

PIMCO MUNICIPAL INCOME FUND III  
Form N-Q  
May 30, 2018

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

**FORM N-Q**

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

<b>Investment Company Act File Number:</b>	<b>811-21187</b>
<b>Registrant Name:</b>	<b>PIMCO Municipal Income Fund III</b>
Address of Principal Executive Offices:	1633 Broadway New York, NY 10019
Name and Address of Agent for Service:	Trent W. Walker 650 Newport Center Drive Newport Beach, CA 92660
Registrant's telephone number, including area code:	(844) 337-4626
Date of Fiscal Year End:	December 31
Date of Reporting Period:	March 31, 2018

**Item 1. Schedule of Investments**

## Schedule of Investments

## PIMCO Municipal Income Fund III

March 31, 2018 (Unaudited)

(AMOUNTS IN THOUSANDS\*, EXCEPT NUMBER OF SHARES, CONTRACTS AND UNITS, IF ANY)

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 175.9% <sup>⌘</sup></b>		
<b>MUNICIPAL BONDS &amp; NOTES 174.4%</b>		
<b>ALABAMA 11.3%</b>		
<b>Alabama Special Care Facilities Financing Authority-Birmingham, Alabama Revenue Bonds, (AGC Insured), Series 2009</b>		
6.000% due 06/01/2039	\$ 500	\$ 525
<b>Alabama State Docks Department Revenue Bonds, Series 2010</b>		
6.000% due 10/01/2040	1,000	1,103
<b>Black Belt Energy Gas District, Alabama Revenue Bonds, Series 2017</b>		
4.000% due 08/01/2047	6,500	6,904
<b>Jefferson County, Alabama Sewer Revenue Bonds, Series 2013</b>		
0.000% due 10/01/2050 (d)	19,000	15,825
6.500% due 10/01/2053	7,500	8,884
<b>Lower Alabama Gas District Revenue Bonds, Series 2016</b>		
5.000% due 09/01/2046	5,500	6,728
		39,969
<b>ARIZONA 9.3%</b>		
<b>Pima County, Arizona Industrial Development Authority Revenue Bonds, Series 2008</b>		
5.000% due 09/01/2039 (e)	13,000	13,028
<b>Pima County, Arizona Industrial Development Authority Revenue Bonds, Series 2010</b>		
5.250% due 10/01/2040	750	805
<b>Salt River Project Agricultural Improvement &amp; Power District, Arizona Revenue Bonds, Series 2009</b>		
5.000% due 01/01/2039 (e)	5,000	5,128
<b>Salt Verde Financial Corp., Arizona Revenue Bonds, Series 2007</b>		
5.000% due 12/01/2037	11,600	13,783
		32,744

**CALIFORNIA 21.4%**

<b>Bay Area Toll Authority, California Revenue Bonds, Series 2008</b>		
5.000% due 04/01/2034	500	500
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2010</b>		
5.000% due 10/01/2029	1,500	1,624
5.000% due 10/01/2042	3,260	3,530
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2013</b>		
5.250% due 04/01/2053	12,000	13,876
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2009</b>		
6.000% due 07/01/2039	2,500	2,635
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2011</b>		
6.000% due 08/15/2042	1,500	1,638
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2013</b>		
5.000% due 08/15/2052	2,015	2,205
<b>California Municipal Finance Authority Revenue Bonds, Series 2011</b>		
7.750% due 04/01/2031	1,260	1,434
<b>California State General Obligation Bonds, Series 2009</b>		
5.750% due 04/01/2031	2,500	2,604
6.000% due 04/01/2038	5,000	5,214
<b>California State General Obligation Bonds, Series 2010</b>		
5.250% due 11/01/2040	1,300	1,408
5.500% due 03/01/2040	3,200	3,420
<b>California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009</b>		
6.625% due 08/01/2029	2,580	2,748
6.750% due 02/01/2038	9,200	9,812
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2010</b>		
6.250% due 10/01/2039	1,000	1,058
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2041	3,000	3,305
<b>Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2047	3,600	3,600
5.750% due 06/01/2047	1,055	1,061
<b>Los Angeles Community College District, California General Obligation Bonds, Series 2009</b>		
0.000% due 08/01/2033 (f)	1,675	1,733
<b>M-S-R Energy Authority, California Revenue Bonds, Series 2009</b>		
6.500% due 11/01/2039	2,000	2,816
<b>Palomar Health, California Certificates of Participation Bonds, Series 2009</b>		

