

Edgar Filing: CORPORATE HIGH YIELD FUND III INC - Form N-Q

CORPORATE HIGH YIELD FUND III INC

Form N-Q

April 28, 2006

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act File number 811-8497

Name of Fund: Corporate High Yield Fund III, Inc.

Fund Address: P.O. Box 9011
Princeton, NJ 08543-9011

Name and address of agent for service: Robert C. Doll, Jr., Chief Executive
Officer, Corporate High Yield Fund III, Inc., 800 Scudders Mill Road,
Plainsboro, NJ 08536. Mailing address: P.O. Box 9011, Princeton, NJ
08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 05/31/2006

Date of reporting period: 12/01/05 - 02/28/06

Item 1 - Schedule of Investments

Corporate High Yield Fund III, Inc.
Schedule of Investments as of February 28, 2006 (in U.S. dollars)

| Industry | Face Amount | Corporate Bonds |
|-------------------------------|---|---|
| Aerospace & Defense - 4.8% | \$ 2,275,000 1,575,000 250,000 975,000 775,000 1,375,000 1,380,000 1,750,000 1,800,000 2,950,000 | Alliant Techsystems, Inc., 3% due 8/15/2024 (b) (i) DRS Technologies, Inc., 6.875% due 11/01/2013 DRS Technologies, Inc., 6.625% due 2/01/2016 Esterline Technologies Corp., 7.75% due 6/15/2013 K&F Acquisition, Inc., 7.75% due 11/15/2014 L-3 Communications Corp., 6.375% due 10/15/2015 L-3 Communications Corp., 3% due 8/01/2035 (b) (i) Standard Aero Holdings, Inc., 8.25% due 9/01/2014 Transdigm, Inc., 8.375% due 7/15/2011 Vought Aircraft Industries, Inc., 8% due 7/15/2011 |
| Airlines - 1.3% | 2,250,000 1,150,194 163,732 829,500 | American Airlines, Inc. Class C, 7.80% due 4/01/2008 Continental Airlines, Inc. Series 1997-4-B, 6.90% due 1/ Continental Airlines, Inc. Series 1998-1-C, 6.541% due 9 Continental Airlines, Inc. Series 2001-1 Class C, 7.033 due 6/15/2011 |

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| | | |
|------------------------------|-----------|---|
| Automotive - 0.5% | 800,000 | General Motors Acceptance Corp., 7.25% due 3/02/2011 |
| | 965,000 | Metaldyne Corp., 10% due 11/01/2013 |
| Broadcasting - 4.0% | 737,143 | Emmis Communications Corp., 10.366% due 6/15/2012 (d) |
| | 1,150,000 | Granite Broadcasting Corp., 9.75% due 12/01/2010 |
| | 1,200,000 | Nexstar Finance, Inc., 7% due 1/15/2014 |
| | 1,950,000 | Paxson Communications Corp., 7.777% due 1/15/2012 (d) (i) |
| | 975,000 | Paxson Communications Corp., 10.777% due 1/15/2013 (d) (i) |
| | 1,175,000 | Salem Communications Corp., 7.75% due 12/15/2010 |
| | 1,364,000 | Salem Communications Holding Corp. Series B, 9% due 7/01/2011 |
| | 400,000 | Sinclair Broadcast Group, Inc., 8% due 3/15/2012 |
| | 1,950,000 | Sirius Satellite Radio, Inc., 9.625% due 8/01/2013 |
| | 2,300,000 | Young Broadcasting, Inc., 8.75% due 1/15/2014 |
| Cable - International - 0.6% | 750,000 | New Skies Satellites NV, 9.573% due 11/01/2011 (d) |
| | 1,000,000 | New Skies Satellites NV, 9.125% due 11/01/2012 |
| Cable - U.S. - 8.5% | 750,000 | Adelphia Communications Corp., 6% due 2/15/2006 (b) (c) (k) |
| | 2,275,000 | CSC Holdings, Inc. Series B, 7.625% due 4/01/2011 |
| | 75,000 | Cablevision Systems Corp. Series B, 8.716% due 4/01/2009 |
| | 2,500,000 | Cablevision Systems Corp. Series B, 8% due 4/15/2012 |
| | 1,900,000 | Century Communications Series B, 9.05%* due 1/15/2008 (e) |
| | 1,550,000 | Charter Communications Holdings II LLC, 10.25% due 9/15/2011 |
| | 1,950,000 | Charter Communications Holdings LLC, 9.625% due 11/15/2011 |
| | 595,000 | Charter Communications, Inc., 5.875% due 11/16/2009 (b) (i) |
| | 2,675,000 | Intelsat Bermuda Ltd., 9.609% due 1/15/2012 (d) (i) |
| | 2,775,000 | Intelsat Bermuda Ltd., 8.625% due 1/15/2015 (i) |
| | 596,000 | Loral Spacecom Corp., 14% due 11/15/2015 (g) |
| | 2,425,000 | Mediacom Broadband LLC, 11% due 7/15/2013 |

