729,230,534
		OPTIONS WRITTEN (f)-(0.0)%	
	<u>Contracts</u>		
	Call Options-(0.0)%		
484	U.S. Treasury Notes 10 yr. Futures, Chicago Board of Trade, strike price \$108, expires 11/21/06 (premiums received-\$89,177)		(332,750)
	Total Investments net of options written (cost-\$675,092,809)- 100.0%		\$728,897,784

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PIMCO California Municipal Income Fund III
 Schedule of Investments
 September 30, 2006

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
CALIFORNIA MUNICIPAL BONDS & NOTES—87.6%			
\$1,000	Alameda Public Financing Auth. Rev., 7.00%, 6/1/09	NR/NR	\$ 1,003,270
	Assoc. of Bay Area Gov't Finance Auth. Rev., Odd Fellows Home,		
3,200	5.20%, 11/15/22	NR/A+	3,360,256
11,725	5.35%, 11/15/32	NR/A+	12,322,272
	Burbank Public Finance Auth. Rev., San Fernando Redev. Project,		
1,135	5.50%, 12/1/28	NR/BBB	1,179,095
1,000	5.50%, 12/1/33	NR/BBB	1,033,350
2,000	Butte-Glenn Community College, GO, 5.00%, 8/1/26,		
	Ser. A (MBIA)	Aaa/NR	2,104,880
2,000	Capistrano Unified School Dist., Community Fac. Dist., Special Tax,		
	6.00%, 9/1/32, (Pre-refunded @ \$100, 9/1/13) (a)	NR/NR	2,288,560
1,000	Cathedral City Public Financing Auth., Tax Allocation Rev.,		
	5.00%, 8/1/33, Ser. A (MBIA)	Aaa/AAA	1,043,330
1,150	Ceres Redev. Agcy. Tax Allocation, 5.00%, 11/1/33 (MBIA)	Aaa/AAA	1,211,376
	Ceres Unified School Dist., GO (FGIC),		
2,825	zero coupon, 8/1/28	Aaa/AAA	848,545
2,940	zero coupon, 8/1/29	Aaa/AAA	830,550
	Chula Vista Community Facs. Dist., Special Tax,		
2,000	5.125%, 9/1/36	NR/NR	2,033,320
1,600	5.75%, 9/1/33	NR/NR	1,648,768
675	6.15%, 9/1/26	NR/NR	720,495
1,620	6.20%, 9/1/33	NR/NR	1,729,026
1,000	City of Carlsbad, 6.00%, 9/2/34	NR/NR	1,043,830
8,000	Contra Costa Cnty. Public Financing Auth. Tax Allocation Rev.,		
	5.625%, 8/1/33, Ser. A	NR/BBB	8,408,160
3,775	Cucamonga School Dist., CP, 5.20%, 6/1/27 Educational Facs. Auth. Rev.,	NR/A-	3,887,646
2,500	Institute of Technology, 5.00%, 10/1/32, Ser. A, (Pre-refunded @ \$100, 10/1/11) (a)	Aaa/AAA	2,675,100
2,455	Loyola Marymount Univ., zero coupon, 10/1/34 (MBIA)	Aaa/NR	674,315
5,000	Pepperdine Univ., 5.00%, 9/1/33, Ser. A (FGIC)	Aaa/AAA	5,207,700
2,195	Elk Grove Unified School Dist., Community Facs. Dist. No. 1, Special Tax, 5.00%, 12/1/35 (MBIA)	AAA/AAA	2,301,699

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500	Franklin-McKinley School Dist., GO, 5.00%, 8/1/27, Ser. B, (Pre-refunded @ \$100, 8/1/13) (FSA) (a)	Aaa/AAA	544,525
	Fremont Community Facs. Dist., Special Tax,		
1,250	5.30%, 9/1/30	NR/NR	1,272,850
5,000	6.30%, 9/1/31	NR/NR	5,284,000
9,500	Fresno School Unified Dist., GO, 6.00%, 8/1/26, Ser. A (MBIA)	Aaa/AAA	11,561,880
4,380	Glendale Electric Works Rev., 5.00%, 2/1/27 (MBIA)	Aaa/AAA	4,589,977
	Golden State Tobacco Securitization Corp., Tobacco Settlement Rev., Ser. 2003-A-1,		
18,000	6.25%, 6/1/33	Baa3/BBB	19,826,280
38,490	6.75%, 6/1/39	Baa3/BBB	43,492,930

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PIMCO California Municipal Income Fund III
Schedule of Investments
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Health Facs. Finance Auth. Rev.,		
\$5,000	Adventist Health System, 5.00%, 3/1/33	NR/A	\$ 5,123,650
6,000	Cottage Health System, 5.00%, 11/1/33, Ser. B (MBIA)	Aaa/AAA	6,220,320
5,000	Kaiser Permanente, 5.00%, 10/1/18, Ser. B	A3/AAA	5,180,900
	Paradise VY Estates (CA Mtg. Ins.),		
2,000	5.125%, 1/1/22	NR/A+	2,099,400
1,550	5.25%, 1/1/26	NR/A+	1,633,220
2,000	Sutter Health, 6.25%, 8/15/35, Ser. A	Aa3/AA-	2,213,780
	Infrastructure & Economic Dev. Bank Rev.,		
2,750	Claremont Univ. Consortium, 5.25%, 10/1/33	Aa3/NR	2,917,998
	Kaiser Assistance Corp.,		
3,000	5.50%, 8/1/31, Ser. B	A2/A+	3,198,600
8,000	5.55%, 8/1/31, Ser. A	NR/A+	8,546,880
3,725	La Mesa-Spring Valley School Dist., GO, 5.00%, 8/1/26, Ser. A, (Prefunded @ \$100, 8/1/12) (FGIC)(a)	Aaa/AAA	4,018,977
1,400	La Quinta Redev. Agcy., Tax Allocation, 5.10%, 9/1/31 (AMBAC)	Aaa/AAA	1,456,084
20	Lancaster Financing Auth. Tax Allocation, 4.75%, 2/1/34 (MBIA)	Aaa/AAA	20,475
825	Lee Lake Water Dist. Community Facs. Dist., Montecito Ranch, Special Tax, 6.125%, 9/1/32	NR/NR	860,904

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5,000	Long Beach Community College Dist., GO, 5.00%, 5/1/28, Ser. A, (Pre-refunded @ \$100, 5/1/13) (MBIA)(a)	Aaa/AAA	5,430,850
500	Los Angeles Department of Water & Power Rev., 4.75%, 7/1/36 (FSA)	AAA/AAA	510,005
7,650	Los Angeles Unified School Dist., GO (MBIA), 5.00%, 1/1/28, Ser. A	Aaa/AAA	8,024,850
3,000	5.125%, 1/1/27, Ser. E	Aaa/AAA	3,166,710
1,000	Lynwood Unified School Dist., GO, 5.00%, 8/1/27, Ser. A (FSA)	Aaa/NR	1,051,230
5,280	Modesto Irrigation Dist., CP, 5.00%, 7/1/33, Ser. A (MBIA)	Aaa/AAA	5,497,114
4,585	Moreno Valley Unified School Dist. Community Facs. Dist., Special Tax, 5.20%, 9/1/36	NR/NR	4,674,499
2,180	Murrieta Valley Unified School Dist., Special Tax, 6.40%, 9/1/24, (Pre-refunded @ \$102, 9/1/09) (a)	NR/NR	2,391,438
5,000	Oakland, GO, 5.00%, 1/15/33, Ser. A (MBIA)	Aaa/AAA	5,207,300
985	Oakland Redev. Agcy., Tax Allocation, 5.25%, 9/1/27	NR/A	1,026,803
1,545	5.25%, 9/1/33	NR/A	1,605,332
5,000	Orange Cnty. Community Facs. Dist., Special Tax, Ladera Ranch, 5.55%, 8/15/33, Ser. A	NR/NR	5,161,000
5,000	Orange Cnty. Unified School Dist., CP, 4.75%, 6/1/29 (MBIA)	Aaa/AAA	5,055,250
1,000	Orange Cnty. Water Dist. Rev., CP, 5.00%, 8/15/28, Ser. B (MBIA)	Aaa/AAA	1,041,170
2,000	Palm Desert Financing Auth., Tax Allocation, 5.00%, 4/1/25, Ser. A (MBIA)	Aaa/AAA	2,090,160
1,410	Pomona Public Financing Auth. Rev., 5.00%, 12/1/37, Ser. AF (MBIA)	Aaa/AAA	1,458,969

