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CORPORATE HIGH YIELD FUND III INC

Form N-Q

October 28, 2004

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: Terry K. Glenn, President, 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: 5/31/04

Date of reporting period: 06/01/04 - 08/31/04

Item 1 - Schedule of Investments

Corporate High Yield Fund III, Inc.

Schedule of Investments as of August 31, 2004 (in U.S. dollars)

Industry+	S&P Ratings	Moody's Ratings	Face Amount	Corporate Bonds
Aerospace & Defense - 2.5%	B	B2	\$ 2,275,000	Alliant Techsystems Inc., 2.75% due 2/15/2024 (Convertible) (e)
	B+	B1	975,000	Esterline Technologies Corporation, 7.75% due 6/15/2013
	B	B3	350,000	K & F Industries, Inc., 9.625% due 12/15/2010
	B-	Caa1	1,750,000	Standard Aero Holdings, Inc., 8.25% due 9/01/2014 (e)
	B-	B3	750,000	TD Funding Corp., 8.375% due 7/15/2011
	B	B2	1,800,000	The Titan Corporation, 8% due 5/15/2011
Airlines - 1.6%	BB	B1	1,300,000	American Airlines, Inc., 7.80% due 4/01/2008
	BB-	B3	750,000	Continental Airlines, Inc.: 7.25% due 11/01/2005
	CCC+	Caa2	950,000	8% due 12/15/2005

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	B+	B2	552,557	6.541% due 9/15/2009
	BB-	B2	1,318,425	7.033% due 6/15/2011
	BB+	Ba2	1,328,933	6.90% due 1/02/2017

Automotive - 2.6%	B	B3	1,225,000	Asbury Automotive Group, Inc., 8% due 3/15/2011
	B-	B3	1,900,000	Autocam Corporation, 10.875% due 6/15/2014 (e)
	B	Caa1	2,625,000	Metaldyne Corporation: 11% due 6/15/2012
	B	B3	1,190,000	10% due 11/01/2013 (e)
	B	Caa1	1,725,000	Stanadyne Corporation (Kohlberg Ownership), 10% due 8/15/2014 (e)

Broadcasting - 4.7%	CCC	B3	2,300,000	Granite Broadcasting Corporation, 9.75% due 12/01/2010
	B	B1	1,750,000	LIN Television Corporation, 6.50% due 5/15/2011
	B-	B3	1,375,000	NextMedia Operating, Inc., 10.75% due 7/01/2011
	CCC	Caa1	2,125,000	Paxson Communications Corporation, 10.75% due 7/15/2008
	B-	B3	1,175,000	Salem Communications Holding Corporation: 7.75% due 12/15/2010
	B-	B3	1,364,000	9% due 7/01/2011
	B	B3	3,005,000	Sinclair Broadcast Group, Inc., 4.875% due 7/15/2018 (Convertible)
	CCC+	Caa1	2,300,000	Young Broadcasting Inc., 8.75% due 1/15/2014

Cable International - 1.5%	B	B3	2,125,000	Kabel Deutschland GmbH, 10.625% due 7/01/2014 (e)
	B-	B3	2,450,000	NTL Cable PLC, 6.61% due 10/15/2012 (d) (e)

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Corporate High Yield Fund III, Inc.

Schedule of Investments as of August 31, 2004 (continued) (in U.S. dollars)

Industry+	S&P Ratings	Moody's Ratings	Face Amount	Corporate Bonds

Cable - U.S. - 7.7%	NR*	NR*	\$ 750,000	Adelphia Communications Corporation (h): 6% due 2/15/2006 (Convertible)
	NR*	NR*	1,900,000	12.531%** due 1/15/2008
	CCC-	Caa1	236,329	Avalon Cable LLC, 11.875% due 12/01/2008
	BB-	B1	2,600,000	CSC Holdings, Inc., 7.625% due 4/01/2011
	D	Caa1	4,850,000	Century Cable Holdings LLC, Term, due 12/31/2010
		CCC-	Ca	3,500,000
	CCC-	Ca	2,000,000	9.625% due 11/15/2009

