

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

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-21188

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

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

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

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

Date of fiscal year end: September 30, 2006

Date of reporting period: September 30, 2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (“OMB”) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

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

October 30, 2006

Dear Shareholder:

We are pleased to provide you with the annual report for PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund III (the "Funds") for the fiscal year ended September 30, 2006.

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

For specific information on the Funds and their performance during the reporting period, please review the following pages.

If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds' shareholder servicing agent at (800) 331-1710. You will also find a wide range of information and resources on our Web site, www.allianzinvestors.com/closedendfunds.

Together with Allianz Global Investors Fund Management LLC, the Funds' investment manager, and Pacific Investment Management Company LLC, the Funds' sub-adviser, we thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Robert E. Connor

Chairman

Brian S. Shlissel

President & Chief Executive Officer

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

Management Review

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

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

Common Share Market Price / NAV Performance:

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

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

Moody's Ratings

(as a % of total investments)

(1)**Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period more than one year represents the average annual total return.

An investment in the Fund involves risk, including the loss of principal. Total return, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. A portion of the income generated by the Fund may be subject to federal, state and local taxes, and may at times be subject to the alternative minimum tax. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2)Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at September 30, 2006.

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

Management Review

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

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

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

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

Common Share Market Price / NAV Performance:

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

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

Moody's Ratings

(as a % of total investments)

(1)**Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period more than one year represents the average annual total return.

An investment in the Fund involves risk, including the loss of principal. Total return, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. A portion of the income generated by the Fund may be subject to federal, state and local taxes, and may at times be subject to the alternative minimum tax. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2)Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at September 30, 2006.

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

Management Review

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

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

Common Share Market Price / NAV Performance:

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

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

Moody's Ratings

(as a % of total investments)

(1)**Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period more than one year represents the average annual total return.

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

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funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2)Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at September 30, 2006.

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

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

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

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

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

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

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

Value

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

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

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PIMCO Municipal Income Fund III
 Schedule of Investments
 September 30, 2006 (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 | \$1,610,205 |
| | Massachusetts—3.4% | | |
| 1,000 | State Dev. Finance Agcy. Rev., 5.75%, 7/1/33, Ser. C | Baa1/BBB+ | 1,070,890 |
| 7,000 | State Health & Educational Facs. Auth. Rev., Harvard Univ., 5.125%, 7/15/37, Ser. FF | Aaa/AAA | 7,358,120 |
| 4,910 | State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H | Aa3/AA- | 5,027,791 |
| 3,225 | State Water Pollution Abatement Trust Rev., 5.00%, 8/1/32, Ser. 8 | Aaa/AAA | 3,367,061 |
| 7,555 | State Water Res. Auth. Rev., 5.00%, 8/1/32, Ser. J (FSA) | Aaa/AAA | 7,844,206 |
| | | | 24,668,068 |
| | Michigan—7.0% | | |
| | Detroit Water Supply System, Ser. B (MBIA), | | |
| 7,555 | 5.00%, 7/1/34 | AAA/AAA | 7,865,662 |
| 4,685 | 5.00%, 7/1/34, (Pre-refunded @ \$100, 7/1/13) (a) | AAA/AAA | 5,068,420 |
| 5,000 | State Building Auth. Rev., 5.00%, 10/15/26, Ser. III, (Pre-refunded @ \$100, 10/15/12) (FSA) (a) | Aaa/AAA | 5,379,200 |
| | State Hospital Finance Auth. Rev., | | |
| 175 | Detroit Medical Center, 5.25%, 8/15/23 | Ba3/BB- | 165,800 |
| 4,000 | Henry Ford Health System, 5.00%, 3/1/17, (Pre-refunded @ \$100, 3/1/13) (a) | A1/A | 4,289,400 |
| | Oakwood Group, Ser. A, | | |
| 5,405 | 5.75%, 4/1/32 | A2/A | 5,762,865 |
| 575 | 6.00%, 4/1/22 | A2/A | 627,135 |
| 20,000 | Trinity Health Credit, 5.375%, 12/1/30 | Aa3/AA- | 21,217,800 |
| 1,000 | State Technical Univ., 5.00%, 10/1/33 (XLCA) | Aaa/AAA | 1,039,860 |
| | | | 51,416,142 |