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Schedule of Investments
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
\$ 3,650	Poway Unified School Dist., Community Facs. Dist. No. 6, Special Tax, 5.125%, 9/1/28	NR/NR	\$ 3,732,344

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1,285	6.05%, 9/1/25	NR/NR	1,367,715
2,100	6.125%, 9/1/33	NR/NR	2,231,880
5,000	Riverside, CP, 5.00%, 9/1/33 (AMBAC)	Aaa/AAA	5,194,950
500	Rocklin Unified School Dist. Community Facs., Special Tax, 5.00%, 9/1/29 (MBIA)	Aaa/AAA	522,835
7,680	Rowland Unified School Dist., GO, 5.00%, 8/1/28, Ser. B (FSA)	Aaa/AAA	8,064,077
1,400	Sacramento City Financing Auth. Rev., North Natomas CFD No. 2, 6.25%, 9/1/23, Ser. A	NR/NR	1,448,258
890	San Diego Community Facs. Dist. No. 3, Ser. A, 5.60%, 9/1/21	NR/NR	906,776
580	5.70%, 9/1/26	NR/NR	589,924
1,700	5.75%, 9/1/36	NR/NR	1,731,484
480	San Diego Unified School Dist., GO (FSA), 5.00%, 7/1/26, Ser. C	Aaa/AAA	518,006
11,000	5.00%, 7/1/26, Ser. E	Aaa/AAA	11,886,600
8,425	5.00%, 7/1/28, Ser. E	Aaa/AAA	9,104,055
1,500	San Diego Univ. Foundation Auxiliary Organization Rev., 5.00%, 3/1/27, Ser. A (MBIA)	Aaa/AAA	1,558,935
3,000	San Jose, Libraries & Parks, GO, 5.125%, 9/1/31 Santa Ana Unified School Dist., GO, Ser. B (FGIC),	Aa1/AA+	3,125,880
2,515	zero coupon, 8/1/26	Aaa/AAA	1,036,809
3,520	zero coupon, 8/1/28	Aaa/AAA	1,315,776
2,500	zero coupon, 8/1/30	Aaa/AAA	844,025
3,780	zero coupon, 8/1/31	Aaa/AAA	1,213,418
3,770	zero coupon, 8/1/32	Aaa/AAA	1,150,227
1,250	Santa Clara Valley Transportation Auth., Sales Tax Rev., 5.00%, 6/1/26, Ser. A, (Pre-refunded @ \$100, 6/1/11) (MBIA) (a)	Aaa/AAA	1,332,112
2,500	Santa Margarita Water Dist., Special Tax, 6.25%, 9/1/29	NR/NR	2,683,125
3,470	Community Facs. Dist. No. 99-1 Escrow, 6.25%, 9/1/29	NR/NR	3,723,692
3,550	Santa Monica Community College Dist., GO, zero coupon, 8/1/27, Ser. C (MBIA)	Aaa/AAA	1,297,596
1,205	Sequoia Union High School Dist., GO, 5.00%, 7/1/23 (MBIA)	Aaa/NR	1,268,961
4,475	Simi Valley Community Dev. Agcy., Tax Allocation, Tapo Canyon & West End, 5.00%, 9/1/25 (FGIC)	Aaa/AAA	4,704,030
4,250	Sonoma Cnty. Jr. College Dist., GO, 5.00%, 8/1/27, Ser. A, (Pre-refunded @ \$100, 8/1/13) (FSA)(a)	Aaa/AAA	4,628,462
1,000	Sonoma Cnty. Water Agcy., Water Rev., 5.00%, 7/1/32, Ser. A (MBIA)	Aaa/AAA	1,040,970

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	South Tahoe JT Powers Financing Auth. Rev.,		
2,500	5.125%, 10/1/09	NR/NR	2,511,125
4,425	5.45%, 10/1/33	NR/BBB	4,596,778

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PIMCO California Municipal Income Fund III
 Schedule of Investments
 September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
\$12,200	Southern CA Public Power Auth., Power Project Rev., Magnolia Power, 5.00%, 7/1/33, Ser. A-2003-1 (AMBAC)	Aaa/AAA	\$ 12,730,700
600	State Department of Water Res. Rev., Central Valley Project, 5.00%, 12/1/25, Ser. AC (MBIA)	Aaa/AAA	637,518
4,095	State Department Veteran Affairs Home Purchase Rev., 5.35%, 12/1/27, Ser. A (AMBAC)	Aaa/AAA	4,362,117
5,385	State Public Works Board Lease Rev., CA State Univ., 5.00%, 10/1/19	A2/A	5,549,404
1,105	Patton, 5.375%, 4/1/28	A2/A	1,171,665
4,600	Univ. CA, M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A	Aa2/AA-	4,793,936
3,505	Statewide Community Dev. Auth., CP, Internext Group, 5.375%, 4/1/30	NR/BBB	3,561,501
2,500	Statewide Community Dev. Auth. Rev., Berkeley Montessori School, 7.25%, 10/1/33	NR/NR	2,647,725
7,300	Health Fac., Jewish Home, 5.50%, 11/15/33 (CA St. Mtg.)	NR/A+	7,859,399
15,000	Memorial Health Services, 5.50%, 10/1/33, Ser. A	A3/A+	15,966,450
10,000	Sutter Health, 5.50%, 8/15/34, Ser. B	Aa3/AA-	10,685,000
1,795	Sunnyvale Financing Auth., Water & Wastewater Rev., 5.00%, 10/1/26 (AMBAC)	Aaa/AAA	1,858,238
2,000	Tamalpais Union High School Dist., GO, 5.00%, 8/1/26 (MBIA)	Aaa/AAA	2,091,260
2,000	Temecula Public Financing Auth., Crowne Hill, Special Tax, 6.00%, 9/1/33, Ser. A	NR/NR	2,086,580
8,100	Tobacco Securitization Agcy. Rev., Alameda Cnty., 5.875%, 6/1/35	Baa3/NR	8,522,334

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7,000	6.00%, 6/1/42	Baa3/NR	7,375,970
5,000	Gold Cnty., zero coupon, 6/1/33	NR/BBB	1,090,850
2,000	Kern Cnty., 6.125%, 6/1/43, Ser. A	NR/BBB	2,119,640
5,000	Tobacco Securitization Auth. Of Southern California, 5.00%, 6/1/37, Ser. A1	Baa3/BBB	5,015,450
2,950	Torrance Medical Center Rev., 5.50%, 6/1/31, Ser. A	A1/A+	3,105,406
4,000	Vernon Electric System Rev., Malburg Generating Station, 5.50%, 4/1/33, (Pre-refunded @ \$100, 4/1/08) (a)	Aaa/NR	4,121,760
1,000	West Basin Municipal Water Dist. Rev., CP, 5.00%, 8/1/30, Ser. A (MBIA)	Aaa/AAA	1,046,990
2,500	William S. Hart Union High School Dist., Special Tax, 6.00%, 9/1/33	NR/NR	2,672,850
2,750	Woodland Finance Auth. Lease Rev., 5.00%, 3/1/32 (XLCA)	Aaa/AAA	2,876,610
	Total California Municipal Bonds & Notes (cost-\$409,292,066)		440,292,031
		OTHER MUNICIPAL BONDS & NOTES-2.0%	
	New York-0.6%		
2,500	State Dormitory Auth. Rev., Hospital, 6.25%, 8/15/15 (FHA)	Aa2/AAA	2,852,950
	Puerto Rico-1.4%		
1,500	Electric Power Auth., Power Rev., 5.125%, 7/1/29, Ser. NN	A3/BBB+	1,575,240