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	B-	Caa2	3,025,000	Insight Communications Company, Inc., 12.25%** due 2/15/2011
	NR*	NR*	1,469,000	Loral Cyberstar, Inc., 10% due 7/15/2006(h)
	NR*	NR*	950,000	Loral Space & Communications Ltd., 9.50% due 1/15/2006(h)
	B+	B2	4,175,000	Mediacom Broadband LLC, 11% due 7/15/2013
	CCC+	Caa1	2,850,000	Rainbow National Services LLC, 10.375% due 9/01/2014(e)

Chemicals - 13.0%	B-	B3	2,375,000	BCP Caylux Holdings Luxembourg SCA, 9.625% due 6/15/2014(e)
	B	B1	1,875,000	Crompton Corporation (e): 7.67% due 8/01/2010(d)
	B	B1	2,175,000	9.875% due 8/01/2012
	B+	B3	1,575,000	Geon Company, 6.875% due 12/15/2005
	CCC+	NR*	2,200,000	HMP Equity Holdings Corporation, 14.909%** due 5/15/2008
	CCC+	Caa2	2,025,000	Huntsman International Holdings LLC, 13.898%** due 12/31/2009
				Huntsman International LLC: 9.875% due 3/01/2009
	B-	B3	525,000	10.125% due 7/01/2009
	CCC+	Caa1	2,500,000	ISP Chemco Inc., 10.25% due 7/01/2011
	BB-	B1	2,025,000	ISP Holdings, Inc., 10.625% due 12/15/2009
	B+	B2	1,575,000	Innophos, Inc., 8.875% due 8/15/2014(e)
	B-	B3	1,175,000	Millennium America Inc., 7% due 11/15/2006
	BB-	B1	3,025,000	Nalco Company (e): 7.75% due 11/15/2011
	B-	B2	450,000	8.875% due 11/15/2013
	B-	Caa1	1,125,000	Nalco Finance Holdings Inc., 9.037%** due 2/01/2014(e)
	B-	Caa2	3,500,000	Omnova Solutions Inc., 11.25% due 6/01/2010
	BB-	B2	3,125,000	PCI Chemicals, Canada, 10% due 12/31/2008
	NR*	NR*	725,000	PolyOne Corporation, 10.625% due 5/15/2010
	B+	B3	3,125,000	Rockwood Specialties Group, Inc., 10.625% due 5/15/2011
	B-	B3	1,825,000	Terra Capital, Inc., 11.50% due 6/01/2010
	B-	Caa1	3,025,000	Wellman, Inc., Second Lien Term, due 2/10/2010(a)
	B-	B1	2,830,000	

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Corporate High Yield Fund III, Inc.

Schedule of Investments as of August 31, 2004 (continued) (in U.S. dollars)

Industry+	S&P Ratings	Moody's Ratings	Face Amount	Corporate Bonds
Consumer -	B-	Caa1	\$ 1,350,000	Sealy Mattress Company, 8.25% due 6/15/2014(e)
Durables -	B	B2	785,000	Tempur-Pedic, Inc., 10.25% due 8/15/2010

