

PIMCO MUNICIPAL INCOME FUND III  
Form N-Q  
May 27, 2016

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

**FORM N-Q**

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

<b>Investment Company Act File Number:</b>	<b>811-21187</b>
<b>Registrant Name:</b>	<b>PIMCO Municipal Income Fund III</b>
Address of Principal Executive Offices:	1633 Broadway New York, NY 10019
Name and Address of Agent for Service:	William G. Galipeau 650 Newport Center Drive Newport Beach, CA 92660
Registrant's telephone number, including area code:	(844) 337-4626
Date of Fiscal Year End:	December 31
Date of Reporting Period:	March 31, 2016

**Item 1. Schedule of Investments**

## Schedule of Investments

## PIMCO Municipal Income Fund III

March 31, 2016 (Unaudited)

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 155.9%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 155.4%</b>		
<b>ALABAMA 15.4%</b>		
<b>Alabama Docks Department State Revenue Bonds, Series 2010</b>		
6.000% due 10/01/2040	\$ 1,000	\$ 1,179
<b>Alabama Special Care Facilities Financing Authority-Birmingham, Alabama Revenue Bonds, (AGC Insured), Series 2016</b>		
6.000% due 06/01/2039	500	577
<b>Jefferson County, Alabama Sewer Revenue Bonds, Series 2013</b>		
0.000% due 10/01/2050 (c)	48,000	35,228
6.500% due 10/01/2053	15,000	18,073
<b>Lower Alabama Gas District Revenue Bonds, Series 2016</b>		
5.000% due 09/01/2046	2,000	2,485
		57,542
<b>ARIZONA 10.4%</b>		
<b>Arizona Health Facilities Authority Revenue Bonds, Series 2007</b>		
5.200% due 10/01/2037	2,250	2,252
<b>Arizona Health Facilities Authority Revenue Bonds, Series 2008</b>		
5.000% due 01/01/2035	1,250	1,326
5.500% due 01/01/2038	900	965
<b>Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2008</b>		
5.000% due 09/01/2039 (d)	13,000	13,796
<b>Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2010</b>		
5.250% due 10/01/2040	750	826
<b>Salt River Project Agricultural Improvement &amp; Power District, Arizona Revenue Bonds, Series 2009</b>		
5.000% due 01/01/2039 (d)	5,000	5,468

**Salt Verde Financial Corp., Arizona Revenue Bonds, Series 2007**

5.000% due 12/01/2037	11,600	14,126
		38,759

**CALIFORNIA 26.0%****Bay Area Toll Authority, California Revenue Bonds, Series 2008**

5.000% due 04/01/2034	500	542
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**Bay Area Toll Authority, California Revenue Bonds, Series 2010**

5.000% due 10/01/2029	1,500	1,719
5.000% due 10/01/2042	3,260	3,620

**Bay Area Toll Authority, California Revenue Bonds, Series 2013**

5.250% due 04/01/2053	12,000	13,920
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**California Health Facilities Financing Authority Revenue Bonds, (IBC/NPFGC Insured), Series 2007**

5.000% due 11/15/2042	600	614
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**California Health Facilities Financing Authority Revenue Bonds, Series 2009**

6.000% due 07/01/2039	2,500	2,853
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**California Health Facilities Financing Authority Revenue Bonds, Series 2011**

6.000% due 08/15/2042	1,500	1,798
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**California Health Facilities Financing Authority Revenue Bonds, Series 2013**

5.000% due 08/15/2052	2,015	2,304
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**California Municipal Finance Authority Revenue Bonds, Series 2011**

7.750% due 04/01/2031	1,385	1,735
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**California State General Obligation Bonds, Series 2007**

5.000% due 06/01/2037	5,000	5,239
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5.000% due 12/01/2037	5,300	5,636
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**California State General Obligation Bonds, Series 2008**

5.250% due 03/01/2038	1,350	1,454
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**California State General Obligation Bonds, Series 2009**