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PIMCO California Municipal Income Fund III
Schedule of Investments
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Puerto Rico-1.4%-(continued)		
\$ 4,420	Public Building Auth. Rev., 5.00%, 7/1/36, Ser. I (GTD)	Baa3/BBB	\$ 4,554,059
290	5.25%, 7/1/36, Ser. D	Baa3/BBB	302,667
790	5.25%, 7/1/36, Ser. D, (Pre-refunded @ \$100, 7/1/12) (a)	Baa3/BBB	855,325
	Total Other Municipal Bonds & Notes (cost-\$9,461,531)		7,287,291
			10,140,241
		CALIFORNIA VARIABLE RATE NOTES (d)-9.3%	

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	Golden State Tobacco Securitization Corp., Tobacco Settlement Rev.,		
2,375	8.137%, 6/1/45, Ser. 1421 (AMBAC-TCRS) (b) (c)	Aaa/AAA	2,753,385
1,000	8.14%, 6/1/45, Ser. 1422 (FGIC-TCRS) (b) (c)	NR/AAA	1,159,320
2,000	9.19%, 6/1/35, Ser. 1220 (FGIC) (b) (c)	Aaa/AAA	2,471,600
2,000	9.457%, 6/1/35 (FGIC)	Aaa/AAA	2,471,600
1,465	Infrastructure & Economic Dev. Bank Rev., 9.431%, 7/1/36 (AMBAC) (b) (c)	NR/NR	2,471,030
	Los Angeles Department of Water & Power Rev. (FSA),		
1,200	7.94%, 7/1/30, Ser. 1243 (b) (c)	Aaa/AAA	1,363,800
2,000	14.954%, 7/1/35, Ser. 500	Aaa/NR	3,084,400
	Los Angeles Unified School Dist., GO (MBIA) (b) (c),		
1,745	7.996%, 1/1/23	NR/NR	1,983,070
2,090	11.111%, 1/1/11	NR/NR	3,304,520
2,020	Los Angeles Water & Power Rev., 9.04%, 7/1/30 (b) (c)	NR/NR	2,395,599
950	Orange Cnty. Water Dist. Rev., CP, 9.975%, 2/15/11 (MBIA) (b) (c)	NR/NR	1,164,158
710	Pajaro Valley Unified School Dist., GO, 11.185%, 8/1/11 (b) (c)	NR/NR	1,155,255
1,170	Pasadena Water Rev., 9.666%, 6/1/33 (FGIC) (b) (c)	NR/NR	1,451,631
1,785	Sacramento Cnty. Water Financing Auth. Rev., 10.229%, 6/1/11 (AMBAC) (b) (c)	NR/NR	2,225,270
1,150	Sacramento Muni Utility Dist., Electric Rev., 11.156%, 2/15/11 (MBIA) (b) (c)	NR/NR	1,484,236
1,725	San Diego Community College Dist., GO, 11.201%, 5/1/11 (FSA) (b) (c)	NR/NR	2,309,913
	San Marcos Public Facs. Auth. Tax Allocation (FGIC) (b) (c),		
1,340	10.019%, 2/1/11	NR/NR	1,666,250
1,340	10.019%, 8/1/11	NR/NR	1,666,250
	Southern CA Public Power Auth., Power Project Rev. (AMBAC) (b) (c),		
1,350	6.03%, 7/1/33, Ser. 1045	NR/NR	1,467,450
2,065	10.125%, 7/1/11	NR/NR	2,600,496
	Univ. Rev. (FSA) (b) (c),		
1,375	7.915%, 5/15/35, Ser. 1119	NR/AAA	1,475,581
3,095	11.030%, 9/1/33	NR/NR	3,970,854
340	11.030%, 9/1/34	NR/NR	437,638
	Total California Variable Rate Notes (cost-\$40,666,113)		46,533,306

PIMCO California Municipal Income Fund III
 Schedule of Investments
 September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
			OTHER VARIABLE RATE NOTES (d)–0.8%
	Puerto Rico–0.8%		
\$3,800	Public Finance Corp. Rev., 5.75%, 8/1/27, Ser. A (cost–\$4,026,491)	Ba1/BBB–	\$4,096,970
2,080	4.71%–4.87%, 11/30/06–12/14/06 (cost–\$2,059,747)		2,059,747
	Total Investments before options written (cost–\$465,505,948)– 100.1%		503,122,295
			OPTIONS WRITTEN (f)–(0.1)%
<u>Contracts</u>			
	Call Options–(0.1)%		
	U.S. Treasury Notes 10 yr. Futures, Chicago Board of Trade,		
423	strike price \$108, expires 11/21/06 (premiums received–\$77,938)		(290,812)
	Total Investments net of options written (cost–\$465,428,010)– 100.0%		\$502,831,483

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PIMCO New York Municipal Income Fund III
 Schedule of Investments
 September 30, 2006

Principal Amount (000)		Credit Ratings (Moody's/S&P)*	Value
			NEW YORK MUNICIPAL BONDS & NOTES–78.2%
\$ 2,800	East Rochester Housing Auth. Rev., St. Mary's Residence Project, 5.375%, 12/20/22 (GNMA)	NR/AAA	\$ 3,044,552
1,400	Woodland Project, 5.50%, 8/1/33	NR/NR	1,423,030
1,300	Erie Cnty. Industrial Dev. Agcy., Orchard Park Rev., 6.00%, 11/15/36	NR/NR	1,378,806
1,060	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.25%, 10/1/35	Aa3/A+	1,210,584
1,000	Long Island Power Auth., Electric System Rev., 5.00%, 9/1/27, Ser. C	A3/A–	1,045,060

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5,000	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/31, Ser. F (MBIA)	Aaa/AAA	5,216,250
1,000	Monroe Tobacco Asset Securitization Corp., Tobacco Settlement Rev., 6.375%, 6/1/35, (Pre-refunded @ \$101, 6/1/10) (a)	Aaa/AAA	1,105,220
2,000	Nassau Cnty. Tobacco Settlement Corp. Rev., 6.60%, 7/15/39, (Pre-refunded @ \$101, 7/15/09) (a) New York City, GO,	Aaa/BBB-	2,179,820
7,195	5.00%, 3/1/33, Ser. I	A1/AA-	7,453,804
555	5.375%, 3/1/27	B1/A1	596,442
1,195	5.375%, 3/1/27, (Pre-refunded @ \$100, 3/1/13) (a)	AA-/A1	1,317,535
5,000	New York City Municipal Water Finance Auth., Water & Sewer System Rev., 5.00%, 6/15/32, Ser. A	Aa2/AA+	5,157,850
2,995	New York Cntys. Tobacco Settlement Trust Rev., 5.625%, 6/1/35	Ba1/BBB	3,102,461
1,000	Niagara Falls Public Water Auth., Water & Sewer System Rev., 5.00%, 7/15/34, Ser. A (MBIA)	Aaa/AAA	1,045,520
1,855	Sachem Central School Dist. of Holbrook, GO, 5.00%, 6/15/30 (MBIA) State Dormitory Auth. Rev.,	Aaa/AAA	1,945,153
1,400	Catholic Health of Long Island, 5.10%, 7/1/34	Baa1/BBB	1,444,142
2,000	Columbia Univ., 5.00%, 7/1/24, Ser. A	Aaa/AAA	2,119,460
2,250	Jewish Board Family & Children, 5.00%, 7/1/33 (AMBAC)	Aaa/AAA	2,358,630
2,000	Kaleida Health Hospital, 5.05%, 2/15/25 (FHA)	NR/AAA	2,106,620
3,250	Lenox Hill Hospital, 5.50%, 7/1/30 Long Island Univ., Ser. A (Radian),	Ba2/NR	3,320,200
2,040	5.00%, 9/1/23	Ba2/AA	2,118,050
4,000	5.00%, 9/1/32	Ba2/AA	4,142,440
3,000	Lutheran Medical Hospital, 5.00%, 8/1/31 (FHA-MBIA)	Aaa/AAA	3,128,550
1,000	Mental Health Services Facs., 5.00%, 2/15/30, Ser. B (AMBAC) Mount St. Mary College (Radian),	AAA/AAA	1,054,440
2,000	5.00%, 7/1/27	NR/AA	2,095,360
2,000	5.00%, 7/1/32	NR/AA	2,079,860
1,000	New York Univ., 5.00%, 7/1/31, Ser. 2 (AMBAC)	Aaa/AAA	1,037,490
6,150	North General Hospital, 5.00%, 2/15/25	NR/AA-	6,397,537
1,000	North Shore L.I. Jewish Group, 5.50%, 5/1/33	A3/NR	1,070,420
1,000	NY & Presbyterian Hospital Rev., 4.75%, 8/1/27 (AMBAC-FHA)	Aaa/AAA	1,017,720
3,740	Saint Barnabas Hospital, 5.00%, 2/1/31, Ser. A (AMBAC-FHA)	Aaa/AAA	3,889,039