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Consumer- Non-Durables - 2.1%	B+	Ba3	650,000	Chattem, Inc.: 4.79% due 3/01/2010(d)
	B-	B2	600,000	7% due 3/01/2014
	B	B3	3,125,000	Hines Nurseries, Inc., 10.25% due 10/01/2011
	B-	B3	2,200,000	Samsonite Corporation, 8.875% due 6/01/2011(e)
Diversified Media - 5.9%	B-	B3	2,150,000	CBD Media LLC, 8.625% due 6/01/2011
	B	B2	850,000	Cadmus Communications Corporation, 8.375% due 6/15/2014(e)
	B	B2	1,367,000	Dex Media West LLC, 9.875% due 8/15/2013
	B	B2	2,650,000	Houghton Mifflin Company, 8.25% due 2/01/2011
	BBB-	Baa3	3,800,000	Liberty Media Corporation, 0.75% due 3/30/2023 (Convertible)
	B	B3	875,000	Primedia Inc., 7.625% due 4/01/2008
	BB	B1	200,000	R.H. Donnelley Financial Corporation I (e): 8.875% due 12/15/2010
	B+	B2	725,000	10.875% due 12/15/2012
	CCC+	B3	2,450,000	Six Flags, Inc., 9.50% due 2/01/2009
	BB-	B1	3,302,000	Yell Finance BV, 12.52%** due 8/01/2011
Energy-Exploration & Production - 1.1%	CCC+	Caa1	825,000	Continental Resources, Inc., 10.25% due 8/01/2012
	B+	Ba3	825,000	Plains Exploration & Production Company: 8.75% due 7/01/2012
	B	B2	1,700,000	8.75% due 7/01/2012
Energy Other - 4.4%	B	B2	1,875,000	Dresser, Inc., 9.375% due 4/15/2011
	B	B2	2,075,000	Ferrellgas Partners LP, 8.75% due 6/15/2012
	BBB	Baa2	2,300,000	Halliburton Company, 3.125% due 7/15/2023 (Convertible) (e)
	CCC	B3	3,750,000	Ocean Rig Norway AS, 10.25% due 6/01/2008
	B	B3	2,250,000	Star Gas Partners, LP: 10.25% due 2/15/2013
	B	B3	500,000	10.25% due 2/15/2013(e)
	D	Ca	2,025,000	Trico Marine Services, Inc., 8.875% due 5/15/2012(h)
Financial - 0.9%	B	B3	2,900,000	Refco Finance Holdings LLC, 9% due 8/01/2012(e)

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Industry+	S&P Ratings	Moody's Ratings	Face Amount	Corporate Bonds
Food/ Tobacco - 5.4%	B	B3	\$ 750,000	American Seafoods Group LLC, 10.125% due 4/15/2010
	B-	B2	1,925,000	Commonwealth Brands, Inc. (e): 9.75% due 4/15/2008
	B-	B3	1,475,000	10.625% due 9/01/2008
	B+	Ba3	3,250,000	Cott Beverages, Inc., 8% due 12/15/2011
	B	B2	1,250,000	Del Monte Corporation, 8.625% due 12/15/2012
	CCC	B2	2,200,000	Doane Pet Care Company, 10.75% due 3/01/2010
	B-	B3	1,275,000	Merisant Company, 9.50% due 7/15/2013(e)
	NR*	NR*	1,950,000	New World Pasta Company, 9.25% due 2/15/2009(h)
	BB	Ba2	2,100,000	Smithfield Foods, Inc., 8% due 10/15/2009
	B-	Caa1	1,250,000	Tabletop Holdings, Inc., 12.25%** due 5/15/2010
B+	B2	1,375,000	The Wornick Company, 10.875% due 7/15/2011(e)	
Gaming - 6.8%	B+	B1	3,250,000	Boyd Gaming Corporation, 8.75% due 4/15/2012
	B	B3	1,925,000	Inn of the Mountain Gods Resort and Casino, 12% due 11/15/2010
	BB+	Ba1	1,550,000	MGM Mirage Inc., 8.50% due 9/15/2010
	B	B2	3,625,000	The Majestic Star Casino, LLC, 9.50% due 10/15/2010
	BB-	Ba2	2,325,000	Park Place Entertainment Corporation, 7.875% due 3/15/2010
	CCC+	Caa1	1,425,000	Pinnacle Entertainment, Inc., 8.25% due 3/15/2010
	B	B2	2,575,000	Poster Financial Group, Inc., 8.75% due 12/01/2010
	B	B2	2,700,000	Resorts International Hotel and Casino, Inc., 11.50% due 3/15/2009
CCC+	B3	987,000	Wynn Las Vegas, LLC, 12% due 11/01/2010	
Government - Foreign - 1.5%	BB-	B1	1,114,132	Federal Republic of Brazil: 8% due 4/15/2014
	B+	B1	1,625,000	10.50% due 7/14/2014
	B+	B1	1,900,000	10.125% due 5/15/2027
Health Care - 6.6%	CCC+	NR*	1,900,000	Alpharma, Inc.: 3% due 6/01/2006 (Convertible)
	B-	B3	2,100,000	8.625% due 5/01/2011(e)
	A-	NR*	1,900,000	Chiron Corporation, 2.75% due 6/30/2034 (Convertible) (e)
	BB+	Ba3	2,902,000	Fisher Scientific International Inc., 8.125% due 5/01/2012
	B+	Ba3	3,750,000	Fresenius Medical Care Capital Trust II, 7.875% due 2/01/2008
	NR*	NR*	2,825,000	HealthSouth Corporation, 8.375% due 10/01/2011
	B-	B3	1,000,000	Tenet Healthcare Corporation: 5.375% due 11/15/2006
	B-	B3	1,125,000	9.875% due 7/01/2014(e)
B-	B2	2,675,000	US Oncology, Inc., 9% due 8/15/2012(e)	

