

PIMCO MUNICIPAL INCOME FUND III  
Form N-CSRS  
June 07, 2006

ITEM 1. REPORT TO SHAREHOLDERS

PIMCO Municipal Income Fund III  
PIMCO California Municipal Income Fund III  
PIMCO New York Municipal Income Fund III  
Semi-Annual Report  
March 31, 2006

Contents

|   |              |
|---|--------------|
| <u>Letter to Shareholders</u>               | <u>1</u>     |
| <u>Performance &amp; Statistics</u>         | <u>2-4</u>   |
| <u>Schedules of Investments</u>             | <u>5-23</u>  |
| <u>Statements of Assets and Liabilities</u> | <u>24</u>    |
| <u>Statements of Operations</u>             | <u>25</u>    |
| <u>Statements of Changes in Net Assets</u>  | <u>26-27</u> |
| <u>Notes to Financial Statements</u>        | <u>28-33</u> |
| <u>Financial Highlights</u>                 | <u>34-36</u> |
| <u>Annual Shareholder Meetings Results</u>  | <u>37</u>    |

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Table of Contents

May 5, 2006

Dear Shareholder:

We are pleased to provide you with the semi-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 six months ended March 31, 2006.

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For the six-month period, the national municipal bond market posted positive returns, with the Lehman Brothers Municipal Bond Index returning 0.98% despite four 0.25% rate increases by the Federal Reserve. The California municipal bond market also recorded positive returns, outperforming the national municipal market. The Lehman Brothers California Insured Municipal Bond Index returned 1.22%. New York municipals also outperformed the broader market, with the Lehman Brothers New York Insured Municipal Bond Index returning 1.16% for the period. During the reporting period, the municipal yield curve flattened, with short-term rates climbing higher than long-term rates. This was also the case for the California and New York municipal yield curves.

For the six months ended March 31, 2006, PIMCO Municipal Income Fund III returned 3.30% on net asset value and (1.80)% on market price. PIMCO California Municipal Income Fund III returned 2.50% on net asset value and 8.69% on market price. PIMCO New York Municipal Income Fund III returned 2.13% on net asset value and (3.07)% on market price.

Please review the following pages for specific information on the Funds. 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](http://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

3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 1

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[Table of Contents](#)

PIMCO Municipal Income Fund III

Performance & Statistics  
 March 31, 2006 (unaudited)

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Symbol:

PMX

Objective:

To provide income exempt from federal income tax.

Primary Investments:

Municipal fixed-income securities, the interest from which is exempt from federal income tax.

Inception Date:

October 31, 2002

Total Net Assets<sup>(1)</sup>:

\$728.8 million

Portfolio Manager:

Mark McCray

| Total Return <sup>(2)</sup> :                    | Market Price | Net Asset Value ("NAV") |
|--|--------------|-------------------------|
| Six months                                       | (1.80)%      | 3.30%                   |
| 1 Year   | 10.01%       | 7.15%                   |
| Commencement of Operations (10/31/02) to 3/31/06 | 6.28%        | 7.59%                   |

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 3/31/06

|                                   |         |
|-----------------------------------|---------|
| Market Price / NAV:               |         |
| Market Price                      | \$14.73 |
| NAV                               | \$14.68 |
| Premium to NAV                    | 0.34%   |
| Market Price Yield <sup>(3)</sup> | 5.70%   |

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

(1) Inclusive of net assets attributable to Preferred Shares outstanding.

(2) **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.

(3)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 March 31, 2006.

2 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

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## Table of Contents

PIMCO California Municipal Income Fund III  
Performance & Statistics  
March 31, 2006 (unaudited)

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Symbol:

PZC

Objective:

To provide current income exempt from federal and California state income tax.

Primary Investments:

Municipal fixed-income securities, the interest from which is exempt from federal and California state income tax.

Inception Date:

October 31, 2002

Total Net Assets<sup>(1)</sup>:

\$499.2 million

Portfolio Manager:

Mark McCray

| Total Return <sup>(2)</sup> :                    | Market Price | Net Asset Value (“NAV”) |
|--|--------------|-------------------------|
| Six months                                       | 8.69%        | 2.50%                   |
| 1 Year   | 20.13%       | 7.33%                   |
| Commencement of Operations (10/31/02) to 3/31/06 | 8.60%        | 7.49%                   |

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 3/31/06

|                                   |         |
|-----------------------------------|---------|
| Market Price / NAV:               |         |
| Market Price                      | \$15.90 |
| NAV                               | \$14.68 |
| Premium to NAV                    | 8.31%   |
| Market Price Yield <sup>(3)</sup> | 6.04%   |

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

(1) Inclusive of net assets attributable to Preferred Shares outstanding.

(2) **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.

(3)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 March 31, 2006.

3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 3

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## Table of Contents

PIMCO New York Municipal Income Fund III  
Performance & Statistics  
March 31, 2006 (unaudited)

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Symbol:

PYN

Objective:

To provide current income exempt from federal, New York state and New York City income tax.

Primary Investments:

Municipal fixed-income securities, the interest from which is exempt from federal, New York state and New York City income tax.

Inception Date:

October 31, 2002

Total Net Assets<sup>(1)</sup>:

\$128.5 million

Portfolio Manager:

Mark McCray

| Total Return <sup>(2)</sup> :                    | Market Price | Net Asset Value (“NAV”) |
|--|--------------|-------------------------|
| Six months                                       | (3.07)%      | 2.13%                   |
| 1 Year   | 13.27%       | 5.07%                   |
| Commencement of Operations (10/31/02) to 3/31/06 | 6.74%        | 7.71%                   |

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 3/31/06

|                                   |         |
|-----------------------------------|---------|
| Market Price / NAV:               |         |
| Market Price                      | \$15.08 |
| NAV                               | \$14.88 |
| Premium to NAV                    | 1.34%   |
| Market Price Yield <sup>(3)</sup> | 5.57%   |

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

(1) Inclusive of net assets attributable to Preferred Shares outstanding.

(2) **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.



(3)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 March 31, 2006.

4 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

## Table of Contents

PIMCO Municipal Income Fund III  
Schedule of Investments  
March 31, 2006 (unaudited)

| Principal Amount<br>(000)     |   | Credit Rating<br>(Moody's/S&P) | Value       |
|-------------------------------|---|--------------------------------|-------------|
| MUNICIPAL BONDS & NOTES—89.3% |   |                                |             |
|                               | Alabama—1.4%  |                                |             |
| \$ 1,000                      | Birmingham, GO, Ser. B (AMBAC),<br>5.00%, 12/1/27   | Aaa/AAA                        | \$1,027,270 |
| 2,560                         | 5.00%, 12/1/32  | Aaa/AAA                        | 2,625,357   |
| 5,000                         | Birmingham Baptist Medical Centers Special Care<br>Facs.<br>Financing Auth. Rev., 5.00%, 11/15/30, Ser. A             | Baa1/NR                        | 4,888,950   |
| 1,500                         | Colbert Cnty., Northwest Health Care Auth.,<br>Health Care Facs. Rev., 5.75%, 6/1/27                                  | Baa3/NR                        | 1,496,235   |
|                               |   |                                | 10,037,812  |
|                               | Alaska—0.7%   |                                |             |
| 3,900                         | State Housing Finance Corp. Rev.,<br>5.00%, 12/1/33, Ser. A   | Aaa/AAA                        | 3,947,346   |
| 1,000                         | 5.25%, 6/1/32, Ser. C (MBIA)  | Aaa/AAA                        | 1,007,410   |
|                               |   |                                | 4,954,756   |
|                               | Arizona—0.6%  |                                |             |
| 2,200                         | Health Facs. Auth. John C. Lincoln Health<br>Network Rev.,<br>7.00%, 12/1/25, (Pre-refunded @ \$102, 12/01/10)<br>(a) | NR/BBB                         | 2,533,564   |
| 1,500                         | Maricopa Cnty. Pollution Control Corp., Pollution<br>Control Rev.,<br>5.05%, 5/1/29 (AMBAC)                           | Aaa/AAA                        | 1,552,470   |
|                               |   |                                | 4,086,034   |
|                               | California—7.9%   |                                |             |
| 1,000                         | Alameda Public Financing Auth. Rev., 7.00%,<br>6/1/09   | NR/NR                          | 1,000,480   |
| 2,000                         | Chula Vista Community Facs. Dist., Special Tax,<br>5.25%, 9/1/30  | NR/NR                          | 1,999,900   |
|                               | Golden State Tobacco Securitization Corp.,<br>Tobacco Settlement Rev., Ser. 2003-A-1,                                 |                                |             |

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|        |  |          |            |
|--------|--|----------|------------|
| 27,585 | 6.25%, 6/1/33  | Baa3/BBB | 30,085,580 |
| 21,000 | 6.75%, 6/1/39  | Baa3/BBB | 23,643,060 |
|        |  |          | 56,729,020 |
|        | Colorado–2.6%  |          |            |
|        | El Paso Cnty., CP (AMBAC),   |          |            |
| 1,735  | 5.00%, 12/1/23, Ser. A   | Aaa/AAA  | 1,800,479  |
| 1,725  | 5.00%, 12/1/23, Ser. B   | Aaa/AAA  | 1,790,102  |
| 2,820  | 5.00%, 12/1/27, Ser. A   | Aaa/AAA  | 2,913,257  |
| 1,500  | 5.00%, 12/1/27, Ser. B   | Aaa/AAA  | 1,549,605  |
| 1,500  | Garfield Cnty. School Dist. Re-2, GO, 5.00%,<br>12/1/25 (FSA)  | Aaa/NR   | 1,553,985  |
| 2,000  | La Plata Cnty. School Dist. No. 9-R, Durango,<br>GO,<br>5.25%, 11/1/25 (MBIA) (Pre-refunded @ \$100,<br>11/1/12) (a) | Aaa/NR   | 2,161,160  |
| 4,000  | Saddle Rock Met. Dist., GO, 5.35%, 12/1/31<br>(Radian)   | NR/AA    | 4,103,600  |
| 2,500  | School Mines Auxiliary Facs. Rev., 5.00%,<br>12/1/37 (AMBAC)   | Aaa/AAA  | 2,565,275  |
|        |  |          | 18,437,463 |

3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 5

Table of Contents

PIMCO Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (continued)

| Principal<br>Amount<br>(000) |   | Credit Rating<br>(Moody's/S&P) | Value       |
|------------------------------|---|--------------------------------|-------------|
|                              | Florida–6.5%  |                                |             |
| \$ 3,480                     | Brevard Cnty. Health Facs. Auth. Rev., 5.00%,<br>4/1/34   | A2/A                           | \$3,531,922 |
| 8,000                        | Highlands Cnty. Health Facs. Auth. Rev.,<br>Adventist Health System,<br>5.25%, 11/15/23, Ser. B     | A2/A+                          | 8,297,760   |
| 2,500                        | Hillsborough Cnty. Industrial Dev. Auth. Rev.,<br>Tampa<br>General Hospital, 5.25%, 10/1/34, Ser. B | A3/NR                          | 2,573,225   |
| 1,485                        | Julington Creek Plantation Community Dev. Dist.,<br>Special Assessment Rev., 5.00%, 5/1/29 (MBIA)   | Aaa/AAA                        | 1,538,594   |
| 1,000                        | Orange Cnty. Housing Finance Auth. Multifamily<br>Rev., Palm Grove Gardens, 5.25%, 1/1/28, Ser. G   | Aaa/NR                         | 1,022,680   |
| 15,000                       |   | Aa3/NR                         | 15,717,450  |

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|       |  |         |            |
|-------|--|---------|------------|
|       | Pinellas Cnty. Health Facs. Auth. Rev., Baycare Health,<br>5.50%, 11/15/33                                       |         |            |
| 7,500 | South Miami Health Facs. Auth., Hospital Rev., Baptist Health, 5.25%, 11/15/33                                   | Aa3/AA- | 7,733,475  |
| 5,615 | Tampa, Water & Sewer Rev., 5.00%, 10/1/26, Ser. A  | Aa2/AA  | 5,793,781  |
|       |  |         | 46,208,887 |
|       | Georgia-0.6%   |         |            |
| 4,000 | Griffin Combined Public Utility Rev., 5.00%, 1/1/32 (AMBAC)  | Aaa/AAA | 4,163,440  |
|       | Idaho-1.0%   |         |            |
|       | State Building Auth. Building Rev., Ser. A (XLCA),   |         |            |
| 1,000 | 5.00%, 9/1/33  | Aaa/AAA | 1,031,150  |
| 5,750 | 5.00%, 9/1/43  | Aaa/AAA | 5,915,370  |
|       |  |         | 6,946,520  |
|       | Illinois-8.2%  |         |            |
| 2,250 | Chicago, GO, 5.00%, 1/1/31, Ser. A (MBIA)  | Aaa/AAA | 2,310,772  |
|       | Chicago, Lake Shore East, Special Assessment,  |         |            |
| 1,600 | 6.625%, 12/1/22  | NR/NR   | 1,718,560  |
| 3,456 | 6.75%, 12/1/32   | NR/NR   | 3,717,827  |
| 5,000 | Chicago Board of Education, GO, 5.00%, 12/1/31, Ser. C (FSA)   |         |            |
|       | (Pre-refunded @ \$100,12/1/11) (a)   | Aaa/AAA | 5,310,350  |
| 500   | Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC)                                | Aaa/AAA | 168,460    |
| 3,000 | Chicago Kingsbury Redev. Project, Tax Allocation, 6.57%, 2/15/13, Ser. A   | NR/NR   | 3,096,930  |
| 7,000 | Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)   | Aaa/AAA | 7,205,030  |
| 4,000 | Chicago Park Dist., GO, 5.00%, 1/1/29, Ser. D (FGIC)   | Aaa/AAA | 4,095,880  |
| 2,500 | Chicago Water Rev., 5.00%, 11/1/31 (AMBAC) (Pre-refunded @ \$100, 11/1/11) (a)                                   | Aaa/AAA | 2,646,725  |
|       | Educational Facs. Auth. Rev., Univ. of Chicago,  |         |            |
| 4,780 | 5.00%, 7/1/33  | Aa1/AA  | 4,922,970  |
| 220   | 5.00%, 7/1/33, (Pre-refunded @ \$100, 7/1/13) (a)  | Aa1/AA  | 234,694    |
| 165   | 5.25%, 7/1/41  | Aa1/AA  | 172,842    |
| 4,160 | 5.25%, 7/1/41, (Pre-refunded @ \$101, 7/1/11) (a)  | Aa1/AA  | 4,484,350  |
| 9,045 | Metropolitan Pier & Exposition Auth., Dedicated State Tax Rev., McCormick Place Expansion, 5.25%, 6/15/42 (MBIA) | Aaa/AAA | 9,519,862  |