PIMCO New York Municipal Income Fund III
 Schedule of Investments
 September 30, 2006 (continued)

Principal Amount (000)		Credit Ratings (Moody's/S&P)*	Value
\$ 1,000	School Dist. Financing, 5.00%, 10/1/30, Ser. D (MBIA)	Aaa/AAA	\$1,047,920
1,250	Skidmore College, 5.00%, 7/1/28 (FGIC)	Aaa/NR	1,325,600
2,500	Sloan-Kettering Center Memorial, 5.00%, 7/1/34, Ser. 1	Aa2/AA	2,602,800
3,600	State Personal Income Tax, 5.00%, 3/15/32, (Pre-refunded @ \$100, 3/15/13) (a)	Aa3/AAA	3,894,084
1,250	Student Housing Corp., 5.125%, 7/1/34 (FGIC)	Aaa/AAA	1,332,475
1,500	Teachers College, 5.00%, 7/1/32 (MBIA)	Aaa/NR	1,567,575
2,500	Winthrop-Nassau Univ., 5.75%, 7/1/28	Baa1/NR	2,679,800
620	Winthrop Univ., Hospital Assoc., 5.50%, 7/1/32, Ser. A	Baa1/NR	656,400
2,000	Yeshiva Univ., 5.125%, 7/1/34 (AMBAC)	Aaa/NR	2,131,960
3,000	State Environmental Facs. Corp. Rev., 5.00%, 10/15/35	AAA/AAA	3,189,720
1,900	State Urban Dev. Corp. Personal Income Tax Rev., 5.00%, 3/15/33, Ser. C-1, (Pre-refunded @ \$100, 3/15/13) (a)	Aa3/AAA	2,055,211
1,000	State Urban Dev. Corp. Rev., 5.00%, 3/15/35, Ser. B	NR/AAA	1,049,120
2,000	Warren & Washington Cntys. Industrial Dev. Agcy. Fac. Rev., Glens Falls Hospital, 5.00%, 12/1/35, Ser. A (FSA)	Aaa/AAA	2,089,120
1,250	Westchester Cnty. Industrial Dev. Agcy. Continuing Care Retirement Rev., Kendal on Hudson, 6.50%, 1/1/34	NR/NR	1,330,688
	Total New York Municipal Bonds & Notes (cost-\$98,127,867)		103,554,518
			OTHER MUNICIPAL BONDS & NOTES-11.4%
	California-4.7%		
5,560	Golden State Tobacco Securitization Corp., Tobacco Settlement Rev., 6.75%, 6/1/39, Ser. 2003-A-1	Baa3/BBB	6,282,689
	District of Columbia-0.2%		
175	Tobacco Settlement Financing Corp. Rev., 6.50%, 5/15/33	Baa3/BBB	204,484
	Puerto Rico-5.7%		
1,700	Children's Trust Fund, Tobacco Settlement Rev., 5.50%, 5/15/39	Baa3/BBB	1,762,084

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580	5.625%, 5/15/43	Baa3/BBB	603,270
1,000	Electric Power Auth., Power Rev., 5.125%, 7/1/29, Ser. NN	A3/BBB+	1,050,160
4,000	Public Building Auth. Rev., Gov't Facs., 5.00%, 7/1/36, Ser. I (GTD)	Baa3/BBB	4,121,320
	Rhode Island-0.4%		7,536,834
500	Tobacco Settlement Financing Corp. Rev., 6.125%, 6/1/32, Ser. A	Baa3/BBB	529,910
	South Carolina-0.3%		
370	Tobacco Settlement Rev., Management Auth., 6.375%, 5/15/30, Ser. B	Baa3/BBB	424,841
	Washington-0.1%		
135	Tobacco Settlement Auth., Tobacco Settlement Rev., 6.625%, 6/1/32	Baa3/BBB	149,051
	Total Other Municipal Bonds & Notes (cost-\$12,662,940)		15,127,809

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PIMCO New York Municipal Income Fund III
Schedule of Investments
September 30, 2006 (continued)

Principal Amount (000)		Credit Ratings (Moody's/S&P)*	Value
	NEW YORK VARIABLE RATE NOTES (d)-10.0%		
\$121	Liberty Dev. Corp. Rev., 12.493%, 10/1/35, Ser. 1251 (b) (c)	Aa3/NR	\$235,595
1,555	Metropolitan Transportation Auth. Rev., 8.06%, 11/15/32, Ser. 862 (FGIC) (b) (c)	Aaa/NR	1,838,508
550	Mortgage Agcy. Rev., 7.857%, 10/1/27, Ser. 1199 (b) (c)	Aa1/NR	620,263
1,000	New York City Trust for Cultural Res. Rev., 9.09%, 2/1/34, Ser. 950 (FGIC) (b) (c)	Aaa/NR	1,243,250
1,205	State Dormitory Auth. Rev., 9.968%, 7/1/32 (b) (c)		
	State Environmental Facs. Corp., State Clean Water & Drinking		
	Rev. (b) (c),	NR/NR	1,505,780
1,005	8.03%, 7/15/23	NR/AAA	1,189,860
1,775	8.03%, 7/15/27	NR/AAA	2,080,424
1,845	State Housing Finance Agcy. State Personal Income Tax Rev.,		
	8.06%, 3/15/33, Ser. 859 (b) (c)	NR/AA	2,447,872
700	State Urban Dev. Corp. Rev., 9.417%, 3/15/35	NR/AAA	871,920

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1,000	Triborough Bridge & Tunnel Auth. Rev., 8.06%, 11/15/32, Ser. 912 (MBIA) (b) (c)	NR/NR	1,190,560
	Total New York Variable Rate Notes (cost-\$10,714,681)		13,224,032
		U.S. TREASURY BILLS (e)-0.4%	
495	4.743%-4.853%, 11/30/06-12/14/06 (cost-\$490,225)		490,225
	Total Investments before options written (cost-\$121,995,713)- 100.0%		132,396,584
		OPTIONS WRITTEN (f)-(0.0)%	
Contracts			
	Call Options-(0.0)%		
62	U.S. Treasury Notes 10 yr. Futures, Chicago Board of Trade, strike price \$108, expires 11/21/06 (premiums received-\$11,423)		(42,625)
	Total Investments net of options written (cost-\$121,984,290)- 100.0%		\$132,353,959

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PIMCO New York Municipal Income Fund III
Schedule of Investments
September 30, 2006 (continued)

Notes to Schedule of Investments:

*Unaudited

- (a)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).
- (b)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.
- (c)Residual Interest Municipal Bonds (“RIBS”)/Residual Interest Tax Exempt Bonds (“RITES”) – The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index.
- (d)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, 2006.
- (e)All or partial amount segregated as collateral for futures contracts and/or written options.
- (f)Non-income producing.

Glossary

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

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.