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6.750% due 11/01/2039	1,250	1,349
<b>San Marcos Unified School District, California General Obligation Bonds, Series 2011</b>		
5.000% due 08/01/2038	1,600	1,770

<b>Tobacco Securitization Authority of Southern California</b>		
<b>Revenue Bonds, Series 2006</b>		
5.000% due 06/01/2037	6,200	6,214
		75,554
<b>COLORADO 1.4%</b>		
<b>Board of Governors of Colorado State University System</b>		
<b>Revenue Bonds, Series 2017</b>		
4.000% due 03/01/2038 (e)	1,500	1,574
<b>Colorado Health Facilities Authority Revenue Bonds, Series 2010</b>		
5.000% due 01/01/2040	2,000	2,096
<b>Public Authority for Colorado Energy Revenue Bonds, Series 2008</b>		
6.500% due 11/15/2038	500	696
<b>Regional Transportation District, Colorado Revenue Bonds, Series 2010</b>		
6.000% due 01/15/2034	500	540
		4,906
<b>CONNECTICUT 0.4%</b>		
<b>Harbor Point Infrastructure Improvement District, Connecticut Tax Allocation Bonds, Series 2010</b>		
7.875% due 04/01/2039	1,250	1,398
<b>DISTRICT OF COLUMBIA 2.9%</b>		
<b>District of Columbia Water &amp; Sewer Authority Revenue Bonds, Series 2009</b>		
5.500% due 10/01/2039 (e)	10,000	10,197
		10,197
<b>FLORIDA 7.5%</b>		
<b>Broward County, Florida Airport System Revenue Bonds, Series 2009</b>		
5.375% due 10/01/2029	500	526
<b>Broward County, Florida Water &amp; Sewer Utility Revenue Bonds, Series 2009</b>		
5.250% due 10/01/2034 (e)	4,500	4,583
<b>Cape Coral, Florida Water &amp; Sewer Revenue Bonds, (AGM Insured), Series 2011</b>		
5.000% due 10/01/2041	3,000	3,322
<b>Florida Development Finance Corp. Revenue Notes, Series 2011</b>		
6.500% due 06/15/2021	205	215
<b>Florida State General Obligation Bonds, Series 2009</b>		
5.000% due 06/01/2038 (e)	4,200	4,265
<b>Greater Orlando Aviation Authority, Florida Revenue Bonds, Series 2010</b>		

0.000% due 10/01/2039 (f)	5,000	5,697
<b>Miami-Dade County, Florida Educational Facilities Authority Revenue Bonds, Series 2018</b>		
4.000% due 04/01/2053	4,000	4,016
<b>South Miami Health Facilities Authority, Florida Revenue Bonds, Series 2017</b>		
4.000% due 08/15/2047 (e)	3,750	3,785
		26,409
<b>GEORGIA 5.6%</b>		
<b>Atlanta Development Authority, Georgia Revenue Bonds, Series 2017</b>		
6.750% due 01/01/2035	3,600	3,711
<b>Burke County, Georgia Development Authority Revenue Bonds, Series 2017</b>		
3.250% due 11/01/2045	3,000	2,967
<b>Municipal Electric Authority of Georgia Revenue Bonds, Series 2015</b>		
5.000% due 07/01/2060	10,000	10,557
<b>Private Colleges &amp; Universities Authority of Georgia Revenue Bonds, Series 2016</b>		
4.000% due 10/01/2038 (e)	2,500	2,650
		19,885
<b>HAWAII 1.6%</b>		
<b>Hawaii Pacific Health Revenue Bonds, Series 2010</b>		
5.500% due 07/01/2040	1,500	1,620
<b>Hawaii State General Obligation Bonds, Series 2016</b>		
4.000% due 10/01/2035 (e)	2,135	2,261
4.000% due 10/01/2036 (e)	1,755	1,855
		5,736
<b>ILLINOIS 12.9%</b>		
<b>Chicago O Hare International Airport, Illinois Revenue Bonds, Series 2017</b>		
5.000% due 01/01/2039	3,000	3,377
<b>Chicago, Illinois General Obligation Bonds, Series 2007</b>		
5.500% due 01/01/2035	400	425
5.500% due 01/01/2042	1,000	1,053
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.375% due 01/01/2029	7,200	7,718
5.500% due 01/01/2034	2,665	2,833
<b>Chicago, Illinois General Obligation Bonds, Series 2017</b>		
6.000% due 01/01/2038	3,000	3,373
<b>Chicago, Illinois Revenue Bonds, Series 2002</b>		
5.000% due 01/01/2027	1,750	2,041
<b>Chicago, Illinois Waterworks Revenue Bonds, (AGM Insured), Series 2017</b>		