Table of Contents

PIMCO Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (continued)

| Principal Amount<br>(000) |   | Credit Rating<br>(Moody's/S&P) | Value        |
|---------------------------|---|--------------------------------|--------------|
|                           | Illinois—(continued)  |                                |              |
| \$ 4,300                  | Round Lake, Special Tax Rev., 6.70%, 3/1/33   | NR/NR                          | \$ 4,412,574 |
| 1,175                     | State Health Facs. Auth. Rev., Elmhurst Memorial<br>Healthcare, 5.50%, 1/1/22   | A2/NR                          | 1,227,288    |
| 3,050                     | Univ. Rev., 5.00%, 4/1/30, Ser. A (AMBAC)   | Aaa/AAA                        | 3,122,926    |
|                           |   |                                | 58,368,040   |
|                           | Indiana—3.6%  |                                |              |
| 7,535                     | Bond Bank Rev., 5.00%, 2/1/33, Ser. A (FSA)   | Aaa/AAA                        | 7,734,226    |
| 3,000                     | Brownsburg 1999 School Building Corp. Rev.,<br>5.25%, 3/15/25, Ser. A (FSA) (Pre-refunded @<br>\$100, 9/15/13) (a)    | Aaa/AAA                        | 3,253,380    |
| 1,375                     | Fort Wayne Pollution Control Rev., 6.20%,<br>10/15/25   | B2/B                           | 1,106,009    |
| 5,000                     | Indianapolis Local Public Improvement Board,<br>Tax Allocation,<br>5.00%, 2/1/29, Ser. G (MBIA)                       | Aaa/AAA                        | 5,142,200    |
|                           | Michigan City Area Wide School Building Corp.,<br>Rev. (FGIC),  |                                |              |
| 2,500                     | zero coupon, 1/15/21  | Aaa/AAA                        | 1,267,425    |
| 1,000                     | zero coupon, 7/15/21  | Aaa/AAA                        | 495,450      |
| 1,000                     | zero coupon, 1/15/22  | Aaa/AAA                        | 481,960      |
| 1,000                     | Plainfield Parks Facs. Corp. Lease Rent Rev.,<br>5.00%, 1/15/22 (AMBAC)   | Aaa/AAA                        | 1,036,950    |
|                           | Portage Industrial Economic Dev. Rev. (c),  |                                |              |
| 1,000                     | 5.00%, 7/15/23  | NR/BBB+                        | 999,920      |
| 775                       | 5.00%, 1/15/27  | NR/BBB+                        | 770,086      |
| 3,500                     | State Dev. Finance Auth. Pollution Control Rev.,<br>5.00%,<br>3/1/30 (AMBAC)  | Aaa/AAA                        | 3,506,685    |
|                           |   |                                | 25,794,291   |
|                           | Iowa—1.6%   |                                |              |
| 1,000                     | Tobacco Settlement Auth., Tobacco Settlement<br>Rev.,<br>5.60%, 6/1/35, Ser. B, (Pre-refunded @ \$101,<br>6/1/11) (a) | Baa3/AAA                       | 1,088,310    |
| 11,010                    | Tobacco Settlement Auth. of Iowa Rev., zero<br>coupon,  | Baa3/BBB                       | 10,237,759   |

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6/1/34, Ser. B

|       |  |          |            |
|-------|--|----------|------------|
|       |  |          | 11,326,069 |
|       | Kentucky–0.9%  |          |            |
|       | Economic Dev. Finance Auth. Hospital Facs. Rev.,                           |          |            |
| 1,000 | Catholic Healthcare Partners, 5.25%, 10/1/30                               | Aa3/AA–  | 1,031,580  |
| 4,600 | St. Luke's Hospital, 6.00%, 10/1/19  | A3/A     | 5,094,270  |
|       |  |          | 6,125,850  |
|       | Louisiana–0.9%   |          |            |
| 5,000 | Public Facs. Auth. Rev., Ochsner Clinic Foundation, 5.50%, 5/15/32, Ser. B | A3/NR    | 5,076,050  |
| 1,595 | Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001B       | Baa3/BBB | 1,683,586  |
|       |  |          | 6,759,636  |

3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 7

Table of Contents

PIMCO Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (continued)

| 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                       | \$ 1,578,975 |
|                        | Massachusetts–3.4%  |                             |              |
| 1,000                  | State Dev. Finance Agcy. Rev., 5.75%, 7/1/33, Ser. C                                      | Baa1/BBB                    | 1,056,270    |
| 7,000                  | State Health & Educational Facs. Auth. Rev., Harvard Univ., 5.125%, 7/15/37, Ser. FF      | Aaa/AAA                     | 7,290,850    |
| 4,910                  | State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H                         | Aa3/AA–                     | 4,965,925    |
| 3,225                  | State Water Pollution Abatement Trust, 5.00%, 8/1/32, Ser. 8                              | Aaa/AAA                     | 3,325,201    |
| 7,555                  | State Water Res. Auth. Rev., 5.00%, 8/1/32, Ser. J (FSA)                                  | Aaa/AAA                     | 7,756,189    |
|                        |   |                             | 24,394,435   |
|                        | Michigan–7.1%   |                             |              |
| 12,240                 | Detroit Water Supply System, 5.00%, 7/1/34, Ser. B (MBIA)                                 | Aaa/AAA                     | 12,674,887   |

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|        |  |          |            |
|--------|--|----------|------------|
| 5,000  | State Building Auth., Rev., 5.00%, 10/15/26, Ser. III (FSA)  | Aaa/AAA  | 5,182,900  |
| 175    | State Hospital Finance Auth. Rev.,<br>Detroit Medical Center, 5.25%, 8/15/23   | Ba3/BB-  | 159,019    |
| 4,000  | Henry Ford Health System, 5.00%, 3/1/17<br>Oakwood Group, Ser. A,  | A1/A     | 4,112,640  |
| 5,405  | 5.75%, 4/1/32  | A2/A     | 5,670,818  |
| 575    | 6.00%, 4/1/22  | A2/A     | 620,511    |
| 20,000 | Trinity Health Credit, 5.375%, 12/1/30   | Aa3/AA-  | 20,890,400 |
| 1,000  | State Technical Univ., 5.00%, 10/1/33 (XLCA)   | Aaa/AAA  | 1,029,090  |
|        |  |          | 50,340,265 |
|        | Minnesota-0.3%   |          |            |
| 2,400  | Upsala Independent School Dist. No. 487, GO,<br>5.00%, 2/1/28 (FGIC)   | Aaa/AAA  | 2,492,520  |
|        | Mississippi-0.6%   |          |            |
| 3,000  | Business Finance Corp., Pollution Control Rev.,<br>5.875%, 4/1/22  | Ba1/BBB- | 3,028,680  |
| 1,250  | 5.90%, 5/1/22  | Ba1/BBB- | 1,263,825  |
|        |  |          | 4,292,505  |
|        | Missouri-3.0%  |          |            |
| 4,000  | Bi-State Dev. Agcy. Rev., Missouri Illinois Met.<br>Dist., 5.00%, 10/1/32 (FSA)  | Aaa/AAA  | 4,141,360  |
| 1,350  | St. Louis Cnty. Industrial Dev. Auth., Housing<br>Dev. Rev., 5.20%, 1/20/36 (GNMA)   | NR/AAA   | 1,371,492  |
| 1,500  | St. Louis Industrial Dev. Auth. Rev. (GNMA),<br>5.125%, 12/20/29   | NR/AAA   | 1,533,180  |
| 1,500  | 5.125%, 12/20/30   | NR/AAA   | 1,524,555  |
| 4,365  | State Environmental Impt. & Energy Resources<br>Auth., Water<br>Pollution Control Rev., 5.00%, 7/1/23, Ser. B  | Aaa/NR   | 4,560,028  |
| 7,500  | State Health & Educational Facs. Auth., Health<br>Facs.,<br>St. Anthony's Medical Center, 6.25%, 12/1/30,<br>(Pre-refunded<br>@ \$101, 12/01/10) (a) | A2/A     | 8,353,425  |
|        |  |          | 21,484,040 |

8 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

Table of Contents

PIMCO Municipal Income Fund III  
Schedule of Investments  
March 31, 2006 (unaudited) (continued)

Value

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| Principal Amount (000) |   | Credit Rating (Moody's/S&P) |               |
|------------------------|---|-----------------------------|---------------|
|                        | Montana—1.6%  |                             |               |
| \$11,250               | Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31 (AMBAC)                                       | Aaa/AAA                     | \$ 11,680,875 |
|                        | Nevada—0.6%   |                             |               |
| 3,355                  | Henderson Health Care Fac. Rev., Catholic Healthcare West, 5.125%, 7/1/28                                       | A3/A-                       | 3,356,610     |
| 945                    | Henderson Local Impt. Dists., Special Assessment, 5.80%, 3/1/23   | NR/NR                       | 975,741       |
|                        |   |                             | 4,332,351     |
|                        | New Hampshire—0.7%  |                             |               |
| 1,500                  | Manchester Water Works Rev. (FGIC), 5.00%, 12/1/28  | Aaa/AAA                     | 1,558,860     |
| 3,250                  | 5.00%, 12/1/34  | Aaa/AAA                     | 3,358,323     |
|                        |   |                             | 4,917,183     |
|                        | New Jersey—4.8%   |                             |               |
| 1,000                  | Camden Cnty., Improvement Auth., 5.00%, 2/15/35, Ser. A   | Baa3/BBB                    | 984,910       |
| 1,540                  | Camden Cnty., Improvement Auth. Rev., Cooper Health System, 6.00%, 2/15/27, (Pre-refunded @ \$102, 2/15/07) (a) | Baa3/BBB                    | 1,600,183     |
| 4,500                  | Economic Dev. Auth., Kapkowski Rd. Landfill, 6.50%, 4/1/28  | Baa3/NR                     | 5,317,605     |
| 300                    | Newark Airport, 7.00%, 10/1/14  | Ba3/NR                      | 306,927       |
| 2,500                  | Health Care Facs. Financing Auth. Rev., Middlesex Cnty. Pollution Control Auth., Rev., 5.75%, 9/15/32           | Ba1/BBB-                    | 2,641,575     |
| 3,000                  | Pascack Valley Hospital, 6.625%, 7/1/36   | NR/B+                       | 3,073,080     |
| 2,000                  | Somerset Medical Center, 5.50%, 7/1/33  | Baa3/NR                     | 2,012,860     |
| 2,000                  | South Port Corp., Rev., 5.10%, 1/1/33   | NR/A                        | 2,054,680     |
| 1,500                  | State Educational Facs. Auth. Rev., 6.00%, 7/1/25, Ser. D   | NR/NR                       | 1,630,815     |
|                        | Tobacco Settlement Financing Corp. Rev., 6.00%, 6/1/37  | Baa3/BBB                    | 550,783       |
| 525                    | 6.125%, 6/1/24  | Baa3/BBB                    | 1,081,260     |
| 1,000                  | 6.125%, 6/1/42  | Baa3/BBB                    | 242,178       |
| 230                    | 6.25%, 6/1/43   | Baa3/BBB                    | 379,519       |
| 350                    | 6.75%, 6/1/39   | Baa3/BBB                    | 12,026,670    |
| 10,750                 |   |                             | 33,903,045    |
|                        | New Mexico—0.1%   |                             |               |
| 1,000                  | Farmington Pollution Control Rev., 5.80%, 4/1/22  | Baa2/BBB                    | 1,015,210     |
|                        | New York—5.5%   |                             |               |
| 10,000                 | Metropolitan Transportation Auth. Rev., 5.25%, 11/15/32, Ser. B   | A2/A                        | 10,550,900    |
|                        | New York City Municipal Water Finance Auth., Water & Sewer  |                             |               |

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|       |                        |         |           |
|-------|------------------------|---------|-----------|
|       | System Rev.,           |         |           |
| 5,000 | 5.00%, 6/15/35, Ser. C | Aa2/AA+ | 5,152,150 |
| 1,500 | 5.00%, 6/15/39, Ser. A | Aa2/AA+ | 1,544,610 |

3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 9

Table of Contents

PIMCO Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (continued)

| Principal Amount (000) |   | Credit Rating (Moody's/S&P) | Value       |
|------------------------|---|-----------------------------|-------------|
|                        | New York--(continued)   |                             |             |
|                        | State Dormitory Auth. Rev.,   |                             |             |
| \$4,000                | Saint Barnabas Hospital, 5.125%, 2/1/22, Ser. A (FHA-AMBAC)                             | Aaa/AAA                     | \$4,207,880 |
| 11,590                 | Sloan-Kettering Center Memorial, 5.00%, 7/1/34, Ser. 1                                  | Aa2/AA                      | 11,857,497  |
| 3,800                  | State Personal Income Tax, 5.00%, 3/15/32, (Pre-refunded @ \$100, 3/15/13) (a)          | A1/AAA                      | 4,052,054   |
| 2,000                  | State Environmental Facs. Corp. Rev., 5.00%, 6/15/28                                    | Aaa/AAA                     | 2,081,960   |
|                        |   |                             | 39,447,051  |
|                        | North Carolina--1.6%  |                             |             |
| 2,000                  | Charlotte-Mecklenburg Hospital Auth., Healthcare System Rev., 5.00%, 1/15/33, Ser. A    | Aa3/AA                      | 2,043,660   |
|                        | Eastern Municipal Power Agcy, Power System Rev.,  |                             |             |
| 2,000                  | 5.125%, 1/1/23, Ser. D  | Baa2/BBB                    | 2,050,780   |
| 2,000                  | 5.125%, 1/1/26, Ser. D  | Baa2/BBB                    | 2,040,360   |
| 3,795                  | 5.375%, 1/1/17, Ser. C  | Baa2/BBB                    | 3,997,198   |
| 1,500                  | Medical Care Commission, Health Care Facs. Rev., Cleveland Cnty., 5.00%, 7/1/35 (AMBAC) | Aaa/AAA                     | 1,544,805   |
|                        |   |                             | 11,676,803  |
|                        | Ohio--0.4%  |                             |             |
| 2,500                  | Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30                        | Aa3/AA-                     | 2,589,175   |
|                        | Oklahoma--0.5%  |                             |             |
| 3,500                  | Tulsa Cnty. Industrial Auth. Rev., Legacy Apartments, 4.90%,                            | Aaa/NR                      | 3,503,255   |



