

PIMCO NEW YORK MUNICIPAL INCOME FUND III

Form N-CSRS

May 29, 2013

[Table of Contents](#)

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 811-21189

PIMCO New York Municipal Income Fund III

(Exact name of registrant as specified in charter)

1633 Broadway, New York, New York 10019

(Address of principal executive offices) (Zip code)

Lawrence G. Altadonna 1633 Broadway, New York, New York 10019

(Name and address of agent for service)

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

Date of fiscal year end: September 30, 2013

Date of reporting period: March 31, 2013

Table of Contents

Item 1. REPORT TO SHAREHOLDERS

Semi-Annual Report

March 31, 2013

PIMCO Municipal Income Fund III

PIMCO California Municipal Income Fund III

PIMCO New York Municipal Income Fund III

Table of Contents

Contents

<u>Letter to Shareholders</u>	2-3
<u>Fund Insights</u>	4
<u>Performance & Statistics</u>	5-6
<u>Schedules of Investments</u>	7-24
<u>Statements of Assets and Liabilities</u>	25
<u>Statements of Operations</u>	26
<u>Statements of Changes in Net Assets</u>	28-29
<u>Notes to Financial Statements</u>	30-37
<u>Financial Highlights</u>	38-40
<u>Annual Shareholder Meeting Results/Proxy Voting</u>	
<u>Policies & Procedures</u>	41

3.31.13 PIMCO Municipal Income Funds III Semi-Annual Report 1

Table of Contents

Hans W. Kertess

Chairman

Brian S. Shlissel

President & CEO

Dear Shareholder:

Municipal bonds performed well during the six-month reporting period ended March 31, 2013. Yields remained attractive relative to US Treasury bonds as US Treasuries lost some of their appeal as a safe haven investment amid signs of an improving economy. An increase in federal tax rates for top-earning US households also supported municipal securities during the period.

Six-Month Period in Review

For the fiscal six-month period ended March 31, 2013:

PIMCO Municipal Income Fund III returned 4.28% on net asset value (NAV) and -4.10% on market price.

PIMCO California Municipal Income Fund III returned 3.94% on NAV and -1.94% on market price.

PIMCO New York Municipal Income Fund III returned 1.80% on NAV and -1.87% on market price. The Barclays Municipal Bond Index returned a tax-advantaged 0.96% while the broad taxable bond market, as represented by the Barclays US Aggregate Bond Index, returned 0.09% during the reporting period.

As the fiscal reporting period began, US gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of US economic activity and the principal indicator of economic performance, was growing at a 3.1% annual rate. GDP growth slowed to a 0.4% annual pace during the fourth quarter of 2012, which the government indicated was due to the drop in defense spending. Economic data released early in 2013 suggests economic growth will remain modest.

The Federal Reserve (the Fed) maintained an accommodative monetary policy, and indicated interest rates are expected to remain low until the US unemployment rate falls to 6.5%. At March 31, 2013, unemployment stood at 7.6%.

According to The Securities Industry and Financial Markets Association (SIMFA), municipal issuance volume trended lower during the six-month period ended March 31, 2013. In October 2012, issuance was \$34.6 billion, by February 2013, issuance had declined to \$23.7 billion. However, SIMFA reported that issuance during January and February 2013 reflected a strong year-on-year increase over the comparable months in 2012.

2 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13

Table of Contents

US Treasury bond interest rates edged higher during the six-month period, with the yield on the benchmark 10-year Treasury bond rising from 1.65% to 1.87%. Since municipal bonds tend to track comparable US Treasury bonds, their yields moved accordingly.

The Road Ahead

The Washington standoff regarding taxes and spending was partially resolved in the early hours of 2013, when Congress approved legislation which raised taxes on income, capital gains and dividends for households earning in excess of \$450,000. However there are still unresolved issues as well as

new areas of concern, such as the Obama administration's proposal to cap the amount of municipal bond interest deductible from taxes. According to the National League of Cities (NLC), if a cap is implemented it may force municipalities to pull back projects or pass certain costs onto residents in order to go forward with much needed infrastructure projects.

The fiscal situation at state and local levels remains challenging. The National Association of State Budget Officers reported that in aggregate, state tax collections are projected to pass pre-recession levels for the first time during 2013. However, revenues in 21 states will remain lower than in 2008. Meanwhile, the NLC indicated that general fund revenues for the 19,000 cities and towns it represents declined in 2012, the sixth consecutive year-over-year decline.

For specific information on the Funds and their performance, 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) 254-5197. In addition, a wide range of information and resources is available on our website, us.allianzgi.com/closedendfunds.

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess

Chairman of the Board of Trustees

Brian S. Shlissel

President & Chief Executive Officer

Receive this report electronically and eliminate paper mailings. To enroll, go to us.allianzgi.com/edelivery.

Table of Contents

PIMCO Municipal Income Funds III Fund Insights

March 31, 2013 (unaudited)

For the six-month period ended March 31, 2013, PIMCO Municipal Income III returned 4.28% on net asset value (NAV) and -4.10% on market price.

For the six-month period ended March 31, 2013, PIMCO California Municipal Income III returned 3.94% on NAV and -1.94% on market price.

For the six-month period ended March 31, 2013, PIMCO New York Municipal Income III returned 1.80% on NAV and -1.87% on market price.

The municipal bond market generated mixed results during the fiscal six-month reporting period ended March 31, 2013. The overall municipal market, as measured by the Barclays Municipal Bond Index (the Index), advanced during the first two months of the period. During this time, many states continued to benefit from both positive year-over-year tax receipts and technical drivers as new supply was not sufficient to meet investor demand. The Index declined in December 2012, as investor sentiment weakened due to uncertainties surrounding the fiscal cliff and the future tax-exempt status of municipal bonds. In January and February 2013, the Index registered positive returns, as the uncertainty of the tax status of municipal bonds subsided and demand resumed, albeit at a slower pace than in 2012. The Index, a measure of the broad municipal market, observed negative returns in March, primarily driven by seasonal technical factors, as investors rotated out of the asset class during tax season during a period of higher new issue supply and rising Treasury rates. During the six-month reporting period, the Index returned 0.96%. In comparison, the overall taxable fixed income market, as measured by the Barclays US Aggregate Bond Index, gained 0.09%.

An underweight duration relative to the benchmark contributed to performance of all three Funds as municipal yields moved higher during the six-months ended March 31, 2013. The Funds' overweighting to the Industrial Revenue sector contributed to performance as this segment outperformed the Index. Municipal Income III's overweight to revenue-backed municipal bonds was additive given the outperformance of revenue bonds versus the broad market index. New York Municipal Income III's overweight to the Healthcare sector and California Municipal Income III's overweight to the Tobacco sector contributed to performance as these higher beta sectors generally outperformed the Index as credit spreads compressed during the six-month period.

Each Funds' underweighting to the Transportation sector detracted from performance as this sector outperformed in comparison to the Index. Municipal Income III's and California Municipal Income III's underweight to the Lease-Backed sector detracted from performance as this segment outperformed the Index. New York Municipal Income III's underweight to Education sector detracted from performance during the period.