5.250% due 11/01/2034

3,730

4,320



<b>Illinois Finance Authority Revenue Bonds, Series 2007</b>		
5.875% due 03/01/2027 ^(b)	1,000	240
6.000% due 03/01/2037 ^(b)	625	150
<b>Illinois Finance Authority Revenue Bonds, Series 2009</b>		
5.500% due 07/01/2037 (e)	5,000	5,049
7.125% due 11/15/2037	400	424
<b>Illinois Finance Authority Revenue Bonds, Series 2010</b>		
6.000% due 08/15/2038	1,000	1,078
<b>Illinois Finance Authority Revenue Bonds, Series 2013</b>		
4.000% due 08/15/2042 (e)	3,000	3,049
<b>Illinois Finance Authority Revenue Bonds, Series 2017</b>		
5.250% due 12/01/2052	1,250	1,288
<b>Illinois State General Obligation Bonds, Series 2017</b>		
5.000% due 12/01/2038	2,000	2,041
<b>Illinois State General Obligation Notes, Series 2017</b>		
5.000% due 11/01/2027	7,000	7,297
		45,756
<b>INDIANA 0.6%</b>		
<b>Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2011</b>		
7.500% due 09/01/2022	1,975	2,202
<b>IOWA 0.1%</b>		
<b>Iowa Finance Authority Revenue Bonds, Series 2014</b>		
0.000% due 05/15/2056 ^	76	1
5.400% due 11/15/2046 ^	403	419
		420
<b>KANSAS 0.6%</b>		
<b>University of Kansas Hospital Authority Revenue Bonds, Series 2015</b>		
4.000% due 09/01/2040 (e)	2,000	2,030
		2,030
<b>KENTUCKY 1.5%</b>		
<b>Kentucky Economic Development Finance Authority Revenue Bonds, Series 2010</b>		
6.375% due 06/01/2040	2,000	2,190
<b>Kentucky Economic Development Finance Authority Revenue Bonds, Series 2017</b>		
5.000% due 08/15/2046	3,000	3,252
		5,442

**LOUISIANA 2.7%**

<b>Louisiana Gasoline &amp; Fuels Tax State Revenue Bonds, Series 2017</b>		
4.000% due 05/01/2045 (e)	4,000	4,145
<b>Louisiana Local Government Environmental Facilities &amp; Community Development Authority Revenue Bonds, Series 2010</b>		
5.875% due 10/01/2040	1,500	1,648
6.000% due 10/01/2044	1,000	1,102
6.500% due 11/01/2035	400	443
<b>Louisiana Public Facilities Authority Revenue Bonds, Series 2011</b>		
6.500% due 05/15/2037	2,000	2,268
		9,606
<b>MARYLAND 0.8%</b>		
<b>Maryland Economic Development Corp. Revenue Bonds, Series 2010</b>		
5.750% due 06/01/2035	1,000	1,085
<b>Maryland Health &amp; Higher Educational Facilities Authority Revenue Bonds, Series 2010</b>		
6.250% due 01/01/2041	700	781
<b>Maryland Health &amp; Higher Educational Facilities Authority Revenue Bonds, Series 2011</b>		
6.000% due 07/01/2041	1,000	1,125
		2,991
<b>MASSACHUSETTS 2.7%</b>		
<b>Massachusetts Development Finance Agency Revenue Bonds, Series 2010</b>		
7.625% due 10/15/2037	275	293
<b>Massachusetts Development Finance Agency Revenue Bonds, Series 2011</b>		
0.000% due 11/15/2056 (c)(g)	140	9
6.250% due 11/15/2039	529	550
<b>Massachusetts Development Finance Agency Revenue Bonds, Series 2016</b>		
4.000% due 10/01/2046 (e)	2,500	2,578
5.000% due 01/01/2047	1,000	1,096
<b>Massachusetts Housing Finance Agency Revenue Bonds, Series 2003</b>		
5.125% due 06/01/2043	3,185	3,188
<b>Massachusetts State College Building Authority Revenue Bonds, Series 2009</b>		
5.500% due 05/01/2039	1,600	1,667
		9,381