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|       |   |          |            |
|-------|---|----------|------------|
|       | 11/20/46 (FHA-GNMA)   |          |            |
|       | Pennsylvania-3.5%   |          |            |
| 4,350 | Allegheny Cnty. Hospital Dev. Auth. Rev., 9.25%,<br>11/15/30, Ser. B  | Ba3/B+   | 5,204,558  |
|       | Cumberland Cnty. Auth. Retirement Community<br>Rev., Wesley<br>Affiliated Services,                           |          |            |
| 415   | 7.25%, 1/1/35, Ser. A   | NR/NR    | 444,237    |
| 1,085 | 7.25%, 1/1/35, Ser. A, (Pre-refunded @ \$101,<br>1/1/12) (a)  | NR/NR    | 1,299,710  |
| 3,250 | Delaware River Joint Toll Bridge, Commission<br>Bridge Rev.,<br>5.00%, 7/1/28                                 | A2/A-    | 3,349,222  |
| 3,000 | Lehigh Cnty. General Purpose Auth. Rev., St.<br>Luke's Bethlehem<br>Hospital, 5.375%, 8/15/33                 | Baa1/BBB | 3,088,860  |
| 5,000 | Philadelphia School Dist., GO, 5.125%, 6/1/34,<br>Ser. D (FGIC)   | Aaa/AAA  | 5,242,350  |
| 6,300 | St. Mary Hospital Auth., Bucks Cnty. Rev.,<br>5.00%, 12/1/28, (Partially<br>pre-refunded @ \$101, 6/1/08) (a) | Aa2/NR   | 6,207,201  |
|       |   |          | 24,836,138 |
|       | Puerto Rico-0.3%  |          |            |
| 2,200 | Electric Power Auth., Power Rev., 5.125%, 7/1/29,<br>Ser. NN  | A3/A-    | 2,275,746  |
|       | South Carolina-2.1%   |          |            |
| 7,500 | Florence Cnty. Rev., McLeod Regional Medical<br>Center, 5.00%,<br>11/1/31, Ser. A (FSA)                       | Aaa/AAA  | 7,774,800  |
| 6,700 | Jobs Economic Dev. Auth. Rev., Bon Secours<br>Health System,<br>5.625%, 11/15/30                              | A3/A-    | 7,005,721  |
|       |   |          | 14,780,521 |

10 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

Table of Contents

PIMCO Municipal Income Fund III  
Schedule of Investments  
March 31, 2006 (unaudited) (continued)

| Principal<br>Amount<br>(000) | Credit Rating<br>(Moody's/S&P) | Value |
|------------------------------|--------------------------------|-------|
| Tennessee-0.2%               |                                |       |

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|         |  |           |             |
|---------|--|-----------|-------------|
| \$1,250 | Knox Cnty. Health Educational & Housing Facs., Board Hospital Facs. Rev., Catholic Healthcare Partners, 5.25%, 10/1/30 Texas-10.4% | Aa3/AA-   | \$1,292,300 |
| 4,135   | Canyon Independent School Dist., GO, 5.00%, 2/15/28, Ser. A (PSF-GTD)  | NR/AAA    | 4,267,982   |
| 2,500   | Columbia & Brazoria Independent School Dist., GO, 5.00%, 8/1/29 (PSF-GTD)  | NR/AAA    | 2,581,800   |
| 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- | 1,396,889   |
| 6,000   | zero coupon, 8/15/26   | Aaa/AAA   | 2,005,860   |
| 6,000   | zero coupon, 8/15/27   | Aaa/AAA   | 1,887,540   |
| 5,000   | zero coupon, 8/15/28   | Aaa/AAA   | 1,479,900   |
| 6,000   | zero coupon, 8/15/29   | Aaa/AAA   | 1,671,540   |
| 2,000   | zero coupon, 8/15/30   | Aaa/AAA   | 524,340     |
| 8,000   | zero coupon, 8/15/31   | Aaa/AAA   | 1,973,360   |
| 4,400   | Harris Cnty., GO, 5.125%, 8/15/31, (Pre-refunded @ \$100, 8/15/12) (a) Harris Cnty. Health Facs. Dev. Corp. Rev.,                  | Aa1/AA+   | 4,688,068   |
| 5,000   | Christus Health, 5.375%, 7/1/29, Ser. A (MBIA) (Pre-refunded @ \$101, 7/1/09) (a)  | Aaa/AAA   | 5,305,400   |
| 2,750   | St. Luke's Episcopal Hospital, 5.375%, 2/15/26, Ser. A, (Pre-refunded @ \$100, 8/15/11) (a)  | NR/AA-    | 2,955,397   |
| 19,500  | Harris Cnty. Rev., 5.125%, 8/15/32 (FSA)   | Aaa/AAA   | 20,264,985  |
| 4,005   | Houston, GO, 5.00%, 3/1/25 (MBIA)  | Aaa/AAA   | 4,145,455   |
| 5,000   | Houston Water & Sewer System Rev., 5.00%, 12/1/30, Ser. A (FSA) (Pre-refunded @ \$100, 12/1/12) (a)                                | Aaa/AAA   | 5,304,400   |
| 7,000   | Judson Independent School Dist., GO, 5.00%, 2/1/30 (PSF-GTD) Mesquite Independent School Dist. No. 1, GO, Ser. A (PSF-GTD),        | Aaa/NR    | 7,168,070   |
| 1,365   | zero coupon, 8/15/16   | NR/AAA    | 844,362     |
| 1,000   | zero coupon, 8/15/18   | NR/AAA    | 558,100     |
| 1,000   | zero coupon, 8/15/19   | NR/AAA    | 528,460     |
| 1,000   | zero coupon, 8/15/20   | NR/AAA    | 500,890     |
| 2,105   | Northwest Harris Cnty. Municipal Utility Dist. No. 16, GO, 5.30%, 10/1/29 (Radian)   | NR/AA     | 2,161,561   |
| 2,000   | Univ. Rev., 5.00% 7/1/26, Ser. B Utah-0.8%   | Aaa/AAA   | 2,083,440   |
|         |  |           | 74,297,799  |
| 1,750   | Cnty. of Weber, IHC Health Services Rev., 5.00%, 8/15/30   | Aa1/AA+   | 1,774,517   |
| 4,100   | Salt Lake Cnty. Hospital Rev., IHC Health Services, 5.125%, 2/15/33 (AMBAC)  | Aaa/AAA   | 4,234,767   |
|         | Washington-5.0%  |           | 6,009,284   |
| 6,375   | Chelan Cnty. Public Utility Dist. Rev., 5.125%, 7/1/33, Ser. C (AMBAC)   | Aaa/AAA   | 6,599,719   |
| 3,000   | Port Seattle Rev., 5.00%, 9/1/24 (FGIC)  | Aaa/AAA   | 3,124,890   |

Table of Contents

PIMCO Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (continued)

| Principal Amount (000) |   | Credit Rating (Moody's/S&P) | Value                      |
|------------------------|---|-----------------------------|----------------------------|
|                        | Washington—(continued)  |                             |                            |
| \$23,545               | Tobacco Settlement Auth., Tobacco Settlement Rev.,<br>6.50%, 6/1/26                           | Baa3/BBB                    | \$25,704,783<br>35,429,392 |
|                        | Wisconsin—0.1%  |                             |                            |
| 560                    | Badger Tobacco Asset Securitization Corp.,<br>6.00%, 6/1/17                                   | Baa3/BBB                    | 589,316                    |
|                        | Total Municipal Bonds & Notes<br>(cost—\$600,543,923)   |                             | 637,096,002                |
|                        | VARIABLE RATE NOTES (b)(d)(e)—9.7%  |                             |                            |
|                        | Arizona—0.2%  |                             |                            |
| 1,000                  | Salt River Project Agricultural Improvement & Power Dist., Rev.,<br>11.35%, 1/1/35, Ser. 1227 | Aa2/NR                      | 1,207,050                  |
|                        | Colorado—0.4%   |                             |                            |
| 2,490                  | City of Colorado Springs, 9.964%, 11/15/30, Ser. 457  | Aa2/NR                      | 2,800,204                  |
|                        | Florida—0.4%  |                             |                            |
| 2,554                  | State Department of Transportation Turnpike Rev.,<br>10.08%, 7/1/31, Ser. 1128                | Aa2/NR                      | 2,667,270                  |
|                        | Illinois—0.3%   |                             |                            |
| 1,990                  | Dev. Finance Auth., Gas Supply Rev., 10.519%,<br>2/1/11 (AMBAC)                               | NR/NR                       | 2,233,377                  |
|                        | Michigan—1.8%   |                             |                            |
| 5,720                  | Detroit Water Supply System Rev.,<br>10.262%, 1/1/11 (MBIA)                                   | NR/AAA                      | 6,876,069                  |
| 4,990                  | 10.779%, 7/1/11 (FSA)   | NR/AAA                      | 6,101,772<br>12,977,841    |
|                        | New York—2.7%   |                             |                            |
| 7,770                  | Liberty Dev. Corp. Rev., 8.92%, 10/1/35, Ser. 1183  | Aa3/NR                      | 10,161,062                 |
| 1,636                  | New York City Municipal Water Finance Auth.,<br>Water & Sewer                                 |                             |                            |
|                        | System Rev., 11.39%, 6/15/37, Ser. 1226   | Aa2/NR                      | 1,909,539                  |
| 6,000                  | State Dormitory Auth., Univ. & College  | NR/AA                       | 7,093,800                  |

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|       |  |         |            |
|-------|--|---------|------------|
|       | Improvement, 11.39%, 3/15/35, Ser. 1216  |         | 19,164,401 |
|       | Ohio-0.4%  |         |            |
|       | Ohio Air Quality Dev. Auth. (FGIC),  |         |            |
| 1,000 | 10.35%, 1/1/34, Ser. 1219  | Aaa/AAA | 1,040,500  |
| 2,075 | 10.35%, 1/1/34, Ser. 1223  | Aaa/AAA | 2,158,934  |
|       |  |         | 3,199,434  |
|       | Texas-1.9%   |         |            |
| 1,705 | Crowley Independent School Dist., GO, 8.73%,<br>8/1/35,<br>Ser. 1171 (PSF-GTD) | Aaa/NR  | 1,704,489  |
| 2,450 | Dallas Area Rapid Transit Rev., 9.364%, 12/1/32<br>(FGIC)                      | NR/NR   | 2,811,228  |
| 2,028 | Denton Independent School Dist., GO, 11.31%,<br>8/15/33,<br>Ser. 951 (PSF-GTD) | Aaa/NR  | 2,304,051  |

12 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

Table of Contents

PIMCO Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (concluded)

| Principal Amount (000) |   | Credit Rating (Moody's/S&P) | Value       |
|------------------------|---|-----------------------------|-------------|
|                        | Texas--(continued)  |                             |             |
| \$1,870                | Mansfield Independent School Dist., GO, 10.479%,<br>2/15/28 (PSF-GTD) | NR/NR                       | \$2,254,322 |
| \$2,000                | Sabine River Auth. Rev., 5.20%, 5/1/28                                | Baa2/BBB-                   | 2,033,100   |
| 2,060                  | Univ. Rev., 9.567%, 8/15/33   | NR/NR                       | 2,383,338   |
|                        |   |                             | 13,490,528  |
|                        | Washington-1.6%   |                             |             |
| 1,520                  | King Cnty. Sewer Rev., 10.671%, 7/1/11 (FGIC)                         | NR/NR                       | 1,800,394   |
| 3,000                  | 11.35%, 1/1/35, Ser. 1200 (FSA)                                       | Aaa/AAA                     | 3,344,100   |
| 3,655                  | Port Tacoma, GO, 9.997%, 12/1/33 (AMBAC)                              | NR/NR                       | 4,319,114   |
| 1,510                  | Seattle Drain & Wastewater Rev., 10.716%,<br>7/1/10 (FGIC)            | NR/NR                       | 1,773,193   |
|                        |   |                             | 11,236,801  |
|                        | Total Variable Rate Notes (cost-\$65,431,132)                         |                             | 68,976,906  |
|                        | VARIABLE RATE DEMAND NOTES (e)(f)-0.7%                                |                             |             |
|                        | Connecticut-0.5%  |                             |             |

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|           |  |            |                      |
|-----------|--|------------|----------------------|
| 3,450     | State Health & Educational Facs. Auth. Rev., Yale Univ., 3.05%, 4/3/06, Ser. Y Missouri-0.2% | VMIG1/A-1+ | 3,450,000            |
| 1,900     | State Health & Educational Facs. Auth. Rev., Washington Univ., 3.12%, 4/3/06, Ser. B         | VMIG1/A-1+ | 1,900,000            |
|           | Total Variable Rate Demand Notes (cost-\$5,350,000)  |            | 5,350,000            |
|           | U.S. TREASURY BILLS (g)-0.3%   |            |                      |
| 2,405     | 4.485%-4.51%, 6/1/06-6/15/06 (cost-\$2,382,980)  |            | 2,382,980            |
|           | Total Investments before options written (cost-\$673,708,035)-100.0%                         |            | 713,805,888          |
|           | OPTIONS WRITTEN (h)-(0.0)%   |            |                      |
| Contracts |  |            |                      |
|           | Call Options-(0.0)%  |            |                      |
|           | U.S. Treasury Notes 10 yr. Futures, Chicago Board of Trade,                                  |            |                      |
| 250       | strike price \$110, expires 5/26/06  |            | (3,906)              |
|           | Put Options-(0.0)%   |            |                      |
|           | U.S. Treasury Notes 10 yr. Futures, Chicago Board of Trade,                                  |            |                      |
| 478       | strike price \$105, expires 5/26/06  |            | (126,969)            |
| 250       | strike price \$106, expires 5/26/06  |            | (140,625)            |
|           |  |            | (267,594)            |
|           | Total Options Written (premiums received-\$246,790)  |            | (271,500)            |
|           | Total Investments net of options written (cost-\$673,461,245)-100.0%                         |            | <b>\$713,534,388</b> |

See accompanying Notes to Financial Statements | 3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 13

Table of Contents

PIMCO California Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited)

| Principal Amount (000) |  | Credit Rating (Moody's/S&P) | Value        |
|------------------------|--|-----------------------------|--------------|
|                        | CALIFORNIA MUNICIPAL BONDS & NOTES-86.5%           |                             |              |
| \$ 1,000               | Alameda Public Financing Auth. Rev., 7.00%, 6/1/09 | NR/NR                       | \$ 1,000,480 |