Corporate High Yield Fund III, Inc.

Schedule of Investments as of February 28, 2006

(in U.S. dollars)

| Industry | Face Amount | Corporate Bonds |
|------------------|--------------|--|
| | \$ 2,425,000 | Mediacom LLC, 9.50% due 1/15/2013 |
| | 2,193,000 | PanAmSat Corp., 9% due 8/15/2014 |
| | 1,975,000 | Quebecor Media, Inc., 7.75% due 3/15/2016 (i) |
| | 1,900,000 | Rainbow National Services LLC, 10.375% due 9/01/2014 (i) |
| Chemicals - 4.0% | 1,519,000 | BCP Caylux Holdings Luxembourg SCA, 9.625% due 6/15/2014 |
| | 1,500,000 | Huntsman International, LLC, 10.125% due 7/01/2009 |
| | 1,950,000 | Innophos, Inc., 8.875% due 8/15/2014 (i) |
| | 975,000 | Millennium America, Inc., 9.25% due 6/15/2008 |
| | 450,000 | Nalco Co., 7.75% due 11/15/2011 |

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| | | |
|--|-----------|--|
| | 1,125,000 | Nalco Co., 8.875% due 11/15/2013 |
| | 924,000 | Nalco Finance Holdings, Inc., 9.141%* due 2/01/2014 |
| | 1,125,000 | Nova Chemicals Corp., 7.561% due 11/15/2013 (d) |
| | 2,300,000 | Omnova Solutions, Inc., 11.25% due 6/01/2010 |
| | 775,000 | Tronox Worldwide LLC, 9.50% due 12/01/2012 (i) |
| ----- | | |
| Consumer - Durables - 0.9% | 1,350,000 | Sealy Mattress Co., 8.25% due 6/15/2014 |
| | 600,000 | Simmons Bedding Co., 7.875% due 1/15/2014 |
| | 785,000 | Tempur-Pedic, Inc., 10.25% due 8/15/2010 |
| ----- | | |
| Consumer - | 2,200,000 | Chattem, Inc., 7% due 3/01/2014 |
| Non-Durables - 4.0% | 2,975,000 | Church & Dwight Co., Inc., 6% due 12/15/2012 |
| | 3,525,000 | Hines Nurseries, Inc., 10.25% due 10/01/2011 |
| | 2,000,000 | Quiksilver, Inc., 6.875% due 4/15/2015 |
| | 2,200,000 | Samsonite Corp., 8.875% due 6/01/2011 |
| ----- | | |
| Diversified Media - 7.4% | 2,975,000 | CBD Media, Inc., 8.625% due 6/01/2011 |
| | 2,275,000 | CanWest Media, Inc., 8% due 9/15/2012 |
| | 1,367,000 | Dex Media West LLC, 9.875% due 8/15/2013 |
| | 2,650,000 | Houghton Mifflin Co., 8.25% due 2/01/2011 |
| | 3,739,000 | Liberty Media Corp., 0.75% due 3/30/2023 (b) |
| | 750,000 | RH Donnelley Corp., 6.875% due 1/15/2013 (i) |
| | 1,475,000 | RH Donnelley Corp., 8.875% due 1/15/2016 (i) |
| | 1,400,000 | RH Donnelley Corp. Series A-2, 6.875% due 1/15/2013 (i) |
| | 1,375,000 | Six Flags, Inc., 9.625% due 6/01/2014 |
| | 1,700,000 | Universal City Florida Holding Co. I, 9.43% due 5/01/2011 |
| | 3,302,000 | Yell Finance BV, 12.52%* due 8/01/2011 |
| ----- | | |
| Energy - Exploration & Production - 2.8% | 1,575,000 | Belden & Blake Corp., 8.75% due 7/15/2012 |
| | 1,550,000 | Chaparral Energy, Inc., 8.50% due 12/01/2015 (i) |
| | 1,950,000 | Compton Petroleum Finance Corp., 7.625% due 12/01/2013 |
| | 800,000 | Encore Acquisition Co., 6.25% due 4/15/2014 |
| | 325,000 | Plains Exploration & Production Co., 7.125% due 6/15/2011 |
| | 2,525,000 | Plains Exploration & Production Co. Series B, 8.75% due 12/01/2011 |
| ----- | | |
| Energy - Other - 3.5% | 475,000 | Copano Energy LLC, 8.125% due 3/01/2016 (i) |
| | 1,875,000 | Dresser, Inc., 9.375% due 4/15/2011 |
| | 375,000 | Ferrellgas Escrow LLC, 6.75% due 5/01/2014 |
| | 2,350,000 | Ferrellgas Partners LP, 8.75% due 6/15/2012 |
| | 2,350,000 | SemGroup LP, 8.75% due 11/15/2015 (i) |