**MICHIGAN 5.1%****Michigan Finance Authority Revenue Bonds, Series 2017**

4.000% due 12/01/2036 (e)	3,000	3,110
4.000% due 12/01/2040 (e)	500	515
5.000% due 12/01/2031 (e)	1,200	1,392
5.000% due 12/01/2046 (e)	2,500	2,802

**Michigan State Building Authority Revenue Bonds, Series 2016**

5.000% due 10/15/2046 (e)	1,500	1,676
5.000% due 10/15/2051 (e)	1,500	1,672

**Michigan State Hospital Finance Authority Revenue Bonds, Series 2016**

4.000% due 11/15/2047 (e)	5,000	5,087
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**Michigan Tobacco Settlement Finance Authority Revenue Bonds, Series 2008**

0.000% due 06/01/2058 (c)	12,500	369
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**Royal Oak Hospital Finance Authority, Michigan Revenue Bonds, Series 2009**

8.250% due 09/01/2039	1,500	1,541
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18,164

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

5.000% due 11/01/2023	220	200
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**Manchester, Missouri Tax Allocation Bonds, Series 2010**

6.875% due 11/01/2039	500	509
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709

**NEBRASKA 2.1%****Central Plains Energy Project, Nebraska Revenue Bonds, Series 2017**

5.000% due 09/01/2042	1,500	1,809
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**Omaha Public Power District, Nebraska Revenue Bonds, Series 2012**

4.000% due 02/01/2046 (e)	5,500	5,601
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7,410

**NEVADA 1.3%****Clark County, Nevada General Obligation Bonds, Series 2018**

4.000% due 07/01/2044 (e)	4,545	4,690
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4,690

**NEW HAMPSHIRE 0.6%****New Hampshire Business Finance Authority Revenue Bonds, Series 2009**

6.125% due 10/01/2039	2,000	2,129
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**NEW JERSEY 7.7%**

<b>New Jersey Economic Development Authority Revenue Bonds, Series 2016</b>		
5.000% due 06/15/2041	5,000	5,330
<b>New Jersey Economic Development Authority Special Assessment Bonds, Series 2002</b>		
6.500% due 04/01/2028	4,500	5,295
<b>New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2013</b>		
5.500% due 07/01/2043	2,000	2,264
<b>New Jersey Transportation Trust Fund Authority Revenue Bonds, (AGM Insured), Series 2006</b>		
0.000% due 12/15/2034 (c)	3,200	1,601
<b>South Jersey Port Corp., New Jersey Revenue Bonds, Series 2017</b>		
5.000% due 01/01/2049	900	976
<b>Tobacco Settlement Financing Corp., New Jersey Revenue Bonds, Series 2007</b>		
4.750% due 06/01/2034	1,600	1,600
5.000% due 06/01/2029	1,500	1,505
5.000% due 06/01/2041	8,745	8,745
		27,316

**NEW MEXICO 0.3%**

<b>Farmington, New Mexico Revenue Bonds, Series 2010</b>		
5.900% due 06/01/2040	1,000	1,074

**NEW YORK 15.9%**

<b>Brooklyn Arena Local Development Corp., New York Revenue Bonds, Series 2009</b>		
6.250% due 07/15/2040	9,800	10,583
<b>Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011</b>		
5.750% due 02/15/2047	5,000	5,507
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2011</b>		
5.000% due 11/15/2036	3,000	3,335
<b>Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014</b>		
2.000% due 01/01/2049 ^(b)	311	53
6.700% due 01/01/2049	863	921
<b>New York City Industrial Development Agency, New York Revenue Bonds, (AGC Insured), Series 2009</b>		
7.000% due 03/01/2049	10,450	10,940
<b>New York City Transitional Finance Authority Future Tax Secured, New York Revenue Bonds, Series 2017</b>		
4.000% due 08/01/2042 (e)	2,000	2,077

<b>New York City Water &amp; Sewer System, New York Revenue Bonds, Series 2012</b>		
4.000% due 06/15/2047 (e)	7,500	7,667
<b>New York Liberty Development Corp. Revenue Bonds, Series 2007</b>		
5.500% due 10/01/2037	1,700	2,186
<b>New York Liberty Development Corp. Revenue Bonds, Series 2011</b>		
5.000% due 11/15/2044	11,000	11,933
<b>New York State Dormitory Authority Revenue Bonds, Series 2017</b>		
4.000% due 02/15/2047 (e)	1,000	1,035
		56,237

