

PIMCO Municipal Income Fund III (PMX)

Description

Seeks current income exempt from federal income tax.

Fund Inception Date

October 31, 2002

Total Fund Assets (in millions)

Common	\$309.8
Preferred	\$189.0
Total	\$498.8

Management Firm

PIMCO (Pacific Investment Management Company)

Portfolio Manager

John Cummings

Dividend Frequency

Monthly

Net Asset Value (NAV) / Market Price at Inception

\$14.31 / \$15.00

NAV / Market Price (as of 3/31/10)

\$9.66 / \$10.90

High / Low Ranges (52-Week)

High / Low NAV \$10.24 / \$7.85
High / Low Market Price \$11.75 / \$8.68

Premium / (Discount) to NAV

12.84%

Fund Data (Common Shares)

Shares Outstanding 32,074,841
Average Daily Volume 70,832

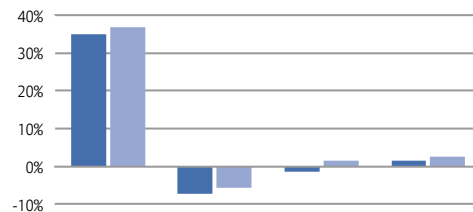
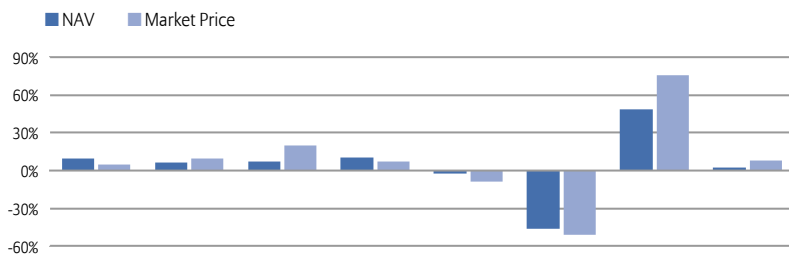
Fund Data (Preferred Shares)

Shares Outstanding 7,560
Share Price \$25,000
% of Total Fund Assets (Leverage) 37.88
Average Quarterly Rate (% Annualized) 0.36
Average Maturity (Days) 7

Fund Highlights

- Normally invests at least 80% of its net assets in municipal bonds that pay interest that is exempt from federal income tax.
- Seeks to be "AMT-free" by avoiding bonds generating interest that may subject individuals to the alternative minimum tax.
- Seeks to preserve and enhance the value of the Fund's holdings relative to the municipal bond market, generally, using proprietary analytical models that test and evaluate the sensitivity of those holdings to changes in interest rates and yield relationships.

Performance and Dividend Analysis—Common Shares



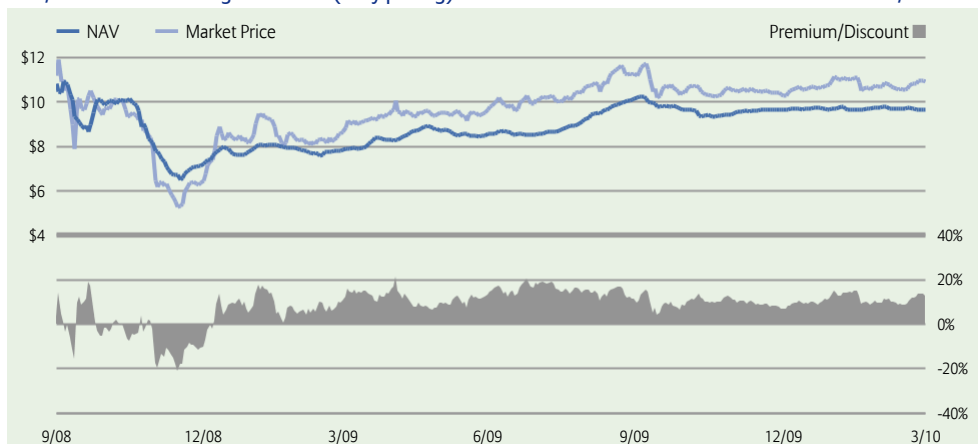
Calendar Year Returns

	'03	'04	'05	'06	'07	'08	'09	YTD
NAV	9.1%	6.7%	7.2%	10.2%	-1.4%	-45.8%	48.6%	2.4%
Market Price	4.6%	9.3%	19.7%	7.4%	-8.3%	-50.5%	76.0%	8.0%

Average Annual Returns

	1-yr	3-yr	5-yr	Inception
NAV	34.91%	-6.96%	-1.24%	1.61%
Market Price	36.68%	-5.47%	1.52%	2.57%

NAV/Market Price-Trailing 18 Months (daily pricing)



Fund Premium/Discount

Current Yield

Market Price Yield (%)	7.71
Tax Equivalent Dividend Yield (%) ¹	11.86
NAV Yield (%)	8.70
Undistributed Net Investment Income (as of 12/31/09)	\$0.1328

Distribution History (last six payments)

Declaration Date	Type	Amount Per Share
3/01/10	Dividend	\$0.07
2/01/10	Dividend	\$0.07
1/04/10	Dividend	\$0.07
12/01/09	Dividend	\$0.07
11/02/09	Dividend	\$0.07
10/01/09	Dividend	\$0.07