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|        |   |         |            |
|--------|---|---------|------------|
|        | Assoc. of Bay Area Governments Finance Auth.<br>Rev., Odd Fellows<br>Home,                              |         |            |
| 3,200  | 5.20%, 11/15/22   | NR/A    | 3,321,152  |
| 11,725 | 5.35%, 11/15/32   | NR/A    | 12,180,164 |
|        | Burbank Public Finance Auth. Rev., San Fernando<br>Redev. Project,                                      |         |            |
| 1,135  | 5.50%, 12/1/28  | NR/BBB  | 1,159,788  |
| 1,000  | 5.50%, 12/1/33  | NR/BBB  | 1,017,410  |
| 2,000  | Butte-Glenn Community College, GO, 5.00%,<br>8/1/26, Ser. A (MBIA)                                      | Aaa/NR  | 2,084,480  |
| 2,000  | Capistrano Unified School Dist., Community Fac.<br>Dist., Special Tax, 6.00%, 9/1/32                    | NR/NR   | 2,089,700  |
| 1,000  | Carlsbad Impt. Bond Act 1915, 6.00%, 9/2/34   | NR/NR   | 1,025,010  |
| 1,000  | Cathedral City Public Financing Auth., Tax<br>Allocation Rev.,<br>5.00%, 8/1/33, Ser. A (MBIA)          | Aaa/AAA | 1,032,920  |
| 1,150  | Ceres Redev. Agcy. Tax Allocation, 5.00%,<br>11/1/33 (MBIA)   | Aaa/AAA | 1,195,954  |
| 2,825  | Ceres Unified School Dist., GO (FGIC),<br>zero coupon, 8/1/28   | Aaa/AAA | 817,583    |
| 2,940  | zero coupon, 8/1/29   | Aaa/AAA | 800,650    |
| 675    | Chula Vista, Special Tax,<br>6.15%, 9/1/26  | NR/NR   | 713,961    |
| 1,620  | 6.20%, 9/1/33   | NR/NR   | 1,713,328  |
| 1,600  | Chula Vista Community Fac. Dist., Special Tax,<br>5.75%, 9/1/33   | NR/NR   | 1,634,128  |
| 8,000  | Contra Costa Cnty. Public Financing Auth. Tax<br>Allocation Rev.,<br>5.625%, 8/1/33, Ser. A             | NR/BBB  | 8,292,880  |
| 3,775  | Cucamonga School Dist., CP, 5.20%, 6/1/27<br>Eastern Muni. Water Dist. Community Facs.,<br>Special Tax, | NR/A-   | 3,829,851  |
| 425    | 5.75%, 9/1/33   | NR/NR   | 433,768    |
| 1,500  | 5.95%, 9/1/33   | NR/NR   | 1,532,205  |
| 1,745  | 6.05%, 9/1/27   | NR/NR   | 1,784,088  |
| 1,535  | 6.10%, 9/1/33   | NR/NR   | 1,568,678  |
|        | Educational Fac. Auth. Rev.,  |         |            |
| 2,500  | Institute of Technology, 5.00%, 10/1/32, Ser. A   | Aaa/AAA | 2,595,875  |
| 2,455  | Loyola Marymount Univ., zero coupon, 10/1/34<br>(MBIA)  | Aaa/NR  | 614,732    |
| 5,000  | Pepperdine Univ., 5.00%, 9/1/33, Ser. A (FGIC)  | Aaa/AAA | 5,146,000  |
| 2,195  | Elk Grove Unified School Dist., Community Facs.<br>Dist. No. 1,<br>Special Tax, 5.00%, 12/1/35 (MBIA)   | AAA/AAA | 2,259,248  |
| 500    | Franklin-McKinley School Dist., GO, 5.00%,<br>8/1/27, Ser. B (FSA)                                      | Aaa/AAA | 537,020    |
|        | Fremont Community Facs. Dist., Special Tax,   |         |            |
| 1,250  | 5.30%, 9/1/30   | NR/NR   | 1,252,688  |
| 5,000  | 6.30%, 9/1/31   | NR/NR   | 5,121,700  |
| 9,500  |   | Aaa/AAA | 11,599,880 |

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Fresno School Unified Dist., GO, 6.00%, 8/1/26,  
Ser. A (MBIA)

14 PIMCO Municipal Income Fund III Semi-Annual Report | 3.31.06

Table of Contents

PIMCO California Municipal Income Fund III  
Schedule of Investments  
March 31, 2006 (unaudited) (continued)

| Principal Amount (000) |  | Credit Rating (Moody's/S&P) | Value        |
|------------------------|--|-----------------------------|--------------|
| \$ 4,380               | Glendale Electric Works Rev., 5.00%, 2/1/27 (MBIA)   | Aaa/AAA                     | \$ 4,548,849 |
| 18,000                 | Golden State Tobacco Securitization Corp., Tobacco Settlement Rev., Ser. 2003-A-1, 6.25%, 6/1/33         | Baa3/BBB                    | 19,631,700   |
| 38,490                 | 6.75%, 6/1/39  | Baa3/BBB                    | 43,334,351   |
| 5,000                  | Health Facs. Finance Auth. Rev., Adventist Health System, 5.00%, 3/1/33                                  | NR/A                        | 5,011,350    |
| 6,000                  | Cottage Health System, 5.00%, 11/1/33, Ser. B (MBIA)   | Aaa/AAA                     | 6,163,380    |
| 5,000                  | Kaiser Permanente, 5.00%, 10/1/18, Ser. B  | A3/AAA                      | 5,172,250    |
| 2,000                  | Paradise VY Estates (CA Mtg. Ins.), 5.125%, 1/1/22   | NR/A                        | 2,086,000    |
| 1,550                  | 5.25%, 1/1/26  | NR/A                        | 1,611,334    |
| 2,000                  | Sutter Health, 6.25%, 8/15/35, Ser. A  | A1/AA-                      | 2,207,840    |
| 2,750                  | Infrastructure & Economic Dev. Bank Rev., Claremount Univ. Consortium, 5.25%, 10/1/33                    | Aa3/NR                      | 2,893,358    |
| 3,000                  | Kaiser Assistance Corp., 5.50%, 8/1/31, Ser. B   | A2/A+                       | 3,148,920    |
| 8,000                  | 5.55%, 8/1/31, Ser. A  | NR/A+                       | 8,421,680    |
| 3,725                  | La Mesa-Spring Valley School Dist., GO, 5.00%, 8/1/26, Ser. A (FGIC), (Pre-refunded @ \$100, 8/1/12) (a) | Aaa/AAA                     | 3,984,744    |
| 1,400                  | La Quinta Redev. Agcy., Tax Allocation, 5.10%, 9/1/31 (AMBAC)  | Aaa/AAA                     | 1,444,338    |
| 20                     | Lancaster Financing Auth. Tax Allocation, 4.75%, 2/1/34 (MBIA)   | Aaa/AAA                     | 20,117       |
| 825                    | Lee Lake Water Dist. Community Facs. Dist., Montecito Ranch, Special Tax, 6.125%, 9/1/32                 | NR/NR                       | 854,230      |
| 5,000                  | Long Beach Community College Dist., GO, 5.00%, 5/1/28, Ser. A  | Aaa/AAA                     | 5,368,900    |

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|       |   |         |           |
|-------|---|---------|-----------|
|       | (MBIA), (Pre-refunded @ \$100, 5/01/13) (a)   |         |           |
| 500   | Los Angeles Department of Water & Power Rev.,<br>4.75%, 7/1/36 (FSA)                        | AAA/AAA | 506,310   |
| 7,650 | Los Angeles Unified School Dist., GO (MBIA),<br>5.00%, 1/1/28, Ser. A                       | Aaa/AAA | 7,955,464 |
| 3,000 | 5.125%, 1/1/27, Ser. E  | Aaa/AAA | 3,160,830 |
| 1,000 | Lynwood Unified School Dist., GO, 5.00%,<br>8/1/27, Ser. A (FSA)                            | Aaa/NR  | 1,040,960 |
| 5,280 | Modesto Irrigation Dist., CP, 5.00%, 7/1/33, Ser.<br>A (MBIA)                               | Aaa/AAA | 5,454,398 |
| 2,180 | Murrieta Valley Unified School Dist., Special<br>Tax, 6.40%, 9/1/24                         | NR/NR   | 2,248,060 |
| 5,000 | Oakland, GO, 5.00%, 1/15/33, Ser. A (MBIA)  | Aaa/AAA | 5,153,150 |
|       | Oakland Redev. Agcy., Tax Allocation,   |         |           |
| 985   | 5.25%, 9/1/27   | NR/A-   | 1,008,423 |
| 1,545 | 5.25%, 9/1/33   | NR/A-   | 1,579,005 |
| 5,000 | Orange Cnty. Community Facs. Dist., Special<br>Tax, Ladera Ranch,<br>5.55%, 8/15/33, Ser. A | NR/NR   | 5,104,250 |
| 5,000 | Orange Cnty. Unified School Dist., CP, 4.75%,<br>6/1/29 (MBIA)                              | Aaa/AAA | 4,937,450 |
| 1,000 | Orange Cnty. Water Dist. Rev., CP, 5.00%,<br>8/15/28, Ser. B (MBIA)                         | Aaa/AAA | 1,027,830 |
| 2,000 | Palm Desert Financing Auth., Tax Allocation,<br>5.00%, 4/1/25,<br>Ser. A (MBIA)             | Aaa/AAA | 2,066,480 |

3.31.06 | PIMCO Municipal Income Fund III Semi-Annual Report 15

Table of Contents

PIMCO California Municipal Income Fund III

Schedule of Investments

March 31, 2006 (unaudited) (continued)

| Principal<br>Amount<br>(000) |   | Credit Rating<br>(Moody's/S&P) | Value        |
|------------------------------|---|--------------------------------|--------------|
| \$ 1,410                     | Pomona Public Financing Auth. Rev., 5.00%,<br>12/1/37, Ser. AF (MBIA)                         | Aaa/AAA                        | \$ 1,448,451 |
| 3,650                        | Poway Unified School Dist., Community Facs.<br>Dist. No. 6,<br>Special Tax,<br>5.125%, 9/1/28 | NR/NR                          | 3,635,199    |
| 1,285                        | 6.05%, 9/1/25   | NR/NR                          | 1,343,814    |
| 2,100                        | 6.125%, 9/1/33  | NR/NR                          | 2,195,424    |



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|        |   |         |            |
|--------|---|---------|------------|
| 5,000  | Riverside, CP, 5.00%, 9/1/33 (AMBAC)  | Aaa/AAA | 5,149,400  |
| 500    | Rocklin Unified School Dist. Community Facs.,<br>Special Tax, 5.00%, 9/1/29 (MBIA)  | Aaa/AAA | 518,125    |
| 7,680  | Rowland Unified School Dist., GO, 5.00%,<br>8/1/28, Ser. B (FSA)  | Aaa/AAA | 7,989,734  |
| 1,435  | Sacramento City Financing Auth. Rev., North<br>Natomas CFD No. 2,<br>6.25%, 9/1/23, Ser. A  | NR/NR   | 1,473,817  |
| 480    | San Diego Unified School Dist., GO (FSA),<br>5.00%, 7/1/26, Ser. C  | Aaa/AAA | 515,222    |
| 11,000 | 5.00%, 7/1/26, Ser. E   | Aaa/AAA | 11,706,090 |
| 8,425  | 5.00%, 7/1/28, Ser. E   | Aaa/AAA | 8,965,801  |
| 1,500  | San Diego Univ. Foundation Auxiliary<br>Organization, Rev., 5.00%,<br>3/1/27, Ser. A (MBIA)                                       | Aaa/AAA | 1,547,085  |
| 3,000  | San Jose, Libraries & Parks, GO, 5.125%, 9/1/31<br>Santa Ana Unified School Dist., GO, Ser. B<br>(FGIC),                          | Aa1/AA+ | 3,112,260  |
| 2,515  | zero coupon, 8/1/26   | Aaa/AAA | 966,841    |
| 3,520  | zero coupon, 8/1/28   | Aaa/AAA | 1,218,307  |
| 2,500  | zero coupon, 8/1/30   | Aaa/AAA | 779,375    |
| 3,780  | zero coupon, 8/1/31   | Aaa/AAA | 1,117,746  |
| 3,770  | zero coupon, 8/1/32   | Aaa/AAA | 1,056,957  |
| 1,250  | Santa Clara Valley Transportation Auth., Sales<br>Tax Rev., 5.00%,<br>6/1/26, Ser. A (MBIA) (Pre-refunded @ \$100,<br>6/1/11) (a) | Aaa/AAA | 1,330,412  |
| 5,985  | Santa Margarita Water Dist., Special Tax, 6.25%,<br>9/1/29  | NR/NR   | 6,439,550  |
| 3,550  | Santa Monica Community College Dist., GO, zero<br>coupon, 8/1/27, Ser. C (MBIA)   | Aaa/AAA | 1,235,010  |
| 1,205  | Sequoia Union High School Dist., GO, 5.00%,<br>7/1/23 (MBIA)  | Aaa/NR  | 1,256,152  |
| 4,475  | Simi Valley Community Dev. Agcy., Tax<br>Allocation, Tapo Canyon & West End, 5.00%,<br>9/1/25 (FGIC)                              | Aaa/AAA | 4,657,311  |
| 4,250  | Sonoma Cnty. Jr. College Dist., GO, 5.00%,<br>8/1/27, Ser. A (FSA)<br>(Pre-refunded @ \$100, 8/01/13) (a)                         | Aaa/AAA | 4,564,670  |
| 1,000  | Sonoma Cnty. Water Agcy. Water Rev., 5.00%,<br>7/1/32, Ser. A (MBIA)  | Aaa/AAA | 1,033,340  |
| 2,500  | South Tahoe Joint Powers Financing Auth. Rev.,<br>5.125%, 10/1/09   | NR/NR   | 2,506,775  |
| 4,425  | 5.45%, 10/1/33  | NR/BBB  | 4,528,678  |
| 12,200 | Southern CA Public Power Auth., Power Project<br>Rev., Magnolia Power,<br>5.00%, 7/1/33, Ser. A-2003-1 (AMBAC)                    | Aaa/AAA | 12,587,716 |
| 600    | State Dept. of Water Res. Rev., Central Valley<br>Project, 5.00%, 12/1/25, Ser. AC (MBIA)   | Aaa/AAA | 627,846    |
| 4,095  | State Dept. Veteran Affairs Home Purchase Rev.,<br>5.35%, 12/1/27, Ser. A (AMBAC)   | Aaa/AAA | 4,285,295  |