TCRS – Temporary Custodian Receipts

XLCA – insured by XL Capital Assurance

See accompanying Notes to Financial Statements | 9.30.06 | PIMCO Municipal Income Funds III Annual Report 23

PIMCO Municipal Income Funds III

Statements of Assets and Liabilities

September 30, 2006

	Municipal III	California Municipal III	New York Municipal III
Assets:			
Investments, at value (cost—\$675,181,986, \$465,505,948 and \$121,995,713, respectively)	\$ 729,230,534	\$ 503,122,295	\$ 132,396,584
Interest receivable	11,271,418	7,200,480	1,569,592
Receivable for investments sold	3,460,000	—	—
Receivable for variation margin on futures contracts	12,813	1,713	3,656
Prepaid expenses	25,263	16,343	11,098
Total Assets	744,000,028	510,340,831	133,980,930
Liabilities:			
Payable to custodian	4,347,108	4,717,399	3,582,145
Dividends payable to common and preferred shareholders	2,293,616	1,766,174	404,870
Options written, at value (premiums received—\$89,177, \$77,938 and \$11,423, respectively)	332,750	290,812	42,625
Investment management fees payable	302,394	206,706	53,286
Accrued expenses	148,061	107,031	52,729
Payable for variation margin on futures contracts	64,763	16,425	9,187
Total Liabilities	7,488,692	7,104,547	4,144,842
Preferred shares (\$0.00001 par value and \$25,000 net asset and liquidation value per share applicable to an aggregate of 10,800, 7,400 and 1,880 shares issued and outstanding, respectively)	270,000,000	185,000,000	47,000,000

Net Assets Applicable to Common Shareholders	\$ 466,511,336	\$ 318,236,284	\$ 82,836,088
Composition of Net Assets Applicable to Common Shareholders:			
Common Stock:			
Par value (\$0.00001 per share)	\$ 313	\$ 215	\$ 55
Paid-in-capital in excess of par	444,788,885	304,609,075	77,868,185
Dividends in excess of net investment income	(1,579,902)	(17,465)	(181,080)
Accumulated net realized loss on investments	(28,005,888)	(21,938,795)	(4,798,171)
Net unrealized appreciation of investments, futures contracts and options written	51,307,928	35,583,254	9,947,099
Net Assets Applicable to Common Shareholders	\$ 466,511,336	\$ 318,236,284	\$ 82,836,088
Common Shares Outstanding	31,319,707	21,455,010	5,489,402
Net Asset Value Per Common Share	\$ 14.90	\$ 14.83	\$ 15.09

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PIMCO Municipal Income Funds III
Statements of Operations
For the year ended September 30, 2006

	Municipal III	California Municipal III	New York Municipal III
Investment Income:			
Interest	\$ 39,992,063	\$ 26,961,107	\$ 6,798,806
Expenses:			
Investment management fees	4,726,492	3,239,848	834,321
Auction agent fees and commissions	701,785	473,497	123,651
Custodian and accounting agent fees	212,996	131,864	48,670
Shareholder Communications	77,328	26,899	17,830
Audit and tax services	74,457	53,616	28,774
Transfer agent fees	36,653	39,122	35,405
Trustees' fees and expenses	35,199	25,563	8,984
New York Stock Exchange listing fees	25,033	21,978	21,287
Insurance expense	19,233	14,120	5,802
Legal fees	15,823	10,942	1,432
Investor relations	7,109	5,126	1,460
Miscellaneous	20,484	15,562	11,545
Total expenses	5,952,592	4,058,137	1,139,161
Less: investment management fees waived	(1,090,729)	(747,657)	(192,535)
custody credits earned on cash balances	(130,784)	(71,120)	(19,862)
Net expenses	4,731,079	3,239,360	926,764
Net Investment Income	35,260,984	23,721,747	5,872,042

Realized and Change in Unrealized Gain

(Loss):

Net realized gain (loss) on:

Investments	(240,505)	840,820	(83,551)
Futures contracts	4,822,143	2,490,155	1,050,403
Options written	1,447,983	1,256,664	228,531
Net change in unrealized appreciation/depreciation of:			
Investments	6,914,965	1,980,233	528,758
Futures contracts	(4,646,906)	(3,260,516)	(912,836)
Options written	(575,734)	(492,827)	(90,049)
Net realized and change in unrealized gain on investments, futures contracts and options written	7,721,946	2,814,529	721,256
Net Increase in Net Assets Resulting from Investment Operations	42,982,930	26,536,276	6,593,298
Dividends on Preferred Shares from Net Investment Income	(8,494,652)	(5,334,873)	(1,423,170)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investment Operations	\$ 34,488,278	\$ 21,201,403	\$ 5,170,128

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PIMCO Municipal Income Funds III
Statements of Changes in Net Assets
Applicable to Common Shareholders

	Municipal III	
	Year ended September 30, 2006	Year ended September 30, 2005
Investment Operations:		
Net investment income	\$ 35,260,984	\$ 35,256,068
Net realized gain (loss) on investments, futures contracts and options written	6,029,621	(22,151,923)
Net change in unrealized appreciation/depreciation of investments, futures contracts and options written	1,692,325	33,405,856
Net increase in net assets resulting from investment operations	42,982,930	46,510,001

Dividends on Preferred Shares from Net Investment Income	(8,494,652)	(5,463,958)
Net increase in net assets applicable to common shareholders resulting from investment operations	34,488,278	41,046,043
Dividends to Common Shareholders from Net Investment Income	(27,885,144)	(30,996,914)
Capital Share Transactions:		
Reinvestment of dividends	2,420,836	1,759,714
Total increase in net assets applicable to common shareholders	9,023,970	11,808,843
Net Assets Applicable to Common Shareholders:		
Beginning of year	457,487,366	445,678,523
End of year (including undistributed (dividends in excess of) net investment income of \$(1,579,902) and \$(466,693); \$(17,465) and \$2,145,768; \$(181,080) and \$189,610; respectively)	\$ 466,511,336	\$ 457,487,366
Common Shares Issued in Reinvestment of Dividends:	164,906	119,628

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California Municipal III		New York Municipal III	
Year ended September 30, 2006	Year ended September 30, 2005	Year ended September 30, 2006	Year ended September 30, 2005
\$23,721,747	\$24,397,382	\$5,872,042	\$6,132,920
4,587,639	(16,488,623)	1,195,383	(3,676,942)
(1,773,110)	30,236,548	(474,127)	7,007,412
26,536,276	38,145,307	6,593,298	9,463,390
(5,334,873)	(3,236,012)	(1,423,170)	(861,214)
21,201,403	34,909,295	5,170,128	8,602,176
(20,551,567)	(20,459,775)	(4,819,623)	(5,233,023)
1,623,866	652,960	442,975	208,100
2,273,702	15,102,480	793,480	3,577,253
315,962,582	300,860,102	82,042,608	78,465,355
\$318,236,284	\$315,962,582	\$82,836,088	\$82,042,608
108,206	43,899	29,518	13,815

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1. Organization and Significant Accounting Policies

PIMCO Municipal Income Fund III (“Municipal III”), PIMCO California Municipal Income Fund III (“California Municipal III”) and PIMCO New York Municipal Income Fund III (“New York Municipal III”), collectively referred to as the “Funds”, were organized as Massachusetts business trusts on August 20, 2002. Prior to commencing operations on October 31, 2002, the Funds had no operations other than matters relating to their organization and registration as non-diversified, closed-end management investment companies registered under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended. Allianz Global Investors Fund Management LLC (the “Investment Manager”), serves as the investment manager and is an indirect, wholly-owned subsidiary of Allianz Global Investors of America L.P. (“Allianz Global”). Allianz Global is an indirect majority-owned subsidiary of Allianz SE, a publicly traded insurance and financial services company. The Funds have an unlimited amount of \$0.00001 par value common stock authorized.

Municipal III invests substantially all of its assets in a portfolio of municipal bonds, the interest from which is exempt from federal income taxes. California Municipal III invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal and California state income taxes. New York Municipal III invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal, New York State and New York City income taxes. The Funds will seek to avoid bonds generating interest income which could potentially subject individuals to alternative minimum tax. The issuers’ abilities to meet their obligations may be affected by economic and political developments in a specific state or region.

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

In July 2006, the Financial Accounting Standards Board issued interpretation No. 48, “Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109” (the “Interpretation”). The Interpretation establishes for all entities, including pass-through entities such as the Funds, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Interpretation is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the date of effectiveness. The Funds’ management has recently begun to evaluate the application of the Interpretation, and is not in a position at this time to estimate the significance of its impact, if any, on the Funds’ financial statements.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (“SFAS”) 157, Fair value Measurements, which clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual period subsequent to initial recognition. Adoption of SFAS 157 requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, the Fund's management are in the process of reviewing the Standard against its current valuation policies to determine future applicability.

In the normal course of business the Funds enter into contracts that contain a variety of representations which provide general indemnifications. The Funds’ maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds based upon events that have not been asserted. However, the Funds expect the risk of any loss to be remote.

