

JOHN HANCOCK PREFERRED INCOME FUND III
Form N-Q
December 23, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21287

John Hancock Preferred Income Fund III
(Exact name of registrant as specified in charter)

601 Congress Street, Boston, Massachusetts 02210
(Address of principal executive offices) (Zip code)

Salvatore Schiavone, Treasurer

601 Congress Street

Boston, Massachusetts 02210

(Name and address of agent for service)

Registrant's telephone number, including area code: 617-663-4497

Date of fiscal year end: July 31

October 31, 2016

Date of reporting period:

ITEM 1. SCHEDULE OF INVESTMENTS

John Hancock

Preferred Income Fund III

Quarterly portfolio holdings 10/31/16

Fund's investments Preferred Income Fund III

As of 10-31-16 (unaudited)

	Shares	Value
Preferred securities		
136.7% (90.9% of		\$834,527,786
Total investments)		
(Cost \$798,129,973)		
Consumer		12,120,475
staples 2.0%		
Food and staples retailing 2.0%		
Ocean		
Spray		
Cranberries,		
Inc.,	135,000	12,120,475
Series A,		
6.250%		
(S) (Z)		
Energy 6.0%		36,790,036
Oil, gas and consumable fuels 6.0%		
Kinder		
Morgan,		
Inc.,	798,915	36,790,036
9.750%		
Financials 58.0%		354,284,747
Banks 39.3%		
Bank		
of		
America	109,000	2,931,010
Corp.,		
6.500%		
Bank		
of		
America	41,120	1,121,342
Corp.,		
6.625%		
Barclays		
Bank		
PLC,	355,000	9,155,450
Series 3,		
7.100% (Z)		
Barclays		
Bank		
PLC,	515,000	13,410,600
Series 5,		
8.125% (Z)		
BB&T	670,000	17,332,900
Corp.,		

5.200% (Z)		
BB&T		
Corp.,	210,000	5,418,000
5.625% (Z)		
Citigroup		
Capital	17,000	442,170
XIII,		
7.257% (P)		
Citigroup,		
Inc.,	85,000	2,151,350
5.800%		
Citigroup,		
Inc.,	25,000	676,000
6.875%		
Citigroup,		
Inc.		
(6.875%		
to		
11-15-23,		
then	446,650	12,814,389
3		
month		
LIBOR		
+		
4.130% (Z)		
Citigroup,		
Inc.		
(7.125%		
to		
9-30-23,		
then	465,848	13,285,985
3		
month		
LIBOR		
+		
4.040%)		
First		
Republic	95,000	2,584,000
Bank,		
7.000% (Z)		
HSBC		
Holdings	63,500	1,654,810
PLC,		
8.000% (Z)		
ING		
Groep	765,000	19,790,550
NV,		
7.200%		
JPMorgan	120,000	3,050,400
Chase		
&		

Co., 5.500% (Z) JPMorgan Chase & Co., 6.100% (Z) JPMorgan Chase & Co., 6.125% (Z) JPMorgan Chase & Co., 6.300% JPMorgan Chase & Co., 6.700% (Z) Regions Financial Corp., 6.375% (Z) Royal Bank of Scotland Group PLC, Series L, 5.750% Santander Holdings USA, Inc., Series C, 7.300% (Z) The PNC Financial Services Group, Inc., 5.375% The PNC Financial Services Group,	105,000	2,801,400
	1,030,000	27,665,800
	125,000	3,358,750
	30,000	822,600
	131,080	3,405,458
	901,000	22,660,150
	463,000	11,875,950
	40,000	1,015,600
	210,000	5,922,000

Inc.
 (6.125%
 to
 5-1-22,
 then
 3
 month
 LIBOR
 +
 4.067%)
 U.S.
 Bancorp
 (6.500%
 to
 1-15-22,
 then 888,000 26,062,800
 3
 month
 LIBOR
 +
 4.468%) (Z)
 Wells
 Fargo
 & 650,000 17,030,000
 Company,
 6.000% (Z)
 Wells
 Fargo
 & 374,000 10,150,360
 Company,
 8.000% (Z)
 Wells
 Fargo
 &
 Company
 (6.625%
 to
 3-15-24, 50,000 1,475,500
 then
 3
 month
 LIBOR
 +
 3.690%) (Z)
 Capital markets 6.6%
 Deutsche 13,800 318,228
 Bank
 Contingent
 Capital
 Trust
 II,