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Corporate High Yield Fund III, Inc.

Schedule of Investments as of August 31, 2004 (continued) (in U.S. dollars)

Industry+	S&P Ratings	Moody's Ratings	Face Amount	Corporate Bonds
Housing - 3.4%	B+	B2	\$ 400,000	Building Materials Corporation of America: 7.75% due 7/15/2005
	B+	B2	1,050,000	8% due 10/15/2007
	B+	B2	5,325,000	8% due 12/01/2008
	BB-	Ba3	650,000	Forest City Enterprises, Inc., 7.625% due 6/01/2011
	B-	B3	1,875,000	Nortek, Inc., 8.50% due 9/01/2014(e)
	BB-	B1	1,475,000	Texas Industries, Inc., 10.25% due 6/15/2011
Information Technology - 1.7%	BB+	Ba2	1,925,000	Freescale Semiconductor, Inc., 4.38% due 7/15/2009(d) (e)
	B-	B3	1,150,000	UGS Corp., 10% due 6/01/2012(e)
	CCC+	Caa2	2,350,000	Viasystems, Inc., 10.50% due 1/15/2011
Leisure - 1.7%	B-	B1	2,850,000	FelCor Lodging LP: 5.84% due 6/01/2011(d) (e)
	B-	B1	1,550,000	9% due 6/01/2011
	B+	B1	1,050,000	Intrawest Corporation, 7.50% due 10/15/2013
Manu- facturing - 6.5%	CCC+	Caa1	800,000	Columbus McKinnon Corporation, 8.50% due 4/01/2008
	B-	B2	925,000	Da-Lite Screen Company, Inc., 9.50% due 5/15/2011(e)
	B-	B3	2,500,000	Eagle-Picher Incorporated, 9.75% due 9/01/2013
	B-	B3	3,450,000	Invensys PLC, 9.875% due 3/15/2011(e)
	B	B2	2,475,000	JohnsonDiversey, Inc., 9.625% due 5/15/2012
	B-	Caa1	1,175,000	Mueller Group, Inc., 10% due 5/01/2012(e)
	B-	B3	775,000	Rexnord Corporation, 10.125% due 12/15/2012
	B-	Caa1	975,000	Sensus Metering Systems Inc., 8.625% due 12/15/2013(e)
	B	B3	1,825,000	Superior Essex Communications LLC, 9% due 4/15/2012(e)
	B	B3	3,125,000	TriMas Corporation, 9.875% due 6/15/2012
	BBB	Baa3	1,605,000	Tyco International Group SA, 2.75% due 1/15/2018 (Convertible)

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Corporate High Yield Fund III, Inc.

Schedule of Investments as of August 31, 2004 (continued) (in U.S. dollars)

