

PIMCO MUNICIPAL INCOME FUND III  
Form N-Q  
August 28, 2015

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

**FORM N-Q**

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

<b>Investment Company Act File Number:</b>	<b>811-21187</b>
<b>Registrant Name:</b>	<b>PIMCO Municipal Income Fund III</b>
Address of Principal Executive Offices:	1633 Broadway New York, NY 10019
Name and Address of Agent for Service:	William G. Galipeau 650 Newport Center Drive Newport Beach, CA 92660
Registrant's telephone number, including area code:	(844) 337-4626
Date of Fiscal Year End:	September 30
Date of Reporting Period:	June 30, 2015

**Item 1. Schedule of Investments**

## Schedule of Investments

## PIMCO Municipal Income Fund III

June 30, 2015 (Unaudited)

	PRINCIPAL AMOUNT (000s)	MARKET VALUE (000s)
<b>INVESTMENTS IN SECURITIES 160.5%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 158.6%</b>		
<b>ALABAMA 17.9%</b>		
<b>Alabama Docks Department State Revenue Bonds, Series 2010</b>		
6.000% due 10/01/2040	\$ 1,000	\$ 1,151
<b>Birmingham, Alabama Special Care Facilities Financing Authority Revenue Bonds, (AGC Insured), Series 2009</b>		
6.000% due 06/01/2039	500	570
<b>Birmingham-Baptist Medical Centers Special Care Facilities Financing Authority, Alabama Revenue Bonds, Series 2005</b>		
5.000% due 11/15/2030	9,000	9,106
<b>Jefferson County, Alabama Sewer Revenue Bonds, Series 2013</b>		
0.000% due 10/01/2050 (c)	53,000	34,528
6.500% due 10/01/2053	15,000	17,258
		62,613
<b>ARIZONA 10.7%</b>		
<b>Arizona Health Facilities Authority Revenue Bonds, Series 2007</b>		
5.200% due 10/01/2037	2,250	2,155
<b>Arizona Health Facilities Authority Revenue Bonds, Series 2008</b>		
5.000% due 01/01/2035	1,250	1,329
5.500% due 01/01/2038	900	971
<b>Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2010</b>		
5.250% due 10/01/2040	750	827
<b>Pima County, Arizona Industrial Development Authority Revenue Bonds, Series 2008</b>		
5.000% due 09/01/2039 (d)	13,000	13,988
<b>Salt River Project Agricultural Improvement &amp; Power District, Arizona Revenue Bonds, Series 2009</b>		
5.000% due 01/01/2039 (d)	5,000	5,513
<b>Salt Verde Financial Corp., Arizona Revenue Bonds, Series 2007</b>		

5.000% due 12/01/2037	11,600	12,550
		37,333
<b>CALIFORNIA 27.8%</b>		
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2008</b>		
5.000% due 04/01/2034	500	555
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2010</b>		
5.000% due 10/01/2029	1,500	1,721
5.000% due 10/01/2042	3,260	3,663
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2013</b>		
5.250% due 04/01/2053	12,000	13,258
<b>California Health Facilities Financing Authority Revenue Bonds, (IBC/NPFGC Insured), Series 2007</b>		
5.000% due 11/15/2042	600	624
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2009</b>		
6.000% due 07/01/2039	2,500	2,844
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2011</b>		
6.000% due 08/15/2042	1,500	1,746
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2013</b>		
5.000% due 08/15/2052	2,015	2,153
<b>California Municipal Finance Authority Revenue Bonds, Series 2011</b>		
7.750% due 04/01/2031	1,385	1,788
<b>California State General Obligation Bonds, Series 2007</b>		
5.000% due 06/01/2037	5,000	5,319
5.000% due 12/01/2037	5,300	5,726
<b>California State General Obligation Bonds, Series 2008</b>		
5.250% due 03/01/2038	1,350	1,470
<b>California State General Obligation Bonds, Series 2009</b>		
5.750% due 04/01/2031	2,500	2,882
6.000% due 04/01/2038	5,000	5,830
<b>California State General Obligation Bonds, Series 2010</b>		
5.250% due 11/01/2040	1,300	1,494
5.500% due 03/01/2040	3,200	3,698
<b>California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009</b>		
6.625% due 08/01/2029	2,580	3,055
6.750% due 02/01/2038	9,200	10,848
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2007</b>		
5.750% due 11/01/2017	1,260	1,323
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2010</b>		
6.250% due 10/01/2039	1,000	1,111