6.550% Deutsche Bank Contingent Capital Trust III, 7.600% (Z)	311,000	7,554,190
Morgan Stanley, 6.625% (Z)	170,000	4,649,500
Morgan Stanley (6.375% to 10-15-24, then 3 month LIBOR + 3.708%) (Z)	95,000	2,622,000
State Street Corp., 5.250% (Z)	65,000	1,651,000
State Street Corp., 6.000% (Z)	795,000	21,147,000
The Bank of New York Mellon Corp., 5.200%	43,000	1,139,500
The Goldman Sachs Group, Inc., 5.950% (Z)	60,000	1,549,200

2SEE NOTES TO FUND'S INVESTMENTS

Preferred Income Fund III

	Shares	Value
Financials (continued)		
Consumer finance 2.7%		
Capital One Financial Corp., 6.200% (Z)	289,250	\$7,720,083
Capital One Financial Corp., 6.700% (Z)	40,000	1,123,600
Navient Corp., 6.000% (Z)	231,123	5,285,783
SLM Corp., Series A, 6.970% (Z)	44,899	2,256,624
Insurance 9.3%		
Aegon NV, 6.375% (Z)	355,492	9,050,826
Aegon NV, 6.500% (Z)	330,000	8,556,900
Prudential Financial, Inc., 5.750% (Z)	150,000	3,958,500
Prudential PLC, 6.500% (Z)	130,700	3,409,963
RenaissanceRe Holdings, Ltd., Series C, 6.080%	15,000	381,600
The Phoenix Companies, Inc., 7.450%	574,500	10,897,576
W.R. Berkley Corp., 5.625% (Z)	805,000	20,632,150

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Thrifts and mortgage finance 0.1%		
Federal		
National		
Mortgage Association,	80,000	315,200
Series S,		
8.250% (I)		
Health care 5.6%		33,920,500
Pharmaceuticals 5.6%		
Teva		
Pharmaceutical		
Industries, Ltd.,	44,750	33,920,500
7.000%		
Industrials 2.2%		13,587,000
Machinery 2.2%		
Stanley		
Black		
&		
Decker, Inc.,	525,000	13,587,000
5.750% (Z)		
Real estate 11.7%		71,272,111
Equity real estate investment trusts 11.7%		
Digital		
Realty		
Trust, Inc.,	40,134	1,112,916
7.375%		
Kimco		
Realty Corp.,	955,000	24,218,800
6.000% (Z)		
Public		
Storage, 5.200% (Z)	255,000	6,482,100
Public		
Storage, 5.750% (Z)	439,500	11,167,695
Public		
Storage, 5.875% (Z)	30,000	801,300
Senior		
Housing		
Properties Trust,	875,000	21,787,500
5.625% (Z)		
Ventas Realty LP,	215,000	5,701,800

5.450% (Z)
Telecommunication services 8.5% 52,022,387
Diversified telecommunication services 1.6%
Qwest Corp., 20,000 505,000
6.125%
Qwest Corp., 65,000 1,677,000
6.875% (Z)
Qwest Corp., 60,000 1,524,000
7.000% (Z)
Qwest Corp., 87,553 2,225,597
7.500%
Verizon Communications Inc., 148,000 3,985,640
5.900% (Z)
Wireless telecommunication services 6.9%
Telephone & Data Systems, Inc., 473,000 12,146,640
6.875%
Telephone & Data Systems, Inc., 415,000 10,570,050
7.000% (Z)
United States Cellular Corp., 742,000 19,388,460
6.950%
Utilities 42.7% 260,530,530
Electric utilities 27.2%
Duke Energy Corp., 960,000 25,056,000
5.125% (Z)
Entergy Louisiana LLC, 240,000 6,194,400
5.250% (Z)
SEE NOTES TO FUND'S INVESTMENTS3

Preferred Income Fund III

	Shares	Value
Utilities (continued)		
Electric utilities (continued)		
FPL Group Capital Trust I, 5.875% (Z)	295,000	\$7,658,200
Great Plains Energy, Inc., 7.000% HECO Capital Trust III, 6.500%	515,000	27,289,850
Interstate Power & Light Company, 5.100% (Z)	202,470	5,438,344
NextEra Energy Capital Holdings, Inc., 5.125% (Z)	200,000	5,012,000
NextEra Energy Capital Holdings, Inc., 5.700% (Z)	745,000	19,057,100
PPL Capital Funding, Inc., 5.900% (Z)	1,124,024	29,292,065
SCE Trust I, 5.625% (Z)	210,000	5,371,800
SCE Trust	636,000	16,294,320