5.750% due 04/01/2031	2,500	2,849
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6.000% due 04/01/2038	5,000	5,715
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**California State General Obligation Bonds, Series 2010**

5.250% due 11/01/2040	1,300	1,505
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5.500% due 03/01/2040	3,200	3,696
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**California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009**

6.625% due 08/01/2029	2,580	3,060
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6.750% due 02/01/2038	9,200	10,947
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**California Statewide Communities Development Authority Revenue Bonds, Series 2007**

5.750% due 11/01/2017	880	921
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<b>California Statewide Communities Development Authority</b>		
<b>Revenue Bonds, Series 2010</b>		
6.250% due 10/01/2039	1,000	1,156
<b>California Statewide Communities Development Authority</b>		
<b>Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2041	3,000	3,383
<b>Golden State, California Tobacco Securitization Corp.</b>		
<b>Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2047	3,600	3,324
5.750% due 06/01/2047	1,120	1,113
<b>Indian Wells Redevelopment Agency, California Tax</b>		
<b>Allocation Bonds, (AMBAC Insured), Series 2006</b>		
4.750% due 09/01/2034	3,350	3,398

<b>Los Angeles Community College District, California General Obligation Bonds, Series 2009</b>		
13.224% due 08/01/2033 (e)	1,675	2,154
<b>M-S-R Energy Authority, California Revenue Bonds, Series 2009</b>		
6.500% due 11/01/2039	2,000	2,836
<b>Palomar Health, California Certificates of Participation Bonds, Series 2009</b>		
6.750% due 11/01/2039	1,250	1,384
<b>San Marcos Unified School District, California General Obligation Bonds, Series 2011</b>		
5.000% due 08/01/2038	1,600	1,808
<b>Tobacco Securitization Authority of Southern California Revenue Bonds, Series 2006</b>		
5.000% due 06/01/2037	6,200	6,144
		96,827
<b>COLORADO 0.9%</b>		
<b>Colorado Health Facilities Authority Revenue Bonds, Series 2010</b>		
5.000% due 01/01/2040	2,000	2,176
<b>Public Authority for Colorado Energy Revenue Bonds, Series 2008</b>		
6.500% due 11/15/2038	500	702
<b>Regional Transportation District, Colorado Revenue Bonds, Series 2010</b>		
6.000% due 01/15/2034	500	581
		3,459
<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	1,447
<b>DISTRICT OF COLUMBIA 3.0%</b>		
<b>District of Columbia Water &amp; Sewer Authority Revenue Bonds, Series 2009</b>		
5.500% due 10/01/2039 (d)	10,000	11,161
<b>FLORIDA 6.4%</b>		
<b>Brevard County, Florida Health Facilities Authority Revenue Bonds, Series 2005</b>		
5.000% due 04/01/2034	3,480	3,480
<b>Broward County, Florida Airport System Revenue Bonds, Series 2009</b>		
5.375% due 10/01/2029	500	569

