

PIMCO MUNICIPAL INCOME FUND III  
Form N-Q  
February 23, 2011

OMB APPROVAL  
OMB  
Number: 3235-0578  
Expires: April 30,  
2013  
Estimated average  
burden hours per  
response: 5.6

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM N-Q  
QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY**

**Investment Company Act File Number:** 811-21187

**Registrant Name:** PIMCO Municipal Income Fund III

**Address of Principal Executive Offices:** 1345 Avenue of the Americas,  
New York, NY 10105

**Name and Address of Agent for Service:** Lawrence G. Altadonna  
1345 Avenue of the Americas,  
New York, NY 10105

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

**Date of Fiscal Year End:** September 30, 2011

**Date of Reporting Period:** December 31, 2010

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-2001. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.



**Item 1. Schedule of Investments****PIMCO Municipal Income Fund III Schedule of Investments**

December 31, 2010 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
<b>MUNICIPAL BONDS &amp; NOTES 97.9%</b>			
<b>Alabama 1.3%</b>			
\$ 5,000	Birmingham-Baptist Medical Centers Special Care Facs. Financing Auth. Rev., Baptist Health Systems, Inc., 5.00%, 11/15/30, Ser. A	Baa2/NR	\$ 4,329,950
500	Birmingham Special Care Facs. Financing Auth. Rev., Childrens Hospital, 6.00%, 6/1/39 (AGC)	Aa3/AA+	523,465
1,500	Colbert Cnty. Northwest Health Care Auth. Rev., 5.75%, 6/1/27	Ba1/NR	1,378,920
1,000	State Docks Department Rev., 6.00%, 10/1/40	NR/BBB+	959,790
			7,192,125
<b>Alaska 1.2%</b>			
	Housing Finance Corp. Rev.,		
3,900	5.00%, 12/1/33, Ser. A	Aaa/AAA	3,809,364
1,000	5.25%, 6/1/32, Ser. C (NPFGC)	Aa2/AA	993,590
3,100	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR	1,856,900
			6,659,854
<b>Arizona 5.1%</b>			
	Health Facs. Auth. Rev.,		
	Banner Health,		
1,250	5.00%, 1/1/35, Ser. A	NR/A+	1,161,000
900	5.50%, 1/1/38, Ser. D	NR/A+	893,736
2,250	Beatitudes Campus Project, 5.20%, 10/1/37	NR/NR	1,670,445
1,500	Maricopa Cnty. Pollution Control Corp. Rev., Palo Verde Project, 5.05%, 5/1/29, Ser. A (AMBAC)	Baa2/BBB-	1,389,900
	Pima Cnty. Industrial Dev. Auth. Rev.,		
13,000	5.00%, 9/1/39 (e)	Aa2/AA	11,679,200
750	Tuscon Electric Power Co., 5.25%, 10/1/40, Ser. A	Baa3/BBB-	653,708
5,000	Salt River Project Agricultural Improvement & Power Dist. Rev., 5.00%, 1/1/39, Ser. A (e)	Aa1/AA	4,955,300
5,600	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	A3/A	4,784,640
			27,187,929
<b>California 6.1%</b>			
2,500	Health Facs. Financing Auth. Rev., Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	A2/A	2,546,525

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1,250	Palomar Pomerado Health, CP, 6.75%, 11/1/39	Baa3/NR	1,268,062
	State, GO,		
250	5.00%, 11/1/37	A1/A-	224,813
5,300	5.00%, 12/1/37	A1/A-	4,765,495
6,000	6.00%, 4/1/38	A1/A-	6,120,360
	Statewide Communities Dev. Auth. Rev.,		
1,000	American Baptist Homes West, 6.25%, 10/1/39	NR/BBB-	951,350
2,485	California Baptist Univ., 9.00%, 11/1/17, Ser. B (a)(b)	NR/NR	2,172,710
	Methodist Hospital Project, (FHA),		
2,900	6.625%, 8/1/29	Aa2/NR	3,176,457
10,300	6.75%, 2/1/38	Aa2/NR	11,265,728
			32,491,500
	<b>Colorado 2.4%</b>		
9,955	Colorado Springs Utilities Rev., 5.00%, 11/15/30, Ser. B (e)	Aa2/AA	9,941,959
500	Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34	NR/NR	350,875