<b>California Statewide Communities Development Authority</b>		
<b>Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2041	3,000	3,231
<b>Golden State, California Tobacco Securitization Corp.</b>		
<b>Revenue Bonds, Series 2007</b>		
4.500% due 06/01/2027	2,445	2,299
5.125% due 06/01/2047	3,600	2,735
5.750% due 06/01/2047	1,120	928
<b>Indian Wells Redevelopment Agency, California Tax</b>		
<b>Allocation Bonds, (AMBAC Insured), Series 2006</b>		
4.750% due 09/01/2034	3,350	3,388

<b>Los Angeles Community College District, California General Obligation Bonds, Series 2009</b>		
11.906% due 08/01/2033 (e)	1,675	2,263
<b>Los Angeles Unified School District, California General Obligation Bonds, (AMBAC Insured), Series 2005</b>		
5.000% due 07/01/2030	130	130
<b>M-S-R Energy Authority, California Revenue Bonds, Series 2009</b>		
6.500% due 11/01/2039	2,000	2,634
<b>Palomar Health, California Certificates of Participation Bonds, Series 2009</b>		
6.750% due 11/01/2039	1,250	1,371
<b>San Marcos Unified School District, California General Obligation Bonds, Series 2011</b>		
5.000% due 08/01/2038	1,600	1,772
<b>Tobacco Securitization Authority of Southern California Revenue Bonds, Series 2006</b>		
5.000% due 06/01/2037	6,200	5,153
		97,012
<b>COLORADO 1.0%</b>		
<b>Colorado Health Facilities Authority Revenue Bonds, Series 2010</b>		
5.000% due 01/01/2040	2,000	2,146
<b>Public Authority for Colorado Energy Revenue Bonds, Series 2008</b>		
6.500% due 11/15/2038	500	656
<b>Regional Transportation District, Colorado Revenue Bonds, Series 2010</b>		
6.000% due 01/15/2034	500	565
		3,367
<b>CONNECTICUT 0.4%</b>		
<b>Harbor Point Infrastructure Improvement District, Connecticut Tax Allocation Bonds, Series 2010</b>		
7.875% due 04/01/2039	1,250	1,464
<b>DISTRICT OF COLUMBIA 3.2%</b>		
<b>District of Columbia Water &amp; Sewer Authority Revenue Bonds, Series 2009</b>		
5.500% due 10/01/2039 (d)	10,000	11,131
<b>FLORIDA 6.6%</b>		
<b>Brevard County, Florida Health Facilities Authority Revenue Bonds, Series 2005</b>		
5.000% due 04/01/2034	3,480	3,600