**NORTH CAROLINA 2.6%**

<b>New Hanover County, North Carolina Revenue Bonds, Series 2011</b>		
5.000% due 10/01/2028	6,000	6,556
<b>University of North Carolina Hospitals at Chapel Hill Revenue Bonds, Series 2016</b>		
4.000% due 02/01/2046	2,500	2,569
		9,125

**OHIO 17.5%**

<b>Allen County, Ohio Revenue Bonds, Series 2010</b>		
5.000% due 06/01/2038	500	534
<b>Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2024	1,000	980
5.875% due 06/01/2047	8,400	8,306
6.250% due 06/01/2037	5,000	5,025
6.500% due 06/01/2047	30,350	30,540
<b>Geisinger Authority, Pennsylvania Revenue Bonds, Series 2017</b>		
4.000% due 02/15/2047 (e)	9,310	9,463
<b>Hamilton County, Ohio Revenue Bonds, Series 2012</b>		
5.000% due 06/01/2042	1,500	1,623
<b>Ohio State Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 02/15/2048	5,000	5,419
		61,890

**OKLAHOMA 0.5%**

<b>Oklahoma Development Finance Authority Revenue Bonds, Series 2018</b>		
5.500% due 08/15/2057 (a)	1,600	1,776

**PENNSYLVANIA 6.2%**

<b>Allegheny County, Pennsylvania Hospital Development Authority Revenue Bonds, Series 2009</b>		
5.625% due 08/15/2039	1,000	1,047
<b>Berks County, Pennsylvania Municipal Authority Revenue Bonds, Series 2012</b>		
5.000% due 11/01/2044	6,600	7,040
<b>Cumberland County, Pennsylvania Municipal Authority Revenue Bonds, Series 2008</b>		
5.625% due 07/01/2028	1,000	1,008
6.000% due 07/01/2035	670	676
<b>Dauphin County, Pennsylvania General Authority Revenue Bonds, Series 2009</b>		
6.000% due 06/01/2036	1,000	1,048
<b>Luzerne County, Pennsylvania Industrial Development Authority Revenue Bonds, Series 2009</b>		
5.500% due 12/01/2039	100	106
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2009</b>		
5.125% due 12/01/2040	3,000	3,168
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 12/01/2043	5,000	5,449
<b>Philadelphia Hospitals &amp; Higher Education Facilities Authority, Pennsylvania Revenue Bonds, Series 2012</b>		
5.625% due 07/01/2042	1,645	1,791
<b>Philadelphia, Pennsylvania Water &amp; Wastewater Revenue Bonds, Series 2009</b>		
5.250% due 01/01/2036	500	513
		21,846
<b>PUERTO RICO 1.1%</b>		
<b>Puerto Rico Electric Power Authority Revenue Bonds, (AGM Insured), Series 2007</b>		
5.250% due 07/01/2031 ^	3,500	3,728
<b>SOUTH CAROLINA 6.7%</b>		
<b>Greenwood County, South Carolina Revenue Bonds, Series 2009</b>		
5.375% due 10/01/2039	1,000	1,053
<b>South Carolina Ports Authority Revenue Bonds, Series 2010</b>		
5.250% due 07/01/2040	800	853
<b>South Carolina State Public Service Authority Revenue Bonds, Series 2013</b>		
5.125% due 12/01/2043	5,000	5,369
5.500% due 12/01/2053	15,000	16,520
		23,795
<b>TENNESSEE 1.7%</b>		
<b>Bristol Industrial Development Board, Tennessee Revenue Bonds, Series 2016</b>		
5.125% due 12/01/2042	2,500	2,442