II, 5.100% (Z) SCE Trust III (5.750% to 3-15-24, then 3 month LIBOR + 2.990%) (Z) The Southern Company, 6.250% (Z) Independent power and renewable electricity producers 0.3% AES Trust III, 6.750% Multi-utilities 15.2% BGE Capital Trust II, 6.200% (Z) Dominion Resources, Inc., 6.750% (Z) DTE Energy Company, 5.250% (Z) DTE Energy Company, 6.500% DTE Energy Company, 6.500% (Z) Integrus Holding, Inc. (6.000% to 8-1-23,	120,000	3,444,000
	380,000	10,149,800
	31,734	1,604,154
	762,000	19,621,500
	746,166	37,644,075
	647,000	16,563,200
	13,000	692,250
	405,000	10,315,350
	287,500	7,817,125

then 3 month LIBOR +			
3.220%) (Z)			
Common stocks 10.5% (6.9% of Total investments)			\$63,903,014
(Cost \$57,366,630)			
Energy 10.0%			60,711,014
Oil, gas and consumable fuels 10.0%			
BP PLC,	623,000		22,147,650
ADR (Z)			
Royal Dutch Shell PLC,	472,029		23,511,764
ADR,			
Class A (Z)			
Spectra Energy Corp. (Z)	360,000		15,051,600
Utilities 0.5%			3,192,000
Multi-utilities 0.5%			
CenterPoint Energy, Inc. (Z)	140,000		3,192,000
Rate) Maturity date		Par value^	Value
(%)			
Corporate bonds 2.5% (1.7% of Total investments)			\$15,409,500
(Cost \$17,637,867)			
Energy 1.5%			8,933,250
Oil, gas and consumable fuels 1.5%			
Energy Transfer Partners	3,903 11-01-66	12,900,000	8,933,250
LP (P)			
Utilities 1.0%			6,476,250
Electric utilities 0.5%			
Southern California Edison Company	6,250 02-01-22	3,000,000	3,356,250
(6.250%			
to 2-1-22, then 3 month LIBOR			

+
 4.199%) (Q) (Z)
 Multi-utilities 0.5%
 Dominion
 Resources,
 Inc.
 (5.750%
 to
 10-1-24
 then 5.750 10-01-54 3,000,000 3,120,000
 3
 month
 LIBOR
 +
 3.057%) (Z)
 4SEE NOTES TO FUND'S INVESTMENTS

Preferred Income Fund III

Yield * (%)	Maturity date	Par value^	Value
Short-term investments 0.7% (0.5% of Total investments) (Cost \$4,345,000)			\$4,345,000
U.S. Government Agency 0.6% Federal Agricultural Mortgage Corp.	11-01-16	3,495,000	3,495,000
Discount Note Repurchase agreement 0.1% Repurchase Agreement with State Street Corp. dated 10-31-16 at 0.030% to be repurchased at \$850,001 on 11-1-16, collateralized by \$870,000 Federal Home Loan Mortgage Corp., 1.000% due 8-15-18 (valued at \$871,088, including interest)		850,000	850,000
Total investments (Cost \$877,479,470)			\$918,185,300
150.4%			
Other assets and liabilities, net (50.4%)			(\$307,496,833)
Total net assets 100.0%			\$610,688,467

The percentage shown for each investment category is the total value of the category as a percentage of the net assets of the fund unless otherwise indicated.

^All par values are denominated in U.S. dollars unless otherwise indicated.

Key to Security

Abbreviations and

Legend

ADR	American Depository Receipts London
LIBOR	Interbank Offered Rate
(I)	Non-income producing security. Variable rate obligation.
(P)	The coupon rate shown represents the rate at period end.
(Q)	Perpetual bonds have no stated maturity date. Date shown as maturity date is next call date.
(S)	These securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be resold, normally to

qualified
institutional
buyers, in
transactions
exempt from
registration.

(Z) All or a
portion of this
security is
pledged as
collateral
pursuant to the
Credit Facility
Agreement.
Total collateral
value at
10-31-16 was
\$644,360,584.

* Yield
represents
either the
annualized
yield at the
date of
purchase, the
stated coupon
rate or, for
floating rate
securities, the
rate at period
end.

At 10-31-16,
the aggregate
cost of
investment
securities for
federal income
tax purposes
was
\$877,499,377.
Net unrealized
appreciation
aggregated to
\$40,685,923,
of which
\$55,964,827
related to
appreciated
investment
securities and
\$15,278,904

related to
depreciated
investment
securities.