<b>Broward County, Florida Airport System Revenue Bonds, Series 2009</b>		
5.375% due 10/01/2029	500	565
<b>Broward County, Florida Water &amp; Sewer Utility Revenue Bonds, Series 2009</b>		
5.250% due 10/01/2034 (d)	4,500	5,103
<b>Cape Coral, Florida Water &amp; Sewer Revenue Bonds, (AGM Insured), Series 2011</b>		
5.000% due 10/01/2041	3,000	3,307
<b>Florida Development Finance Corp. Revenue Notes, Series 2011</b>		
6.500% due 06/15/2021	310	331
<b>Florida State General Obligation Bonds, Series 2009</b>		
5.000% due 06/01/2038 (d)	4,200	4,599
<b>Greater Orlando Aviation Authority, Florida Revenue Bonds, Series 2010</b>		
8.120% due 10/01/2039 (e)	5,000	5,721
		23,226
<b>GEORGIA 0.6%</b>		
<b>Fulton County, Georgia Residential Care Facilities for the Elderly Authority Revenue Bonds, Series 2006</b>		
5.125% due 07/01/2042	1,750	1,753
<b>Medical Center Hospital Authority, Georgia Revenue Bonds, Series 2007</b>		
5.250% due 07/01/2037	400	403
		2,156
<b>HAWAII 0.5%</b>		
<b>Hawaii Pacific Health Revenue Bonds, Series 2010</b>		
5.500% due 07/01/2040	1,500	1,690
<b>ILLINOIS 5.2%</b>		
<b>Chicago, Illinois General Obligation Bonds, Series 2007</b>		
5.500% due 01/01/2035	2,400	2,374
5.500% due 01/01/2042	1,000	978
<b>Chicago, Illinois Revenue Bonds, Series 2002</b>		
5.000% due 01/01/2027	1,750	1,901
<b>Illinois Finance Authority Revenue Bonds, Series 2007</b>		
5.875% due 03/01/2027 ^	1,000	80
6.000% due 03/01/2037 ^	625	50
<b>Illinois Finance Authority Revenue Bonds, Series 2009</b>		
5.500% due 07/01/2037 (d)	5,000	5,648
7.125% due 11/15/2037	400	471
<b>Illinois Finance Authority Revenue Bonds, Series 2010</b>		
6.000% due 08/15/2038	1,000	1,102

<b>Illinois State Toll Highway Authority Revenue Bonds, Series 2008</b>		
5.500% due 01/01/2033	5,000	5,475
		18,079
<b>INDIANA 1.5%</b>		
<b>Portage, Indiana Tax Allocation Bonds, Series 2006</b>		
5.000% due 07/15/2023	1,000	1,018
5.000% due 01/15/2027	775	786
<b>Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2011</b>		
7.500% due 09/01/2022	2,800	3,283
		5,087
<b>IOWA 1.0%</b>		
<b>Iowa Finance Authority Revenue Bonds, Series 2013</b>		
5.250% due 12/01/2025	3,000	3,297
<b>Iowa Finance Authority Revenue Bonds, Series 2014</b>		
2.000% due 05/15/2056 ^	76	0
2.700% due 11/15/2046 ^	403	164
		3,461
<b>KENTUCKY 0.7%</b>		
<b>Kentucky Economic Development Finance Authority Revenue Bonds, Series 2010</b>		
6.375% due 06/01/2040	2,000	2,277
<b>LOUISIANA 2.1%</b>		
<b>Louisiana Local Government Environmental Facilities &amp; Community Development Authority Revenue Bonds, Series 2010</b>		
5.875% due 10/01/2040	1,500	1,735
6.000% due 10/01/2044	1,000	1,159
6.500% due 11/01/2035	400	476
<b>Louisiana Public Facilities Authority Revenue Bonds, Series 2007</b>		
5.500% due 05/15/2047	1,700	1,767
<b>Louisiana Public Facilities Authority Revenue Bonds, Series 2011</b>		
6.500% due 05/15/2037	2,000	2,326
		7,463
<b>MARYLAND 2.0%</b>		