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<b>Colorado (continued)</b>			
\$ 500	Health Facs. Auth. Rev., Evangelical Lutheran, 6.125%, 6/1/38, Ser. A	A3/A-	\$ 503,695
1,500	Housing & Finance Auth. Rev., Evergreen Country Day School, Inc. Project, 5.875%, 6/1/37 (a)(b)	NR/BB	973,995
500	Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	A2/A	524,520
500	Regional Transportation Dist. Rev., Denver Transportation Partners, 6.00%, 1/15/34	Baa3/NR	495,065
			12,790,109
<b>Connecticut 0.2%</b>			
1,250	Harbor Point Infrastructure Improvement Dist., Tax Allocation, 7.875%, 4/1/39, Ser. A	NR/NR	1,283,125
<b>Delaware 0.3%</b>			
1,500	State Economic Dev. Auth. Rev., Delmarva Power & Light Co., 5.40%, 2/1/31	Baa2/BBB+	1,469,355
<b>District of Columbia 2.0%</b>			
10,000	Water & Sewer Auth. Rev., 5.50%, 10/1/39, Ser. A (e)	Aa2/AA	10,440,700
<b>Florida 4.9%</b>			
3,480	Brevard Cnty. Health Facs. Auth. Rev., Health First, Inc. Project, 5.00%, 4/1/34	A3/A-	3,064,314
500	Broward Cnty. Airport Rev., 5.375%, 10/1/29, Ser. O	A1/A+	502,900
4,500	Broward Cnty. Water & Sewer Rev., 5.25%, 10/1/34, Ser. A (e)	Aa2/AA	4,594,275
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital Project, 5.25%, 10/1/34, Ser. B	A3/NR	2,241,775
1,000	Miami-Dade Cnty. Airport Rev., 5.50%, 10/1/36, Ser. A	A2/A-	974,390
3,895	Sarasota Cnty. Health Facs. Auth. Rev., 5.75%, 7/1/45	NR/NR	3,000,202
4,200	State Board of Education, GO, 5.00%, 6/1/38, Ser. D (e)	Aa1/AAA	4,168,836
6,900	State Board of Governors Rev., Florida Univ., 6.50%, 7/1/33	Aa2/AA	7,646,787
			26,193,479

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**Georgia 0.3%**

1,750	Fulton Cnty. Residential Care Facs. for the Elderly Auth. Rev., Lenbrook Project, 5.125%, 7/1/42, Ser. A	NR/NR	1,072,627
400	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project, 5.25%, 7/1/37	NR/NR	306,764
			1,379,391

**Hawaii 0.3%**

1,500	Hawaii Pacific Health Rev., 5.50%, 7/1/40, Ser. A	A3/BBB+	1,371,810
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**Idaho 1.2%**

	State Building Auth. Rev., Ser. A (XLCA),		
1,000	5.00%, 9/1/33	WR/AA-	1,001,750
5,750	5.00%, 9/1/43	WR/AA-	5,578,592
			6,580,342

**Illinois 8.5%**

	Chicago, GO,		
720	5.00%, 1/1/31, Ser. A (NPFGC)	Aa3/A+	723,305
5,000	5.00%, 1/1/34, Ser. C (e)	Aa3/A+	4,460,700

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<b>Illinois (continued)</b>			
\$ 500	Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC-NPFGC)	Aa2/AA-	\$ 149,805
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC) Finance Auth. Rev.,	Aa3/AA+	6,659,380
1,175	Elmhurst Memorial Healthcare, 5.50%, 1/1/22 Leafs Hockey Club Project, Ser. A (f),	Baa1/NR	1,141,994
1,000	5.875%, 3/1/27	NR/NR	252,260
625	6.00%, 3/1/37	NR/NR	156,062
400	OSF Healthcare System, 7.125%, 11/15/37, Ser. A	A3/A	419,036
12,795	Peoples Gas Light & Coke Co., 5.00%, 2/1/33 (AMBAC)	A1/A-	11,982,518
1,000	Swedish Covenant Hospital, 6.00%, 8/15/38, Ser. A Univ. of Chicago,	NR/BBB+	962,150
3,000	5.00%, 7/1/33, Ser. A	Aa1/AA	2,952,210
165	5.25%, 7/1/41, Ser. 05-A	Aa1/AA	165,069
10,000	5.50%, 7/1/37, Ser. B (e)	Aa1/AA	10,271,400
5,000	State Toll Highway Auth. Rev., 5.50%, 1/1/33, Ser. B	Aa3/AA-	5,034,550
			45,330,439
<b>Indiana 0.8%</b>			
500	Dev. Finance Auth. Rev., 5.00%, 3/1/30, Ser. B (AMBAC)	A2/NR	479,730
2,000	Finance Auth. Rev., U.S. Steel Corp., 6.00%, 12/1/26 Portage, Tax Allocation, Ameriplex Project,	Ba2/BB	1,918,820
1,000	5.00%, 7/15/23	NR/A	921,060
775	5.00%, 1/15/27	NR/A	686,402
			4,006,012
<b>Iowa 1.7%</b>			
	Finance Auth. Rev., Deerfield Retirement Community, Inc., Ser. A,		
120	5.50%, 11/15/27	NR/NR	85,355
575	5.50%, 11/15/37	NR/NR	370,950
11,010	Tobacco Settlement Auth. Rev., 5.60%, 6/1/34, Ser. B	Baa3/BBB	8,768,584
			9,224,889