The fund had the following country composition as a percentage of total investments on 10-31-16:

United States	81.8%
United Kingdom	7.9%
Netherlands	6.6%
Israel	3.7%
TOTAL	100.0%

SEE NOTES TO FUND'S INVESTMENTS5

Notes to Fund's investments (unaudited)

Security valuation. Investments are stated at value as of the scheduled close of regular trading on the New York Stock Exchange (NYSE), normally at 4:00 p.m., Eastern Time. In case of emergency or other disruption resulting in the NYSE not opening for trading or the NYSE closing at a time other than the regularly scheduled close, the net asset value may be determined as of the regularly scheduled close of the NYSE pursuant to the fund's Valuation Policies and Procedures. The time at which shares and transactions are priced and until which orders are accepted may vary to the extent permitted by the Securities and Exchange Commission and applicable regulations.

In order to value the securities, the fund uses the following valuation techniques: Equity securities held by the fund are typically valued at the last sale price or official closing price on the exchange or principal market where the security trades. In the event there were no sales during the day or closing prices are not available, the securities are valued using the last available bid price. Debt obligations are valued based on the evaluated prices provided by an independent pricing vendor or from broker-dealers. Independent pricing vendors utilize matrix pricing which takes into account factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics and other market data, as well as broker supplied prices. Swaps are valued using evaluated prices obtained from an independent pricing vendor. Futures contracts are valued at settlement prices, which are the official closing prices published by the exchange on which they trade.

In certain instances, the Pricing Committee may determine to value equity securities using prices obtained from another exchange or market if trading on the exchange or market on which prices are typically obtained did not open for trading as scheduled, or if trading closed earlier than scheduled, and trading occurred as normal on another exchange or market.

Other portfolio securities and assets, for which reliable market quotations are not readily available, are valued at fair value as determined in good faith by the fund's Pricing Committee following procedures established by the Board of Trustees. The frequency with which these fair valuation procedures are used cannot be predicted and fair value of securities may differ significantly from the value that would have been used had a ready market for such securities existed.

The fund uses a three-tier hierarchy to prioritize the pricing assumptions, referred to as inputs, used in valuation techniques to measure fair value. Level 1 includes securities valued using quoted prices in active markets for identical securities. Level 2 includes securities valued using other significant observable inputs. Observable inputs may include quoted prices for similar securities, interest rates, prepayment speeds and credit risk. Prices for securities valued using these inputs are received from independent pricing vendors and brokers and are based on an evaluation of the inputs described. Level 3 includes securities valued using significant unobservable inputs when market prices are not readily available or reliable, including the fund's own assumptions in determining the fair value of investments. Factors used in determining value may include market or issuer specific events or trends, changes in interest rates and credit quality. The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques and related inputs may result in transfers into or out of an assigned level within the disclosure hierarchy.

The following is a summary of the values by input classification of the fund's investments as of October 31, 2016, by major security category or type:

	Total value at 10-31-16	Level 1 quoted price	Level 2 significant observable inputs	Level 3 significant unobservable inputs
Preferred securities				

Consumer staples	\$12,120,475		\$12,120,475
Energy	36,790,036	\$36,790,036	
Financials	354,284,747	343,387,171	10,897,576
Health care	33,920,500	33,920,500	
Industrials	13,587,000	13,587,000	
Real estate	71,272,111	71,272,111	
Telecommunication services	52,022,387	48,036,747	3,985,640
Utilities	260,530,530	252,713,405	7,817,125
Common stocks	63,903,014	63,903,014	
Corporate bonds	15,409,500		15,409,500
Short-term investments	4,345,000		4,345,000
Total investments in securities	\$918,185,300	\$863,609,984	\$54,575,316
Other financial instruments:			
Futures	\$997,315	\$997,315	
Interest rate swaps	(115,158)		(\$115,158)

Repurchase agreements. The fund may enter into repurchase agreements. When the fund enters into a repurchase agreement, it receives collateral that is held in a segregated account by the fund's custodian. The collateral amount is marked-to-market and monitored on a daily basis to ensure that the collateral held is in an amount not less than the principal amount of the repurchase agreement plus any accrued interest. Collateral received by the fund for repurchase agreements is disclosed in the Fund's investments as part of the caption related to the repurchase agreement.