**Maryland Economic Development Corp. Revenue Bonds,  
Series 2010**

5.750% due 06/01/2035 1,000 1,089

**Maryland Health & Higher Educational Facilities Authority  
Revenue Bonds, Series 2010**

6.250% due 01/01/2041 700 779

**Maryland Health & Higher Educational Facilities Authority  
Revenue Bonds, Series 2011**

6.000% due 07/01/2041 1,000 1,167

**Maryland Health & Higher Educational Facilities Authority  
Revenue Bonds, Series 2014**

5.000% due 07/01/2039 3,725 3,978

7,013

**MASSACHUSETTS 2.2%****Massachusetts Development Finance Agency Revenue Bonds,  
Series 2010**

7.625% due 10/15/2037 290 319

**Massachusetts Development Finance Agency Revenue Bonds,  
Series 2011**

0.000% due 11/15/2056 (b) 140 1

6.250% due 11/15/2039 529 503

**Massachusetts Housing Finance Agency Revenue Bonds,  
Series 2003**

5.125% due 06/01/2043 4,910 4,911

**Massachusetts State College Building Authority Revenue  
Bonds, Series 2009**

5.500% due 05/01/2039 1,600 1,812

7,546

**MICHIGAN 1.4%****Detroit, Michigan General Obligation Bonds, Series 2010**

5.250% due 11/01/2035 1,500 1,624

**Michigan State University Revenue Bonds, (BABs), Series  
2010**

6.173% due 02/15/2050 1,300 1,514

**Royal Oak Hospital Finance Authority, Michigan Revenue  
Bonds, Series 2009**

8.250% due 09/01/2039 1,500 1,832

4,970

**MISSOURI 0.2%****Jennings, Missouri Revenue Bonds, Series 2006**

5.000% due 11/01/2023 250 245

<b>Manchester, Missouri Tax Allocation Bonds, Series 2010</b>		
6.875% due 11/01/2039	500	515
		760
<b>NEW HAMPSHIRE 0.6%</b>		
<b>New Hampshire Business Finance Authority Revenue Bonds, Series 2009</b>		
6.125% due 10/01/2039	2,000	2,231
<b>NEW JERSEY 5.6%</b>		
<b>New Jersey Economic Development Authority Special Assessment Bonds, Series 2002</b>		
6.500% due 04/01/2028	4,500	5,500
<b>New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2007</b>		
5.750% due 07/01/2037	1,000	1,038
<b>New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2013</b>		
5.500% due 07/01/2043	2,000	2,254
<b>Tobacco Settlement Financing Corp., New Jersey Revenue Bonds, Series 2007</b>		
4.750% due 06/01/2034	1,600	1,176
5.000% due 06/01/2041	12,745	9,414
		19,382
<b>NEW MEXICO 0.3%</b>		
<b>Farmington, New Mexico Revenue Bonds, Series 2010</b>		
5.900% due 06/01/2040	1,000	1,100
<b>NEW YORK 18.8%</b>		
<b>Brooklyn Arena Local Development Corp., New York Revenue Bonds, Series 2009</b>		
6.250% due 07/15/2040	9,800	11,277
<b>Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011</b>		
5.750% due 02/15/2047	5,000	5,669
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2011</b>		
5.000% due 11/15/2036	3,000	3,327
<b>Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014</b>		
2.000% due 01/01/2049	311	25
6.700% due 01/01/2049	863	833
<b>New York City, New York Industrial Development Agency Revenue Bonds, (AGC Insured), Series 2009</b>		
7.000% due 03/01/2049	10,450	12,395

<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2007</b>		
4.750% due 06/15/2035 (d)	4,000	4,253
<b>New York Liberty Development Corp. Revenue Bonds, Series 2007</b>		
5.500% due 10/01/2037	1,700	2,014
<b>New York Liberty Development Corp. Revenue Bonds, Series 2011</b>		
5.000% due 12/15/2041	10,000	11,022
5.000% due 11/15/2044	11,000	11,855
<b>New York Liberty Development Corp. Revenue Bonds, Series 2014</b>		
5.000% due 11/15/2044	3,000	3,013
		65,683
<b>NORTH CAROLINA 1.9%</b>		
<b>New Hanover County, North Carolina Revenue Bonds, Series 2011</b>		
5.000% due 10/01/2028	6,000	6,787
<b>OHIO 10.8%</b>		
<b>Allen County, Ohio Revenue Bonds, Series 2010</b>		
5.000% due 06/01/2038	500	541
<b>Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2024	1,000	818
5.875% due 06/01/2047	4,800	3,723
6.500% due 06/01/2047	30,350	25,729
<b>Hamilton County, Ohio Revenue Bonds, Series 2012</b>		
5.000% due 06/01/2042	1,500	1,580
<b>Ohio State Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 02/15/2048	5,000	5,445
		37,836
<b>PENNSYLVANIA 6.5%</b>		
<b>Allegheny County, Pennsylvania Hospital Development Authority Revenue Bonds, Series 2009</b>		
5.625% due 08/15/2039	1,000	1,124
<b>Berks County, Pennsylvania Municipal Authority Revenue Bonds, Series 2012</b>		
5.000% due 11/01/2044	6,600	7,027
<b>Capital Region Water, Pennsylvania Revenue Bonds, Series 2007</b>		
6.000% due 09/01/2036 ^	1,250	750
<b>Cumberland County, Pennsylvania Municipal Authority Revenue Bonds, Series 2008</b>		
5.625% due 07/01/2028	1,000	1,078
6.000% due 07/01/2035	670	722