<b>Broward County, Florida Water &amp; Sewer Utility Revenue Bonds, Series 2009</b>		
5.250% due 10/01/2034 (d)	4,500	4,989
<b>Cape Coral, Florida Water &amp; Sewer Revenue Bonds, (AGM Insured), Series 2011</b>		
5.000% due 10/01/2041	3,000	3,450
<b>Florida Development Finance Corp. Revenue Notes, Series 2011</b>		
6.500% due 06/15/2021	285	316
<b>Florida State General Obligation Bonds, Series 2009</b>		
5.000% due 06/01/2038 (d)	4,200	4,565
<b>Greater Orlando Aviation Authority, Florida Revenue Bonds, Series 2010</b>		
9.139% due 10/01/2039 (e)	5,000	6,379
		23,748
<b>GEORGIA 3.5%</b>		
<b>Fulton County, Georgia Residential Care Facilities for the Elderly Authority Revenue Bonds, Series 2006</b>		
5.125% due 07/01/2042	1,750	1,758
<b>Medical Center Hospital Authority, Georgia Revenue Bonds, Series 2007</b>		
5.250% due 07/01/2037	400	408
<b>Municipal Electric Authority of Georgia Revenue Bonds, Series 2015</b>		
5.000% due 07/01/2060	10,000	11,034
		13,200
<b>HAWAII 0.4%</b>		
<b>Hawaii Pacific Health Revenue Bonds, Series 2010</b>		
5.500% due 07/01/2040	1,500	1,669
<b>ILLINOIS 7.8%</b>		
<b>Chicago, Illinois General Obligation Bonds, Series 2007</b>		
5.500% due 01/01/2035	2,400	2,394
5.500% due 01/01/2042	1,000	997
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.375% due 01/01/2029	7,200	7,302
5.500% due 01/01/2034	2,500	2,505
<b>Chicago, Illinois Revenue Bonds, Series 2002</b>		
5.000% due 01/01/2027	1,750	1,913
<b>Illinois Finance Authority Revenue Bonds, Series 2007</b>		
5.875% due 03/01/2027 ^	1,000	250
6.000% due 03/01/2037 ^	625	156
<b>Illinois Finance Authority Revenue Bonds, Series 2009</b>		
5.500% due 07/01/2037 (d)	5,000	5,510
7.125% due 11/15/2037	400	475
<b>Illinois Finance Authority Revenue Bonds, Series 2010</b>		
6.000% due 08/15/2038	1,000	1,099

**Illinois State Toll Highway Authority Revenue Bonds, Series  
2008**

5.500% due 01/01/2033	5,000	5,407
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<b>Metropolitan Pier &amp; Exposition Authority, Illinois Revenue Bonds, Series 2015</b>		
5.000% due 06/15/2052	1,000	1,071
		29,079
<b>INDIANA 3.8%</b>		
<b>Indiana Municipal Power Agency Revenue Bonds, Series 2016</b>		
5.000% due 01/01/2042	8,000	9,324
<b>Portage, Indiana Tax Allocation Bonds, Series 2006</b>		
5.000% due 07/15/2023	1,000	1,013
5.000% due 01/15/2027	775	785
<b>Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2011</b>		
7.500% due 09/01/2022	2,535	2,962
		14,084
<b>IOWA 0.9%</b>		
<b>Iowa Finance Authority Revenue Bonds, Series 2013</b>		
5.250% due 12/01/2025	3,000	3,200
<b>Iowa Finance Authority Revenue Bonds, Series 2014</b>		
2.000% due 05/15/2056 ^	76	1
2.700% due 11/15/2046 ^	403	345
		3,546
<b>KENTUCKY 0.6%</b>		
<b>Kentucky Economic Development Finance Authority Revenue Bonds, Series 2010</b>		
6.375% due 06/01/2040	2,000	2,287
<b>LOUISIANA 2.0%</b>		
<b>Louisiana Local Government Environmental Facilities &amp; Community Development Authority Revenue Bonds, Series 2010</b>		
5.875% due 10/01/2040	1,500	1,743
6.000% due 10/01/2044	1,000	1,164
6.500% due 11/01/2035	400	473
<b>Louisiana Public Facilities Authority Revenue Bonds, Series 2007</b>		
5.500% due 05/15/2047	1,700	1,766
<b>Louisiana Public Facilities Authority Revenue Bonds, Series 2011</b>		
6.500% due 05/15/2037	2,000	2,388
		7,534