4 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13

Table of Contents

PIMCO Municipal Income Funds III Performance & Statistics

March 31, 2013 (unaudited)

Municipal III:

Total Return^{(1):}	Market Price	NAV
Six Month	4.10%	4.28%
1 Year	11.99%	15.12%
5 Year	5.28%	5.16%
10 Year	5.84%	5.00%
Commencement of Operations (10/31/02) to 3/31/13	5.33%	4.98%

Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 3/31/13

Market Price/NAV:

Market Price	\$12.33
NAV	\$11.07
Premium to NAV	11.38%
Market Price Yield ⁽²⁾	6.81%
Leverage Ratio ⁽³⁾	37.97%

Moody's Ratings

(as a % of total investments)

California Municipal III:

Total Return^{(1):}	Market Price	NAV
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Six Month	1.94%	3.94%
1 Year	13.91%	12.58%
5 Year	3.21%	3.20%
10 Year	4.59%	4.03%
Commencement of Operations (10/31/02) to 3/31/13	4.05%	3.85%

Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 3/31/13

Market Price/NAV:

Market Price	\$11.08
NAV	\$10.27
Premium to NAV	7.89%
Market Price Yield ⁽²⁾	6.50%
Leverage Ratio ⁽³⁾	41.26%

Moody s Ratings

(as a % of total investments)

Table of Contents**PIMCO Municipal Income Funds III Performance & Statistics**

March 31, 2013 (unaudited)

New York Municipal III:

Total Return⁽¹⁾:	Market Price	NAV
Six Month	1.87%	1.80%
1 Year	12.40%	10.43%
5 Year	2.18%	0.36%
10 Year	3.46%	2.48%
Commencement of Operations (10/31/02) to 3/31/13	2.65%	2.45%

Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 3/31/13

Market Price/NAV:

Market Price	\$10.14
NAV	\$9.51
Premium to NAV	6.62%
Market Price Yield ⁽²⁾	6.21%
Leverage Ratio ⁽³⁾	42.08%

Moody's Ratings

(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all dividends and distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

Performance at market price will differ from results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Funds, market conditions, supply and demand for each Fund's shares, or changes in each Fund's dividends.

An investment in the Funds involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. 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 traded in the open market through a stock exchange. NAV is equal to total assets attributable 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 dividend per common share (comprised of net investment income) by the market price per common share at March 31, 2013.

(3) Represents Floating Rate Notes issued in tender option bond transactions and Preferred Shares (collectively Leverage) outstanding, as a percentage of total managed assets. Total managed assets refer to total assets (including assets attributable to Leverage) minus liabilities (other than liabilities representing Leverage).

Table of Contents**PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited)

Principal Amount (000s)		Value
MUNICIPAL BONDS & NOTES 96.9%		
Alabama 1.9%		
\$ 500	Birmingham Special Care Facs. Financing Auth. Rev., Childrens Hospital, 6.00%, 6/1/39 (AGC)	\$ 569,900
9,000	Birmingham-Baptist Medical Centers Special Care Facs. Financing Auth. Rev., Baptist Health Systems, Inc., 5.00%, 11/15/30, Ser. A	9,414,720
1,000	State Docks Department Rev., 6.00%, 10/1/40	1,190,480
		11,175,100
Arizona 6.6%		
	Health Facs. Auth. Rev.,	
1,250	Banner Health, 5.00%, 1/1/35, Ser. A	1,326,750
900	Banner Health, 5.50%, 1/1/38, Ser. D	1,000,449
2,250	Beatitudes Campus Project, 5.20%, 10/1/37	2,207,227
	Pima Cnty. Industrial Dev. Auth. Rev.,	
13,000	5.00%, 9/1/39 (i)	13,621,270
750	Tucson Electric Power Co., 5.25%, 10/1/40, Ser. A	818,813
	Salt River Project Agricultural Improvement & Power Dist. Rev., 5.00%, 1/1/39, Ser. A (i)	
5,000		5,644,850
11,600	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	12,996,988
		37,616,347
California 14.0%		
	Bay Area Toll Auth. Rev., San Francisco Bay Area,	
1,500	5.00%, 10/1/29	1,710,810
500	5.00%, 4/1/34, Ser. F-1	558,350
3,260	5.00%, 10/1/42	3,600,246
	Golden State Tobacco Securitization Corp. Rev., Ser. A-1,	
3,000	4.50%, 6/1/27	2,893,170
3,600	5.125%, 6/1/47	3,182,148
7,120	5.75%, 6/1/47	6,842,106
	Health Facs. Financing Auth. Rev.,	
2,500	Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	2,960,000
600	Sutter Health, 5.00%, 11/15/42, Ser. A (IBC-NPFGC)	636,378
1,500	Sutter Health, 6.00%, 8/15/42, Ser. B	1,806,375
3,350	Indian Wells Redev. Agcy., Tax Allocation, Whitewater Project, 4.75%, 9/1/34, Ser. A (AMBAC)	3,119,687

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130	Los Angeles Unified School Dist., GO, 5.00%, 7/1/30, Ser. E (AMBAC)	139,942
2,000	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	2,724,340
1,500	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	1,769,100
1,250	Palomar Pomerado Health, CP, 6.75%, 11/1/39	1,405,513
1,600	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	1,761,072
	State, GO,	
5,000	5.00%, 6/1/37	5,412,700
5,300	5.00%, 12/1/37	5,786,593

3.31.13 PIMCO Municipal Income Funds III Semi-Annual Report 7

Table of Contents**PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
California (continued)		
\$ 1,350	5.25%, 3/1/38	\$ 1,500,093
1,300	5.25%, 11/1/40	1,466,842
3,200	5.50%, 3/1/40	3,745,984
2,500	5.75%, 4/1/31	2,942,100
5,000	6.00%, 4/1/38	5,922,750
Statewide Communities Dev. Auth. Rev.,		
1,000	American Baptist Homes West, 6.25%, 10/1/39	1,136,140
1,935	California Baptist Univ., 5.75%, 11/1/17, Ser. B (a)(d)	2,103,113
2,580	Methodist Hospital Project, 6.625%, 8/1/29 (FHA)	3,170,356
9,200	Methodist Hospital Project, 6.75%, 2/1/38 (FHA)	11,097,868
1,200	Tobacco Securitization Auth. of Southern California Rev., 5.00%, 6/1/37, Ser. A-1	1,088,988
		80,482,764
Colorado 0.8%		
500	Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34	378,865
Health Facs. Auth. Rev., Ser. A,		
500	Evangelical Lutheran, 6.125%, 6/1/38 (Pre-refunded @ \$100 6/1/14) (c)	533,850
2,000	Sisters of Charity of Leavenworth Health System, 5.00%, 1/1/40	2,152,580
500	Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	679,365
500	Regional Transportation Dist. Rev., Denver Transportation Partners, 6.00%, 1/15/34	577,980
		4,322,640
Connecticut 0.3%		
Harbor Point Infrastructure Improvement Dist., Tax Allocation, 7.875%, 4/1/39, Ser.		
1,250	A	1,425,900
District of Columbia 2.0%		
10,000	Water & Sewer Auth. Rev., 5.50%, 10/1/39, Ser. A (i)	11,626,000
Florida 6.3%		
3,480	Brevard Cnty. Health Facs. Auth. Rev., Health First, Inc. Project, 5.00%, 4/1/34	3,622,158
Broward Cnty. Airport System Rev.,		
6,125	5.00%, 10/1/42, Ser. Q-1	6,680,721
500	5.375%, 10/1/29, Ser. O	568,020
4,500	Broward Cnty. Water & Sewer Utility Rev., 5.25%, 10/1/34, Ser. A (i)	5,247,225
3,000	Cape Coral Water & Sewer Rev., 5.00%, 10/1/41 (AGM)	3,314,280

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350	Dev. Finance Corp. Rev., Renaissance Charter School, 6.50%, 6/15/21, Ser. A	405,857
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital Project, 5.25%, 10/1/34, Ser. B (Pre-refunded @ \$100, 10/1/13) (c)	2,562,225
5,000	Palm Beach Cnty. Solid Waste Auth. Rev., 5.00%, 10/1/31	5,749,000
3,895	Sarasota Cnty. Health Facs. Auth. Rev., Sarasota-Manatee Jewish Housing Council, Inc. Project, 5.75%, 7/1/45	3,436,013
4,200	State Board of Education, GO, 5.00%, 6/1/38, Ser. D (i)	4,794,930
		36,380,429