**Dauphin County, Pennsylvania General Authority Revenue  
Bonds, Series 2009**

6.000% due 06/01/2036	1,000	1,144
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**Luzerne County, Pennsylvania Industrial Development  
Authority Revenue Bonds, Series 2009**

5.500% due 12/01/2039	100	113
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<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2009</b>		
5.125% due 12/01/2040	3,000	3,224
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 12/01/2043	5,000	5,405
<b>Philadelphia Hospitals &amp; Higher Education Facilities Authority, Pennsylvania Revenue Bonds, Series 2012</b>		
5.625% due 07/01/2042	1,645	1,726
<b>Philadelphia, Pennsylvania Water &amp; Wastewater Revenue Bonds, Series 2009</b>		
5.250% due 01/01/2036	500	545
		22,858
<b>SOUTH CAROLINA 7.8%</b>		
<b>Greenwood County, South Carolina Revenue Bonds, Series 2009</b>		
5.375% due 10/01/2039	1,000	1,110
<b>South Carolina State Ports Authority Revenue Bonds, Series 2010</b>		
5.250% due 07/01/2040	800	882
<b>South Carolina State Public Service Authority Revenue Bonds, Series 2013</b>		
5.125% due 12/01/2043	5,000	5,480
5.500% due 12/01/2053	15,000	16,603
<b>South Carolina State Public Service Authority Revenue Bonds, Series 2014</b>		
5.500% due 12/01/2054	3,000	3,304
		27,379
<b>TENNESSEE 0.7%</b>		
<b>Claiborne County, Tennessee Industrial Development Board Revenue Bonds, Series 2009</b>		
6.625% due 10/01/2039	1,250	1,405
<b>Johnson City Health &amp; Educational Facilities Board, Tennessee Revenue Bonds, Series 2010</b>		
6.000% due 07/01/2038	1,000	1,128
		2,533
<b>TEXAS 17.5%</b>		
<b>Dallas, Texas Revenue Bonds, (AGC Insured), Series 2009</b>		
5.250% due 08/15/2038	1,300	1,454
<b>Grand Parkway Transportation Corp., Texas Revenue Bonds, Series 2013</b>		
5.000% due 04/01/2053	4,500	4,846

**JPMorgan Chase Putters/Drivers Trust, Texas General  
Obligation Notes, Series 2009**

8.070% due 02/01/2017 (e)	6,500	8,053
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**North Harris County, Texas Regional Water Authority  
Revenue Bonds, Series 2008**

5.250% due 12/15/2033	5,500	6,140
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5.500% due 12/15/2038	5,500	6,209
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**North Texas Tollway Authority Revenue Bonds, Series 2008**

5.625% due 01/01/2033	10,800	11,825
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5.750% due 01/01/2033	700	780
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**North Texas Tollway Authority Revenue Bonds, Series 2011**

5.000% due 01/01/2038	3,000	3,186
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5.500% due 09/01/2041	600	698
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**Tarrant County, Texas Cultural Education Facilities Finance  
Corp. Revenue Bonds, Series 2009**