<b>MARYLAND 0.8%</b>		
<b>Maryland Economic Development Corp. Revenue Bonds, Series 2010</b>		
5.750% due 06/01/2035	1,000	1,098
<b>Maryland Health &amp; Higher Educational Facilities Authority Revenue Bonds, Series 2010</b>		
6.250% due 01/01/2041	700	806
<b>Maryland Health &amp; Higher Educational Facilities Authority Revenue Bonds, Series 2011</b>		
6.000% due 07/01/2041	1,000	1,179
		3,083
<b>MASSACHUSETTS 2.0%</b>		
<b>Massachusetts Development Finance Agency Revenue Bonds, Series 2010</b>		
7.625% due 10/15/2037	285	321
<b>Massachusetts Development Finance Agency Revenue Bonds, Series 2011</b>		
0.000% due 11/15/2056 (a)	140	1
6.250% due 11/15/2039	529	534
<b>Massachusetts Housing Finance Agency Revenue Bonds, Series 2003</b>		
5.125% due 06/01/2043	4,910	4,911
<b>Massachusetts State College Building Authority Revenue Bonds, Series 2009</b>		
5.500% due 05/01/2039	1,600	1,823
		7,590
<b>MICHIGAN 0.9%</b>		
<b>Detroit, Michigan General Obligation Bonds, Series 2010</b>		
5.250% due 11/01/2035	1,500	1,594
<b>Royal Oak Hospital Finance Authority, Michigan Revenue Bonds, Series 2009</b>		
8.250% due 09/01/2039	1,500	1,765
		3,359
<b>MISSOURI 0.2%</b>		
<b>Jennings, Missouri Revenue Bonds, Series 2006</b>		
5.000% due 11/01/2023	245	245
<b>Manchester, Missouri Tax Allocation Bonds, Series 2010</b>		
6.875% due 11/01/2039	500	518
		763
<b>NEW HAMPSHIRE 0.6%</b>		
<b>New Hampshire Business Finance Authority Revenue Bonds, Series 2009</b>		
6.125% due 10/01/2039	2,000	2,214

<b>NEW JERSEY 6.0%</b>		
<b>New Jersey Economic Development Authority Special Assessment Bonds, Series 2002</b>		
6.500% due 04/01/2028	4,500	5,600
<b>New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2007</b>		
5.750% due 07/01/2037	1,000	1,041
<b>New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2013</b>		
5.500% due 07/01/2043	2,000	2,310
<b>New Jersey Transportation Trust Fund Authority Revenue Bonds, Series 2015</b>		
5.250% due 06/15/2041	500	545
<b>Tobacco Settlement Financing Corp., New Jersey Revenue Bonds, Series 2007</b>		
4.750% due 06/01/2034	1,600	1,472
5.000% due 06/01/2041	12,745	11,465
		22,433
<b>NEW MEXICO 0.3%</b>		
<b>Farmington, New Mexico Revenue Bonds, Series 2010</b>		
5.900% due 06/01/2040	1,000	1,138
<b>NEW YORK 15.9%</b>		
<b>Brooklyn Arena Local Development Corp., New York Revenue Bonds, Series 2009</b>		
6.250% due 07/15/2040	9,800	11,281
<b>Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011</b>		
5.750% due 02/15/2047	5,000	5,864
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2011</b>		
5.000% due 11/15/2036	3,000	3,427
<b>Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014</b>		
2.000% due 01/01/2049 ^	311	39
6.700% due 01/01/2049	863	864
<b>New York City, New York Industrial Development Agency Revenue Bonds, (AGC Insured), Series 2009</b>		
7.000% due 03/01/2049	10,450	12,075
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2007</b>		
4.750% due 06/15/2035 (d)	4,000	4,162
<b>New York Liberty Development Corp. Revenue Bonds, Series 2007</b>		
5.500% due 10/01/2037	1,700	2,177