Corporate High Yield Fund III, Inc.
Schedule of Investments as of February 28, 2006

(in U.S. dollars)

Industry Face Amount Corporate Bonds

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Corporate High Yield Fund III, Inc.

Schedule of Investments as of February 28, 2006

(in U.S. dollars)

| Industry | Face Amount | Corporate Bonds |
|----------------------|----------------|--|
| <hr/> | | |
| Housing - 3.3% | \$ 1,050,000 | Building Materials Corp. of America, 8% due 10/15/2007 |
| | 5,850,000 | Building Materials Corp. of America, 8% due 12/01/2008 |
| | 775,000 | Forest City Enterprises, Inc., 7.625% due 6/01/2015 |
| | 450,000 | Goodman Global Holding Co., Inc., 7.491% due 6/15/2012 (d) |
| | 950,000 | Goodman Global Holding Co., Inc., 7.875% due 12/15/2012 |
| | 800,000 | Standard-Pacific Corp., 6.50% due 8/15/2010 |
| | 725,000 | Texas Industries, Inc., 7.25% due 7/15/2013 |
| <hr/> | | |
| Information | 1,000,000 | Activant Solutions, Inc., 10.53% due 4/01/2010 (d) (i) |
| Technology - 7.4% | 2,340,000 | Advanced Micro Devices, Inc., 7.75% due 11/01/2012 |
| | 2,135,000 | Cypress Semiconductor Corp., 1.25% due 6/15/2008 (b) |
| | 2,175,000 | Freescale Semiconductor, Inc., 7.35% due 7/15/2009 (d) |
| | 1,650,000 | MagnaChip Semiconductor SA, 8.16% due 12/15/2011 (d) |
| | 1,275,000 | MagnaChip Semiconductor SA, 8% due 12/15/2014 |
| | 1,835,000 | Quantum Corp., 4.375% due 8/01/2010 (b) |
| | 2,450,000 | Sungard Data Systems, Inc., 9.125% due 8/15/2013 (i) |
| | 1,625,000 | Sungard Data Systems, Inc., 9.431% due 8/15/2013 (d) (i) |
| | 975,000 | Sungard Data Systems, Inc., 10.25% due 8/15/2015 (i) |
| | 775,000 | Telcordia Technologies Inc., 10% due 3/15/2013 (i) |
| | 1,150,000 | UGS Corp., 10% due 6/01/2012 |
| | 3,100,000 | Viasystems, Inc., 10.50% due 1/15/2011 |
| <hr/> | | |
| Leisure - 1.5% | 2,850,000 | FelCor Lodging LP, 8.83% due 6/01/2011 (d) |
| | 1,550,000 | FelCor Lodging LP, 9% due 6/01/2011 |
| <hr/> | | |
| Manufacturing - 4.4% | 2,175,000 | CPI Holdco, Inc., 10.561% due 2/01/2015 (d) |
| | 875,000 | Chart Industries, Inc., 9.125% due 10/15/2015 (i) |
| | 3,725,000 | EaglePicher Inc., 9.75% due 9/01/2013 (e) |
| | 1,900,000 | Invensys Plc, 9.875% due 3/15/2011 (i) |
| | 1,335,000 | Medis Technologies Ltd., 6% due 7/15/2010 (b) (i) |
| | 975,000 | Mueller Group, Inc., 10% due 5/01/2012 |
| | 775,000 | Rexnord Corp., 10.125% due 12/15/2012 |
| | 1,000,000 | Superior Essex Communications LLC, 9% due 4/15/2012 |
| | 2,325,000 | Trimas Corp., 9.875% due 6/15/2012 |
| <hr/> | | |
| Metal - Other - 1.7% | 1,150,000 | Foundation PA Coal Co., 7.25% due 8/01/2014 |
| | 2,350,000 | Indalex Holding Corp., 11.50% due 2/01/2014 (i) |
| | 2,150,000 | Novelis, Inc., 7.25% due 2/15/2015 |
| <hr/> | | |
| Packaging - 1.8% | 1,925,000 | Graham Packing Co., Inc., 9.875% due 10/15/2014 |