## 16 PIMCO Municipal Income Fund III Semi-Annual Report | 3.31.06

Table of Contents

PIMCO California Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (continued)

| Principal Amount<br>(000) |  | Credit Rating<br>(Moody's/S&P) | Value        |
|---------------------------|--|--------------------------------|--------------|
| \$5,385                   | State Public Works Board Lease Rev.,<br>CA State Univ., 5.00%, 10/1/19   | A2/A-                          | \$ 5,548,489 |
| 1,105                     | Patton, 5.375%, 4/1/28   | A3/A-                          | 1,161,753    |
| 4,600                     | Univ. CA, M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A  | Aa2/AA-                        | 4,719,922    |
| 3,505                     | Statewide Community Dev. Auth., CP, Internext<br>Group,<br>5.375%, 4/1/30  | NR/BBB                         | 3,513,307    |
| 2,500                     | Statewide Community Dev. Auth. Rev.,<br>Berkeley Montessori School, 7.25%, 10/1/33<br>Health Fac.,               | NR/NR                          | 2,579,300    |
| 7,300                     | Jewish Home, 5.50%, 11/15/33 (CA St Mtg.)  | NR/A                           | 7,756,031    |
| 15,000                    | Memorial Health Services, 5.50%, 10/1/33, Ser. A   | A3/A+                          | 15,716,850   |
| 10,000                    | Sutter Health, 5.50%, 8/15/34, Ser. B  | A1/AA-                         | 10,423,700   |
| 1,795                     | Sunnyvale Financing Auth., Water & Wastewater<br>Rev.,<br>5.00%, 10/1/26 (AMBAC)                                 | Aaa/AAA                        | 1,845,242    |
| 2,000                     | Tamalpais Union High School Dist., GO, 5.00%,<br>8/1/26 (MBIA)   | Aaa/AAA                        | 2,074,420    |
| 2,000                     | Temecula Public Financing Auth., Crowne Hill,<br>Special Tax,<br>6.00%, 9/1/33, Ser. A                           | NR/NR                          | 2,060,780    |
| 8,100                     | Tobacco Securitization Agcy. Rev.,<br>Alameda Cnty.,<br>5.875%, 6/1/35   | Baa3/NR                        | 8,436,150    |
| 7,000                     | 6.00%, 6/1/42  | Baa3/NR                        | 7,306,180    |
| 2,000                     | Kern Cnty., 6.125%, 6/1/43, Ser. A   | NR/BBB                         | 2,100,520    |
| 2,950                     | Torrance Medical Center Rev., 5.50%, 6/1/31, Ser.<br>A   | A1/A+                          | 3,061,923    |
| 4,000                     | Vernon Electric System Rev., Malburg Generating<br>Station,<br>5.50%, 4/1/33, (Pre-refunded @ \$100, 4/1/08) (a) | Aaa/NR                         | 4,154,720    |
| 1,000                     | West Basin Municipal Water Dist. Rev., CP,<br>5.00%, 8/1/30, Ser. A (MBIA)                                       | Aaa/AAA                        | 1,035,250    |
| 2,500                     |  | NR/NR                          | 2,543,125    |

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|       |  |          |             |
|-------|--|----------|-------------|
|       | William S. Hart Union High School Dist., Special Tax,<br>6.00%, 9/1/33 |          |             |
| 2,750 | Woodland Finance Auth. Lease Rev., 5.00%,<br>3/1/32 (XLCA)             | Aaa/AAA  | 2,847,818   |
|       | Total California Municipal Bonds & Notes<br>(cost-\$398,748,819)       |          | 424,179,155 |
|       | <b>OTHER MUNICIPAL BONDS &amp; NOTES-2.1%</b><br><b>New York-0.6%</b>  |          |             |
| 2,500 | State Dormitory Auth. Rev., Hospital, 6.25%,<br>8/15/15 (FHA)          | Aa2/AAA  | 2,838,550   |
|       | <b>Puerto Rico-1.5%</b>  |          |             |
| 1,500 | Electric Power Auth., Power Rev., 5.125%, 7/1/29,<br>Ser. NN           | A3/A-    | 1,551,645   |
| 4,420 | Public Building Auth. Rev.,<br>5.00%, 7/1/36, Ser. I (GTD)             | Baa2/BBB | 4,461,283   |
| 790   | 5.25%, 7/1/36, Ser. D, (Pre-refunded @ \$100,<br>7/1/12) (a)           | Baa2/A-  | 848,507     |
| 290   | 5.25%, 7/1/36, Ser. D  | Baa2/BBB | 300,420     |
|       |  |          | 7,161,855   |
|       | Total Other Municipal Bonds & Notes<br>(cost-\$9,478,619)              |          | 10,000,405  |

3.31.06 | PIMCO Municipal Income Fund III Semi-Annual Report 17

Table of Contents

PIMCO California Municipal Income Fund III  
Schedule of Investments  
March 31, 2006 (unaudited) (continued)

| Principal Amount (000) |   | Credit Rating (Moody's/S&P) | Value        |
|------------------------|---|-----------------------------|--------------|
|                        | <b>CALIFORNIA VARIABLE RATE NOTES (b)(d)(e)-9.4%</b>                          |                             |              |
|                        | Golden State Tobacco Securitization Corp.,<br>Tobacco Settlement Rev. (FGIC), |                             |              |
| \$ 2,000               | 11.43%, 6/1/35, Ser. 1220   | Aaa/AAA                     | \$ 2,303,100 |
| 2,000                  | 11.697%, 6/1/35   | Aaa/AAA                     | 2,303,100    |
| 1,465                  | Infrastructure & Economic Dev. Bank Rev.,<br>9.359%, 7/1/36 (AMBAC)           | NR/NR                       | 1,721,448    |
|                        | Los Angeles Dept. of Water & Power (FSA),                                     |                             |              |
| 1,200                  | 10.18%, 7/1/30, Ser. 1243   | Aaa/AAA                     | 1,307,400    |
| 2,000                  | 19.994%, 7/1/35, Ser. 500   | Aaa/NR                      | 2,781,400    |
|                        | Los Angeles Unified School Dist., GO (MBIA),                                  |                             |              |
| 1,745                  | 10.503%, 1/1/23   | NR/NR                       | 1,908,716    |

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|       |  |           |            |
|-------|--|-----------|------------|
| 2,090 | 13.492%, 1/1/11  | NR/NR     | 3,154,918  |
| 2,020 | Los Angeles Water & Power Rev., 9.013%, 7/1/30                           | NR/NR     | 2,306,598  |
| 950   | Orange Cnty. Water Dist. Rev., CP,<br>9.894%, 2/15/11 (MBIA)             | NR/NR     | 1,096,804  |
| 710   | Pajaro Valley Unified School Dist., GO, 11.143%,<br>8/1/11               | NR/NR     | 1,080,201  |
| 1,170 | Pasadena Water Rev., 9.590%, 6/1/33 (FGIC)                               | NR/NR     | 1,397,156  |
| 1,785 | Sacramento Cnty. Water Financing Auth. Rev.,<br>10.144%, 6/1/11 (AMBAC)  | NR/NR     | 2,132,218  |
| 1,150 | Sacramento Muni Utility Dist., Electric Rev.,<br>11.056%, 2/15/11 (MBIA) | NR/NR     | 1,408,474  |
| 1,725 | San Diego Community College Dist., GO,<br>11.10%, 5/1/11 (FSA)           | NR/NR     | 2,197,978  |
|       | San Marcos Public Facs. Auth. Tax Allocation<br>(FGIC),                  |           |            |
| 1,340 | 9.937%, 2/1/11   | NR/NR     | 1,596,851  |
| 1,340 | 9.937%, 8/1/11   | NR/NR     | 1,596,851  |
|       | Southern CA Public Power Auth., Power Project<br>Rev. (AMBAC),           |           |            |
| 1,350 | 6.59%, 7/1/33, Ser. 1045   | NR/NR     | 1,435,806  |
| 2,065 | 10.042%, 7/1/11  | NR/NR     | 2,456,214  |
| 4,520 | State Economic Recovery, GO, 11.40%, 7/1/12,<br>Ser. 956 (MBIA)          | NR/NR     | 6,064,258  |
|       | Univ. Rev. (FSA),  |           |            |
| 1,375 | 10.15%, 5/15/35, Ser. 1119   | NR/AAA    | 1,429,931  |
| 3,095 | 10.933%, 9/1/33  | NR/NR     | 3,792,953  |
| 340   | 10.933%, 9/1/34  | NR/NR     | 417,809    |
|       | Total California Variable Rate Notes<br>(cost-\$42,689,757)              |           | 45,890,184 |
|       | OTHER VARIABLE RATE NOTES (d)(e)-1.6%                                    |           |            |
|       | <b>Puerto Rico-1.6%</b>  |           |            |
| 3,500 | Commonwealth of Puerto Rico, GO, 5.00%,<br>7/1/30, Ser. A                | Baa2/BBB  | 3,638,425  |
| 3,800 | Public Finance Corp. Rev., 5.75%, 8/1/27, Ser. A                         | Baa3/BBB- | 4,086,976  |
|       | Total Other Variable Rate Notes (cost-\$7,697,557)                       |           | 7,725,401  |

18 PIMCO Municipal Income Fund III Semi-Annual Report | 3.31.06

Table of Contents

PIMCO California Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (concluded)

| Principal<br>Amount | Credit Rating<br>(Moody's/S&P) | Value |
|---------------------|--------------------------------|-------|
|---------------------|--------------------------------|-------|

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(000)

|        |   |            |             |
|--------|---|------------|-------------|
|        | CALIFORNIA VARIABLE RATE DEMAND NOTES (e)(f)–0.2%                                   |            |             |
| \$ 300 | Health Facs. Financing Auth. Rev., 3.07%, 4/3/06<br>(AMBAC)                         | VMIG1/A-1+ | \$300,000   |
| 600    | State of California, Daily Kindergarten Univ., GO,<br>3.07%, 4/3/06                 | VMIG1/A-1+ | 600,000     |
|        | Total California Variable Rate Demand Notes<br>(cost–\$900,000)                     |            | 900,000     |
|        | U.S. TREASURY BILLS (g)–0.3%  |            |             |
| 1,725  | 4.485%–4.50%, 6/15/06 (cost–\$1,708,833)  |            | 1,708,833   |
|        | <b>Total Investments before options written</b> (cost–\$461,223,585)– <b>100.1%</b> |            | 490,403,978 |
|        | OPTIONS WRITTEN (h)–(0.1)%  |            |             |

Contracts

|     |  |  |               |
|-----|--|--|---------------|
|     | <b>Call Options–(0.0)%</b>   |  |               |
| 275 | U.S. Treasury Notes 10 yr. Futures, Chicago Board of Trade,<br>strike price \$110, expires 5/26/06 |  | (4,297)       |
|     | <b>Put Options–(0.1)%</b>  |  |               |
| 472 | U.S. Treasury Notes 10 yr. Futures, Chicago Board of Trade,<br>strike price \$105, expires 5/26/06 |  | (125,375)     |
| 275 | U.S. Treasury Notes 10 yr. Futures, Chicago Board of Trade,<br>strike price \$106, expires 5/26/06 |  | (154,687)     |
|     |  |  | (280,062)     |
|     | Total Options Written (premiums received–\$258,038)  |  | (284,359)     |
|     | <b>Total Investments net of options written</b> (cost–\$460,965,547)– <b>100.0%</b>                |  | \$490,119,619 |

See accompanying Notes to Financial Statements | 3.31.06 | PIMCO Municipal Income Fund III Semi-Annual Report  
19

Table of Contents

PIMCO New York Municipal Income Fund III  
Schedule of Investments  
March 31, 2006 (unaudited)

| Principal<br>Amount<br>(000) |  | Credit Rating<br>(Moody's/S&P) | Value       |
|------------------------------|--|--------------------------------|-------------|
|                              | NEW YORK MUNICIPAL BONDS & NOTES–77.2%   |                                |             |
| \$2,800                      | East Rochester Housing Auth. Rev., St. Mary's<br>Residence Project,<br>5.375%, 12/20/22 (GNMA) | NR/AAA                         | \$2,997,624 |
| 1,060                        | Liberty Dev. Corp. Rev., Goldman Sachs<br>Headquarters, 5.25%, 10/1/35                         | Aa3/A+                         | 1,168,777   |
| 1,000                        | Long Island Power Auth., Electric System Rev.,<br>5.00%, 9/1/27, Ser. C                        | A3/A–                          | 1,029,250   |
| 1,000                        | Madison Cnty. Industrial Dev. Agcy, Colgate<br>Univ. Rev., 5.00%,                              | Aaa/AAA                        | 1,041,230   |