Industry+	S&P Ratings	Moody's Ratings	Face Amount	Corporate Bonds
Metal - Other - 2.2%	BB-	B1	\$ 1,200,000	Century Aluminum Company, 7.50% due 8/15/2014 (e)
	B	B1	1,150,000	Foundation PA Coal Company, 7.25% due 8/01/2014 (e)
	BB	Ba3	2,925,000	Luscar Coal Ltd., 9.75% due 10/15/2011
	NR*	Ba1	1,375,000	Vale Overseas Ltd., 8.25% due 1/17/2034
Packaging - 6.7%	CCC	B3	1,400,000	Consolidated Container Company LLC, 10.75%** due 6/15/2009 (e)
	B+	B1	950,000	Crown Euro Holdings SA: 9.50% due 3/01/2011
	B	B2	500,000	10.875% due 3/01/2013
	CCC+	Caa1	950,000	Graham Packaging Company, 8.75% due 1/15/2008
	CCC+	Caa2	2,625,000	Graham Packaging Holdings Company, 10.75% due 1/15/2009
	BB-	B2	3,325,000	Owens-Brockway Glass Container, Inc.: 8.875% due 2/15/2009
	B	B3	775,000	8.25% due 5/15/2013
	B	B3	2,200,000	Pliant Corporation: 11.125%** due 6/15/2009
	B-	Caa2	3,550,000	13% due 6/01/2010
	CCC	Caa2	1,975,000	Tekni-Plex, Inc., 12.75% due 6/15/2010
	CCC+	Caa1	375,000	U.S. Can Corporation: 10.875% due 7/15/2010
	CCC+	Caa2	2,825,000	12.375% due 10/01/2010
	B	B2	650,000	Wise Metals Group LLC, 10.25% due 5/15/2012 (e)
Paper - 7.0%	D	NR*	1,000,000	APP International Finance Company B.V., 11.75% due 10/01/2005 (h)
	BB	Ba2	2,675,000	Abitibi-Consolidated Inc., 5.02% due 6/15/2011 (d) (e)
	BB	Ba2	3,025,000	Bowater Incorporated, 4.88% due 3/15/2010 (d)
	B	Caa1	2,125,000	Caraustar Industries, Inc., 9.875% due 4/01/2010
	BB+	Ba2	1,425,000	Georgia-Pacific Corporation: 7.375% due 7/15/2008
	BB+	Ba2	1,200,000	9.375% due 2/01/2013
	B-	B2	825,000	Graphic Packaging International Inc.: 8.50% due 8/15/2011
	B-	B3	950,000	9.50% due 8/15/2013
	B	B3	1,900,000	JSG Funding PLC, 9.625% due 10/01/2012
	B	B2	2,975,000	Jefferson Smurfit Corporation, 8.25% due 10/01/2012
	BB	Ba3	2,450,000	Norske Skog Canada Ltd.: 8.625% due 6/15/2011

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BB	Ba3	150,000	7.375% due 3/01/2014
NR*	NR*	1,003,000	Western Forest Products Inc., 15% due 7/28/200

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Corporate High Yield Fund III, Inc.

Schedule of Investments as of August 31, 2004 (continued) (in U.S. dollars)

Industry+	S&P Ratings	Moody's Ratings	Face Amount	Corporate Bonds
Retail - 0.5%	B+	B1	\$ 275,000	Finlay Fine Jewelry Corporation, 8.375% due 6/01/2012(e)
	B	B3	1,250,000	The Jean Coutu Group, Inc., 8.50% due 8/01/2014(e)
Services - 5.7%	BB-	Ba3	2,625,000	Allied Waste North America, Inc., 8.875% due 4/01/2008
	B	B2	825,000	Buhrmann US Inc., 8.25% due 7/01/2014(e)
	B-	B2	2,900,000	The Coinmach Corporation, 9% due 2/01/2010(e)
	B	B1	2,725,000	Corrections Corporation of America, 7.50% due 5/01/2011
	BB-	Ba2	875,000	MSW Energy Holdings II LLC, 7.375% due 9/01/2010
	BB	Ba1	1,500,000	MSW Energy Holdings LLC, 8.50% due 9/01/2010
	B+	B2	1,875,000	United Rentals (North America), Inc., 7.75% due 11/15/2013
	CCC	Ca	775,000	Waste Services, Inc., 9.50% due 4/15/2014(e)
	B-	B3	3,750,000	Williams Scotsman, Inc.: 9.875% due 6/01/2007
B	B2	375,000	10% due 8/15/2008	
Steel - 0.9%	B+	B1	1,425,000	CSN Islands VIII Corp., 9.75% due 12/16/2013(e)
	B	B2	1,200,000	UCAR Finance Inc., 10.25% due 2/15/2012
Tele-communications- 6.9%	NR*	NR*	2,200,000	ADC Telecommunications, Inc. (Convertible): 1% due 6/15/2008
	NR*	NR*	750,000	2.235% due 6/15/2013 (d)
	B-	B2	2,475,000	Alaska Communications System Holdings, Inc., 9.875% due 8/15/2011
	B-	B3	2,850,000	Cincinnati Bell Inc., 8.375% due 1/15/2014
	B-	Caa1	3,250,000	FairPoint Communications, Inc., 12.50% due 5/01/2010
	NR*	Caa1	2,750,000	LCI International, Inc., 7.25% due 6/15/2007
B	Caa2	1,725,000	Qwest Capital Funding, Inc., 7.25% due 2/15/200	