The following is a summary of significant accounting policies consistently followed by the Funds:

(a) Valuation 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 guidelines established by the Board of Trustees. The Funds' investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or using the last sale price on the exchange that is the primary market for such securities, or the quoted mean 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 securities maturing in 60 days or less are valued at amortized cost,

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PIMCO Municipal Income Funds III
Notes to Financial Statements
September 30, 2006

1. Organization and Significant Accounting Policies (continued)

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 Funds to value securities may differ from the value that would be realized if the securities were sold and the differences could be material to the financial statements. The Funds' net asset values are 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.

(b) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Interest income is recorded on an accrual basis. Original issue discounts or premiums on debt securities purchased are accreted or amortized daily to non-taxable interest income. Market discount, if any, is accreted daily to taxable income.

(c) Federal Income Taxes

The Funds intend to distribute all of their taxable income and to comply with the other requirements of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

(d) Dividends and Distributions — Common Stock

The Funds declare dividends from net investment income monthly to common shareholders. Distributions of net realized capital gains, if any, are paid at least annually. Each Fund records dividends and distributions to its shareholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These "book-tax" differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment; temporary differences do not require reclassification. For the

year ended September 30, 2006, Municipal III had a permanent difference attributable to non-deductible excise taxes. The adjustment was to decrease distributions in excess of net investment income and decrease paid-in capital in excess of par by \$5,603. For the year ended September 30, 2006, California III had a permanent difference attributable to non-deductible excise taxes. The adjustment was to decrease distributions in excess of net investment income and decrease paid-in capital in excess of par by \$1,460. For the year ended September 30, 2006, New York III had a permanent difference attributable to non-deductible excise taxes. The adjustment was to decrease distributions in excess of net investment income and decrease paid-in capital in excess of par by \$61. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes; they are reported as dividends and/or distributions of paid-in capital.

(e) Futures Contracts

A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Upon entering into such a contract, the Funds are required to pledge to the broker an amount of cash or securities, equal to the minimum "initial margin" requirements of the exchange. Pursuant to the contracts, the Funds agree to receive from or pay to the broker an amount of cash or securities equal to the daily fluctuation in the value of the contracts. Such receipts or payments are known as "variation margin" and are recorded by the Funds as unrealized appreciation or depreciation. When the contracts are closed, the Funds record a realized gain or loss equal to the difference between the value of the contracts at the time they were opened and the value at the time they were closed. Any unrealized appreciation or depreciation recorded is simultaneously reversed. The use of futures transactions involves the risk of an imperfect correlation in the movements in the price of futures contracts, interest rates and the underlying hedged assets, and the possible inability of counterparties to meet the terms of their contracts.

(f) Option Transactions

The Funds may purchase and write (sell) put and call options on securities for hedging purposes, risk management purposes or as part of its investment strategy. The risk associated with purchasing an option is that the Funds pay a premium whether or not the option is exercised. Additionally, the Funds bear the risk of loss of premium and change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of call options is increased by the premiums paid. The proceeds from securities sold through the exercise of put options is decreased by the premiums paid.

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PIMCO Municipal Income Funds III
Notes to Financial Statements
September 30, 2006

1. Organization and Significant Accounting Policies (continued)

When an option is written, the premium received is recorded as an asset with an equal liability which is subsequently marked to market to reflect the current market value of the option written. These liabilities are reflected as options written in the Statements of Assets and Liabilities. Premiums received from writing options which expire unexercised are recorded on the expiration date as a realized gain. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchased transactions, as a realized loss. If a call option

written by the Funds is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a put option written by the Funds is exercised, the premium reduces the cost basis of the security. In writing an option, the Funds bear the market risk of an unfavorable change in the price of the security underlying the written option. Exercise of a written option could result in the Funds purchasing a security at a price different from the current market value.

(g) Residual Interest Municipal Bonds (“RIBS”)/Residual Interest Tax Exempt Bonds (“RITES”)

The Funds invest in RIBS and RITES whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index. RIBS and RITES are created by dividing the income stream provided by the underlying bonds to create two securities, one short-term and one long-term. The interest rate on the short-term component is reset by an index or auction process normally every seven to 35 days. After income is paid on the short-term securities at current rates, the residual income from the underlying bond(s) goes to the long-term securities. Therefore, rising short-term interest rates result in lower income for the longer-term portion, and visa versa. The longer-term bonds may be more volatile and less liquid than other municipal bonds of comparable maturity. Investments in RIBS and RITES typically will involve greater risk than an investment in a fixed-rate bond. The Funds may also invest in RIBS and RITES for the purpose of increasing their leverage.

(h) When-Issued/Delayed-Delivery Transactions

When-issued or delayed-delivery basis transactions involve a commitment to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed-delivery purchases are outstanding, the Funds will set aside and maintain until the settlement date in a designated account, liquid assets in an amount sufficient to meet the purchase price. When purchasing a security on a delayed-delivery basis, the Funds assume the rights and risks of ownership of the security, including the risk of price and yield fluctuations, consequently, such fluctuations are taken into account when determining its net asset value. The Funds may dispose of or renegotiate a delayed-delivery transaction after it is entered into, and may sell when-issued securities before they are delivered, which may result in a realized gain or loss. When a security on a delayed-delivery basis is sold, the Funds do not participate in future gains and losses with respect to the security.

(i) Custody Credits Earned on Cash Balances

The Funds benefit from an expense offset arrangement with their custodian bank whereby uninvested cash balances earn credits which reduce monthly custodian and accounting agent expenses. Had these cash balances been invested in income producing securities, they would have generated income for the Funds.

2. Investment Manager/Sub-Adviser

Each Fund has entered into an Investment Management Agreement (the “Agreements”) with the Investment Manager. Subject to the supervision by each Fund’s Board of Trustees, the Investment Manager is responsible for managing, either directly or through others selected by it, the Fund’s investment activities, business affairs and other administrative matters. Pursuant to the Agreements, the Investment Manager receives an annual fee, payable monthly, at the annual rate of 0.65% of each Fund’s average daily net assets, inclusive of net assets attributable to any preferred shares that may be outstanding. In order to reduce each Fund’s expenses, the Investment Manager has contractually agreed to waive a portion of its investment management fee for each Fund at the annual rate of 0.15% of each Fund’s average daily net assets, including net assets attributable to any preferred shares that may be outstanding, from the commencement of operations through October 31, 2007, and for a declining amount thereafter through October 31, 2009.

The Investment Manager has retained its affiliate, Pacific Investment Management Company LLC (the “Sub-Adviser”) to manage each Fund’s investments. Subject to the supervision of the Investment Manager, the Sub-Adviser makes all

investment decisions for the Funds. The Investment Manager, not the Funds, pays a portion of the fees it receives to the Sub-Adviser in return for its services, at the maximum annual rate of 0.50% of each Funds' average daily net

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PIMCO Municipal Income Funds III
Notes to Financial Statements
September 30, 2006

assets, inclusive of net assets attributable to any preferred shares that may be outstanding. The Sub-Adviser has contractually agreed to waive a portion of the fees it is entitled to receive from the Investment Manager, such that the Sub-Adviser will receive 0.26% of each Fund's average daily net assets, including net assets attributable to any preferred shares that may be outstanding, from the commencement of the Funds' operations through October 31, 2007, and will receive an increasing amount not to exceed 0.50% of each Fund's average daily net assets, including net assets attributable to any preferred shares that may be outstanding thereafter through October 31, 2009.