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

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

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

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

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

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

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

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

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

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| | | | |
|--------|---|---------|------------|
| 340 | zero coupon, 8/15/31 | AAA/AAA | 87,584 |
| 7,660 | zero coupon, 8/15/31, (Pre-refunded @ \$33.25, 8/15/12) (a) | AAA/AAA | 2,034,343 |
| 4,400 | Harris Cnty., GO, 5.125%, 8/15/31, (Pre-refunded @ \$100, 8/15/12) (a) | Aa1/AA+ | 4,734,796 |
| 5,000 | Harris Cnty. Health Facs. Dev. Corp. Rev., Christus Health, 5.375%, 7/1/29, Ser. A, (Pre-refunded @ \$101, 7/1/09) (MBIA) (a) | Aaa/AAA | 5,274,800 |
| 2,750 | St. Luke's Episcopal Hospital, 5.375%, 2/15/26, Ser. A, (Pre-refunded @ \$100, 8/15/11) (a) | NR/AAA | 2,960,815 |
| 19,500 | Harris Cnty. Rev., 5.125%, 8/15/32 (FSA) | Aaa/AAA | 20,407,335 |
| 4,005 | Houston, GO, 5.00%, 3/1/25 (MBIA) | Aaa/AAA | 4,160,394 |
| 5,000 | Houston Water & Sewer System Rev., 5.00%, 12/1/30, Ser. A, (Pre-refunded @ \$100, 12/1/12) (FSA) (a) | Aaa/AAA | 5,363,350 |
| 7,000 | Judson Independent School Dist., GO, 5.00%, 2/1/30 (PSF-GTD) | Aaa/NR | 7,210,560 |

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

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

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

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

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

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

See accompanying Notes to Financial Statements | 9.30.06 | PIMCO Municipal Income Funds III Annual Report 13

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| Principal Amount (000) | | Credit Rating (Moody's/S&P)* | Value |
|------------------------------|--|---------------------------------|------------------------------------|
| | | | OTHER VARIABLE RATE NOTES (d)–0.8% |
| | Puerto Rico–0.8% | | |
| \$3,800 | Public Finance Corp. Rev., 5.75%, 8/1/27, Ser. A (cost–\$4,026,491) | Ba1/BBB– | \$4,096,970 |
| 2,080 | 4.71%–4.87%, 11/30/06–12/14/06 (cost–\$2,059,747) | U.S. TREASURY BILLS (e)–0.4% | 2,059,747 |
| | Total Investments before options written (cost–\$465,505,948)– 100.1% | | 503,122,295 |
| | | | OPTIONS WRITTEN (f)–(0.1)% |
| <u>Contracts</u> | | | |
| | Call Options–(0.1)% | | |
| 423 | U.S. Treasury Notes 10 yr. Futures, Chicago Board of Trade, strike price \$108, expires 11/21/06 (premiums received–\$77,938) | | (290,812) |
| | Total Investments net of options written (cost–\$465,428,010)– 100.0% | | \$502,831,483 |

See accompanying Notes to Financial Statements | 9.30.06 | PIMCO Municipal Income Fund III Annual Report 19

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

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

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

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

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

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

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

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

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

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

Notes to Schedule of Investments:

*Unaudited

- (a)Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate).
- (b)144A Security – Security exempt from registration, under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (c)Residual Interest Municipal Bonds (“RIBS”)/Residual Interest Tax Exempt Bonds (“RITES”) – The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index.
- (d)Variable Rate Notes – Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on September 30, 2006.
- (e)All or partial amount segregated as collateral for futures contracts and/or written options.
- (f)Non-income producing.

Glossary

AMBAC – insured by American Municipal Bond Assurance Corp.
CA Mtg. Ins. – insured by California Mortgage Insurance
CA St. Mtg. – insured by California State Mortgage
CP – Certificates of Participation
FGIC – insured by Financial Guaranty Insurance Co.

FHA – insured by Federal Housing Administration

FSA – insured by Financial Security Assurance, Inc.

GNMA – insured by Government National Mortgage Association

GO – General Obligation Bond

GTD – Guaranteed

MBIA – insured by Municipal Bond Investors Assurance

NR – Not Rated

PSF – Public School Fund

Radian – insured by Radian Guaranty, Inc.

TCRS – Temporary Custodian Receipts

XLCA – insured by XL Capital Assurance

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PIMCO Municipal Income Funds III

Statements of Assets and Liabilities

September 30, 2006

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

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

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

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

Realized and Change in Unrealized Gain

(Loss):

Net realized gain (loss) on:

| | | | |
|-------------------|-----------|---------|----------|
| Investments | (240,505) | 840,820 | (83,551) |
| Futures contracts | 4,822,143 | | |