**Bristol Industrial Development Board, Tennessee Revenue Notes,  
Series 2016**

0.000% due 12/01/2025 (c)	1,000	682
0.000% due 12/01/2026 (c)	1,000	643

<b>Claiborne County, Tennessee Industrial Development Board</b>		
<b>Revenue Bonds, Series 2009</b>		
6.625% due 10/01/2039	1,250	1,313
<b>Johnson City Health &amp; Educational Facilities Board, Tennessee</b>		
<b>Revenue Bonds, Series 2010</b>		
6.000% due 07/01/2038	1,000	1,063
		6,143
<b>TEXAS 16.9%</b>		
<b>Dallas, Texas Civic Center Revenue Bonds, (AGC Insured), Series 2009</b>		
5.250% due 08/15/2038	1,300	1,354
<b>Grand Parkway Transportation Corp., Texas Revenue Bonds, Series 2013</b>		
5.000% due 04/01/2053	4,500	4,934
<b>Houston, Texas Airport System Revenue Bonds, Series 2018</b>		
5.000% due 07/01/2029	1,350	1,611
<b>New Hope Cultural Education Facilities Finance Corp., Texas Revenue Bonds, Series 2017</b>		
4.000% due 08/15/2034 (e)	300	315
4.000% due 08/15/2035 (e)	800	836
4.000% due 08/15/2036 (e)	600	625
4.000% due 08/15/2037 (e)	900	933
4.000% due 08/15/2040 (e)	900	922
<b>North Harris County, Texas Regional Water Authority Revenue Bonds, Series 2008</b>		
5.250% due 12/15/2033	5,500	5,641
5.500% due 12/15/2038	5,500	5,650
<b>North Texas Tollway Authority Revenue Bonds, Series 2011</b>		
5.000% due 01/01/2038	3,000	3,198
5.500% due 09/01/2041	600	671
<b>San Antonio Public Facilities Corp., Texas Revenue Bonds, Series 2012</b>		
4.000% due 09/15/2042	10,000	10,300
<b>Tarrant County, Texas Cultural Education Facilities Finance Corp. Revenue Bonds, Series 2009</b>		
6.250% due 11/15/2029	3,000	3,086
<b>Tarrant County, Texas Cultural Education Facilities Finance Corp. Revenue Bonds, Series 2017</b>		
6.750% due 11/15/2047	500	557
<b>Tender Option Bond Trust Receipts/Certificates, Texas General Obligation Bonds, Series 2009</b>		
0.000% due 08/01/2039 (f)	6,500	7,003
<b>Texas Municipal Gas Acquisition &amp; Supply Corp. Revenue Bonds, Series 2006</b>		
5.250% due 12/15/2026	150	176
<b>Texas Municipal Gas Acquisition &amp; Supply Corp. Revenue Bonds, Series 2008</b>		



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6.250% due 12/15/2026	9,600	11,251
<b>Wise County, Texas Revenue Bonds, Series 2011</b>		
8.000% due 08/15/2034	500	558
		59,621

**U.S. VIRGIN ISLANDS 0.7%**

<b>Virgin Islands Public Finance Authority, U.S. Virgin Islands Revenue Bonds, Series 2009</b>		
6.625% due 10/01/2029	1,335	918
6.750% due 10/01/2037	1,165	795
<b>Virgin Islands Public Finance Authority, U.S. Virgin Islands Revenue Bonds, Series 2010</b>		
5.250% due 10/01/2029	1,000	702
		2,415

**VIRGINIA 0.5%**

<b>Fairfax County, Virginia Industrial Development Authority Revenue Bonds, Series 2009</b>		
5.500% due 05/15/2035	1,000	1,042
<b>James City County, Virginia Economic Development Authority Revenue Bonds, Series 2013</b>		
2.000% due 10/01/2048 <sup>(b)</sup>	201	15
6.000% due 06/01/2043	619	609
		1,666

**WASHINGTON 0.5%**

<b>Washington Health Care Facilities Authority Revenue Bonds, Series 2009</b>		
7.375% due 03/01/2038	1,000	1,051
<b>Washington Health Care Facilities Authority Revenue Bonds, Series 2010</b>		
5.500% due 12/01/2039	500	548
		1,599

**WEST VIRGINIA 0.7%**

<b>Monongalia County, West Virginia Commission Special District Revenue Bonds, Series 2017</b>		
5.500% due 06/01/2037	1,000	1,035
<b>West Virginia Economic Development Authority Revenue Bonds, Series 2017</b>		
4.000% due 06/15/2040 (e)	1,500	1,541
		2,576

**WISCONSIN 2.3%**

<b>University of Wisconsin Hospitals &amp; Clinics Authority Revenue Bonds, Series 2013</b>		
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5.000% due 04/01/2038	3,500	3,862
<b>Wisconsin Health &amp; Educational Facilities Authority Revenue Bonds, Series 2009</b>		
6.625% due 02/15/2039	1,000	1,042
<b>Wisconsin Health &amp; Educational Facilities Authority Revenue Bonds, Series 2010</b>		
5.625% due 04/15/2039	1,000	1,056