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3,000,000 Owens-Brockway, 8.875% due 2/15/2009
 400,000 Owens-Brockway, 8.25% due 5/15/2013
 875,000 Pliant Corp., 13% due 6/01/2010 (e)
 550,000 Pliant Corp., 13% due 6/01/2010 (e)

 Paper - 5.0% 1,925,000 Abitibi-Consolidated, Inc., 8.41% due 6/15/2011 (d)
 975,000 Boise Cascade LLC, 7.475% due 10/15/2012 (d)
 2,725,000 Bowater, Inc., 7.91% due 3/15/2010 (d)
 2,025,000 Domtar, Inc., 7.125% due 8/15/2015
 825,000 Graphic Packaging International Corp., 8.50% due 8/15/2010
 1,550,000 Graphic Packaging International Corp., 9.50% due 8/15/2010
 925,000 JSG Funding Plc, 9.625% due 10/01/2012

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 Schedule of Investments as of February 28, 2006 (in U.S. dollars)

| Industry | Face Amount | Corporate Bonds |
|----------|--------------|--|
| | \$ 1,450,000 | NewPage Corp., 10.93% due 5/01/2012 (d) |
| | 1,450,000 | NewPage Corp., 12% due 5/01/2013 |
| | 2,325,000 | Norske Skog Canada Ltd. Series D, 8.625% due 6/15/2011 |

 Retail - 1.9% 600,000 General Nutrition Centers, Inc., 8.625% due 1/15/2011
 2,550,000 Jean Coutu Group, Inc., 8.50% due 8/01/2014
 1,375,000 Neiman-Marcus Group, Inc., 9% due 10/15/2015 (i)
 1,575,000 Neiman-Marcus Group, Inc., 10.375% due 10/15/2015 (i)

 Service - 6.3% 2,625,000 Allied Waste North America, Inc. Series B, 8.875% due 4/15/2011
 2,725,000 Corrections Corp. of America, 7.50% due 5/01/2011
 1,750,000 Dycom Industries, Inc., 8.125% due 10/15/2015 (i)
 1,150,000 MSW Energy Holdings LLC, 8.50% due 9/01/2010
 375,000 MSW Energy Holdings II LLC, 7.375% due 9/01/2010
 2,000,000 Mac-Gray Corp., 7.625% due 8/15/2015
 2,775,000 Service Corp. International, 7.50% due 6/15/2017 (i)
 3,325,000 United Rentals North America, Inc., 7.75% due 11/15/2013
 3,000,000 Waste Services, Inc., 9.50% due 4/15/2014

 Steel - 1.1% 1,950,000 Chaparral Steel Co., 10% due 7/15/2013
 1,200,000 Ucar Finance, Inc., 10.25% due 2/15/2012

 Telecommunications - 5.6% 1,647,000 ADC Telecommunications, Inc., 1% due 6/15/2008 (b)
 750,000 ADC Telecommunications, Inc., 5.045% due 6/15/2013 (b) (d)
 2,350,000 Eircom Funding Plc, 8.25% due 8/15/2013
 1,975,000 Inmarsat Finance Plc, 7.625% due 6/30/2012
 2,900,000 LCI International, Inc., 7.25% due 6/15/2007