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|       |  |          |           |
|-------|--|----------|-----------|
|       | 7/1/35, Ser. A (AMBAC)   |          |           |
| 5,000 | Metropolitan Transportation Auth. Rev., 5.00%,<br>11/15/31, Ser. F<br>(MBIA)   | Aaa/AAA  | 5,167,350 |
| 1,000 | Monroe Tobacco Asset Securitization Corp.,<br>Tobacco Settlement Rev.,<br>6.375%, 6/1/35, (Pre-refunded @ \$101, 6/1/10) (a) | Aaa/AAA  | 1,113,960 |
| 2,000 | Nassau Cnty. Tobacco Settlement Corp., Rev.,<br>6.60%, 7/15/39   | Ba1/BBB- | 2,125,540 |
| 7,195 | New York City, GO, 5.00%, 3/1/33, Ser. I   | A1/A+    | 7,346,239 |
| 5,000 | New York City Municipal Water Finance Auth.,<br>Water & Sewer System Rev., 5.00%, 6/15/32, Ser.<br>A                         | Aa2/AA+  | 5,121,300 |
| 1,750 | New York City Transitional Finance Auth., GO,<br>5.375%, 3/1/27, Ser. 1  | A1/A+    | 1,865,605 |
| 2,995 | New York Counties Tobacco Settlement Trust<br>Rev., 5.625%, 6/1/35   | Ba1/BBB  | 3,067,419 |
| 1,000 | Niagara Falls Public Water Auth., Water & Sewer<br>System Rev.,<br>5.00%, 7/15/34, Ser. A (MBIA)                             | Aaa/AAA  | 1,035,060 |
| 1,855 | Sachem Central School Dist. of Holbrook, GO,<br>5.00%, 6/15/30 (MBIA)<br>State Dormitory Auth. Rev.,                         | Aaa/AAA  | 1,925,193 |
| 1,400 | Catholic Health of Long Island, 5.10%, 7/1/34  | Baa1/BBB | 1,413,020 |
| 2,000 | Columbia Univ., 5.00%, 7/1/24, Ser. A  | Aaa/AAA  | 2,095,040 |
| 2,250 | Jewish Board Family & Children, 5.00%, 7/1/33<br>(AMBAC)   | Aaa/AAA  | 2,329,942 |
| 2,000 | Kaleida Health Hospital, 5.05%, 2/15/25 (FHA)  | NR/AAA   | 2,072,040 |
| 3,250 | Lenox Hill Hospital, 5.50%, 7/1/30<br>Long Island Univ. (Radian),  | Ba2/NR   | 3,138,785 |
| 2,040 | 5.00%, 9/1/23, Ser. A  | Baa3/AA  | 2,099,568 |
| 4,000 | 5.00%, 9/1/32, Ser. A  | Baa3/AA  | 4,096,640 |
| 3,000 | Lutheran Medical Hospital, 5.00%, 8/1/31<br>(MBIA-FHA)   | Aaa/AAA  | 3,094,200 |
| 1,000 | Mental Health Services Facs., 5.00%, 2/15/30, Ser.<br>B (AMBAC)<br>Mount St. Mary College (Radian),                          | AAA/AAA  | 1,040,600 |
| 2,000 | 5.00%, 7/1/27  | NR/AA    | 2,066,060 |
| 2,000 | 5.00%, 7/1/32  | NR/AA    | 2,053,600 |
| 1,000 | New York Univ., 5.00%, 7/1/31, Ser. 2 (AMBAC)  | Aaa/AAA  | 1,029,620 |
| 6,150 | North General Hospital, 5.00%, 2/15/25   | NR/AA-   | 6,303,934 |
| 1,000 | North Shore L.I. Jewish Group, 5.50%, 5/1/33   | A3/NR    | 1,053,770 |
| 1,000 | NY & Presbyterian Hospital Rev., 4.75%, 8/1/27<br>(AMBAC-FHA)  | Aaa/AAA  | 1,011,780 |
| 3,740 | Saint Barnabas Hospital, 5.00%, 2/1/31, Ser. A<br>(AMBAC-FHA)  | Aaa/AAA  | 3,849,956 |
| 1,000 | School Dist. Financing, 5.00%, 10/1/30, Ser. D<br>(MBIA)   | Aaa/AAA  | 1,037,550 |
| 1,250 | Skidmore College, 5.00%, 7/1/28 (FGIC)   | Aaa/NR   | 1,307,438 |
| 2,500 | Sloan-Kettering Center Memorial, 5.00%, 7/1/34,<br>Ser. 1  | Aa2/AA   | 2,557,700 |

Table of Contents

PIMCO New York Municipal Income Fund III  
 Schedule of Investments  
 March 31, 2006 (unaudited) (continued)

| Principal Amount (000) |  | Credit Rating (Moody's/S&P) | Value        |
|------------------------|--|-----------------------------|--------------|
| \$ 3,600               | State Personal Income Tax, 5.00%, 3/15/32, (Pre-refunded @ \$100, 3/15/13) (a)                                   | A1/AAA                      | \$ 3,838,788 |
| 1,250                  | Student Housing Corp., 5.125%, 7/1/34 (FGIC)   | Aaa/AAA                     | 1,319,938    |
| 1,500                  | Teachers College, 5.00%, 7/1/32 (MBIA)   | Aaa/NR                      | 1,551,840    |
| 2,500                  | Winthrop-Nassau Univ., 5.75%, 7/1/28   | Baa1/NR                     | 2,631,100    |
| 620                    | Winthrop Univ., Hospital Association, 5.50%, 7/1/32, Ser. A  | Baa1/NR                     | 645,073      |
| 2,000                  | Yeshiva Univ., 5.125%, 7/1/34 (AMBAC)  | Aaa/NR                      | 2,111,900    |
| 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                     | 2,031,993    |
| 1,000                  | State Urban Dev. Corp. Rev., 5.00%, 3/15/35, Ser. B  | NR/AAA                      | 1,034,970    |
| 2,000                  | Warren & Washington Counties Industrial Dev. Agcy. Fac. Rev., Glens Falls Hospital, 5.00%, 12/1/35, Ser. A (FSA) | Aaa/AAA                     | 2,064,040    |
| 1,250                  | Westchester Cnty. Industrial Dev. Agcy. Continuing Care Retirement Rev., Kendal on Hudson, 6.50%, 1/1/34         | NR/NR                       | 1,301,625    |
|                        | Total New York Municipal Bonds & Notes (cost-\$93,398,273)   |                             | 97,187,057   |
|                        | <b>OTHER MUNICIPAL BONDS &amp; NOTES—11.9%</b>   |                             |              |
|                        | <b>California—5.0%</b>   |                             |              |
| 5,560                  | Golden State Tobacco Securitization Corp., Tobacco Settlement Rev., 6.75%, 6/1/39, Ser. 2003-A-1                 | Baa3/BBB                    | 6,259,782    |
|                        | <b>District of Columbia—0.2%</b>   |                             |              |
| 175                    | Tobacco Settlement Financing Corp. Rev., 6.50%, 5/15/33  | Baa3/BBB                    | 199,225      |
|                        | <b>Puerto Rico—5.9%</b>  |                             |              |
|                        | Children's Trust Fund Tobacco Settlement Rev.,   |                             |              |

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|       |   |          |  |
|-------|---|----------|--|
| 1,700 | 5.50%, 5/15/39  | Baa3/BBB | 1,747,787                                    |
| 580   | 5.625%, 5/15/43   | Baa3/BBB | 597,620                                      |
| 1,000 | Electric Power Auth., Power Rev., 5.125%,<br>7/1/29, Ser. NN                        | A3/A-    | 1,034,430                                    |
| 4,000 | Public Building Auth. Rev., Gov't Facs., 5.00%,<br>7/1/36, Ser. I (GTD)             | Baa2/BBB | 4,037,360                                    |
|       |   |          | 7,417,197                                    |
|       | <b>Rhode Island-0.4%</b>  |          |  |
| 500   | Tobacco Settlement Financing Corp. Rev.,<br>6.125%, 6/1/32, Ser. A                  | Baa3/BBB | 522,185                                      |
|       | <b>South Carolina-0.3%</b>  |          |  |
| 370   | Tobacco Settlement Rev. Management Auth.,<br>6.375%, 5/15/30,<br>Ser. B             | Baa3/BBB | 415,059                                      |
|       | <b>Washington-0.1%</b>  |          |  |
| 135   | Tobacco Settlement Auth., Tobacco Settlement<br>Rev., 6.625%, 6/1/32                | Baa3/BBB | 148,817                                      |
|       | Total Other Municipal Bonds & Notes<br>(cost-\$12,656,373)                          |          | 14,962,265                                   |
|       |   |          | NEW YORK VARIABLE RATE NOTES (b)(d)(e)-10.0% |
| 121   | Liberty Dev. Corp. Rev., 15.72%, 10/1/35, Ser.<br>1251                              | Aa3/NR   | 203,781                                      |
| 1,555 | Metropolitan Transportation Auth. Rev., 9.77%,<br>11/15/32, Ser. 862 (FGIC)         | Aaa/NR   | 1,773,508                                    |
| 550   | Mortgage Agcy. Rev., 10.13%, 10/1/27, Ser. 1199                                     | Aa1/NR   | 568,766                                      |
| 1,000 | New York City Trust for Cultural Resources Rev.,<br>11.37%, 2/1/34, Ser. 950 (FGIC) | Aaa/NR   | 1,186,350                                    |

3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 21

Table of Contents

PIMCO New York Municipal Income Fund III  
Schedule of Investments  
March 31, 2006 (unaudited) (continued)

| Principal<br>Amount<br>(000) |  | Credit Rating<br>(Moody's/S&P) | Value        |
|------------------------------|--|--------------------------------|--------------|
| \$ 1,205                     | State Dormitory Auth. Rev., 9.943%, 7/1/32<br>State Environmental Facs. Corp., State Clean<br>Water & Drinking Rev., | NR/NR                          | \$ 1,443,060 |
| 1,005                        | 8.008%, 7/15/23  | NR/AAA                         | 1,107,048    |
| 1,775                        | 8.008%, 7/15/27  | NR/AAA                         | 1,943,607    |
| 1,845                        | State Housing Finance Agcy. State Personal<br>Income Tax Rev.,   | NR/AA                          | 2,485,861    |



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|       |   |                              |             |
|-------|---|------------------------------|-------------|
|       | 9.77%, 3/15/33, Ser. 859  |                              |             |
| 700   | State Urban Dev. Corp. Rev., 11.697%, 3/15/35                                       | NR/AAA                       | 822,395     |
| 1,000 | Triborough Bridge & Tunnel Auth. Rev., 9.77%,<br>11/15/32, Ser. 912 (MBIA)          | NR/NR                        | 1,145,480   |
|       | Total New York Variable Rate Notes<br>(cost-\$10,721,572)                           |                              | 12,679,856  |
|       |   | U.S. TREASURY BILLS (g)-0.9% |             |
| 1,125 | 4.49%-4.50%, 6/15/06 (cost-\$1,114,455)   |                              | 1,114,455   |
|       | <b>Total Investments before options written</b> (cost-\$117,890,673)- <b>100.0%</b> |                              | 125,943,633 |

OPTIONS WRITTEN (h)-(0.0)%

Contracts

|    |   |  |               |
|----|---|--|---------------|
|    | <b>Put Options-(0.0)%</b>   |  |               |
|    | U.S. Treasury Notes 10 yr. Futures, Chicago Board<br>of Trade,<br>strike price \$105, expires 5/26/06 (premiums<br>received-\$24,401) |  | (24,703)      |
| 93 | <b>Total Investments net of options written</b><br>(cost-\$117,866,272)- <b>100.0%</b>  |  | \$125,918,930 |

22 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

Table of Contents

PIMCO New York Municipal Income Fund III  
Schedule of Investments  
March 31, 2006 (unaudited) (concluded)

Notes to Schedule of Investments:

- (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).
- (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)When-Issued or delayed-delivery security. To be settled/delivered after March 31, 2006.
- (d)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.
- (e)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 March 31, 2006.
- (f)Maturity date shown is date of next put.

(g) All or partial amount segregated as collateral for futures contracts, when-issued or delayed-delivery securities.

(h) 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.

XLCA – insured by XL Capital Assurance

See accompanying Notes to Financial Statements | 3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report

23

Table of Contents

PIMCO Municipal Income Funds III

Statements of Assets and Liabilities

March 31, 2006 (unaudited)

|   | Municipal III      | California<br>Municipal III | New York<br>Municipal III |
|---|--------------------|-----------------------------|---------------------------|
| <b>Assets:</b>  |                    |                             |                           |
| Investments, at value (cost—\$673,708,035,<br>\$461,223,585<br>and \$117,890,673, respectively) | \$713,805,888      | \$490,403,978               | \$125,943,633             |
| Cash  | 8,735,947          | 3,828,616                   | 1,590,742                 |
| Interest receivable   | 11,007,169         | 7,359,458                   | 1,553,314                 |
| Receivable for variation margin on futures<br>contracts   | 115,663            | 63,544                      | 17,484                    |
| Prepaid expenses  | 47,005             | 30,907                      | 24,578                    |
| <b>Total Assets</b>   | <b>733,711,672</b> | <b>501,686,503</b>          | <b>129,129,751</b>        |
| <b>Liabilities:</b>   |                    |                             |                           |
| Dividends payable to common and preferred<br>shareholders                                       | 2,250,734          | 1,742,139                   | 398,373                   |

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|  |               |               |              |
|--|---------------|---------------|--------------|
| Payable for investments purchased  | 1,769,986     | —             | —            |
| Investment management fees payable   | 589,643       | 404,920       | 104,070      |
| Options written, at value (premiums received—\$246,790, \$258,038, and \$24,401)   | 271,500       | 284,359       | 24,703       |
| Accrued expenses   | 64,889        | 73,567        | 71,682       |
| Total Liabilities  | 4,946,752     | 2,504,985     | 598,828      |
| <b>Preferred shares (\$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)</b> | 270,000,000   | 185,000,000   | 47,000,000   |
| <b>Net Assets Applicable to Common Shareholders</b>  | \$458,764,920 | \$314,181,518 | \$81,530,923 |
| <b>Composition of Net Assets Applicable to Common Shareholders:</b>  |               |               |              |
| Common Stock:  |               |               |              |
| Par value (\$0.00001 per share)  | \$313         | \$214         | \$55         |
| Paid-in-capital in excess of par   | 443,798,254   | 303,836,795   | 77,690,891   |
| Undistributed (dividends in excess of) net investment income   | (1,447,631)   | 1,368,720     | (59,897)     |
| Accumulated net realized loss on investments   | (28,914,731)  | (23,111,325)  | (5,113,659)  |
| Net unrealized appreciation of investments, futures contracts and options written  | 45,328,715    | 32,087,114    | 9,013,533    |
| <b>Net Assets Applicable to Common Shareholders</b>  | \$458,764,920 | \$314,181,518 | \$81,530,923 |
| Common Shares Outstanding  | 31,251,831    | 21,404,511    | 5,477,544    |
| <b>Net Asset Value Per Common Share</b>  | \$14.68       | \$14.68       | \$14.88      |

24 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06 | See accompanying Notes to Financial Statements

Table of Contents

PIMCO Municipal Income Funds III  
Statements of Operations  
For the six months ended March 31, 2006 (unaudited)

|                            | Municipal III | California<br>Municipal III | New York<br>Municipal III |
|----------------------------|---------------|-----------------------------|---------------------------|
| <b>Investment Income:</b>  |               |                             |                           |
| Interest                   | \$19,952,850  | \$13,564,013                | \$3,416,903               |
| <b>Expenses:</b>           |               |                             |                           |
| Investment management fees | 2,349,903     | 1,614,771                   | 415,228                   |