<b>New York Liberty Development Corp. Revenue Bonds, Series 2011</b>		
5.000% due 12/15/2041	3,000	3,465
5.000% due 11/15/2044	11,000	12,505
<b>New York Liberty Development Corp. Revenue Bonds, Series 2014</b>		
5.000% due 11/15/2044	3,000	3,223
		59,082
<b>NORTH CAROLINA 1.9%</b>		
<b>New Hanover County, North Carolina Revenue Bonds, Series 2011</b>		
5.000% due 10/01/2028	6,000	6,928
<b>OHIO 11.7%</b>		
<b>Allen County, Ohio Revenue Bonds, Series 2010</b>		
5.000% due 06/01/2038	500	550
<b>Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2024	1,000	946
5.875% due 06/01/2047	4,800	4,541
6.500% due 06/01/2047	30,350	30,347
<b>Hamilton County, Ohio Revenue Bonds, Series 2012</b>		
5.000% due 06/01/2042	1,500	1,668
<b>Ohio State Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 02/15/2048	5,000	5,583
		43,635
<b>PENNSYLVANIA 7.3%</b>		
<b>Allegheny County, Pennsylvania Hospital Development Authority Revenue Bonds, Series 2009</b>		
5.625% due 08/15/2039	1,000	1,122
<b>Berks County, Pennsylvania Municipal Authority Revenue Bonds, Series 2012</b>		
5.000% due 11/01/2044	6,600	7,194
<b>Capital Region Water, Pennsylvania Revenue Bonds, Series 2007</b>		
6.000% due 09/01/2036 ^	1,225	984
<b>Cumberland County, Pennsylvania Municipal Authority Revenue Bonds, Series 2008</b>		
5.625% due 07/01/2028	1,000	1,082
6.000% due 07/01/2035	670	731
<b>Dauphin County, Pennsylvania General Authority Revenue Bonds, Series 2009</b>		
6.000% due 06/01/2036	1,000	1,136
<b>Luzerne County, Pennsylvania Industrial Development Authority Revenue Bonds, Series 2009</b>		
5.500% due 12/01/2039	100	114

<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2009</b>		
5.125% due 12/01/2040	3,000	3,333
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 12/01/2043	5,000	5,639
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2015</b>		
5.000% due 12/01/2040	3,000	3,448
<b>Philadelphia Hospitals &amp; Higher Education Facilities Authority, Pennsylvania Revenue Bonds, Series 2012</b>		
5.625% due 07/01/2042	1,645	1,792

<b>Philadelphia, Pennsylvania Water &amp; Wastewater Revenue Bonds, Series 2009</b>		
5.250% due 01/01/2036	500	548
		27,123
<b>SOUTH CAROLINA 6.7%</b>		
<b>Greenwood County, South Carolina Revenue Bonds, Series 2009</b>		
5.375% due 10/01/2039	1,000	1,111
<b>South Carolina Ports Authority Revenue Bonds, Series 2010</b>		
5.250% due 07/01/2040	800	908
<b>South Carolina State Public Service Authority Revenue Bonds, Series 2013</b>		
5.125% due 12/01/2043	5,000	5,681
5.500% due 12/01/2053	15,000	17,183
		24,883
<b>TENNESSEE 0.7%</b>		
<b>Claiborne County, Tennessee Industrial Development Board Revenue Bonds, Series 2009</b>		
6.625% due 10/01/2039	1,250	1,394
<b>Johnson City Health &amp; Educational Facilities Board, Tennessee Revenue Bonds, Series 2010</b>		
6.000% due 07/01/2038	1,000	1,131
		2,525
<b>TEXAS 15.9%</b>		
<b>Dallas, Texas Civic Center Revenue Bonds, (AGC Insured), Series 2009</b>		
5.250% due 08/15/2038	1,300	1,449
<b>Grand Parkway Transportation Corp., Texas Revenue Bonds, Series 2013</b>		
5.000% due 04/01/2053	4,500	5,001
<b>JPMorgan Chase Putters/Drivers Trust, Texas General Obligation Notes, Series 2009</b>		
9.256% due 02/01/2017 (e)	6,500	7,981
<b>North Harris County, Texas Regional Water Authority Revenue Bonds, Series 2008</b>		
5.250% due 12/15/2033	5,500	6,075
5.500% due 12/15/2038	5,500	6,096
<b>North Texas Tollway Authority Revenue Bonds, Series 2008</b>		
5.625% due 01/01/2033	10,800	11,653
5.750% due 01/01/2033	700	760
<b>North Texas Tollway Authority Revenue Bonds, Series 2011</b>		
5.000% due 01/01/2038	3,000	3,302