Investment Products

Not FDIC Insured | May Lose Value | Not Bank Guaranteed

Past performance is no guarantee of future results. An investment in the Fund involves risk, including loss of principal. Investment return and the value of shares will fluctuate. Returns are calculated by determining the percentage change in net asset value (NAV) or market share price (as applicable) with all distributions reinvested. The Fund's performance at market price will differ from its 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 Fund, market conditions, supply and demand for the Fund's shares or changes in Fund distributions. The returns do not reflect broker sales charges or commissions. NAV is total assets less total liabilities divided by the number of shares outstanding. This material is presented only to provide information and is not intended for trading purposes. The Fund is a closed-end exchange traded management investment company. A closed-end fund, unlike an open-end fund, is not continuously offered. After the initial public offering, shares are sold on the open market through a stock exchange. Additional information regarding the Fund can be found in the Fund's most recent shareholder report. Distributions may include ordinary income, net capital gains, and/or return of capital. Refer to the most recent Section 19 Notice, if applicable, for distribution composition information. Distribution rates are subject to change and are not a quotation of Fund performance. For the period covered by the most recent shareholder report, the expense ratio is 1.92% or 1.44% when additional non-cash interest expenses are excluded. These expenses do not reflect actual expenses paid but reflect the accounting treatment of certain bonds held in the Fund.

¹ Taxable equivalent dividend yield rate is the yield on a taxable investment that results in an after-tax yield equal to that of the Fund. The rate shown is based on a federal tax rate of 35.00%. **Due to taxable income and other factors, the actual taxable equivalent yield may be lower than shown.** Shareholders of a municipal bond fund may incur a federal, state and/or local tax liability, including possible Alternative Minimum Tax, due to income and gains from certain fund investments. A fund concentrating in a single state is subject to greater risk of adverse economic conditions and regulatory changes than a fund with broader geographical diversification. Please read the most recent shareholder report to learn more about the effect of taxes.

Visit www.allianzinvestors.com for more information.

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Portfolio Analysis

Top Five Sectors		Average Weighted Maturity		Call Structure (% of assets callable per year)	
Hospital Revenue	24%	<1 Year	2%	0–5 Years	41.21%
Water & Sewer	16%	5–10 Years	6%	2010	5.19%
Tobacco	12%	10–20 Years	45%	2011	0.57%
Power Revenue	10%	20+ Years	47%	2012	11.38%
Ind Dev/Pollution Ctrl	9%	Average Maturity	18.92 Years	2013	22.86%
		Average Duration	13.21 Years	2014	1.21%
				5–10 Years	47.37%
				10–15 Years	3.09%
				Non-Callable	7.07%
Top Five States		Statistics			
MICHIGAN	16%	Average Coupon Rate (%)	5.97		
TEXAS	12%	Standard Deviation of NAV	22.04		
ILLINOIS	8%	Standard Deviation of Market Price	30.85		
CALIFORNIA	7%				
WASHINGTON	7%				

Portfolio Management

PIMCO (Pacific Investment Management Company)

Founded in 1971 and based in Newport Beach, California, PIMCO is a leading institutional investment firm with a client list that includes many of the largest companies in the United States. PIMCO is one of the most respected names in fixed-income management, due in large part to its total return approach to bond investing and strong long-term performance record. While renowned for its bond management expertise, PIMCO has also developed a range of innovative investment strategies to offer investors access to other asset classes, including stocks, commodities and real estate. In recent years, the firm has expanded its global operations and today has offices in cities such as London, Munich, Singapore, Sydney and Tokyo.

Portfolio Manager



John Cummings

Mr. Cummings is an executive vice president and a municipal bond portfolio manager in the Newport Beach office. Prior to joining PIMCO in 2002, he was vice president, municipal trading at Goldman Sachs, responsible for a number of municipal sectors, including industrials, airlines, utilities, healthcare and high-yield. He began his investment career in 1982 and holds an MBA, as well as his undergraduate degree, from Rutgers University.

Investment Process

The top-down investment process begins with PIMCO's annual Secular Forum, during which the firm develops a three- to five-year outlook for the global economy and interest rates. This helps set the basic portfolio parameters, including duration, yield-curve positioning, sector weightings and credit quality. PIMCO's municipal bond team seeks to add value in a number of ways. The team believes that investments should be made from the point of view of maximizing total return as opposed to simply reaching for maximum yield—so the portfolio is scrutinized using a process that models the potential changes in yield and price as the underlying variables of the marketplace change. Yield-to-worst measures are carefully examined, as are the impact of a shifting municipal yield curve and the influence of yield volatility and credit shifts on the portfolio.

Past performance is no guarantee of future results. Holdings are subject to change daily. The use of leverage may cause a Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements. This may cause a Fund to be more volatile, which may increase the risk of investment loss. This Fund may use derivative instruments for hedging purposes or as part of its investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk (the risk that illiquid securities may not be able to be sold at an advantageous time or price), interest rate risk (the risk that the value of fixed-income securities will decline if interest rates rise), market risk (the risk that the market price of securities may go up or down, sometimes rapidly or unpredictably), credit risk (the risk that the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, may be unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations), management risk (the risk that investment management decisions may not produce the desired results) and the risk that a fund could not close out a position when it would be most advantageous to do so. Portfolios investing in derivatives could lose more than the principal amount invested in those instruments. Fixed-income securities generally decline in value when interest rates rise and are subject to the credit risk of the issuer.

Duration is a measure of a Fund's price sensitivity expressed in years. Call Feature allows the issuer to "call" or repurchase certain securities before maturity, at a specified price and/or point in time. Standard deviation is an absolute measure of volatility measuring dispersion about an Average which, for an index, depicts how widely the returns varied over a certain period of time. The greater the degree of dispersion, the greater the risk.

Allianz Global Investors Fund Management LLC serves as the Fund's investment manager, and the sub-advisor is PIMCO (Pacific Investment Management Company). Visit www.allianzinvestors.com for more information.