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B	Caa1	1,350,000	Qwest Services Corp., 14% due 12/15/2010 (e)
NR*	NR*	1,000,000	Terremark Worldwide, Inc., 9% due 6/15/2009 (Convertible) (e)
B	B1	850,000	Time Warner Telecom Holdings, Inc., 5.711% due 2/15/2011 (d)
CCC+	B3	500,000	Time Warner Telecom, Inc.: 9.75% due 7/15/2008
CCC+	B3	3,875,000	10.125% due 2/01/2011

Trans- portation - 1.5%	B+	B2	1,900,000	Laidlaw International, Inc., 10.75% due 6/15/2011
	BB-	Ba2	2,325,000	Teekay Shipping Corporation, 8.875% due 7/15/2011

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Corporate High Yield Fund III, Inc.

Schedule of Investments as of August 31, 2004 (continued) (in U.S. dollars)

Industry+	S&P Ratings	Moody's Ratings	Face Amount	Corporate Bonds
Utility - 12.3%	B-	B2	\$ 4,458,000	The AES Corporation: 9.375% due 9/15/2010
	B+	B1	2,100,000	8.75% due 5/15/2013 (e)
	NR*	NR*	850,000	AES Drax Energy Limited, 11.50% due 8/30/2010 (h)
	CCC+	Caa1	7,325,000	Calpine Canada Energy Finance ULC, 8.50% due 5/01/2008
	CCC+	Caa1	1,500,000	Calpine Corporation: 8.25% due 8/15/2005
	CCC+	Caa1	950,000	8.75% due 7/15/2007
	BBB-	Ba2	4,600,000	CenterPoint Energy, Inc., 3.75% due 5/15/2023 (Convertible)
	BB	Ba1	2,071,000	ESI Tractebel Acquisition Corp., 7.99% due 12/30/2011
	B	B1	1,900,000	Edison Mission Energy, 9.875% due 4/15/2011
	CCC+	Caa1	4,625,000	El Paso CGP Company, 7.75% due 6/15/2010
	CCC	B3	2,625,000	Mission Energy Holding Company, 13.50% due 7/15/2008
	BB	Ba2	3,300,000	Nevada Power Company: 10.875% due 10/15/2009
	BB	Ba2	600,000	9% due 8/15/2013
	BB	Ba2	1,650,000	Sierra Pacific Power Company, 8% due 6/01/2008
	B-	B2	1,200,000	Sierra Pacific Resources, 8.625% due 3/15/2014
	B-	B1	925,000	Southern Natural Gas Company, 8.875% due 3/15/2010

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Wireless - 3.1%	CCC	B3	825,000	American Tower Escrow Corporation, 14.887%** due 8/01/2008
	CCC	Caa1	2,000,000	Centennial Communications Corp., 10.125% due 6/15/2013
	CCC	B3	2,800,000	Crown Castle International Corp., 9.375% due 8/01/2011
	B-	B2	625,000	Rural Cellular Corporation, 6.38% due 3/15/2010 (d) (e)
	CCC-	Caa2	2,950,000	SBA Communications Corporation, 10.25% due 2/01/2009
	CC	Caa1	400,000	UbiquiTel Operating Company, 11.347%** due 5/1

Total Investments in Corporate Bonds
(Cost - \$403,274,579) -- 129.1%

	Shares Held	Common Stocks
Airlines - 0.1%	81,243	ABX Air, Inc. (c)
	2,590	US Airways Group, Inc. (Class A) (j)

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Corporate High Yield Fund III, Inc.