<b>Wisconsin Health &amp; Educational Facilities Authority Revenue Bonds, Series 2017</b>		
4.000% due 08/15/2042 (e)	2,000	2,050
		8,010
Total Municipal Bonds & Notes		616,545
(Cost \$572,094)		
<b>SHORT-TERM INSTRUMENTS 1.5%</b>		
<b>REPURCHASE AGREEMENTS (h) 1.5%</b>		5,203
Total Short-Term Instruments		5,203
(Cost \$5,203)		
Total Investments in Securities		621,748
(Cost \$577,297)		
<b>Total Investments 175.9%</b>	<b>\$</b>	<b>621,748</b>
(Cost \$577,297)		
<b>Preferred Shares (53.5)%</b>		<b>(189,000)</b>
<b>Other Assets and Liabilities, net (22.4)%</b>		<b>(79,325)</b>
<b>Net Assets Applicable to Common Shareholders 100.0%</b>	<b>\$</b>	<b>353,423</b>

**Notes to Schedule of Investments:**

- \* A zero balance may reflect actual amounts rounding to less than one thousand.
- ⊠ The geographical classification of foreign (non-U.S.) securities in this report are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.
- ^ Security is in default.
- (a) When-issued security.
- (b) Security is not accruing income as of the date of this report.
- (c) Zero coupon security.
- (d) Security becomes interest bearing at a future date.
- (e) Represents an underlying municipal bond transferred to a tender option bond trust established in a tender option bond transaction in which the Fund sold, or caused the sale of, the underlying municipal bond and purchased the residual interest certificate. The security serves as collateral in a financing transaction. See Note 5, Tender Option Bond Transactions, in the Notes to Financial Statements for more information.
- (f) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on March 31, 2018.
- (g) Restricted Securities:

Issuer Description	Coupon	Maturity Date	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
Massachusetts Development Finance Agency Revenue Bonds, Series 2011	0.000%	11/15/2056	07/20/2007	\$ 5	\$ 9	0.00%

**Borrowings and Other Financing Transactions**

**(h) Repurchase Agreements:**

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Repurchase Agreement		
						Collateral (Received)	Agreements, to be	Repurchase Proceeds at Value Received <sup>(1)</sup>
FICC	1.250%	03/29/2018	04/02/2018	\$ 503	U.S. Treasury Notes 2.000% due 04/30/2024	\$ (514)	\$ 503	\$ 503
SAL	1.910	03/29/2018	04/02/2018	4,700	U.S. Treasury Notes 1.750% due 05/31/2022	(4,799)	4,700	4,701
<b>Total Repurchase Agreements</b>						<b>\$ (5,313)</b>	<b>\$ 5,203</b>	<b>\$ 5,204</b>

<sup>(1)</sup> Includes accrued interest.

**Fair Value Measurements**

The following is a summary of the fair valuations according to the inputs used as of March 31, 2018 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 03/31/2018
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
Alabama	\$ 0	\$ 39,969	\$ 0	\$ 39,969
Arizona	0	32,744	0	32,744
California	0	75,554	0	75,554
Colorado	0	4,906	0	4,906
Connecticut	0	1,398	0	1,398
District of Columbia	0	10,197	0	10,197
Florida	0	26,409	0	26,409
Georgia	0	19,885	0	19,885
Hawaii	0	5,736	0	5,736
Illinois	0	45,756	0	45,756
Indiana	0	2,202	0	2,202
Iowa	0	420	0	420
Kansas	0	2,030	0	2,030
Kentucky	0	5,442	0	5,442
Louisiana	0	9,606	0	9,606
Maryland	0	2,991	0	2,991
Massachusetts	0	9,381	0	9,381
Michigan	0	18,164	0	18,164

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Missouri	0	709	0	709
Nebraska	0	7,410	0	7,410
Nevada	0	4,690	0	4,690
New Hampshire	0	2,129	0	2,129
New Jersey	0	27,316	0	27,316
New Mexico	0	1,074	0	1,074
New York	0	56,237	0	56,237
North Carolina	0	9,125	0	9,125
Ohio	0	61,890	0	61,890
Oklahoma	0	1,776	0	1,776
Pennsylvania	0	21,846	0	21,846
Puerto Rico	0	3,728	0	3,728
South Carolina	0	23,795	0	23,795
Tennessee	0	6,143	0	6,143
Texas	0	59,621	0	59,621
U.S. Virgin Islands	0	2,415	0	2,415
Virginia	0	1,666	0	1,666
Washington	0	1,599	0	1,599
West Virginia	0	2,576	0	2,576
Wisconsin	0	8,010	0	8,010
<b>Short-Term Instruments</b>				
Repurchase Agreements	0	5,203	0	5,203
<b>Total Investments</b>	<b>\$ 0</b>	<b>\$ 621,748</b>	<b>\$ 0</b>	<b>\$ 621,748</b>