8 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13

Table of Contents**PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	Georgia 0.4%	
\$ 1,750	Fulton Cnty. Residential Care Facs. For the Elderly Auth. Rev., Lenbrook Project, 5.125%, 7/1/42, Ser. A	\$ 1,709,663
400	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project, 5.25%, 7/1/37	399,420
		2,109,083
	Hawaii 0.3%	
1,500	Hawaii Pacific Health Rev., 5.50%, 7/1/40, Ser. A	1,634,295
	Illinois 5.6%	
5,000	Chicago, GO, 5.00%, 1/1/34, Ser. C (i) Finance Auth. Rev.,	5,378,900
1,000	Leafs Hockey Club Project, 5.875%, 3/1/27, Ser. A (b)(f)	340,000
625	Leafs Hockey Club Project, 6.00%, 3/1/37, Ser. A (b)(f)	212,500
400	OSF Healthcare System, 7.125%, 11/15/37, Ser. A	484,344
12,795	Peoples Gas Light & Coke Co., 5.00%, 2/1/33 (AMBAC)	12,820,718
1,000	Swedish Covenant Hospital, 6.00%, 8/15/38, Ser. A	1,135,700
165	Univ. of Chicago, 5.25%, 7/1/41, Ser. 05-A	165,145
5,000	Univ. of Chicago, 5.50%, 7/1/37, Ser. B (i)	5,888,850
5,000	State Toll Highway Auth. Rev., 5.50%, 1/1/33, Ser. B	5,683,750
		32,109,907
	Indiana 1.0%	
500	Dev. Finance Auth. Rev., 5.00%, 3/1/30, Ser. B (AMBAC) Portage, Tax Allocation, Ameriplex Project,	501,190
1,000	5.00%, 7/15/23	1,025,470
775	5.00%, 1/15/27	787,834
2,800	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc., 7.50%, 9/1/22	3,631,180
		5,945,674
	Iowa 0.1%	
120	Finance Auth. Rev., Deerfield Retirement Community, Inc., Ser. A, 5.50%, 11/15/27	103,781
575	5.50%, 11/15/37	460,753

564,534

Kentucky 0.6%		
2,000	Economic Dev. Finance Auth. Rev., Owensboro Medical Healthcare Systems, 6.375%, 6/1/40, Ser. A	2,375,260
1,250	Ohio Cnty. Pollution Control Rev., Big Rivers Electric Corp. Project, 6.00%, 7/15/31, Ser. A	1,249,862
		3,625,122
Louisiana 1.6%		
	Local Gov t Environmental Facs. & Community Dev. Auth Rev.,	
400	Westlake Chemical Corp., 6.50%, 11/1/35, Ser. A-2	476,612
1,500	Woman s Hospital Foundation, 5.875%, 10/1/40, Ser. A	1,728,795
1,000	Woman s Hospital Foundation, 6.00%, 10/1/44, Ser. A	1,155,710

Table of Contents**PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
Louisiana (continued)		
	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project,	
\$ 1,700	5.50%, 5/15/47, Ser. B	\$ 1,803,768
2,000	6.50%, 5/15/37	2,420,660
1,345	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	1,363,628
		8,949,173
Maryland 0.8%		
1,000	Economic Dev. Corp. Rev., 5.75%, 6/1/35, Ser. B	1,133,320
	Health & Higher Educational Facs. Auth. Rev.,	
1,500	Calvert Health System, 5.50%, 7/1/36	1,539,645
700	Charlestown Community, 6.25%, 1/1/41	801,948
1,000	Lifebridge Health, 6.00%, 7/1/41	1,183,140
		4,658,053
Massachusetts 1.3%		
	Dev. Finance Agcy. Rev.,	
300	Adventcare Project, 7.625%, 10/15/37	341,256
140	Linden Ponds, Inc. Fac., zero coupon, 11/15/56, Ser. B (b)	1,014
28	Linden Ponds, Inc. Fac., 5.50%, 11/15/46, Ser. A-2 (b)	22,180
529	Linden Ponds, Inc. Fac., 6.25%, 11/15/39, Ser. A-1	475,394
4,910	Housing Finance Agcy. Rev., 5.125%, 6/1/43, Ser. H	4,912,995
1,600	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	1,866,112
		7,618,951
Michigan 8.7%		
1,500	Detroit, GO, 5.25%, 11/1/35	1,620,465
9,320	Detroit Sewage Disposal System Rev., 5.00%, 7/1/32, Ser. A (AGM)	9,386,545
5,000	Detroit Water and Sewerage Dept. Rev., 5.25%, 7/1/39, Ser. A	5,434,400
	Detroit Water Supply System Rev.,	
16,000	5.00%, 7/1/34, Ser. A (NPFGC)	16,064,640
7,555	5.00%, 7/1/34, Ser. B (NPFGC)	7,573,132
5,000	5.25%, 7/1/41, Ser. A	5,376,750
500	Global Preparatory Academy Rev., 5.25%, 11/1/36	402,585
1,500	Royal Oak Hospital Finance Auth. Rev., William Beaumont Hospital, 8.25%, 9/1/39	1,880,340
425		425,000

	State Hospital Finance Auth. Rev., Oakwood Group, 6.00%, 4/1/22, Ser. A (Pre-refunded @ \$100, 4/1/13) (c)	
1,300	State Univ. Rev., 6.173%, 2/15/50, Ser. A	1,585,818
		49,749,675
	Minnesota 0.0%	
125	Duluth Housing & Redev. Auth. Rev., 5.875%, 11/1/40, Ser. A	128,411
	Missouri 0.1%	
250	Jennings Rev., Northland Redev. Area Project, 5.00%, 11/1/23	247,200
500	Manchester, Tax Allocation, Highway 141/Manchester Road Project, 6.875%, 11/1/39	530,415
		777,615

10 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13

Table of Contents**PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	New Hampshire 0.4%	
\$ 2,000	Business Finance Auth. Rev., Elliot Hospital, 6.125%, 10/1/39, Ser. A	\$ 2,253,140
	New Jersey 8.3%	
1,000	Camden Cnty. Improvement Auth. Rev., Cooper Health Systems Group, 5.00%, 2/15/35, Ser. A	1,033,250
4,500	Economic Dev. Auth., Special Assessment, Kapkowski Road Landfill Project, 6.50%, 4/1/28	5,473,755
300	Economic Dev. Auth. Rev., Newark Airport Marriott Hotel, 7.00%, 10/1/14	300,879
1,000	Health Care Facs. Financing Auth. Rev., St. Peters Univ. Hospital, 5.75%, 7/1/37	1,081,980
1,600	Tobacco Settlement Financing Corp. Rev., Ser. 1-A, 4.75%, 6/1/34	1,423,408
20,745	5.00%, 6/1/41	18,772,773
18,000	Transportation Trust Fund Auth. Rev., 5.00%, 6/15/42, Ser. B	19,495,440
		47,581,485
	New Mexico 0.2%	
1,000	Farmington Pollution Control Rev., 5.90%, 6/1/40, Ser. D	1,115,920
	New York 12.9%	
9,800	Brooklyn Arena Local Dev. Corp. Rev., Barclays Center Project, 6.25%, 7/15/40	11,741,184
5,000	Hudson Yards Infrastructure Corp. Rev., 5.75%, 2/15/47, Ser. A	5,827,350
1,700	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.50%, 10/1/37	2,053,770
3,000	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/36, Ser. D	3,346,320
4,000	5.00%, 11/15/43, Ser. B (e)	4,385,800
1,150	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	768,453
10,450	New York City Industrial Dev. Agcy. Rev., Yankee Stadium, 7.00%, 3/1/49 (AGC)	12,768,123
4,900	New York City Municipal Water Finance Auth. Water & Sewer Rev. (i), 5.00%, 6/15/37, Ser. D	5,258,631
4,000	Second Generation Resolutions, 4.75%, 6/15/35, Ser. DD	4,366,600
10,000	New York Liberty Dev. Corp. Rev., 1 World Trade Center Project, 5.00%, 12/15/41	11,147,900
11,255	4 World Trade Center Project, 5.00%, 11/15/44	12,378,024
		74,042,155