6.250% due 11/15/2029	3,000	3,495
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**Texas Municipal Gas Acquisition & Supply Corp. Revenue  
Bonds, Series 2006**

5.250% due 12/15/2026	150	171
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**Texas Municipal Gas Acquisition & Supply Corp. Revenue  
Bonds, Series 2008**

6.250% due 12/15/2026	9,600	11,450
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**Texas Municipal Gas Acquisition & Supply Corp. Revenue  
Bonds, Series 2012**

5.000% due 12/15/2026	2,000	2,214
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**Wise County, Texas Revenue Bonds, Series 2011**

8.000% due 08/15/2034	500	583
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		61,104
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**VIRGINIA 0.5%**
**Fairfax County, Virginia Industrial Development Authority  
Revenue Bonds, Series 2009**

5.500% due 05/15/2035	1,000	1,126
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**James City County, Virginia Economic Development  
Authority Revenue Bonds, Series 2013**

2.000% due 10/01/2048 ^	201	7
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6.000% due 06/01/2043	621	580
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		1,713
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**WASHINGTON 0.5%**
**Washington Health Care Facilities Authority Revenue Bonds,  
Series 2009**

7.375% due 03/01/2038	1,000	1,213
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**Washington Health Care Facilities Authority Revenue Bonds,  
Series 2010**

5.500% due 12/01/2039	500	600
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		1,813
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**WEST VIRGINIA 0.3%**

**West Virginia Hospital Finance Authority Revenue Bonds,  
Series 2011**

9.125% due 10/01/2041	975	1,079
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<b>WISCONSIN 1.8%</b>		
<b>University of Wisconsin Hospitals &amp; Clinics Authority</b>		
<b>Revenue Bonds, Series 2013</b>		
5.000% due 04/01/2038	3,500	3,796
<b>Wisconsin Health &amp; Educational Facilities Authority Revenue</b>		
<b>Bonds, Series 2009</b>		
6.625% due 02/15/2039	1,000	1,192
<b>Wisconsin Health &amp; Educational Facilities Authority Revenue</b>		
<b>Bonds, Series 2010</b>		
5.625% due 04/15/2039	1,000	1,129
		6,117
Total Municipal Bonds & Notes		554,263
(Cost \$497,873)		
<b>SHORT-TERM INSTRUMENTS 1.9%</b>		
<b>U.S. TREASURY BILLS 1.9%</b>		
0.008% due 09/17/2015 - 10/08/2015 (a)	6,700	6,700
Total Short-Term Instruments		6,700
(Cost \$6,700)		
Total Investments in Securities		560,963
(Cost \$504,573)		
<b>Total Investments 160.5%</b>	<b>\$</b>	<b>560,963</b>
(Cost \$504,573)		
<b>Preferred Shares (54.1)%</b>		<b>(189,000)</b>
<b>Other Assets and Liabilities, net (6.4)%</b>		<b>(22,474)</b>
<b>Net Assets Applicable to Common Shareholders 100.0%</b>	<b>\$</b>	<b>349,489</b>



**Notes to Schedule of Investments (amounts in thousands\*):**

\* A zero balance may reflect actual amounts rounding to less than one thousand.

^ Security is in default.

(a) Coupon represents a weighted average yield to maturity.

(b) Zero coupon bond.

(c) Security becomes interest bearing at a future date.

(d) Represents an underlying municipal bond transferred to a tender option bond trust established in a tender option bond transaction in which the Fund sold, or caused the sale of, the underlying municipal bond and purchased the residual interest certificate. The security serves as collateral in a financing transaction. See Note 5(a) in the Notes to Financial Statements for more information.

(e) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on June 30, 2015.