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**Kentucky 1.2%**

	Economic Dev. Finance Auth. Rev.,		
	Baptist Healthcare Systems, Ser. A,		
1,000	5.375%, 8/15/24	Aa3/NR	1,048,020
1,300	5.625%, 8/15/27	Aa3/NR	1,348,841
1,000	Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	965,360
2,000	Owensboro Medical Healthcare Systems, 6.375%, 6/1/40, Ser.		
	A	Baa2/NR	1,990,640
1,250	Ohio Cnty. Pollution Control Rev., Big Rivers Electric Corp.,		
	6.00%, 7/15/31, Ser. A	Baa1/BBB-	1,220,312
			6,573,173

**Louisiana 1.0%**

	Local Gov t Environmental Facs. & Community Dev. Auth.		
	Rev.,		
400	Westlake Chemical Corp., 6.50%, 11/1/35, Ser. A-2	Ba2/BBB-	388,924
	Woman s Hospital Foundation, Ser. A,		
1,500	5.875%, 10/1/40	A3/BBB+	1,395,675
1,000	6.00%, 10/1/44	A3/BBB+	938,310

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Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
<b>Louisiana (continued)</b>			
\$ 1,700	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project, 5.50%, 5/15/47, Ser. B	Baa1/NR	\$ 1,449,369
1,345	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	Baa3/BBB	1,286,856
			5,459,134
<b>Maryland 0.6%</b>			
1,000	Economic Dev. Corp. Rev., 5.75%, 6/1/35, Ser. B	Baa3/NR	943,710
	Health & Higher Educational Facs. Auth. Rev.,		
1,500	Calvert Health System, 5.50%, 7/1/36	A3/NR	1,500,930
700	Charlestown Community, 6.25%, 1/1/41	NR/NR	686,980
			3,131,620
<b>Massachusetts 1.4%</b>			
	Dev. Finance Agcy. Rev.,		
300	Adventcare Project, 7.625%, 10/15/37	NR/NR	293,424
750	Linden Ponds, Inc. Fac., 5.75%, 11/15/35, Ser. A	NR/NR	521,647
4,910	Housing Finance Agcy. Rev., 5.125%, 6/1/43, Ser. H	Aa3/AA-	4,769,967
1,600	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	Aa2/AA-	1,661,520
			7,246,558
<b>Michigan 14.8%</b>			
500	Conner Creek Academy East Rev., 5.25%, 11/1/36	NR/BB+	374,170
1,500	Detroit, GO, 5.25%, 11/1/35	Aa3/AA	1,352,415
9,320	Detroit Sewer Rev., 5.00%, 7/1/32, Ser. A (AGM)	Aa3/AA+	8,447,368
	Detroit Water Rev., (NPFGC),		
30,000	5.00%, 7/1/34, Ser. A	A1/A+	27,553,800
7,555	5.00%, 7/1/34, Ser. B	A2/A	6,679,073
1,500	Royal Oak Hospital Finance Auth. Rev., William Beaumont Hospital, 8.25%, 9/1/39	A1/A	1,721,415
	State Hospital Finance Auth. Rev.,		
175	Detroit Medical Center, 5.25%, 8/15/23, Ser. A	Ba3/BB-	168,324
	Oakwood Group, Ser. A,		
5,405	5.75%, 4/1/32	A2/A	5,205,718

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575	6.00%, 4/1/22	A2/A	582,855
20,000	Trinity Health Credit, 5.375%, 12/1/30, Ser. C	Aa2/AA	19,698,600
10,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BB	6,812,300
			78,596,038

**Minnesota 0.0%**

125	Duluth Housing & Redev. Auth. Rev., 5.875%, 11/1/40, Ser. A	NR/BBB-	112,341
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**Mississippi 0.8%**

3,000	Business Finance Corp. Rev., System Energy Res., Inc. Project, 5.875%, 4/1/22	Ba1/BBB	2,945,340
1,250	5.90%, 5/1/22	Ba1/BBB	1,229,650
			4,174,990

**Missouri 0.1%**

250	Jennings Rev., Northland Redev. Area Project, 5.00%, 11/1/23	NR/NR	218,125
500	Manchester, Tax Allocation, Highway141/Manchester Road Project, 6.875%, 11/1/39	NR/NR	486,210
			704,335

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	<b>Nevada 0.7%</b>		
\$ 4,000	Clark Cnty., GO, 4.75%, 6/1/30 (AGM)	Aa1/AA+	\$ 3,701,840
	<b>New Hampshire 0.4%</b>		
2,000	Business Finance Auth. Rev., Elliot Hospital, 6.125%, 10/1/39, Ser. A	Baa1/BBB+	1,969,220
	<b>New Jersey 4.5%</b>		
1,000	Camden Cnty. Improvement Auth. Rev., Cooper Health Systems Group, 5.00%, 2/15/35, Ser. A	Baa3/BBB	840,920
300	Economic Dev. Auth. Rev., Newark Airport Marriott Hotel, 7.00%, 10/1/14	Ba1/NR	299,970
4,500	Economic Dev. Auth., Special Assessment, Kapkowski Road Landfill Project, 6.50%, 4/1/28	Ba2/NR	4,636,845
1,000	Health Care Facs. Financing Auth. Rev., St. Peters Univ. Hospital, 5.75%, 7/1/37	Baa3/BBB-	&nbsp;