North Carolina 1.4%		
1,500	Medical Care Commission Rev., Cleveland Cnty. Healthcare, 5.00%, 7/1/35, Ser. A (AMBAC)	1,517,220
6,000	New Hanover Cnty. Rev., New Hanover Regional Medical Center, 5.00%, 10/1/28	6,527,640
		8,044,860
Ohio 4.3%		
500	Allen Cnty. Catholic Healthcare Rev., Allen Hospital, 5.00%, 6/1/38, Ser. A	542,505
	Buckeye Tobacco Settlement Financing Auth. Rev., Ser. A-2,	
2,350	5.875%, 6/1/47	2,116,786
7,290	6.00%, 6/1/42	6,587,536
7,000	6.50%, 6/1/47	6,830,530
3,500	Hamilton Cnty. Healthcare Rev., Christ Hospital Project, 5.00%, 6/1/42	3,708,180

Table of Contents**PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
Ohio (continued)		
\$ 500	Higher Educational Fac. Commission Rev., Univ. Hospital Health Systems, 6.75%, 1/15/39, Ser. 2009-A (Pre-refunded @ \$100, 1/15/15) (c)	\$ 556,835
3,500	JobsOhio Beverage System Rev., 5.00%, 1/1/38, Ser. A	3,887,380
500	Montgomery Cnty. Rev., Miami Valley Hospital, 6.25%, 11/15/39, Ser. A (Pre-refunded @ \$100, 11/15/14) (c)	548,115
		24,777,867
Pennsylvania 2.7%		
1,000	Allegheny Cnty. Hospital Dev. Auth. Rev., Univ. of Pittsburgh Medical Center, 5.625%, 8/15/39	1,109,450
4,000	Berks Cnty. Municipal Auth. Rev., Reading Hospital Medical Center, 5.00%, 11/1/44, Ser. A	4,339,920
750	Cumberland Cnty. Municipal Auth. Rev., Messiah Village Project, Ser. A, 5.625%, 7/1/28	793,275
670	6.00%, 7/1/35	712,250
1,000	Dauphin Cnty. General Auth. Rev., Pinnacle Health System Project, 6.00%, 6/1/36, Ser. A	1,117,450
1,250	Harrisburg Auth. Rev., Harrisburg Univ. of Science, 6.00%, 9/1/36, Ser. B (f)	909,938
100	Luzerne Cnty. Industrial Dev. Auth. Rev., Pennsylvania American Water Co., 5.50%, 12/1/39	109,731
500	Philadelphia Water & Sewer Rev., 5.25%, 1/1/36, Ser. A	554,200
2,000	Philadelphia Water & Wastewater Rev., 5.00%, 11/1/28	2,309,180
3,000	Turnpike Commission Rev., 5.125%, 12/1/40, Ser. D	3,248,340
		15,203,734
South Carolina 0.3%		
1,000	Greenwood Cnty. Rev., Self Regional Healthcare, 5.375%, 10/1/39	1,088,690
800	State Ports Auth. Rev., 5.25%, 7/1/40	884,544
		1,973,234
Tennessee 0.5%		
1,250	Claiborne Cnty. Industrial Dev. Board Rev., Lincoln Memorial Univ. Project, 6.625%, 10/1/39	1,412,413

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1,000	Johnson City Health & Educational Facs. Board Rev., Mountain States Health Alliance, 6.00%, 7/1/38, Ser. A	1,167,750
		2,580,163
	Texas 8.9%	
1,300	Dallas Rev., Dallas Civic Center, 5.25%, 8/15/38 (AGC)	1,435,798
3,000	Harris Cnty. Cultural Education Facs. Finance Corp. Rev., Baylor College of Medicine, 5.00%, 11/15/37	3,336,150
2,000	Municipal Gas Acquisition & Supply Corp. III Rev., 5.00%, 12/15/26	2,184,600
	North Harris Cnty. Regional Water Auth. Rev.,	
5,500	5.25%, 12/15/33	6,149,825
5,500	5.50%, 12/15/38	6,172,320
	North Texas Tollway Auth. Rev.,	
3,000	5.00%, 1/1/38	3,262,470
600	5.50%, 9/1/41, Ser. A	700,560
10,800	5.625%, 1/1/33, Ser. A	12,228,300
700	5.75%, 1/1/33, Ser. F	776,657

12 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13

Table of Contents**PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
Texas (continued)		
\$ 2,000	Sabine River Auth. Pollution Control Rev., TXU Energy, 5.20%, 5/1/28, Ser. C	\$ 125,000
3,000	Tarrant Cnty. Cultural Education Facs. Finance Corp. Rev., Baylor Health Care Systems Project, 6.25%, 11/15/29	3,539,490
150	Texas Municipal Gas Acquisition & Supply Corp. I Rev., 5.25%, 12/15/26, Ser. A	176,574
8,100	6.25%, 12/15/26, Ser. D	10,486,746
500	Wise Cnty. Rev., Parker Cnty. Junior College Dist., 8.00%, 8/15/34	598,840
		51,173,330
Virginia 0.3%		
1,000	Fairfax Cnty. Industrial Dev. Auth. Rev., Inova Health Systems, 5.50%, 5/15/35, Ser. A	1,134,540
1,000	James City Cnty. Economic Dev. Auth. Rev., United Methodist Homes, 5.50%, 7/1/37, Ser. A	550,000
		1,684,540
Washington 3.7%		
500	Health Care Facs. Auth. Rev., Kadlec Regional Medical Center, 5.50%, 12/1/39	538,440
1,000	Seattle Cancer Care Alliance, 7.375%, 3/1/38	1,266,940
18,680	Tobacco Settlement Auth. of Washington Rev., 6.50%, 6/1/26	19,340,151
		21,145,531
West Virginia 0.2%		
1,000	Hospital Finance Auth. Rev., Highland Hospital, 9.125%, 10/1/41	1,280,540
Wisconsin 0.4%		
1,000	Health & Educational Facs. Auth. Rev., Aurora Health Care, Inc., 5.625%, 4/15/39, Ser. A	1,113,650
1,000	Prohealth Care, Inc., 6.625%, 2/15/39	1,160,940
		2,274,590
	Total Municipal Bonds & Notes (cost-\$500,210,862)	556,030,762

VARIABLE RATE NOTES (a)(d)(g)(h) 2.9%**California 0.4%**

1,675	Los Angeles Community College Dist., GO, 11.746%, 8/1/33, Ser. 3096	2,317,949
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Florida 1.0%

5,000	Greater Orlando Aviation Auth. Rev., 8.04%, 10/1/39, Ser. 3174	6,098,850
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Texas 1.5%

6,500	JPMorgan Chase Putters/Drivers Trust, GO, 7.974%, 2/1/17, Ser. 3480	8,409,700
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	Total Variable Rate Notes (cost-\$13,080,592)	16,826,499
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U.S. TREASURY OBLIGATIONS 0.1%

233	U.S. Treasury Notes, 1.25%, 3/15/14 (cost-\$235,398)	235,430
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Table of Contents**PIMCO Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	Repurchase Agreements 0.1%	
\$ 500	Citigroup Global Markets, Inc., dated 3/28/13, 0.24%, due 4/1/13, proceeds \$500,013; collateralized by Freddie Mac, 1.02%, due 10/16/17, valued at \$511,382 including accrued interest (cost-\$500,000)	\$ 500,000
	Total Investments (cost-\$514,026,852) 100.0%	\$ 573,592,691

Industry classification of portfolio holdings as a percentage of total investments at March 31, 2013 was as follows:

Revenue Bonds:		
Health, Hospital & Nursing Home Revenue		18.9%
Tobacco Settlement Funded		12.3
Water Revenue		10.5
Natural Gas Revenue		7.4
Miscellaneous Revenue		6.6
Sewer Revenue		5.0
Port, Airport & Marina Revenue		4.8
Recreational Revenue		4.4
College & University Revenue		3.4
Highway Revenue Tolls		3.4
Industrial Revenue		2.6
Lease (Appropriation)		2.4
Local or Guaranteed Housing		1.7
Electric Power & Light Revenue		1.5
Transit Revenue		1.5
Miscellaneous Taxes		1.0
Resource Recovery Revenue		1.0
Ad Valorem Property Tax		0.1
Tax Increment/Allocation Revenue		0.0
Total Revenue Bonds		88.5%
General Obligation		8.9
Tax Allocation		1.2
Special Assessment		1.0
Certificates of Participation		0.2
Repurchase Agreements		0.1
U.S. Treasury Obligations		0.1
Total Investments		100.0%

14 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13

Table of Contents

PIMCO Municipal Income Fund III Notes to Schedule of Investments

March 31, 2013 (unaudited) (continued)

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$18,929,612, representing 3.3% of total investments.

- (b) Illiquid.

- (c) 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).

- (d) 144A 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.

- (e) When-issued or delayed-delivery. To be settled/delivered after March 31, 2013.

- (f) In default.

- (g) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on March 31, 2013.

- (h) 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, 2013.

- (i) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.

- (j)

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Floating Rate Notes for the six months ended March 31, 2013: The weighted average daily balance of Floating Rate Notes outstanding during the six months ended March 31, 2013 was \$32,048,691 at a weighted average interest rate, including fees, of 0.67%.

(k) Fair Value Measurements See Note 1(b) in the Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 3/31/13
Investments in Securities Assets				
Municipal Bonds & Notes		\$ 556,030,762		\$ 556,030,762
Variable Rate Notes		16,826,499		16,826,499
U.S. Treasury Obligations		235,430		235,430
Repurchase Agreements		500,000		500,000
Totals		\$ 573,592,691		\$ 573,592,691

At March 31, 2013, there were no transfers between Levels 1 and 2.

Glossary:

AGC	- insured by Assured Guaranty Corp.
AGM	- insured by Assured Guaranty Municipal Corp.
AMBAC	- insured by American Municipal Bond Assurance Corp.
CP	- Certificates of Participation
FHA	- insured by Federal Housing Administration
GO	- General Obligation Bond
IBC	- Insurance Bond Certificate
NPFGC	- insured by National Public Finance Guarantee Corp.

See accompanying Notes to Financial Statements 3.31.13 PIMCO Municipal Income Funds III Semi-Annual Report

Table of Contents**PIMCO California Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited)

Principal Amount (000s)		Value
CALIFORNIA MUNICIPAL BONDS & NOTES 96.2%		
\$ 1,250	Bay Area Toll Auth. Rev., San Francisco Bay Area, 5.00%, 4/1/34, Ser. F-1	\$ 1,395,875
1,000	Cathedral City Public Financing Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (NPFGC)	983,640
1,150	Ceres Redev. Agcy., Tax Allocation, Project Area No. 1, 5.00%, 11/1/33 (NPFGC)	1,154,807
2,000	Chula Vista Rev., San Diego Gas & Electric, 5.875%, 2/15/34, Ser. B	2,391,980
550	City & Cnty. of San Francisco, Capital Improvement Projects, CP, 5.25%, 4/1/31, Ser. A	601,326
1,415	Contra Costa Cnty. Public Financing Auth., Tax Allocation, 5.625%, 8/1/33, Ser. A	1,415,141
9,800	Educational Facs. Auth. Rev. (g), Claremont McKenna College, 5.00%, 1/1/39	10,740,016
10,000	Univ. of Southern California, 5.00%, 10/1/39, Ser. A	11,397,200
1,695	El Dorado Irrigation Dist. & El Dorado Water Agcy., CP, 5.75%, 8/1/39, Ser. A (AGC)	1,790,462
11,000	Golden State Tobacco Securitization Corp. Rev., 5.00%, 6/1/45 (AMBAC-TCRS)	11,477,730
4,000	5.00%, 6/1/45, Ser. A (FGIC-TCRS)	4,173,720
21,865	5.75%, 6/1/47, Ser. A-1	21,011,609
4,000	Health Facs. Financing Auth. Rev., Adventist Health System, 5.75%, 9/1/39, Ser. A	4,649,760
1,935	Catholic Healthcare West, 6.00%, 7/1/34, Ser. A	2,033,762
4,000	Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	4,736,000
450	Children s Hospital of Los Angeles, 5.25%, 7/1/38 (AGM)	468,095
500	Children s Hospital of Orange Cnty., 6.50%, 11/1/38, Ser. A	603,745
6,000	Cottage Health System, 5.00%, 11/1/33, Ser. B (NPFGC)	6,076,020
1,300	Scripps Health, 5.00%, 11/15/36, Ser. A	1,423,071
2,900	Stanford Hospital, 5.25%, 11/15/40, Ser. A-2	3,276,884
1,000	Sutter Health, 5.00%, 8/15/35, Ser. D	1,107,940
5,000	Sutter Health, 5.00%, 8/15/38, Ser. A	5,526,050
500	Sutter Health, 5.00%, 11/15/42, Ser. A (IBC-NPFGC)	530,315
1,200	Sutter Health, 6.00%, 8/15/42, Ser. B	1,445,100
500	Lancaster Redev. Agcy., Tax Allocation, 6.875%, 8/1/39	561,795
150	Lancaster Redev. Agcy. Rev., Capital Improvements Projects, 5.90%, 12/1/35	162,864
5,020	Long Beach Airport Rev., 5.00%, 6/1/40, Ser. A	5,326,421
5,600	Long Beach Bond Finance Auth. Rev., Long Beach Natural Gas, 5.50%, 11/15/37, Ser. A	6,827,632
5,000	Long Beach Unified School Dist., GO, 5.75%, 8/1/33, Ser. A	5,811,900
5,000	Los Angeles Cnty. Public Works Financing Auth. Rev., 5.00%, 8/1/42	5,516,850
	Los Angeles Department of Airports Rev.,	

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6,950	5.00%, 5/15/40, Ser. A	7,749,667
2,000	5.00%, 5/15/40, Ser. D	2,230,120
	Los Angeles Department of Water & Power Rev.,	
6,000	4.75%, 7/1/30, Ser. A-2 (AGM) (g)	6,296,700
10,000	5.00%, 7/1/39, Ser. A (g)	10,981,300
1,400	5.00%, 7/1/43, Ser. B	1,572,802