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5.500% due 09/01/2041	600	708
<b>Tarrant County, Texas Cultural Education Facilities Finance Corp. Revenue Bonds, Series 2009</b>		
6.250% due 11/15/2029	3,000	3,408
<b>Texas Municipal Gas Acquisition &amp; Supply Corp. Revenue Bonds, Series 2006</b>		
5.250% due 12/15/2026	150	183
<b>Texas Municipal Gas Acquisition &amp; Supply Corp. Revenue Bonds, Series 2008</b>		
6.250% due 12/15/2026	9,600	11,879
<b>Wise County, Texas Revenue Bonds, Series 2011</b>		
8.000% due 08/15/2034	500	583
		59,078

**VIRGINIA 0.5%**

<b>Fairfax County, Virginia Industrial Development Authority Revenue Bonds, Series 2009</b>		
5.500% due 05/15/2035	1,000	1,127
<b>James City County, Virginia Economic Development Authority Revenue Bonds, Series 2013</b>		
2.000% due 10/01/2048 ^	201	15
6.000% due 06/01/2043	621	599
		1,741

**WASHINGTON 0.5%**

<b>Washington Health Care Facilities Authority Revenue Bonds, Series 2009</b>		
7.375% due 03/01/2038	1,000	1,179
<b>Washington Health Care Facilities Authority Revenue Bonds, Series 2010</b>		
5.500% due 12/01/2039	500	598
		1,777

**WEST VIRGINIA 0.3%**

<b>West Virginia Hospital Finance Authority Revenue Bonds, Series 2011</b>		
9.125% due 10/01/2041	955	1,028

**WISCONSIN 1.7%**

<b>University of Wisconsin Hospitals &amp; Clinics Authority Revenue Bonds, Series 2013</b>		
5.000% due 04/01/2038	3,500	3,967
<b>Wisconsin Health &amp; Educational Facilities Authority Revenue Bonds, Series 2009</b>		
6.625% due 02/15/2039	1,000	1,158

<b>Wisconsin Health &amp; Educational Facilities Authority</b>		
<b>Revenue Bonds, Series 2010</b>		
5.625% due 04/15/2039	1,000	1,133
		6,258
Total Municipal Bonds & Notes		578,980
(Cost \$502,974)		
<b>SHORT-TERM INSTRUMENTS 0.5%</b>		
<b>SHORT-TERM NOTES 0.4%</b>		
<b>Federal Home Loan Bank</b>		
0.269% due 04/20/2016 (b)	400	400
0.289% due 04/18/2016 (b)	1,100	1,100
0.294% due 04/01/2016 (b)	100	100
0.325% due 05/06/2016 (b)	200	200
		1,800
<b>U.S. TREASURY BILLS 0.1%</b>		
0.266% due 04/14/2016 (a)(b)	200	200
Total Short-Term Instruments		2,000
(Cost \$2,000)		
Total Investments in Securities		580,980
(Cost \$504,974)		
<b>Total Investments 155.9%</b>	<b>\$</b>	<b>580,980</b>
<b>(Cost \$504,974)</b>		
<b>Preferred Shares (50.7%)</b>		<b>(189,000)</b>
<b>Other Assets and Liabilities, net (5.2%)</b>		<b>(19,398)</b>
<b>Net Assets Applicable to Common Shareholders 100.0%</b>	<b>\$</b>	<b>372,582</b>



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

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

^ Security is in default.

(a) Zero coupon bond.

(b) Coupon represents a yield to maturity.

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

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

(e) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on March 31, 2016.