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| | |
|-----------|---|
| 350,000 | Qwest Communications International, Inc., 7.50% due 2/15/2013 |
| 1,550,000 | Qwest Corp., 8.16% due 6/15/2013 (d) |
| 525,000 | Qwest Corp., 7.625% due 6/15/2015 |
| 370,000 | Terremark Worldwide, Inc., 9% due 6/15/2009 (b) (i) |
| 850,000 | Time Warner Telecom Holdings, Inc., 8.749% due 2/15/2011 |
| 3,875,000 | Time Warner Telecom, Inc., 10.125% due 2/01/2011 |

| | | |
|-----------------------|-----------|---|
| Transportation - 1.0% | 600,000 | OMI Corp., 7.625% due 12/01/2013 |
| | 2,325,000 | Teekay Shipping Corp., 8.875% due 7/15/2011 |

| | | |
|-----------------|-----------|--|
| Utility - 10.1% | 4,458,000 | The AES Corp., 9.375% due 9/15/2010 |
| | 2,100,000 | The AES Corp., 8.75% due 5/15/2013 (i) |
| | 1,975,000 | Aquila, Inc., 7.625% due 11/15/2009 |
| | 1,891,000 | Centerpoint Energy, Inc. Series B, 3.75% due 5/15/2023 (i) |
| | 2,158,000 | ESI Tractebel Acquisition Corp. Series B, 7.99% due 12/31/2013 (i) |
| | 1,900,000 | Edison Mission Energy, 9.875% due 4/15/2011 |
| | 2,025,000 | Mirant North America LLC, 7.375% due 12/31/2013 (i) |
| | 1,575,000 | NRG Energy, Inc., 7.25% due 2/01/2014 |
| | 1,475,000 | NRG Energy, Inc., 7.375% due 2/01/2016 |
| | 390,000 | Nevada Power Co., 9% due 8/15/2013 |
| | 2,145,000 | Nevada Power Co. Series E, 10.875% due 10/15/2009 |
| | 2,250,000 | Reliant Energy, Inc., 9.50% due 7/15/2013 |

Corporate High Yield Fund III, Inc.
 Schedule of Investments as of February 28, 2006 (in U.S. dollars)

| Industry | Face Amount | Corporate Bonds |
|--------------------------------|--------------|--|
| | \$ 1,650,000 | Sierra Pacific Power Co. Series A, 8% due 6/01/2008 |
| | 1,200,000 | Sierra Pacific Resources, 8.625% due 3/15/2014 |
| | 925,000 | Southern Natural Gas Co., 8.875% due 3/15/2010 |
| | 2,135,563 | Tenaska Alabama Partners LP, 7% due 6/30/2021 (i) |
| Wireless Communications - 4.6% | 1,600,000 | Centennial Cellular Operating Co. LLC, 10.125% due 6/15/2013 |
| | 1,000,000 | Dobson Cellular Systems, 9.43% due 11/01/2011 (d) |
| | 875,000 | Dobson Communications Corp., 8.85% due 10/15/2012 (d) (1) |
| | 1,750,000 | IWO Holdings, Inc., 8.35% due 1/15/2012 (d) |
| | 650,000 | Rogers Wireless Communications, Inc., 8.035% due 12/15/2012 |
| | 250,000 | Rogers Wireless Communications, Inc., 8% due 12/15/2012 |
| | 3,400,000 | Rogers Wireless Communications, Inc., 6.375% due 3/01/2020 |
| | 625,000 | Rural Cellular Corp., 9.41% due 3/15/2010 (d) |
| | 2,000,000 | Rural Cellular Corp., 8.25% due 3/15/2012 |
| | 894,000 | SBA Communications Corp., 8.50% due 12/01/2012 |
| | 1,255,000 | SBA Telecommunications, Inc., 7.415%* due 12/15/2011 |

Total Corporate Bonds (Cost - \$372,932,463) - 118.7%

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Floating Rate Loan Interests (a)

| | | |
|---|-----------|---|
| Cable - U.S. - 1.5% | 4,850,000 | Century Cable Holdings LLC, Discretionary Term Loan, 9.50% due 12/31/2009 |
| Chemicals - 0.9% | 2,830,000 | Wellman, Inc. Second Lien Term Loan, 11.43% due 2/10/2011 |
| Consumer - Durables - 0.4% | 1,375,000 | Simmons Co. Term Loan, 8.50% due 6/19/2012 |
| Total Floating Rate Loan Interests (Cost - \$8,746,683) - | | |