16 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13

Table of Contents**PIMCO California Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
	Los Angeles Unified School Dist., GO,	
\$ 9,580	4.75%, 1/1/28, Ser. A (NPFGC) (Pre-refunded @ \$100 7/1/13) (c)	\$ 9,686,721
10,000	5.00%, 1/1/34, Ser. I (g)	11,325,400
1,700	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	2,315,689
550	Malibu, City Hall Project, CP, 5.00%, 7/1/39, Ser. A	591,096
1,000	Manteca Financing Auth. Sewer Rev., 5.75%, 12/1/36	1,159,640
5,000	Metropolitan Water Dist. of Southern California Rev., 5.00%, 7/1/37, Ser. A (g)	5,508,700
2,980	Modesto Irrigation Dist., Capital Improvement Projects, CP, 5.00%, 7/1/33, Ser. A (NPFGC) (Pre-refunded @ \$100, 7/1/13) (c)	3,015,015
3,000	Montebello Unified School Dist., GO, 5.00%, 8/1/33 (AGM)	3,264,000
905	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	1,067,357
1,250	Peralta Community College Dist., GO, 5.00%, 8/1/39, Ser. C	1,337,225
1,250	Pollution Control Financing Auth. Rev., American Water Capital Corp. Project, 5.25%, 8/1/40 (a)(d)	1,344,212
1,920	Poway Unified School Dist., Special Tax, 5.125%, 9/1/28	1,982,938
5,000	Riverside, CP, 5.00%, 9/1/33 (AMBAC) (Pre-refunded @ \$100, 9/1/13) (c)	5,098,800
500	Rocklin Unified School Dist. Community Facs. Dist., Special Tax, 5.00%, 9/1/29 (NPFGC)	502,070
995	Sacramento Municipal Utility Dist. Rev., Ser. R, 5.00%, 8/15/33 (NPFGC)	1,008,214
2,255	5.00%, 8/15/33 (NPFGC) (Pre-refunded @ \$100 8/15/13) (c)	2,294,733
6,250	San Diego Cnty. Water Auth., CP, 5.00%, 5/1/38, Ser. 2008-A (AGM)	6,859,250
12,075	San Diego Community College Dist., GO, 5.00%, 5/1/28, Ser. A (AGM) (Pre-refunded @ \$100, 5/1/13) (c)	12,120,402
4,000	San Diego Public Facs. Financing Auth. Sewer Rev., 5.25%, 5/15/39, Ser. A	4,612,880
2,200	San Diego Regional Building Auth. Rev., Cnty. Operations Center & Annex, 5.375%, 2/1/36, Ser. A	2,534,510
1,000	San Francisco Public Utilities Commission Water Rev., 5.00%, 11/1/43	1,124,870
1,500	San Jose Hotel Tax Rev., Convention Center Expansion, 6.50%, 5/1/36	1,806,015
12,200	San Marcos Public Facs. Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (FGIC-NPFGC)	12,308,336
1,000	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	1,100,670
500	Santa Clara Cnty. Financing Auth. Rev., El Camino Hospital, 5.75%, 2/1/41, Ser. A (AMBAC)	552,400
1,200	Santa Cruz Cnty. Redev. Agcy., Tax Allocation, Live Oak/Soquel Community, 7.00%, 9/1/36, Ser. A	1,423,368
4,425	South Tahoe JT Powers Financing Auth. Rev., South Tahoe Redev. Project, 5.45%, 10/1/33, Ser. 1-A	4,355,262
7,300	State, GO, 6.00%, 4/1/38	8,647,215

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	State Public Works Board Rev.,	
2,000	California State Univ., 6.00%, 11/1/34, Ser. J	2,382,000
2,500	Judicial Council Projects, 5.00%, 3/1/38, Ser. A (b)	2,715,625
2,050	Univ. CA M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A	2,055,678
	Statewide Communities Dev. Auth. Rev.,	
500	American Baptist Homes West, 6.25%, 10/1/39	568,070

3.31.13 PIMCO Municipal Income Funds III Semi-Annual Report 17

Table of Contents**PIMCO California Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
\$ 1,300	California Baptist Univ., 5.50%, 11/1/38, Ser. A	\$ 1,391,169
460	California Baptist Univ., 6.50%, 11/1/21	542,059
1,015	Catholic Healthcare West, 5.50%, 7/1/31, Ser. D	1,130,791
1,015	Catholic Healthcare West, 5.50%, 7/1/31, Ser. E	1,125,625
4,500	Kaiser Permanente, 5.00%, 3/1/41, Ser. B	4,794,300
1,000	Lancer Student Housing Project, 7.50%, 6/1/42	1,141,300
7,300	Los Angeles Jewish Home, 5.50%, 11/15/33 (CA Mtg. Ins.)	7,461,549
15,000	Memorial Health Services, 5.50%, 10/1/33, Ser. A (Pre-refunded @ \$100 4/1/13) (c)	15,000,000
1,780	Methodist Hospital Project, 6.625%, 8/1/29 (FHA)	2,187,300
6,430	Methodist Hospital Project, 6.75%, 2/1/38 (FHA)	7,756,445
3,100	St. Joseph Health System, 5.75%, 7/1/47, Ser. A (FGIC)	3,493,049
1,800	Sutter Health, 6.00%, 8/15/42, Ser. A	2,167,650
3,505	The Internext Group, CP, 5.375%, 4/1/30	3,514,849
11,000	Trinity Health, 5.00%, 12/1/41	12,197,130
2,000	Univ. of California Irvine E. Campus, 5.375%, 5/15/38	2,196,180
	Tobacco Securitization Agcy. Rev.,	
8,100	Alameda Cnty., 5.875%, 6/1/35	8,142,363
7,000	Alameda Cnty., 6.00%, 6/1/42	7,032,340
2,000	Kern Cnty., 6.125%, 6/1/43, Ser. A	2,000,160
5,000	Tobacco Securitization Auth. of Southern California Rev., 5.00%, 6/1/37, Ser. A-1	4,537,450
2,950	Torrance Rev., Torrance Memorial Medical Center, 5.50%, 6/1/31, Ser. A	2,956,608
5,000	Univ. of California Rev., 5.00%, 5/15/42, Ser. G	5,547,950
	West Basin Municipal Water Dist., CP, Ser. A,	
350	5.00%, 8/1/30 (NPFGC)	352,856
650	5.00%, 8/1/30 (NPFGC) (Pre-refunded @ \$100 8/1/13) (c)	660,238
2,000	Western Municipal Water Dist. Facs. Auth. Rev., 5.00%, 10/1/39, Ser. B	2,176,560
1,000	Westlake Village, CP, 5.00%, 6/1/39	1,040,520
2,750	Woodland Finance Auth. Rev., 5.00%, 3/1/32 (XCLA)	2,799,500
	Total California Municipal Bonds & Notes (cost-\$335,847,925)	373,462,601
OTHER MUNICIPAL BONDS & NOTES 3.1%		
Indiana 1.4%		
5,000	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc., 5.75%, 9/1/42 (a)(d)	5,212,800
New Jersey 0.2%		
1,000	Tobacco Settlement Financing Corp. Rev., 4.75%, 6/1/34, Ser. 1-A	889,630

New York 0.9%

3,300	New York City Municipal Water Finance Auth. Water & Sewer Rev., 5.00%, 6/15/37, Ser. D (g)	3,541,527
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Ohio 0.6%

2,000	American Municipal Power, Inc. Rev., Fremont Energy Center Project, 5.00%, 2/15/42, Ser. B	2,174,440
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Total Other Municipal Bonds & Notes (cost-\$8,793,720)	11,818,397
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18 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13

Table of Contents**PIMCO California Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
CALIFORNIA VARIABLE RATE NOTES (a)(d)(e)(f) 0.4%		
\$ 1,000	Los Angeles Community College Dist., GO, 11.746%, 8/1/33, Ser. 3096 (cost-\$996,688)	\$ 1,383,850
SHORT-TERM INVESTMENTS 0.3%		
U.S. Government Agency Securities (h) 0.3%		
300	Federal Home Loan Bank Discount Notes, 0.104%, 4/5/13	299,997
1,000	Freddie Mac Discount Notes, 0.162%, 1/15/14	998,715
	Total U.S. Government Agency Securities (cost-\$1,298,712)	1,298,712
U.S. Treasury Obligations 0.0%		
100	U.S. Treasury Bills, 0.068%, 4/18/13 (h) (cost-\$99,997)	99,997
	Total Short-Term Investments (cost-\$1,398,709)	1,398,709
	Total Investments (cost-\$347,037,042) 100.0%	\$ 388,063,557

Industry classification of portfolio holdings as a percentage of total investments at March 31, 2013 was as follows:

Revenue Bonds:

Health, Hospital & Nursing Home Revenue	25.2%
Tobacco Settlement Funded	15.3
College & University Revenue	8.7
Electric Power & Light Revenue	5.9
Lease (Abatement)	4.2
Port, Airport & Marina Revenue	3.9
Water Revenue	3.9
Natural Gas Revenue	3.0
Sewer Revenue	1.5
Tax Increment/Allocation Revenue	1.1
Local or Guaranteed Housing	0.7
Hotel Occupancy Tax	0.5
Highway Revenue Tolls	0.4
Total Revenue Bonds	74.3%
General Obligation	14.1

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Certificates of Participation	6.1
Tax Allocation	4.6
Special Tax	0.6
U.S. Government Agency Securities	0.3
U.S. Treasury Obligations	0.0
Total Investments	100.0%

3.31.13 PIMCO Municipal Income Funds III Semi-Annual Report **19**

Table of Contents

PIMCO California Municipal Income Fund III Notes to Schedule of Investments

March 31, 2013 (unaudited) (continued)

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$7,940,862, representing 2.0% of total investments.
- (b) Illiquid.
- (c) 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).
- (d) 144A 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.
- (e) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on March 31, 2013.
- (f) 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, 2013.
- (g) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (h) Rates reflect the effective yields at purchase date.
- (i) Floating Rate Notes for the six months ended March 31, 2013: The weighted average daily balance of Floating Rate Notes outstanding during the six months ended March 31, 2013 was \$33,623,688 at a weighted average interest rate, including fees, of 0.68%.
- (j) Fair Value Measurements See Note 1(b) in the Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 3/31/13
Investments in Securities Assets				
California Municipal Bonds & Notes		\$ 373,462,601		\$ 373,462,601
Other Municipal Bonds & Notes		11,818,397		11,818,397
California Variable Rate Notes		1,383,850		1,383,850
Short-Term Investments		1,398,709		1,398,709
Totals		\$ 388,063,557		\$ 388,063,557

At March 31, 2013, there were no transfers between Levels 1 and 2.

Glossary:

AGC	- insured by Assured Guaranty Corp.
AGM	- insured by Assured Guaranty Municipal Corp.
AMBAC	- insured by American Municipal Bond Assurance Corp.
CA Mtg. Ins.	- insured by California Mortgage Insurance
CP	- Certificates of Participation
FGIC	- insured by Financial Guaranty Insurance Co.
FHA	- insured by Federal Housing Administration
GO	- General Obligation Bond
IBC	- Insurance Bond Certificate
NPFGC	- insured by National Public Finance Guarantee Corp.
TCRS	- Temporary Custodian Receipts
XLCA	- insured by XL Capital Assurance

20 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13 See accompanying Notes to Financial Statements

Table of Contents**PIMCO New York Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited)

Principal Amount (000s)		Value
NEW YORK MUNICIPAL BONDS & NOTES 93.0%		
\$ 1,000	Brooklyn Arena Local Dev. Corp. Rev., Barclays Center Project, 6.375%, 7/15/43	\$ 1,198,910
1,500	Chautauqua Cnty. Industrial Dev. Agcy. Rev., Dunkirk Power Project, 5.875%, 4/1/42	1,687,470
730	Dutchess Cnty. Industrial Dev. Agcy. Rev., Elant Fishkill, Inc., 5.25%, 1/1/37, Ser. A	643,495
800	East Rochester Housing Auth. Rev., St. Mary's Residence Project, 5.375%, 12/20/22, Ser. A (GNMA)	826,616
4,000	Hudson Yards Infrastructure Corp. Rev., 5.75%, 2/15/47, Ser. A	4,661,880
	Liberty Dev. Corp. Rev.,	
1,050	Bank of America Tower at One Bryant Park Project, 6.375%, 7/15/49	1,246,843
1,810	Goldman Sachs Headquarters, 5.25%, 10/1/35	2,119,800
2,400	Goldman Sachs Headquarters, 5.50%, 10/1/37	2,899,440
1,500	Long Island Power Auth. Rev., 5.75%, 4/1/39, Ser. A	1,739,940
	Metropolitan Transportation Auth. Rev.,	
5,220	5.00%, 11/15/32, Ser. A (FGIC-NPFGC)	5,304,042
500	5.00%, 11/15/34, Ser. B	559,910
4,000	5.00%, 11/15/43, Ser. B (d)	4,385,800
3,000	Monroe Cnty. Industrial Dev. Corp. Rev., Unity Hospital Rochester Project, 5.50%, 8/15/40 (FHA) (g)	3,411,570
500	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	334,110
600	New York City Industrial Dev. Agcy. Rev., Pilot Queens Baseball Stadium, 6.50%, 1/1/46 (AGC)	687,186
2,200	Yankee Stadium, 7.00%, 3/1/49 (AGC)	2,688,026
	New York City Municipal Water Finance Auth. Water & Sewer Rev., Second Generation Resolutions,	
5,000	4.75%, 6/15/35, Ser. DD (g)	5,458,250
1,500	5.00%, 6/15/39, Ser. GG-1	1,692,945
2,000	New York City Transitional Finance Auth. Rev., 5.00%, 5/1/39, Ser. F-1	2,259,760
	New York City Trust for Cultural Res. Rev.,	
2,000	Wildlife Conservation Society, 5.00%, 8/1/33, Ser. A	2,354,840
3,450	Wildlife Conservation Society, 5.00%, 2/1/34 (FGIC-NPFGC) (Pre-refunded @ \$100 2/1/14) (b)	3,586,585
4,000	New York Liberty Dev. Corp. Rev., 4 World Trade Center Project, 5.75%, 11/15/51	4,683,800
1,000	Niagara Falls Public Water Auth. Water & Sewer Rev., 5.00%, 7/15/34, Ser. A (NPFGC)	1,008,710
400	Onondaga Cnty. Rev., Syracuse Univ. Project, 5.00%, 12/1/36	450,848
600	Port Auth. of New York & New Jersey Rev., JFK International Air Terminal, 6.00%, 12/1/36	709,734
	State Dormitory Auth. Rev.,	
1,000	5.00%, 3/15/38, Ser. A	1,117,470

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2,350	5.00%, 7/1/42, Ser. A	2,642,034
2,250	Jewish Board Family & Children, 5.00%, 7/1/33 (AMBAC)	2,253,285
250	NYU Hospitals Center, 6.00%, 7/1/40, Ser. A	294,928
3,740	St. Barnabas Hospital, 5.00%, 2/1/31, Ser. A (AMBAC-FHA)	3,749,275
1,200	Teachers College, 5.50%, 3/1/39	1,305,732

3.31.13 PIMCO Municipal Income Funds III Semi-Annual Report **21**

Table of Contents**PIMCO New York Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
\$ 500	The New School, 5.50%, 7/1/40	\$ 561,430
620	Winthrop Univ. Hospital Assoc., 5.50%, 7/1/32, Ser. A (Pre-refunded @ \$100 7/1/13) (b)	627,961
2,500	Winthrop-Nassau Univ., 5.75%, 7/1/28 (Pre-refunded @ \$100 7/1/13) (b)	2,533,625
750	State Environmental Facs. Corp. Rev., 4.75%, 6/15/32, Ser. B	827,888
1,600	State Thruway Auth. Rev., 5.00%, 1/1/42, Ser. I	1,756,608
2,400	State Urban Dev. Corp. Rev., 5.00%, 3/15/35, Ser. B	2,575,248
2,200	5.00%, 3/15/36, Ser. B-1 (g)	2,464,814
2,000	Triborough Bridge & Tunnel Auth. Rev., 5.25%, 11/15/34, Ser. A-2 (g)	2,327,480
1,400	Troy Capital Res. Corp. Rev., Rensselaer Polytechnic Institute Project, 5.125%, 9/1/40, Ser. A	1,527,288
2,000	TSACS, Inc. Rev., Ser. 1, 5.00%, 6/1/26	1,975,200
100	5.00%, 6/1/34	90,765
2,000	Warren & Washington Cntys. Industrial Dev. Agcy. Rev., Glens Falls Hospital Project, 5.00%, 12/1/35, Ser. A (AGM)	2,022,100
600	Westchester Cnty. Healthcare Corp. Rev., 6.125%, 11/1/37, Ser. C-2	702,276
100	Yonkers Economic Dev. Corp. Rev., Charter School of Educational Excellence Project, 6.00%, 10/15/30, Ser. A	105,505
	Total New York Municipal Bonds & Notes (cost-\$80,586,544)	88,061,422
OTHER MUNICIPAL BONDS & NOTES 2.7%		
District of Columbia 0.2%		
175	Tobacco Settlement Financing Corp. Rev., 6.50%, 5/15/33	208,296
Ohio 1.8%		
1,250	Buckeye Tobacco Settlement Financing Auth. Rev., Ser. A-2, 5.875%, 6/1/47	1,125,950
600	6.50%, 6/1/47	585,474
		1,711,424
U. S. Virgin Islands 0.6%		
500	Public Finance Auth. Rev., 6.00%, 10/1/39, Ser. A	552,785