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|  |                     |                    |                    |
|--|---------------------|--------------------|--------------------|
| Auction agent fees and commissions   | 348,152             | 235,345            | 61,240             |
| Custodian and accounting agent fees  | 66,123              | 46,926             | 52,414             |
| Reports to shareholders  | 39,794              | 26,552             | 7,644              |
| Audit and tax services   | 27,792              | 22,793             | 15,339             |
| Trustees' fees and expenses  | 21,814              | 16,576             | 9,317              |
| Transfer agent fees  | 16,644              | 16,425             | 16,393             |
| Insurance expense  | 11,020              | 8,340              | 3,272              |
| New York Stock Exchange listing fees   | 10,574              | 9,115              | 9,057              |
| Legal fees   | 9,248               | 6,690              | 2,125              |
| Miscellaneous  | 5,824               | 4,880              | 4,219              |
| Investor relations   | 4,280               | 2,882              | 728                |
| Total expenses   | 2,911,168           | 2,011,295          | 596,976            |
| Less: investment management fees waived  | (542,285)           | (372,644)          | (95,822)           |
| custody credits earned on cash balances  | (30,527)            | (17,557)           | (6,729)            |
| Net expenses   | 2,338,356           | 1,621,094          | 494,425            |
| <b>Net Investment Income</b>   | <b>17,614,494</b>   | <b>11,942,919</b>  | <b>2,922,478</b>   |
| <b>Realized and Change in Unrealized Gain (Loss):</b>  |                     |                    |                    |
| Net realized gain (loss) on:   |                     |                    |                    |
| Investments  | 610,057             | 151,060            | (60,109)           |
| Futures contracts  | 3,393,676           | 2,308,619          | 741,872            |
| Options Written  | 1,117,045           | 955,430            | 198,132            |
| Net change in unrealized appreciation/depreciation of:   |                     |                    |                    |
| Investments  | (7,035,730)         | (6,455,721)        | (1,819,153)        |
| Futures contracts  | 3,105,713           | 1,492,745          | 470,609            |
| Options written  | (356,871)           | (306,274)          | (59,149)           |
| Net realized and change in unrealized gain (loss) on investments, futures contracts and options written  | 833,890             | (1,854,141)        | (527,798)          |
| <b>Net Increase in Net Assets Resulting from Investment Operations</b>                                   | <b>18,448,384</b>   | <b>10,088,778</b>  | <b>2,394,680</b>   |
| <b>Dividends on Preferred Shares from Net Investment Income</b>  | <b>(3,851,040)</b>  | <b>(2,456,924)</b> | <b>(655,578)</b>   |
| <b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investment Operations</b> | <b>\$14,597,344</b> | <b>\$7,631,854</b> | <b>\$1,739,102</b> |

See accompanying Notes to Financial Statements | 3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report  
25

Table of Contents

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

|  | Municipal III  |                                  |
|--|--|----------------------------------|
|  | Six Months<br>ended<br>March 31, 2006<br>(unaudited) | Year ended<br>September 30, 2005 |
| <b>Investment Operations:</b>  |  |                                  |
| Net investment income  | \$17,614,494   | \$35,256,068                     |
| Net realized gain (loss) on investments, futures contracts and options written   | 5,120,778  | (22,151,923)                     |
| Net change in unrealized appreciation/depreciation of investments, futures contracts and options written   | (4,286,888)  | 33,405,856                       |
| Net increase in net assets resulting from investment operations  | 18,448,384   | 46,510,001                       |
| <b>Dividends on Preferred Shares from Net Investment Income:</b>   | (3,851,040)  | (5,463,958)                      |
| Net increase in net assets applicable to common shareholders resulting from investment operations  | 14,597,344   | 41,046,043                       |
| <b>Dividends to Common Shareholders from Net Investment Income:</b>  | (14,744,392)   | (30,996,914)                     |
| <b>Capital Share Transactions:</b>   |  |                                  |
| Reinvestment of dividends  | 1,424,602  | 1,759,714                        |
| Total increase (decrease) in net assets applicable to common shareholders  | 1,277,554  | 11,808,843                       |
| <b>Net Assets Applicable to Common Shareholders:</b>   |  |                                  |
| Beginning of period  | 457,487,366  | 445,678,523                      |
| End of period (including undistributed (dividends in excess of) net investment income of \$(1,447,631) and \$(466,693); \$1,368,720 and \$2,145,768; \$(59,897) and \$189,610; respectively) | \$458,764,920  | \$457,487,366                    |
| <b>Common Shares Issued in Reinvestment of Dividends:</b>  | 97,030   | 119,628                          |

26 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06 | See accompanying Notes to Financial Statements

### Table of Contents

| California Municipal III                             |                                  | New York Municipal III                               |                                  |
|--|----------------------------------|--|----------------------------------|
| Six Months<br>ended<br>March 31, 2006<br>(unaudited) | Year ended<br>September 30, 2005 | Six Months<br>ended<br>March 31, 2006<br>(unaudited) | Year ended<br>September 30, 2005 |

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|               |               |              |              |
|---------------|---------------|--------------|--------------|
| \$11,942,919  | \$24,397,382  | \$2,922,478  | \$6,132,920  |
| 3,415,109     | (16,488,623)  | 879,895      | (3,676,942)  |
| (5,269,250)   | 30,236,548    | (1,407,693)  | 7,007,412    |
| 10,088,778    | 38,145,307    | 2,394,680    | 9,463,390    |
| (2,456,924)   | (3,236,012)   | (655,578)    | (861,214)    |
| 7,631,854     | 34,909,295    | 1,739,102    | 8,602,176    |
| (10,263,043)  | (20,459,775)  | (2,516,407)  | (5,233,023)  |
| 850,125       | 652,960       | 265,620      | 208,100      |
| (1,781,064)   | 15,102,480    | (511,685)    | 3,577,253    |
| 315,962,582   | 300,860,102   | 82,042,608   | 78,465,355   |
| \$314,181,518 | \$315,962,582 | \$81,530,923 | \$82,042,608 |
| 57,707        | 43,899        | 17,660       | 13,815       |

See accompanying Notes to Financial Statements | 3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report  
27

Table of Contents

PIMCO Municipal Income Funds III  
Notes to Financial Statements  
March 31, 2006 (unaudited)

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” or “PIMCO Municipal Income Funds III”, 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 closed-end management investment companies registered under the Investment Company Act of 1940 and the rules and regulations there under, as amended. Allianz Global Investors Fund Management LLC (the “Investment Manager”), serves as the Funds’ 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 AG. The Fund has 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 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 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 yet 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 may be 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 are valued at the last sale price on the exchange that is the primary market for such securities, or the last quoted bid 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. The independent pricing service uses 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 investments maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61<sup>st</sup> day prior to maturity, if the original term to maturity exceeded 60 days. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily until settlement at the forward settlement value. 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.

28 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

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[Table of Contents](#)

PIMCO Municipal Income Funds III

Notes to Financial Statements  
March 31, 2006 (unaudited)

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## 1. Organization and Significant Accounting Policies (continued)

### (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. 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 in excess of par.

### (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.

When an option is written, the premium received is recorded as an asset with an equal liability, which is subsequently adjusted to the current market value of the option written. These liabilities are reflected as options written in the Statement 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 vice 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.

3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 29

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Table of Contents

PIMCO Municipal Income Funds III  
Notes to Financial Statements  
March 31, 2006 (unaudited)

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1. Organization and Significant Accounting Policies (continued)

(h) When-Issued/Delayed-Delivery Transactions

The Funds may purchase or sell securities on a when-issued or delayed-delivery basis. The 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, and takes such fluctuations 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 Fund does 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, each Fund's investment activities, business affairs and 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 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 six months ended March 31, 2006, purchases and sales of investments, other than short-term securities, were:

|           | Municipal III | California<br>Municipal III | New York<br>Municipal III |
|-----------|---------------|-----------------------------|---------------------------|
| Purchases | \$121,933,305 | \$55,118,476                | \$8,551,780               |
| Sales     | 147,279,900   | 39,981,469                  | 9,106,801                 |

30 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

### Table of Contents

PIMCO Municipal Income Funds III  
Notes to Financial Statements  
March 31, 2006 (unaudited)

### 3. Investments in Securities (continued)

a) Futures contracts outstanding at March 31, 2006:

| Fund | Type | Notional<br>Value<br>(000) | Expiration<br>Date | Unrealized<br>Appreciation<br>(Depreciation) |
|------|------|----------------------------|--------------------|--|
|------|------|----------------------------|--------------------|--|

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|                          |        |                                   |         |          |             |
|--------------------------|--------|-----------------------------------|---------|----------|-------------|
| Municipal III            | Long:  | Financial Future Euro—90 day      | \$ 143  | 6/18/07  | \$(35,012)  |
|                          |        | Financial Future Euro—90 day      | 143     | 9/17/07  | (33,375)    |
|                          |        | Financial Future Euro—90 day      | 143     | 12/17/07 | (34,087)    |
|                          |        | Financial Future Euro—90 day      | 143     | 3/17/08  | (33,375)    |
|                          |        | U.S. Treasury Notes 5 yr. Futures | 992     | 6/30/06  | (777,461)   |
|                          | Short: | U.S. Treasury Bond Futures        | (2,122) | 6/21/06  | 6,168,882   |
|                          |        |                                   |         |          | \$5,255,572 |
| California Municipal III | Long:  | Financial Future Euro—90 day      | \$ 310  | 6/18/07  | \$(64,375)  |
|                          |        | Financial Future Euro—90 day      | 310     | 9/17/07  | (60,300)    |
|                          |        | Financial Future Euro—90 day      | 310     | 12/17/07 | (61,850)    |
|                          |        | Financial Future Euro—90 day      | 310     | 3/17/08  | (60,300)    |
|                          |        | U.S. Treasury Notes 5 yr. Futures | 354     | 6/30/06  | (253,672)   |
|                          | Short: | U.S. Treasury Bond Futures        | (1,304) | 6/21/06  | 3,433,539   |
|                          |        |                                   |         |          | \$2,933,042 |
| New York Municipal III   | Long:  | U.S. Treasury Notes 5 yr. Futures | \$ 147  | 6/30/06  | \$(106,273) |
|                          | Short: | U.S. Treasury Bond Futures        | (339)   | 6/21/06  | 1,067,148   |
|                          |        |                                   |         |          | \$960,875   |

(b) Transactions in options written for the six months ended March 31, 2006:

|   | Contracts | Premiums    |
|---|-----------|-------------|
| <u>Municipal III:</u>                               |           |             |
| Options outstanding, September 30, 2005             | 2,494     | \$682,598   |
| Options written                                     | 2,465     | 729,167     |
| Options expired                                     | (3,503)   | (1,008,208) |
| Options terminated in closing purchase transactions | (478)     | (156,767)   |
| Options outstanding, March 31, 2006                 | 978       | \$246,790   |
| <u>California Municipal III:</u>                    |           |             |
| Options outstanding, September 30, 2005             | 2,125     | \$578,422   |
| Options written                                     | 2,306     | 682,392     |
| Options expired                                     | (2,937)   | (847,530)   |
| Options terminated in closing purchase transactions | (472)     | (155,246)   |
| Options outstanding, March 31, 2006                 | 1,022     | \$258,038   |
| <u>New York Municipal III:</u>                      |           |             |
| Options outstanding, September 30, 2005             | 446       | \$121,472   |
| Options written                                     | 355       | 111,534     |
| Options expired                                     | (615)     | (177,965)   |
| Options terminated in closing purchase transactions | (93)      | (30,640)    |
| Options outstanding, March 31, 2006                 | 93        | \$24,401    |

3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 31

PIMCO Municipal Income Funds III  
Notes to Financial Statements  
March 31, 2006 (unaudited)

#### 4. Income Tax Information

The cost of investments for federal income tax purposes and gross unrealized appreciation and gross unrealized depreciation of investments at March 31, 2006 were:

|                          | Cost of<br>Investments | Gross Unrealized<br>Appreciation | Gross Unrealized<br>Depreciation | Net Unrealized<br>Appreciation |
|--------------------------|------------------------|----------------------------------|----------------------------------|--------------------------------|
| Municipal III            | \$673,708,035          | \$41,820,622                     | \$1,722,769                      | \$40,097,853                   |
| California Municipal III | 461,223,585            | 30,018,981                       | 838,588                          | 29,180,393                     |
| New York Municipal III   | 117,890,673            | 8,263,262                        | 210,302                          | 8,052,960                      |

#### 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, 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.

For the six months ended March 31, 2006, the annualized dividend rates ranged from:

|                                  | High  | Low   | At March 31, 2006 |
|----------------------------------|-------|-------|-------------------|
| <u>Municipal III:</u>            |       |       |                   |
| Series A                         | 4.35% | 2.29% | 2.75%             |
| Series B                         | 4.40% | 2.40% | 2.85%             |
| Series C                         | 4.45% | 2.20% | 2.80%             |
| Series D                         | 4.35% | 2.25% | 2.81%             |
| Series E                         | 4.35% | 2.25% | 2.90%             |
| <u>California Municipal III:</u> |       |       |                   |
| Series A                         | 4.40% | 2.16% | 2.90%             |
| Series B                         | 4.45% | 2.04% | 3.05%             |
| <u>New York Municipal III:</u>   |       |       |                   |
| Series A                         | 4.35% | 2.45% | 2.90%             |

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.

#### 6. Subsequent Common Dividend Declarations

On April 3, 2006, the following dividends were declared to common shareholders payable May 1, 2006 to shareholders of record on April 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 |

32 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

#### Table of Contents

PIMCO Municipal Income Funds III  
 Notes to Financial Statements  
 March 31, 2006 (unaudited)

#### 6. Subsequent Common Dividend Declarations (continued)

On May 1, 2006 the following dividends were declared to common shareholders payable June 1, 2006 to shareholders of record on May 11, 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 (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. 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 changes. 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 a number of pending lawsuits concerning “market timing,” and “revenue sharing/shelf space/directed brokerage,” which allege the same or similar conduct underlying the regulatory settlements discussed above. The market timing lawsuits have been consolidated in a Multi-District Litigation in the United States District Court for the District of Maryland, and the revenue sharing/shelf space/directed brokerage lawsuits have been consolidated in the United States District Court for the District of Connecticut. Any potential resolution of these matters may include, but not be limited to, judgments or settlements for damages against the Investment Manager or its affiliates or related injunctions. The Investment Manager believes that other similar lawsuits may be filed in federal or state courts in the future.

Under Section 9(a) of the 1940 Act, if any of the various regulatory proceedings or lawsuits were to result in a court injunction against the Investment Manager, Allianz Global and/or their affiliates, they and their affiliates would, in the absence of exemptive relief granted by the Commission, be barred from serving as an investment adviser/sub-adviser or principal underwriter for any registered investment company, including the Fund. In connection with an inquiry from the Commission concerning the status of the New Jersey settlement referenced above with regard to any implications under Section 9(a), the Investment Manager and certain of its affiliates, including the Investment Adviser, (together, the “Applicants”) have sought exemptive relief from the Commission under Section 9(c) of the 1940 Act. The Commission has granted the Applicants a temporary exemption from the provisions of Section 9(a) with respect to the New Jersey settlement until the earlier of (i) September 13, 2006 and (ii) the date on which the Commission takes final action on their application for a permanent exemptive order. There is no assurance that the Commission will issue a permanent order. If a court injunction were to be issued against the Investment Manager or the Affiliates with respect to any of the other matters referenced above, the Investment Manager or the affiliates would, in turn, seek similar exemptive relief under Section 9(c) with respect to that matter, although there is no assurance that such exemptive relief would be granted.