3. Investments in Securities

For the year ended September 30, 2006, purchases and sales of investments, other than short-term securities, were:

	Municipal III	California Municipal III	New York Municipal III
Purchases	\$ 187,651,268	\$ 108,260,754	\$ 16,934,154
Sales	204,931,453	89,093,787	11,859,747

(a) Futures contracts outstanding at September 30, 2006:

Fund	Type	Notional Amount (000)	Expiration Date	Unrealized Appreciation (Depreciation)
<u>Municipal III</u>	Long: Financial Future Euro-90 day	\$ 143	6/18/07	\$ (13,638)
	Financial Future Euro-90 day	143	9/17/07	4,388
	Financial Future Euro-90 day	143	12/17/07	15,787
	Financial Future Euro-90 day	143	3/17/08	20,775
	U.S. Treasury Notes 5 yr. Futures	992	12/29/06	646,438
	Short: U.S. Treasury Bond Futures	(2,222)	12/19/06	(3,040,438)
	U.S. Treasury Notes 10 yr. Futures	(206)	12/19/06	(130,359)
				\$ (2,497,047)
<u>California Municipal III</u>	Long: Financial Future Euro-90 day	\$ 310	6/18/07	\$ (17,875)
	Financial Future Euro-90 day	310	9/17/07	21,850
	Financial Future Euro-90 day	310	12/17/07	46,650
	Financial Future Euro-90 day	310	3/17/08	57,500
	U.S. Treasury Notes 5 yr. Futures	354	12/29/06	226,781

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	Short: U.S. Treasury Bond Futures	(1,378)	12/19/06	(1,967,547)
	U.S. Treasury Notes 10 yr. Futures	(294)	12/19/06	(187,578)
				\$ (1,820,219)
<u>New York Municipal III</u>	Long: U.S. Treasury Notes 5 yr. Futures	\$ 147	12/29/06	\$ 94,172
	Short: U.S. Treasury Bond Futures	(358)	12/19/06	(492,062)
	U.S. Treasury Notes 10 yr. Futures	(39)	12/19/06	(24,680)
				\$ (422,570)

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PIMCO Municipal Income Funds III
Notes to Financial Statements
September 30, 2006

3. Investments in Securities (continued)

(b) Transactions in options written for the year ended September 30, 2006:

	Contracts	Premiums
<u>Municipal III:</u>		
Options outstanding, September 30, 2005	2,494	\$ 682,598
Options written	4,465	992,354
Options expired	(5,035)	(1,243,010)
Options terminated in closing purchase transactions	(1,440)	(342,765)
Options outstanding, September 30, 2006	484	\$ 89,177
<u>California Municipal III:</u>		
Options outstanding, September 30, 2005	2,125	\$ 578,422
Options written	3,771	891,225
Options expired	(4,106)	(1,060,325)
Options terminated in closing purchase transactions	(1,367)	(331,384)
Options outstanding, September 30, 2006	423	\$ 77,938
<u>New York Municipal III:</u>		
Options outstanding September 30, 2005	446	\$ 121,472
Options written	619	145,833
Options expired	(755)	(192,323)
Options terminated in closing purchase transactions	(248)	(63,559)
Options outstanding September 30, 2006	62	\$ 11,423

4. Income Tax Information

Municipal III:

The tax character of dividends paid were:

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	Year ended September 30, 2006	Year ended September 30, 2005
Ordinary Income	\$1,366,808	\$823,483
Tax Exempt Income	\$35,012,988	\$35,637,389

At September 30, 2006, there were no distributable earnings.

At September 30, 2006, Municipal III had a capital loss carryforward of \$28,536,056 (\$2,344,397 of which will expire in 2012, \$17,178,960 of which will expire in 2013 and \$9,012,699 of which will expire in 2014), available as a reduction, to the extent provided in the regulations, of any future net realized capital gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be distributed.

In accordance with U.S. Treasury regulations, Municipal III elected to defer realized capital losses of \$2,210,452 arising after October 31, 2005. Such losses are treated for tax purposes as arising on October 1, 2006.

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PIMCO Municipal Income Funds III
Notes to Financial Statements
September 30, 2006

4. Income Tax Information (continued)

California Municipal III:

The tax character of dividends paid were:

	Year ended September 30, 2006	Year ended September 30, 2005
Ordinary Income	\$443,529	\$482,924
Tax Exempt Income	\$25,442,911	\$23,212,863

At September 30, 2006, there were no distributable earnings.

At September 30, 2006, California Municipal III had a capital loss carryforward of \$23,678,012 (\$3,952,407 of which will expire in 2012, \$11,508,959 of which will expire in 2013 and \$8,216,646 of which will expire in 2014), available as a reduction, to the extent provided in the regulations, of any future net realized capital gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be distributed.

In accordance with U.S. Treasury regulations, California III elected to defer realized capital losses of \$293,877 arising after October 31, 2005. Such losses are treated for tax purposes as arising on October 1, 2006.

New York Municipal III:

The tax character of dividends paid were:

	Year ended September 30, 2006	Year ended September 30, 2005
Ordinary Income	\$44,739	\$65,871
Tax Exempt Income	\$6,198,054	\$6,028,366

At September 30, 2006, there were no distributable earnings.

At September 30, 2006, New York Municipal III had a capital loss carryforward of \$5,145,851 (\$5,578 of which will expire in 2012, \$3,534,913 of which will expire in 2013 and \$1,605,360 of which will expire in 2014), available as a reduction, to the extent provided in the regulations, of any future net realized capital gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be distributed.

In accordance with U.S. Treasury regulations, New York III elected to defer realized capital losses of \$106,092 arising after October 31, 2005. Such losses are treated for tax purposes as arising on October 1, 2006.

The cost of investments for federal income tax purposes and gross unrealized appreciation and gross unrealized depreciation of investments at September 30, 2006 were:

	Cost of Investments	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
Municipal III	\$675,181,986	\$54,048,548	—	\$54,048,548
California Municipal III	465,505,948	37,934,812	\$318,465	37,616,347
New York Municipal III	121,995,713	10,400,871	—	10,400,871

5. Auction Preferred Shares

Municipal III has issued 2,160 shares of Preferred Shares Series A, 2,160 shares of Preferred Shares Series B, 2,160 shares of Preferred Shares Series C, 2,160 shares of Preferred Shares Series D and 2,160 shares of Preferred Shares Series E, each with a net asset and liquidation value of \$25,000 per share plus accrued dividends.

California Municipal III has issued 3,700 shares of Preferred Shares Series A and 3,700 shares of Preferred Shares Series B, each with a net asset and liquidation value of \$25,000 per share plus accrued dividends.

New York Municipal III has issued 1,880 shares of Preferred Shares Series A with a net asset and liquidation value of \$25,000 per share plus accrued dividends.

Dividends and distributions of net realized long-term capital gains, if any, are accumulated daily at an annual rate (typically re-set every seven days) through auction procedures.

September 30, 2006

5. Auction Preferred Shares (continued)

For the year ended September 30, 2006, the annualized dividend rates ranged from:

	High	Low	At September 30, 2006
<u>Municipal III:</u>			
Series A	4.35%	2.29%	3.34%
Series B	4.40%	2.40%	3.40%
Series C	4.45%	2.20%	3.25%
Series D	4.35%	2.25%	3.59%
Series E	4.35%	2.25%	3.50%
<u>California Municipal III:</u>			
Series A	4.40%	2.16%	3.24%
Series B	4.45%	2.04%	3.34%
<u>New York Municipal III:</u>			
Series A	4.35%	2.45%	3.20%

The Funds are subject to certain limitations and restrictions while Preferred Shares are outstanding. Failure to comply with these limitations and restrictions could preclude the Funds from declaring any dividends or distributions to common shareholders or repurchasing common shares and/or triggering the mandatory redemption of Preferred Shares at their liquidation value.

Preferred Shares, which are entitled to one vote per share, generally vote separately as a class to elect two Trustees and on any matters affecting the rights of the Preferred Shares.

6. Subsequent Common Dividend Declarations

On October 2, 2006, the following dividends were declared to common shareholders payable November 1, 2006 to shareholders of record on October 12, 2006:

Municipal III	\$0.07 per common share
California Municipal III	\$0.08 per common share
New York Municipal III	\$0.07 per common share

On November 1, 2006 the following dividends were declared to common shareholders payable December 1, 2006 to shareholders of record on November 13, 2006:

Municipal III	\$0.07 per common share
California Municipal III	\$0.08 per common share
New York Municipal III	\$0.07 per common share

7. Legal Proceedings

In June and September 2004, the Investment Manager, certain of its affiliates (including Allianz Global Investors Distributors LLC and PEA Capital LLC) and Allianz Global, agreed to settle, without admitting or denying the allegations, claims brought by the Securities and Exchange Commission (the “Commission”), the New Jersey Attorney General and the California Attorney General alleging violations of federal and state securities laws with respect to certain open-end funds for which the Investment Manager serves as investment adviser. Two settlements (with the Commission and New Jersey) related to an alleged “market timing” arrangement in certain open-end funds sub-advised by PEA Capital LLC. Two settlements (with the Commission and California) related to the alleged use of cash and fund portfolio commissions to finance “shelf-space” arrangements with broker-dealers for open-end funds. The Investment Manager and its affiliates agreed to pay a total of \$68 million to settle the claims related to market timing and \$20.6 million to settle the claims related to shelf space. The settling parties also agreed to make certain corporate governance, compliance and disclosure reforms, and consented to cease and desist orders and censures. None of the settlements allege that any inappropriate activity took place with respect to the Funds.