Washington 0.1%		
135	Tobacco Settlement Auth. of Washington Rev., 6.625%, 6/1/32	137,862
Total Other Municipal Bonds & Notes (cost-\$2,281,057)		2,610,367
U.S. TREASURY OBLIGATIONS 2.2%		
U.S. Treasury Notes 2.2%		
100	0.125%, 12/31/13	100,004
100	0.25%, 11/30/13	100,082
992	1.25%, 2/15/14	1,001,572
408	1.25%, 3/15/14	412,255
500	1.875%, 2/28/14	507,871
Total U.S. Treasury Obligations (cost-\$2,121,537)		2,121,784

22 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13

Table of Contents**PIMCO New York Municipal Income Fund III Schedule of Investments**

March 31, 2013 (unaudited) (continued)

Principal Amount (000s)		Value
NEW YORK VARIABLE RATE NOTES (a)(c)(e)(f) 0.7%		
\$ 500	JPMorgan Chase Putters/Drivers Trust Rev., Unity Hospital Rochester Project, 8.864%, 8/15/18, Ser. 3829 (FHA) (cost-\$453,564)	\$ 636,170
SHORT-TERM INVESTMENTS 1.4%		
U.S. Government Agency Securities (h) 1.3%		
1,200	Freddie Mac Discount Notes, 0.162%, 1/14/14 2/4/14 (cost-\$1,198,427)	1,198,427
Repurchase Agreements 0.1%		
100	Citigroup Global Markets, Inc., dated 3/28/13, 0.24%, due 4/1/13, proceeds \$100,003; collateralized by Freddie Mac, 1.02%, due 10/16/17, valued at \$102,477 including accrued interest (cost-\$100,000)	100,000
Total Short-Term Investments (cost-\$1,298,427)		1,298,427
Total Investments (cost-\$86,741,129) 100.0%		\$ 94,728,170

Industry classification of portfolio holdings as a percentage of total investments at March 31, 2013 was as follows:

Revenue Bonds:

Health, Hospital & Nursing Home Revenue	19.0%
Industrial Revenue	11.1
Transit Revenue	10.8
Water Revenue	9.5
Income Tax Revenue	8.9
Recreational Revenue	7.9
College & University Revenue	6.9
Miscellaneous Revenue	6.1
Miscellaneous Taxes	4.9
Tobacco Settlement Funded	4.4
Highway Revenue Tolls	4.3
Electric Power & Light Revenue	1.8
Port, Airport & Marina Revenue	0.8
Total Revenue Bonds	96.4%
U.S. Treasury Obligations	2.2
U.S. Government Agency Securities	1.3
Repurchase Agreements	0.1

Total Investments 100.0%

3.31.13 PIMCO Municipal Income Funds III Semi-Annual Report **23**

Table of Contents

PIMCO New York Municipal Income Fund III Notes to Schedule of Investments

March 31, 2013 (unaudited) (continued)

- (a) Private Placement Restricted as to resale and may not have a readily available market. Security with a value of \$636,170, representing 0.7% of total investments.
- (b) 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).
- (c) 144A 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.
- (d) When-issued or delayed-delivery. To be settled/delivered after March 31, 2013.
- (e) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on March 31, 2013.
- (f) 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, 2013.
- (g) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (h) Rates reflect the effective yields at purchase date.
- (i) Floating Rate Notes for the six months ended March 31, 2013: The weighted average daily balance of Floating Rate Notes outstanding during the six months ended March 31, 2013 was \$8,812,360 at a weighted average interest rate, including fees, of 0.68%.

(j) Fair Value Measurements See Note 1(b) in the Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 3/31/13
Investments in Securities Assets				
New York Municipal Bonds & Notes		\$ 88,061,422		\$ 88,061,422
Other Municipal Bonds & Notes		2,610,367		2,610,367
U.S. Treasury Obligations		2,121,784		2,121,784
New York Variable Rate Notes		636,170		636,170
Short-Term Investments		1,298,427		1,298,427
Totals		\$ 94,728,170		\$ 94,728,170

At March 31, 2013, there were no transfers between Levels 1 and 2.

Glossary:

AGC	- insured by Assured Guaranty Corp.
AGM	- insured by Assured Guaranty Municipal Corp.
AMBAC	- insured by American Municipal Bond Assurance Corp.
FGIC	- insured by Financial Guaranty Insurance Co.
FHA	- insured by Federal Housing Administration
GNMA	- insured by Government National Mortgage Association
NPFGC	- insured by National Public Finance Guarantee Corp.

24 PIMCO Municipal Income Funds III Semi-Annual Report 3.31.13 See accompanying Notes to Financial Statement

Table of Contents**PIMCO Municipal Income Funds III Statements of Assets and Liabilities**

March 31, 2013 (unaudited)

	Municipal III	California Municipal III	New York Municipal III
Assets:			
Investments, at value (cost-\$514,026,852, \$347,037,042 and \$86,741,129, respectively)	\$573,592,691	\$388,063,557	\$94,728,170
Cash	575,376	23,997	588,451
Interest receivable	8,966,142	5,916,616	1,078,311
Receivable for investments sold	3,175,423	50,000	1,031,808
Prepaid expenses and other assets	69,541	46,466	34,112
Total Assets	586,379,173	394,100,636	97,460,852
Liabilities:			
Payable for Floating Rate Notes issued	30,921,219	33,623,688	6,933,000
Payable for investments purchased	4,375,320	7,825,484	4,375,320
Dividends payable to common and preferred shareholders	2,277,356	1,324,301	296,933
Investment management fees payable	302,789	193,543	47,337
Interest payable	55,428	61,565	8,532
Accrued expenses and other liabilities	222,221	251,939	206,851
Total Liabilities	38,154,333	43,280,520	11,867,973
Preferred Shares (\$0.00001 par value and \$25,000 liquidation preference per share applicable to an aggregate of 7,560, 5,000 and 1,280 shares issued and outstanding, respectively)	189,000,000	125,000,000	32,000,000
Net Assets Applicable to Common Shareholders	\$359,224,840	\$225,820,116	\$53,592,879
Composition of Net Assets Applicable to Common Shareholders:			
Common Shares:			
Par value (\$0.00001 per share)	\$324	\$220	\$56
Paid-in-capital in excess of par	457,887,501	309,335,563	79,232,185
Undistributed net investment income	2,507,853	7,332,537	1,954,377
Accumulated net realized loss	(160,738,386)	(131,859,315)	(35,579,666)
Net unrealized appreciation	59,567,548	41,011,111	7,985,927
Net Assets Applicable to Common Shareholders	\$359,224,840	\$225,820,116	\$53,592,879
Common Shares Issued and Outstanding	32,443,472	21,990,812	