Foreign Government Obligations

| | |
|-----------|---|
| 1,900,000 | Brazilian Government International Bond, 8.75% due 2/04/2011 |
| 1,900,000 | Brazilian Government International Bond, 8.25% due 1/20/2011 |
| 1,200,000 | Philippine Government International Bond, 8.375% due 2/1/2011 |
| 1,150,000 | Turkey Government International Bond, 6.875% due 3/17/2011 |
| 400,000 | Venezuela Government International Bond, 7.65% due 4/21/2011 |

Total Foreign Government Obligations (Cost - \$6,568,315)

Shares Held Common Stocks

| | | |
|-----------------------|---------|---------------------------------------|
| Airlines - 0.2% | 81,243 | ABX Air, Inc. (c) |
| Cable - U.S. - 0.8% | 89,446 | Loral Space & Communications Ltd. (c) |
| Energy - Other - 0.0% | 2,524 | Trico Marine Services, Inc. (c) |
| Paper - 0.1% | 158,023 | Western Forest Products, Inc. (c) |
| | 45,762 | Western Forest Products, Inc. (c) |

Total Common Stocks (Cost - \$5,328,908) - 1.1%

Preferred Securities

Preferred Stocks

| | | |
|---------------------|---------|--|
| Automotive - 0.6% | 106,400 | General Motors Corp. Series C, 6.25% (b) |
| Cable - U.S. - 0.3% | 5,644 | Loral Spacecom Corp. Series A, 12% (g) (i) |

Total Preferred Stocks (Cost - \$3,776,984) - 0.9%

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Corporate High Yield Fund III, Inc.
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(in U.S. dollars)

| Industry | Face Amount | Preferred Securities |
|-----------------------------------|----------------|--|
| | | Capital Trusts |
| Health Care - 1.2% | \$ 3,750,000 | Fresenius Medical Care Capital Trust II, 7.875% due 2/01 |
| | | Total Capital Trusts (Cost - \$3,690,323) - 1.2% |
| | | Total Preferred Securities (Cost - \$7,467,307) - 2.1% |
| | | Shares Held Warrants (h) |
| Health Care - 0.1% | 32,042 | HealthSouth Corp. (expires 1/16/2014) |
| Packaging - 0.0% | 4,000 | Pliant Corp. (expires 6/01/2010) |
| Paper - 0.0% | 700 | MDP Acquisitions Plc (expires 10/01/2013) |
| Wireless Communications - 0.1% | 825 | American Tower Corp. (expires 8/01/2008) |
| | | Total Warrants (Cost - \$53,675) - 0.2% |
| | | Rights (j) |
| Paper - 0.0% | 203,785 | Western Forest Products, Inc. |
| | | Total Rights (Cost - \$0) - 0.0% |
| | | Beneficial Interest Other Interests (f) |
| Airlines - 0.5% | \$ 3,780,240 | U.S. Airways Group, Inc. (Certificate of Beneficial Inte |
| Cable - U.S. - 0.0% | 4,019,000 | Loral Cyberstar Escrow |
| | | Total Other Interests (Cost - \$1,020,665) - 0.5% |
| | | Total Investments (Cost - \$402,118,016**) - 127.7% |
| | | Liabilities in Excess of Other Assets - (27.7%) |
| | | Net Assets - 100.0% |

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- * Represents a zero coupon bond; the interest rate shown reflects the effective yield at the time of purchase.
- ** The cost and unrealized appreciation (depreciation) of investments as of February 28, 2006, as computed for federal income tax purposes, were as follows:

| | | |
|-------------------------------|----------------|-------|
| Aggregate cost | \$ 403,086,303 | ===== |
| Gross unrealized appreciation | \$ 17,279,622 | |
| Gross unrealized depreciation | (11,224,292) | ----- |
| Net unrealized appreciation | \$ 6,055,330 | ===== |

- (a) Floating rate loan interests in which the Fund invests generally pay interest at rates that are periodically redetermined by reference to a base lending rate plus a premium. The base lending rates are generally (i) the lending rate offered by one or more major European banks, such as LIBOR (London InterBank Offered Rate), (ii) the prime rate offered by one or more major U.S. banks or (iii) the certificate of deposit rate.
- (b) Convertible security.
- (c) Non-income producing security.
- (d) Floating rate note.
- (e) Non-income producing security; issuer filed for bankruptcy or is in default of interest payments.
- (f) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (g) Represents a pay-in-kind security which may pay interest/dividends in additional face/shares.
- (h) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.
- (i) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (j) The rights may be exercised until 3/09/2006.
- (k) As a result of bankruptcy proceedings, the company did not repay the principal amount of the security upon maturity.
- (l) This security, or portion thereof, has been purchased on a "when-issued" basis period.