**Fair Value Measurements**

The following is a summary of the fair valuations according to the inputs used as of June 30, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 06/30/2015
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
Alabama	\$ 0	\$ 62,613	\$ 0	\$ 62,613
Arizona	0	37,333	0	37,333
California	0	97,012	0	97,012
Colorado	0	3,367	0	3,367
Connecticut	0	1,464	0	1,464
District of Columbia	0	11,131	0	11,131
Florida	0	23,226	0	23,226
Georgia	0	2,156	0	2,156
Hawaii	0	1,690	0	1,690
Illinois	0	18,079	0	18,079
Indiana	0	5,087	0	5,087

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Iowa	0	3,461	0	3,461
Kentucky	0	2,277	0	2,277
Louisiana	0	7,463	0	7,463
Maryland	0	7,013	0	7,013
Massachusetts	0	7,546	0	7,546
Michigan	0	4,970	0	4,970
Missouri	0	760	0	760
New Hampshire	0	2,231	0	2,231
New Jersey	0	19,382	0	19,382
New Mexico	0	1,100	0	1,100
New York	0	65,683	0	65,683
North Carolina	0	6,787	0	6,787
Ohio	0	37,836	0	37,836
Pennsylvania	0	22,858	0	22,858
South Carolina	0	27,379	0	27,379
Tennessee	0	2,533	0	2,533
Texas	0	61,104	0	61,104
Virginia	0	1,713	0	1,713
Washington	0	1,813	0	1,813
West Virginia	0	1,079	0	1,079
Wisconsin	0	6,117	0	6,117
Short-Term Instruments				
U.S. Treasury Bills	0	6,700	0	6,700
Total Investments	\$ 0	\$ 560,963	\$ 0	\$ 560,963

**There were no significant transfers between Levels 1, 2, or 3 during the period ended June 30, 2015.**

**See Accompanying Notes**

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## Notes to Financial Statements

### 1. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

**(a) Investment Valuation Policies** The net asset value ( NAV ) of the Fund 's shares is valued as of the close of regular trading (normally 4:00 p.m., Eastern time) (the NYSE Close ) on each day that the New York Stock Exchange ( NYSE ) is open (each a Business Day ). Information that becomes known to the Fund or its agents after the NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day.

For purposes of calculating the NAV, portfolio securities and other financial derivative instruments are valued on each Business Day using valuation methods as adopted by the Board of Trustees (the Board ) of the Fund. The Board has formed a Valuation Oversight Committee, whose function is to monitor the valuation of portfolio securities and other financial derivative instruments and, as required by the Fund 's valuation policies, determine in good faith the fair market value of the Fund 's portfolio holdings after consideration of all relevant factors, including recommendations provided by the investment manager (the Manager ). The Board has delegated responsibility for applying the valuation methods to the Manager. The Manager monitors the continual appropriateness of methods applied and determines if adjustments should be made in light of market factor changes and events affecting issuers.

Where market quotes are readily available, fair market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales or closing prices are reported, equity securities are generally valued at the mean of the last available bid and ask quotations on the exchange or market on which the security is primarily traded, or use other information based on quotes obtained from a quotation reporting system, established market makers, or pricing services. Where market quotes are not readily available, portfolio securities and other financial derivative instruments are valued at fair market value, as determined in good faith by the Board, its Valuation Committee, or the Manager pursuant to instructions from the Board or its Valuation Committee. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, or broker quotes), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Fund 's securities or financial derivative instruments. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to the Manager the responsibility for monitoring significant events that may materially affect the values of the Fund 's securities or financial derivative instruments and for determining whether the value of the applicable securities or financial derivative instruments should be re-evaluated in light of such significant events.

The Board has adopted methods for valuing securities and other financial derivative instruments that may require fair valuation under particular circumstances. The Manager monitors the continual appropriateness of fair valuation methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Manager determines that a fair valuation method may no longer be appropriate, another valuation method may be selected, or the Valuation Committee will take any appropriate action in accordance with procedures set forth by the Board. The Board reviews the appropriateness of the valuation methods from time to time, and these methods may be amended or supplemented from time to time by the Valuation Committee.