Repurchase agreements are typically governed by the terms and conditions of the Master Repurchase Agreement and/or Global Master Repurchase Agreement (collectively, MRA). Upon an event of default, the non-defaulting party may close out all transactions traded under the MRA and net amounts owed. Absent an event of

default, assets and liabilities resulting from repurchase agreements are not offset. In the event of a default by the counterparty, realization of the collateral proceeds could be delayed, during which time the collateral value may decline or the counterparty may have insufficient assets to pay back claims resulting from close-out of the transactions.

Derivative instruments. The fund may invest in derivatives in order to meet its investment objectives. Derivatives include a variety of different instruments that may be traded in the over-the-counter (OTC) market, on a regulated exchange or through a clearing facility. The risks in using derivatives vary depending upon the structure of the instruments, including the use of leverage, optionality, the liquidity or lack of liquidity of the contract, the creditworthiness of the counterparty or clearing organization and the volatility of the position. Some derivatives involve risks that are potentially greater than the risks associated with investing directly in the referenced securities or other referenced underlying instrument. Specifically, the fund is exposed to the risk that the counterparty to an OTC derivatives contract will be unable or unwilling to make timely settlement payments or otherwise honor its obligations. OTC derivatives transactions typically can only be closed out with the other party to the transaction.

Futures. A futures contract is a contractual agreement to buy or sell a particular currency or financial instrument at a pre-determined price in the future. Risks related to the use of futures contracts include possible illiquidity of the futures markets and contract prices that can be highly volatile and imperfectly correlated to movements in the underlying financial instrument. Use of long futures contracts subjects the funds to the risk of loss up to the notional value of the futures contracts. Use of short futures contracts subjects the funds to unlimited risk of loss.

During the period ended October 31, 2016, the fund used futures contracts to manage against anticipated interest rate changes against preferred securities. The following table summarizes the contracts held at October 31, 2016.

Open contracts	Number of contracts	Position	Expiration date	Notional basis	Notional value	Unrealized appreciation (depreciation)
10-Year U.S. Treasury Note Futures	680	Short	Dec 2016	(\$89,142,315)	(\$88,145,000)	\$997,315

Notional basis refers to the contractual amount agreed upon at inception of open contracts; notional value represents the current value of the open contract.

Interest rate swaps. Interest rate swaps represent an agreement between the fund and a counterparty to exchange cash flows based on the difference between two interest rates applied to a notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The fund settles accrued net interest receivable or payable under the swap contracts at specified, future intervals. Swap agreements are privately negotiated in the OTC market or may be executed on a registered commodities exchange (centrally cleared swaps). Swaps are marked-to-market daily and the change in value is recorded as unrealized appreciation/depreciation of swap contracts. A termination payment by the counterparty or the fund is recorded as realized gain or loss, as well as the net periodic payments received or paid by the fund. The value of the swap will typically impose collateral posting obligations on the party that is considered out-of-the-money on the swap.

During the period ended October 31, 2016, the fund used interest rate swaps to manage against anticipated interest rate changes. The following table summarizes the interest rate swap contracts held as of October 31, 2016.

Counterparty	USD notional amount	Payments made by fund	Payments received by fund	Maturity date	Market value
Morgan Stanley Capital Services	\$72,000,000	Fixed 0.8750%	3-month LIBOR ^(a)	Jul 2017	(\$115,158)

^(a) At 10-31-16, the 3-month LIBOR rate was 0.88428%

For additional information on the fund's significant accounting policies, please refer to the fund's most recent semiannual or annual shareholder report.

More information

How to contact us

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Computershare

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Customer service representatives **800-852-0218**

Phone Portfolio commentary **800-344-7054**

24-hour automated information **800-843-0090**

TDD line **800-231-5469**

This report is for the information of the shareholders of John Hancock Preferred Income Fund III. P12Q1 10/16
12/16

ITEM 2. CONTROLS AND PROCEDURES.

(a) Based upon their evaluation of the registrant's disclosure controls and procedures as conducted within 90 days of the filing date of this Form N-Q, the registrant's principal executive officer and principal accounting officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Separate certifications for the registrant's principal executive officer and principal accounting officer, as required by Rule 30a-2(a) under the Investment Company Act of 1940, are attached.

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

John Hancock Preferred Income Fund III

By: /s/ Andrew Arnott
Andrew Arnott
President

Date: December 19, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Andrew Arnott
Andrew Arnott
President

Date: December 19, 2016

By: /s/ Charles A. Rizzo
Charles A. Rizzo
Chief Financial Officer

Date: December 19, 2016