Schedule of Investments as of August 31, 2004 (continued) (in U.S. dollars)

Industry+	Shares Held	Common Stocks
Cable - International - 0.8%	223,671	Telewest Global, Inc. (c)
Paper - 0.6%	183,923	Western Forest Products Inc. (c)
	45,762	Western Forest Products Inc. (Restricted Share)
Telecommunications - 0.1%	16,244	MCI, Inc. (c)
		Total Investments in Common Stocks (Cost - \$5,386,161) - 1.6%
		Preferred Stocks

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Airlines - 0.0%	1,589	US Airways Group, Inc. (j)
Automotive - 1.1%	128,000	General Motors Corporation (Convertible)
		Total Investments in Preferred Stocks (Cost - \$3,199,472) - 1.1%

Warrants (b)

Airlines - 0.0%	1,589	US Airways Group, Inc.
Cable - U.S. - 0.0%	32,981	Loral Space & Communications Ltd.
Health Care - 0.0%	32,042	HealthSouth Corporation
Packaging - 0.0%	4,000	Pliant Corporation
Paper - 0.0%	700	JSG Funding PLC
Wireless - 0.1%	825	American Tower Escrow Corporation
		Total Investments in Warrants (Cost - \$112,171) -- 0.1%

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Corporate High Yield Fund III, Inc.

Schedule of Investments as of August 31, 2004 (continued) (in U.S. dollars)

	Beneficial Interest	Other Interests (f)
	\$ 3,780,240	US Airways Group, Inc. - Certificate of Beneficial Interest
		Total Investments in Other Interests (Cost - \$1,020,665) - 0.3%
Short-Term Investments		
	1,272,408	Merrill Lynch Liquidity Series, LLC Cash Sweep Series I (i)
		Total Short-Term Investments (Cost - \$1,272,408) -- 0.4%
Total Investments (Cost - \$414,265,456***) - 1		

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Liabilities in Excess of Other Assets - (32.6%

Net Assets - 100.0%

-
- (a) Floating rate corporate loans in which the Fund invests generally pays 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. Corporate loans represent 2.3% of the Fund's net assets.
 - (b) 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.
 - (c) Non-income producing security.
 - (d) Floating rate note.
 - (e) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
 - (f) Other interests represent beneficial interest in liquidation trusts and other reorganization entities.
 - (g) Represents a pay-in-kind security which may pay interest/dividends in additional face/shares.
 - (h) Non-income producing - issuer filed for bankruptcy or is in default of interest payments.
 - (i) Investments in companies considered to be an affiliate of the Fund (such companies are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940) were as follows:

Affiliate	Net Activity	Interest Income
Merrill Lynch Liquidity Series, LLC Cash Sweep Series I	\$1,189,909	\$1,132

- (j) Non-income producing security. Company is in bankruptcy.

Corporate High Yield Fund III, Inc.

Schedule of Investments as of August 31, 2004 (concluded) (in U.S. dollars)

- + For Fund compliance purposes, "Industry" means 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 such industry sub-classification for reporting ease.
- * Not Rated.
- ** Represents a zero coupon or step bond; the interest rate shown reflects the effective yield at the time of purchase by the Fund.
- *** The cost and unrealized appreciation/depreciation of investments as of August 31, 2004, as computed for federal income tax purposes, were as

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follows:

Aggregate cost	\$ 414,478,949
	=====
Gross unrealized appreciation	\$ 26,890,927
Gross unrealized depreciation	(10,761,551)

Net unrealized appreciation	\$ 16,129,376
	=====

Swaps outstanding as of August 31, 2004 were as follows:

	Notional Amount	Unrealized Appreciation

Receive a variable rate equal to 1-month USD LIBOR and pay a fixed rate of 1.56%		
Broker, UBS Warburg Expires June 2005	\$30,000,000	\$146,713

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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.

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/ Terry K. Glenn

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Terry K. Glenn,
President of
Corporate High Yield Fund III, Inc.

Date: October 18, 2004

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/ Terry K. Glenn

Terry K. Glenn,
President of
Corporate High Yield Fund III, Inc.

Date: October 18, 2004

By: /s/ Donald C. Burke

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

Date: October 18, 2004