Since February 2004, the Investment Manager and certain of its affiliates and their employees have been named as defendants in fifteen lawsuits filed in various jurisdictions. Eleven of those lawsuits concern market timing and have

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PIMCO Municipal Income Funds III
Notes to Financial Statements
September 30, 2006

7. Legal Proceedings (continued)

been transferred to and consolidated for pre-trial proceedings in a multi-district litigation proceeding in the U.S. District Court for the District of Maryland; the other four lawsuits concern revenue sharing and have been consolidated into a single action in the U.S. District Court for the District of Connecticut. The lawsuits generally relate to the same allegations that are the subject of the regulatory proceedings discussed above. The lawsuits seek, among other things, unspecified compensatory damages plus interest and, in some cases, punitive damages, the rescission of investment advisory contracts, the return of fees paid under those contracts, restitution, and waiver of or return of certain sales charges paid by open-end fund shareholders.

The Investment Manager and the Sub-Adviser believe that these matters are not likely to have a material adverse effect on the Funds or on their ability to perform their respective investment advisory activities relating to the Funds.

The foregoing speaks only as of the date hereof.

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PIMCO Municipal Income Fund III
Financial Highlights
For a share of common stock outstanding throughout each period

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	Year Ended September 30, 2006	Year Ended September 30, 2005	Year Ended September 30, 2004	For the period October 31, 2002* through September 30, 2003
Net asset value, beginning of period	\$14.68	\$14.36	\$14.05	\$14.33**
Investment Operations:				
Net investment income	1.12	1.14	1.18	0.78
Net realized and change in unrealized gain (loss) on investments, futures contracts, and options written	0.26	0.36	0.22	(0.08)
Total from investment operations	1.38	1.50	1.40	0.70
Dividends on Preferred Shares from				
Net Investment Income:	(0.27)	(0.18)	(0.09)	(0.06)
Net increase in net assets applicable to common shareholders resulting from investment operations	1.11	1.32	1.31	0.64
Dividends to Common Shareholders from Net Investment Income:	(0.89)	(1.00)	(1.00)	(0.79)
Capital Share Transactions:				
Common stock offering costs charged to paid-in capital in excess of par	—	—	—	(0.03)
Preferred shares offering costs/underwriting discounts charged to paid-in capital in excess of par	—	—	—	(0.10)
Total capital share transactions	—	—	—	(0.13)
Net asset value, end of period	\$14.90	\$14.68	\$14.36	\$14.05
Market price, end of period	\$15.70	\$15.49	\$14.30	\$14.20
Total Investment Return (1)	7.69%	15.95%	8.10%	0.05%
RATIOS/SUPPLEMENTAL DATA:				
Net assets applicable to common shareholders, end of period (000)	\$466,511	\$457,487	\$445,679	\$435,169
Ratio of expenses to average net assets (2)(3)(5)	1.06%	1.03%	1.05%	0.99%(4)
Ratio of net investment income to average net assets (2)(5)	7.71%	7.74%	8.25%	6.05%(4)
Preferred shares asset coverage per share	\$68,179	\$67,352	\$66,261	\$65,284
Portfolio turnover	26%	9%	20%	62%

*Commencement of operations.

**Initial public offering price of \$15.00 per share less underwriting discount of \$0.675 per share.

(1) Total investment return is calculated assuming a purchase of a share of common stock at the current market price on the first day of each period and a sale of a share of common stock at the current market

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price on the last day of each period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges. Total investment return for a period of less than one year is not annualized.

- (2) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.
- (3) Inclusive of expenses offset by custody credits earned on cash balances at the custodian bank. (See note 1(i) in Notes to Financial Statements).
- (4) Annualized.
- (5) During the periods indicated above, the Investment Manager waived a portion of its investment management fee. If such a waiver had not been in effect, the ratio of expenses to average net assets and the ratio of net investment income to average net assets would have been 1.30% and 7.47%, respectively for the year ended September 30, 2006, 1.27% and 7.50%, respectively for the year ended September 30, 2005, 1.29% and 8.01%, respectively for the year ended September 30, 2004 and 1.22% (annualized) and 5.82% (annualized), respectively for the period October 31, 2002 (commencement of operations) through September 30, 2003.

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PIMCO California Municipal Income Fund III

Financial Highlights

For a share of common stock outstanding throughout each period

	Year Ended September 30, 2006	Year Ended September 30, 2005	Year Ended September 30, 2004	For the period October 31, 2002* through September 30, 2003
Net asset value, beginning of period	\$14.80	\$14.12	\$13.43	\$14.33**
Investment Operations:				
Net investment income	1.11	1.14	1.23	0.71
Net realized and change in unrealized gain (loss) on investments, futures contracts and options written	0.13	0.65	0.51	(0.66)
Total from investment operations	1.24	1.79	1.74	0.05
Dividends on Preferred Shares from				
Net Investment Income:	(0.25)	(0.15)	(0.09)	(0.06)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	0.99	1.64	1.65	(0.01)
Dividends to Common Shareholders from Net Investment Income:	(0.96)	(0.96)	(0.96)	(0.76)
Capital Share Transactions:				

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Common stock offering costs charged to paid-in capital in excess of par	—	—	—	(0.03)
Preferred shares offering costs/underwriting discounts charged to paid-in capital in excess of par	—	—	—	(0.10)
Total capital share transactions	—	—	—	(0.13)
Net asset value, end of period	\$14.83	\$14.80	\$14.12	\$13.43
Market price, end of period	\$16.94	\$15.11	\$13.74	\$13.62
Total Investment Return (1)	19.43%	17.48%	8.22%	(4.10)%
RATIOS/SUPPLEMENTAL DATA:				
Net assets applicable to common shareholders, end of period (000)	\$318,236	\$315,963	\$300,860	\$285,279
Ratio of expenses to average net assets (2)(3)(5)	1.06%	1.05%	1.08%	1.01%(4)
Ratio of net investment income to average net assets (2)(5)	7.57%	7.82%	8.79%	5.63%(4)
Preferred shares asset coverage per share	\$67,993	\$67,692	\$65,650	\$63,539
Portfolio turnover	18%	8%	39%	123%

*Commencement of operations.

**Initial public offering price of \$15.00 per share less underwriting discount of \$0.675 per share.

(1) Total investment return is calculated assuming a purchase of a share of common stock at the current market price on the first day of each period and a sale of a share of common stock at the current market price on the last day of each period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges. Total investment return for a period of less than one year is not annualized.

(2) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.

(3) Inclusive of expenses offset by custody credits earned on cash balances at the custodian bank. (See note 1(i) in Notes to Financial Statements).

(4) Annualized.

(5) During the periods indicated above, the Investment Manager waived a portion of its investment management fee. If such a waiver had not been in effect, the ratio of expenses to average net assets and the ratio of net investment income to average net assets would have been 1.30% and 7.33%, respectively for the year ended September 30, 2006, 1.29% and 7.58%, respectively for the year ended September 30, 2005, 1.32% and 8.55%, respectively for the year ended September 30, 2004 and 1.24% (annualized) and 5.40% (annualized), respectively for the period October 31, 2002 (commencement of operations) through September 30, 2003.

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PIMCO New York Municipal Income Fund III
Financial Highlights

For a share of common stock outstanding throughout each period

	Year Ended September 30, 2006	Year Ended September 30, 2005	Year Ended September 30, 2004	For the period October 31, 2002* through September 30, 2003
Net asset value, beginning of period	\$15.03	\$14.41	\$14.14	\$14.33**
Investment Operations:				
Net investment income				