Corporate High Yield Fund III, Inc.

Schedule of Investments as of February 28, 2006

(in U.S. dollars)

- o For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets.
- o Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

| Affiliate | Net Activity | Interest Income |
|-----------|-----------------|--------------------|
|-----------|-----------------|--------------------|

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Merrill Lynch Liquidity Series, LLC
 Cash Sweep Series I (\$79,564) \$12,905

o Swaps outstanding as of February 28, 2006 were as follows:

| | Notional Amount | Unrealized Appreciation (Depreciation) |
|---|--------------------|--|
| <hr style="border-top: 1px dashed black;"/> | | |
| Sold credit default protection on General Motors Corp. and receive 5% | | |
| Broker, Morgan Stanley Capital Services, Inc. Expires June 2006 | \$ 800,000 | \$ 4,788 |
| Sold credit default protection on General Motors Acceptance Corp. and receive 4% | | |
| Broker, Morgan Stanley Capital Services, Inc. Expires June 2006 | \$ 800,000 | 382 |
| Sold credit default protection on General Motors Acceptance Corp. and receive 3.50% | | |
| Broker, JPMorgan Chase Bank Expires March 2007 | \$ 800,000 | (10,810) |
| Sold credit default protection on General Motors Acceptance Corp. and receive 4.50% | | |
| Broker, Morgan Stanley Capital Services, Inc. Expires March 2007 | \$ 800,000 | (3,000) |
| Sold credit default protection on General Motors Corp. and receive 4.40% | | |
| Broker, Morgan Stanley Capital Services, Inc. Expires June 2007 | \$ 400,000 | (41,884) |
| Sold credit default protection on General Motors Corp. and receive 8% | | |
| Broker, Morgan Stanley Capital Services, Inc. Expires June 2007 | \$ 400,000 | (25,953) |
| Sold credit default protection on Russian Federation and receive 0.73% | | |
| Broker, UBS Warburg Expires October 2010 | \$ 1,600,000 | 17,262 |

Corporate High Yield Fund III, Inc.
 Schedule of Investments as of February 28, 2006 (in U.S. dollars)

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| | Notional Amount | Unrealized Appreciation (Depreciation) |
|---|--------------------|--|
| ----- | | |
| Sold credit default protection on Federative Republic of Brazil and receive 3.44% | | |
| Broker, Morgan Stanley Capital Services, Inc. Expires October 2010 | \$ 1,000,000 | \$ 99,498 |
| Bought credit default protection on Chemtura Corp. and pay 1.35% | | |
| Broker, Deutsche Bank AG London Expires December 2010 | \$ 600,000 | (9,917) |
| Bought credit default protection on Chemtura Corp. and pay 1.4286% | | |
| Broker, Morgan Stanley Capital Services, Inc. Expires December 2010 | \$ 1,375,000 | (27,281) |
| Sold credit default protection on Dow Jones CDX Emerging Markets Index Series 4 and receive 1.80% | | |
| Broker, Morgan Stanley Capital Services, Inc. Expires December 2010 | \$ 1,000,000 | 43,151 |
| Sold credit default protection on Dow Jones CDX Emerging Markets Index Series 4 and receive 1.80% | | |
| Broker, Morgan Stanley Capital Services, Inc. Expires December 2010 | \$ 2,950,000 | 165,646 |
| ----- | | |
| Total | | \$ 211,882 ===== |

Item 2 - Controls and Procedures

- 2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.
- 2(b) - There were no 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 last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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Item 3 - Exhibits

Certifications - Attached hereto

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.

Corporate High Yield Fund III, Inc.

By: /s/ Robert C. Doll, Jr.

Robert C. Doll, Jr.
Chief Executive Officer
Corporate High Yield Fund III, Inc.

Date: April 20, 2006

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/ Robert C. Doll, Jr.

Robert C. Doll, Jr.
Chief Executive Officer
Corporate High Yield Fund III, Inc.

Date: April 20, 2006

By: /s/ Donald C. Burke

Donald C. Burke
Chief Financial Officer
Corporate High Yield Fund III, Inc.

Date: April 20, 2006