In circumstances in which daily market quotes are not readily available, investments may be valued pursuant to guidelines established by the Board. In the event that the security or other financial derivative instruments cannot be valued pursuant to the established guidelines, the value of the security or other financial derivative instrument will be determined in good faith by the Valuation Committee, generally based upon recommendations provided by the Manager. These methods may require subjective determinations about the value of a security. While the Fund 's policy is intended to result in a calculation of the Fund 's NAV that fairly reflects security values as of the time of pricing, the

Fund cannot guarantee that values determined by the Board or persons acting at their direction would accurately reflect the price that the Fund could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by the Fund may differ from the value that would be realized if the securities were sold or settled.

**(b) Fair Value Hierarchy** U.S. GAAP describes fair market value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

Level 1 Inputs using (unadjusted) quoted prices in active markets or exchanges for identical assets or liabilities.

Level 2 Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

Level 3 Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

In accordance with the requirements of U.S. GAAP, the amounts of transfers between Levels 1 and 2 and transfers in and out of Level 3, if material, are disclosed in the Notes to Schedule of Investments of the Fund.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to total realized and unrealized gains or losses, purchases and sales, and transfers in or out of the Level 3 category during the period. The end of period timing recognition is used for the transfers between Levels of the Fund's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for the Fund.

### **(c) Valuation Techniques and the Fair Value Hierarchy**

**Level 1 and Level 2 trading assets and trading liabilities, at fair market value** The valuation methods (or techniques ) and significant inputs used in determining the fair market values of portfolio securities or financial derivative instruments categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued by pricing service providers that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The service providers' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the

fair value hierarchy.

Short-term investments having a maturity of 60 days or less and repurchase agreements are generally valued at amortized cost which approximates fair market value. These investments are categorized as Level 2 of the fair value hierarchy.

## 2. FEDERAL INCOME TAX MATTERS

The Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the Code) and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

In accordance with U.S. GAAP, the Manager has reviewed the Fund's tax positions for all open tax years. As of June 30, 2015, the Fund has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Fund files U.S. tax returns. While the statute of limitations remains open to examine the Fund's U.S. tax returns filed for the fiscal years from 2012-2014, no examinations are in progress or anticipated at this time. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

As of June 30, 2015, the aggregate cost and the net unrealized appreciation/(depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

<b>Federal</b>	<b>Aggregate Gross</b>	<b>Aggregate Gross</b>	<b>Net Unrealized</b>
<b>Tax Cost</b>	<b>Unrealized</b>	<b>Unrealized</b>	<b>Appreciation/</b>
	<b>Appreciation</b>	<b>(Depreciation)</b>	<b>(Depreciation)</b>
			<sup>(1)</sup>
\$ 504,573	\$ 61,082	\$ (4,692)	\$ 56,390

<sup>(1)</sup> Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) are attributable to wash sale loss deferrals for federal income tax purposes.

**Glossary: (abbreviations that may be used in the preceding statements)**

(Unaudited)

Currency Abbreviations:

USD (or \$) United States  
Dollar

Municipal Bond or Agency

Abbreviations:

AGC	Assured Guaranty Corp.	AMBAC	American Municipal Bond Assurance Corp.	IBC	Insured Bond Certificate
AGM	Assured Guaranty Municipal	FHA	Federal Housing Administration	NPFGC	National Public Finance Guarantee Corp.

Other Abbreviations:

BABs Build America Bonds

**Item 2. Controls and Procedures**

(a) The principal executive officer and principal financial & accounting officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits**

A separate certification for each principal executive officer and principal financial & accounting officer of the registrant as required by Rule 30a-2 under the 1940 Act is attached as Exhibit 99.CERT.



**Signatures**

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

PIMCO Municipal Income Fund III

By: /s/ Peter G. Strelow  
Peter G. Strelow  
President

Date: August 27, 2015

By: /s/ William G. Galipeau  
William G. Galipeau  
Treasurer

Date: August 27, 2015

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/ Peter G. Strelow  
Peter G. Strelow  
President

Date: August 27, 2015

By: /s/ William G. Galipeau  
William G. Galipeau  
Treasurer

Date: August 27, 2015