**There were no significant transfers among Levels 1, 2, or 3 during the period ended March 31, 2018.**

**See Accompanying Notes**

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## Notes to Financial Statements

### 1. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

**(a) Investment Valuation Policies** The net asset value ( NAV ) of the Fund 's shares is determined by dividing the total value of portfolio investments and other assets attributable to that Fund less any liabilities by the total number of shares outstanding of the Fund.

On each day that the New York Stock Exchange ( NYSE ) is open, Fund shares are ordinarily valued as of the close of regular trading ( NYSE Close ). Information that becomes known to the Fund or its agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. The Fund reserves the right to change the time as of which its NAV is calculated if the Fund closes earlier, or as permitted by the U.S. Securities and Exchange Commission ( SEC ).

For purposes of calculating a NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Fund 's approved pricing services, quotation reporting systems and other third-party sources (together, Pricing Services ). The Fund will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close. If market value pricing is used, a foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by Pacific Investment Management Company LLC ( PIMCO or the Manager ) to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services. The Fund 's investments in open-end management investment companies, other than exchange-traded funds ( ETFs ), are valued at the NAVs of such investments.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to PIMCO the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Valuation Oversight Committee of the Board ( Valuation Oversight Committee ), generally based on recommendations provided by the Manager. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations ( Broker Quotes ), Pricing Services prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Fund 's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to the Manager the responsibility for monitoring significant events that may materially affect the values of the Fund 's securities or

assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When the Fund uses fair valuation to determine the value of a portfolio security or other asset for purposes of calculating its NAV, such investments will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Fund's policy is intended to result in a calculation of the Fund's NAV that fairly reflects security values as of the time of pricing, the Fund cannot ensure that fair values determined by the Board or persons acting at their direction would accurately reflect the price that the Fund could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by the Fund may differ from the value that would be realized if the securities were sold.

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

Level 1 Quoted prices in active markets or exchanges for identical assets and liabilities.

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

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

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

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



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

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

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

**Level 3 trading assets and trading liabilities, at fair value** When a fair valuation method is applied by PIMCO that uses significant unobservable inputs, investments will be priced by a method that the Board or persons acting at their direction believe reflects fair value and are categorized as Level 3 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost value of such short-term debt instruments is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. These securities are categorized as Level 2 or Level 3 of the fair value hierarchy depending on the source of the base price.

**2. FEDERAL INCOME TAX MATTERS**

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

The Fund may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be payable following the sale of any applicable investments.

In accordance with U.S. GAAP, the Manager has reviewed the Fund's tax positions for all open tax years. As of March 31, 2018, the Fund has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Fund files U.S. federal, state, and local tax returns as required. The Fund's tax returns are subject to examination by relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

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

(Unaudited)

Counterparty Abbreviations:

FICC Fixed Income Clearing Corporation      SAL Citigroup Global Markets, Inc.

Currency Abbreviations:

USD (or \$) United States Dollar

Exchange Abbreviations:

OTC Over the Counter

Municipal Bond or Agency Abbreviations:

AGC Assured Guaranty Corp.      AGM Assured Guaranty Municipal      FHA Federal Housing Administration

Other Abbreviations:

TBA To-Be-Announced

**Item 2. Controls and Procedures**

- (a) The principal executive officer and principal financial & accounting officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this report.
  
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits**

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

**Signatures**

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

PIMCO Municipal Income Fund III

By: /s/ Peter G. Strelow  
Peter G. Strelow  
President (Principal Executive Officer)

Date: May 29, 2018

By: /s/ Trent W. Walker  
Trent W. Walker  
Treasurer (Principal Financial & Accounting Officer)

Date: May 29, 2018

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

By: /s/ Peter G. Strelow  
Peter G. Strelow  
President (Principal Executive Officer)

Date: May 29, 2018

By: /s/ Trent W. Walker  
Trent W. Walker  
Treasurer (Principal Financial & Accounting Officer)

Date: May 29, 2018