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.

3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 33

Table of Contents

PIMCO Municipal Income Fund III  
Financial Highlights

For a share of common stock outstanding throughout each period:

|   | Six Months<br>ended<br>March 31, 2006<br>(unaudited) | September 30,<br>2005 | Year Ended<br>September 30,<br>2004 | For the period<br>October 31, 2002*<br>through<br>September 30,<br>2003 |
|---|--|-----------------------|-------------------------------------|---|
| Net asset value, beginning<br>of period | \$14.68  | \$14.36               | \$14.05                             | \$14.33**   |

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|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| <b>Investment Operations:</b>   |           |           |           |           |
| Net investment income   | 0.56      | 1.14      | 1.18      | 0.78      |
| Net realized and change in unrealized gain (loss) on investments, futures contracts and options written | 0.03      | 0.36      | 0.22      | (0.08)    |
| Total from investment operations  | 0.59      | 1.50      | 1.40      | 0.70      |
| <b>Dividends on Preferred Shares from Net Investment Income:</b>  |           |           |           |           |
| Net increase in net assets applicable to common shareholders resulting from investment operations       | (0.12)    | (0.18)    | (0.09)    | (0.06)    |
| <b>Dividends to Common Shareholders from Net Investment Income:</b>                                     | (0.47)    | (1.00)    | (1.00)    | (0.79)    |
| <b>Capital Share Transactions:</b>  |           |           |           |           |
| 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  | \$14.68   | \$14.68   | \$14.36   | \$14.05   |
| Market price, end of period   | \$14.73   | \$15.49   | \$14.30   | \$14.20   |
| <b>Total Investment Return (1)</b>  | (1.80)%   | 15.95%    | 8.10%     | 0.05%     |
| <b>RATIOS/SUPPLEMENTAL DATA:</b>  |           |           |           |           |
| Net assets applicable to common shareholders, end of period (000)                                       | \$458,765 | \$457,487 | \$445,679 | \$435,169 |
| Ratio of expenses to average net assets (2)(3)(5)   | 1.04%(4)  | 1.03%     | 1.05%     | 0.99%(4)  |
| Ratio of net investment income to   | 7.76%(4)  | 7.74%     | 8.25%     | 6.05%(4)  |

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|   |          |          |          |          |
|---|----------|----------|----------|----------|
| average net assets (2)(5)                 |          |          |          |          |
| Preferred shares asset coverage per share | \$67,468 | \$67,352 | \$66,261 | \$65,284 |
| Portfolio turnover                        | 17%      | 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 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 1.28% (annualized) and 7.52% (annualized), respectively for the six months ended March 31, 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.

34 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06 | See accompanying Notes to Financial Statements

Table of Contents

PIMCO California Municipal Income Fund III

Financial Highlights

For a share of common stock outstanding throughout each period:

|  | Six Months ended<br>March 31, 2006<br>(unaudited) | Year Ended<br>September 30,<br>2005 | Year Ended<br>September 30,<br>2004 | For the period<br>October 31, 2002*<br>through<br>September 30,<br>2003 |
|--|---|-------------------------------------|-------------------------------------|---|
| Net asset value, beginning of period                 | \$14.80   | \$14.12                             | \$13.43                             | \$14.33**   |
| <b>Investment Operations:</b>                        |   |                                     |                                     |   |
| Net investment income                                | 0.55  | 1.14                                | 1.23                                | 0.71  |
| Net realized and change in unrealized gain (loss) on | (0.08)  | 0.65                                | 0.51                                | (0.66)  |



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|                                |           |           |           |           |
|--------------------------------|-----------|-----------|-----------|-----------|
| investments,                   |           |           |           |           |
| futures contracts and          |           |           |           |           |
| options written                |           |           |           |           |
| Total from investment          |           |           |           |           |
| operations                     | 0.47      | 1.79      | 1.74      | 0.05      |
| <b>Dividends on Preferred</b>  |           |           |           |           |
| <b>Shares from Net</b>         |           |           |           |           |
| <b>Investment Income:</b>      | (0.11)    | (0.15)    | (0.09)    | (0.06)    |
| Net increase (decrease) in     |           |           |           |           |
| net assets applicable to       |           |           |           |           |
| common shareholders            |           |           |           |           |
| resulting from investment      |           |           |           |           |
| operations                     | 0.36      | 1.64      | 1.65      | (0.01)    |
| <b>Dividends to Common</b>     |           |           |           |           |
| <b>Shareholders from</b>       |           |           |           |           |
| <b>Net Investment Income:</b>  | (0.48)    | (0.96)    | (0.96)    | (0.76)    |
| <b>Capital Share</b>           |           |           |           |           |
| <b>Transactions:</b>           |           |           |           |           |
| 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                         | \$14.68   | \$14.80   | \$14.12   | \$13.43   |
| Market price, end of           |           |           |           |           |
| period                         | \$15.90   | \$15.11   | \$13.74   | \$13.62   |
| <b>Total Investment Return</b> |           |           |           |           |
| <b>(1)</b>                     | 8.69%     | 17.48%    | 8.22%     | (4.10)%   |
| <b>RATIOS/SUPPLEMENTAL</b>     |           |           |           |           |
| <b>DATA:</b>                   |           |           |           |           |
| Net assets applicable to       |           |           |           |           |
| common shareholders,           |           |           |           |           |
| end of period (000)            | \$314,182 | \$315,963 | \$300,860 | \$285,279 |
| Ratio of expenses to           |           |           |           |           |
| average net                    |           |           |           |           |
| assets (2)(3)(5)               | 1.05%(4)  | 1.05%     | 1.08%     | 1.01%(4)  |
| Ratio of net investment        |           |           |           |           |
| income to                      |           |           |           |           |
| average net assets (2)(5)      | 7.65%(4)  | 7.82%     | 8.79%     | 5.63%(4)  |
| Preferred shares asset         |           |           |           |           |
| coverage per share             | \$67,450  | \$67,692  | \$65,650  | \$63,539  |
| Portfolio turnover             | 8%        | 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 1.29% (annualized) and 7.41% (annualized), respectively for the six months ended March 31, 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.

See accompanying Notes to Financial Statements | 3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 35

Table of Contents

PIMCO New York Municipal Income Fund III

Financial Highlights

For a share of common stock outstanding throughout each period:

|   | Six Months<br>ended<br>March 31, 2006<br>(unaudited) | Year Ended<br>September 30,<br>2005 | September 30,<br>2004 | For the period<br>October 31, 2002*<br>through<br>September 30,<br>2003 |
|---|--|-------------------------------------|-----------------------|---|
| Net asset value, beginning of period  | \$15.03  | \$14.41                             | \$14.14               | \$14.33**   |
| <b>Investment Operations:</b>   |  |                                     |                       |   |
| Net investment income   | 0.53   | 1.13                                | 1.19                  | 0.70  |
| Net realized and change in unrealized gain (loss) on investments, futures contracts and options written | (0.10)   | 0.61                                | 0.12                  | 0.08  |
| Total from investment operations  | 0.43<br>(0.12)                                       | 1.74<br>(0.16)                      | 1.31<br>(0.08)        | 0.78<br>(0.06)  |

**Dividends on Preferred Shares from Net Investment**

**Income:**

Net increase in net assets applicable to common shareholders resulting from investment

|            |      |      |      |      |
|------------|------|------|------|------|
| operations | 0.31 | 1.58 | 1.23 | 0.72 |
|------------|------|------|------|------|

**Dividends to Common Shareholders from**

|                               |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|
| <b>Net Investment Income:</b> | (0.46) | (0.96) | (0.96) | (0.76) |
|-------------------------------|--------|--------|--------|--------|

**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

|  |   |   |   |        |
|--|---|---|---|--------|
|  | — | — | — | (0.12) |
|--|---|---|---|--------|

Total capital share transactions

|  |   |   |   |        |
|--|---|---|---|--------|
|  | — | — | — | (0.15) |
|--|---|---|---|--------|

Net asset value, end of period

|  |         |         |         |         |
|--|---------|---------|---------|---------|
|  | \$14.88 | \$15.03 | \$14.41 | \$14.14 |
|--|---------|---------|---------|---------|

Market price, end of period

|  |         |         |         |         |
|--|---------|---------|---------|---------|
|  | \$15.08 | \$16.04 | \$14.30 | \$13.68 |
|--|---------|---------|---------|---------|

**Total Investment Return**

|     |         |        |        |         |
|-----|---------|--------|--------|---------|
| (1) | (3.07)% | 19.65% | 11.93% | (3.77)% |
|-----|---------|--------|--------|---------|

**RATIOS/SUPPLEMENTAL DATA:**

Net assets applicable to common shareholders, end of period (000)

|  |          |          |          |          |
|--|----------|----------|----------|----------|
|  | \$81,531 | \$82,043 | \$78,465 | \$76,975 |
|--|----------|----------|----------|----------|

Ratio of expenses to average net assets (2)(3)(5)

|  |          |       |       |          |
|--|----------|-------|-------|----------|
|  | 1.24%(4) | 1.24% | 1.19% | 1.14%(4) |
|--|----------|-------|-------|----------|

Ratio of net investment income to average net assets (2)(5)

|  |          |       |       |          |
|--|----------|-------|-------|----------|
|  | 7.23%(4) | 7.54% | 8.23% | 5.47%(4) |
|--|----------|-------|-------|----------|

Preferred shares asset coverage per share

|  |          |          |          |          |
|--|----------|----------|----------|----------|
|  | \$68,354 | \$68,627 | \$66,732 | \$65,942 |
|--|----------|----------|----------|----------|

Portfolio turnover

|  |    |    |     |      |
|--|----|----|-----|------|
|  | 7% | 5% | 16% | 217% |
|--|----|----|-----|------|

\*Commencement of operations.

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

(1)

## Edgar Filing: PIMCO MUNICIPAL INCOME FUND III - Form N-CSRS

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 1.48% (annualized) and 6.99% (annualized), respectively for the six months ended March 31, 2006, 1.48% and 7.30% respectively for the year ended September 30, 2005, 1.43% and 7.99%, respectively for the year ended September 30, 2004 and 1.37% (annualized) and 5.24% (annualized), respectively for the period October 31, 2002 (commencement of operations) through September 30, 2003.

36 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06 | See accompanying Notes to Financial Statements

### Table of Contents

#### PIMCO Municipal Income Funds III Annual Shareholder Meetings Results (unaudited)

The Funds held their annual meetings of shareholders on December 28, 2005. Common/Preferred shareholders of each fund voted to re-elect Paul Belica and David C. Flattum as Class III Trustees to serve until 2008.

The resulting vote count is indicated below:

|                                 | Affirmative | Withheld<br>Authority |
|---------------------------------|-------------|-----------------------|
| <u>Municipal III</u>            |             |                       |
| Re-election of Paul Belica      | 27,731,732  | 344,878               |
| Re-election of David C. Flattum | 27,821,572  | 255,038               |
| <u>California Municipal III</u> |             |                       |
| Re-election of Paul Belica      | 18,872,467  | 172,225               |
| Re-election of David C. Flattum | 18,909,604  | 135,088               |
| <u>New York Municipal III</u>   |             |                       |
| Re-election of Paul Belica      | 4,966,231   | 68,806                |
| Re-election of David C. Flattum | 4,978,452   | 56,585                |

Messrs. Robert E Connor, Jack J. Dalessandro\*, Hans W. Kertess\* and R. Peter Sullivan III continue to serve as Trustees of the Funds.

\* Preferred Shares Trustee

3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 37

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Table of Contents

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38 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

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Table of Contents

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3.31.06 | PIMCO Municipal Income Funds III Semi-Annual Report 39

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Table of Contents

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40 PIMCO Municipal Income Funds III Semi-Annual Report | 3.31.06

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Table of Contents

Trustees and Principal Officers

Robert E. Connor

Trustee, Chairman of the Board of Trustees

Paul Belica

Trustee

John J. Dalessandro II

Trustee

David C. Flattum

Trustee

Hans W. Kertess

Trustee

R. Peter Sullivan III

Trustee

Brian S. Shlissel

President & Chief Executive Officer

Lawrence G. Altadonna

Treasurer, Principal Financial & Accounting Officer

Thomas J. Fuccillo

Secretary & Chief Legal Officer

Youse Guia

Chief Compliance Officer

Investment Manager

Allianz Global Investors Fund Management LLC

1345 Avenue of the Americas

New York, NY 10105

Sub-Adviser

Pacific Investment Management Company LLC

840 Newport Center Drive

Newport Beach, CA 92660

Custodian & Accounting Agent

State Street Bank & Trust Co.

801 Pennsylvania

Kansas City, MO 64105-1307

Transfer Agent, Dividend Paying Agent and Registrar

PFPC Inc.

P.O. Box 43027

Providence, RI 02940-3027

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

300 Madison Avenue

New York, NY 10017

Legal Counsel

Ropes & Gray LLP

One International Place

Boston, MA 02210-2624

This report, including the financial information herein, is transmitted to the shareholders of PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund III for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Funds or any securities mentioned in this report.

## Edgar Filing: PIMCO MUNICIPAL INCOME FUND III - Form N-CSRS

The financial information included herein is taken from the records of the Funds without examination by an independent registered public accounting firm, who did not express an opinion hereon.

Notice is hereby given in accordance with Section 23 (c) of the Investment Company Act of 1940, as amended, that from time to time each Fund may purchase shares of its common stock in the open market.

The Funds file their complete schedules of portfolio holdings with the Securities and Exchange Commission (the "SEC") for the first and third quarters of their fiscal year on Form N-Q. The Funds' Forms N-Q is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room located in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. The information on Form N-Q is also available on the Funds' website at [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds).

A description of the policies and procedures that the Funds have adopted to determine how to vote proxies relating to portfolio securities and information about how the Funds voted proxies relating to portfolio securities held during the twelve months ended June 30, 2005 is available (i) without charge, upon request by calling the Funds' shareholder agent at (800) 331-1710; (ii) on the Funds' website at [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds); and (iii) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

Information on the Funds is available at [www.allianzinvestors.com/closedendfunds](http://www.allianzinvestors.com/closedendfunds) or by calling the Funds' shareholder servicing agent at (800) 331-1710.

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### Table of Contents

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