**Fair Value Measurements**

The following is a summary of the fair valuations according to the inputs used as of March 31, 2016 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 03/31/2016
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
Alabama	\$ 0	\$ 57,542	\$ 0	\$ 57,542
Arizona	0	38,759	0	38,759
California	0	96,827	0	96,827
Colorado	0	3,459	0	3,459
Connecticut	0	1,447	0	1,447
District of Columbia	0	11,161	0	11,161
Florida	0	23,748	0	23,748
Georgia	0	13,200	0	13,200
Hawaii	0	1,669	0	1,669
Illinois	0	29,079	0	29,079
Indiana	0	14,084	0	14,084
Iowa	0	3,546	0	3,546

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Kentucky	0	2,287	0	2,287
Louisiana	0	7,534	0	7,534
Maryland	0	3,083	0	3,083
Massachusetts	0	7,590	0	7,590
Michigan	0	3,359	0	3,359
Missouri	0	763	0	763
New Hampshire	0	2,214	0	2,214
New Jersey	0	22,433	0	22,433
New Mexico	0	1,138	0	1,138
New York	0	59,082	0	59,082
North Carolina	0	6,928	0	6,928
Ohio	0	43,635	0	43,635
Pennsylvania	0	27,123	0	27,123
South Carolina	0	24,883	0	24,883
Tennessee	0	2,525	0	2,525
Texas	0	59,078	0	59,078
Virginia	0	1,741	0	1,741
Washington	0	1,777	0	1,777
West Virginia	0	1,028	0	1,028
Wisconsin	0	6,258	0	6,258
<b>Short-Term Instruments</b>				
Short-Term Notes	0	1,800	0	1,800
U.S. Treasury Bills	0	200	0	200
Total Investments	\$ 0	\$ 580,980	\$ 0	\$ 580,980

**There were no significant transfers between Levels 1, 2, or 3 during the period ended March 31, 2016.**

**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 that 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 respective NAV is calculated if the Fund closes earlier, or as permitted by the SEC.

For purposes of calculating 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 do not normally take into account trading, clearances or settlements that take place after the NYSE Close. 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 PIMCO 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 or other pricing sources. With respect to any portion of the Fund 's assets that are invested in one or more open-end management investment companies (other than exchange-traded funds ( ETFs )), the Fund 's NAV will be calculated based upon 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 Inputs using (unadjusted) 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 in 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 in and out of the Level 3 category during the period. The end of period timing recognition is used for the transfers between Levels of the Fund's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for the Fund.

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

**Level 1 and Level 2 trading assets and trading liabilities, at fair 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.

Fixed income securities purchased on a delayed-delivery basis or as a repurchase commitment in a sale-buyback transaction are marked to market daily until settlement at the forward settlement date and are categorized as Level 2 of the fair value hierarchy.

The validity of the fair value is reviewed by the Manager on a periodic basis and may be amended in accordance with the Fund's valuation procedures.

**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, 2016, the Fund has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions they have taken or expect to take in future tax returns.

The Fund files U.S. tax returns. While the statute of limitations remains open to examine the Fund's U.S. tax returns filed for the fiscal years ending in 2013-2015, no examinations are in progress or anticipated at this time. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

As of March 31, 2016, the aggregate cost and the gross and the net unrealized appreciation (depreciation) of investments for federal income tax purposes were as follows (amounts in thousands):

<b>Federal Tax Cost</b>	<b>Aggregate Gross Unrealized Appreciation</b>	<b>Aggregate Gross Unrealized (Depreciation)</b>	<b>Net Unrealized Appreciation (Depreciation) (1)</b>
\$ 504,974	\$ 78,411	\$ (2,405)	\$ 76,006

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

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

(Unaudited)

Currency Abbreviations:

USD (or \$) United States Dollar

Municipal Bond or Agency Abbreviations:

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

**Item 2. Controls and Procedures**

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

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

**Item 3. Exhibits**

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



