

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

Filing Date: **1995-07-12** | Period of Report: **1995-04-30**  
SEC Accession No. **0000021847-95-000062**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

FILER

**COLONIAL TRUST III**

CIK: **21847** | IRS No.: **046012903** | Fiscal Year End: **0930**  
Type: **N-30D** | Act: **40** | File No.: **811-00881** | Film No.: **95553406**

Business Address  
*ONE FINANCIAL CTR  
BOSTON MA 02111  
6174263750*

COLONIAL  
MUTUAL FUNDS

[LOGO]

COLONIAL  
STRATEGIC  
BALANCED FUND

-----  
SEMIANNUAL REPORT  
APRIL 30, 1995

COLONIAL  
MUTUAL FUNDS

[RECYCLE LOGO] Printed on recycled paper

SB-03/974A-0495  
COLONIAL INVESTMENT SERVICES, INC. (Copyright) 1995

LETTER FROM THE PRESIDENT

Dear Shareholder:

I am pleased to present the first semiannual report for Colonial Strategic Balanced Fund. The Fund seeks current income and long-term growth, consistent with prudent risk, by diversifying investments in U.S. and foreign equity and debt securities. Equity investments are focused in large capitalization, small capitalization, and foreign stocks, while fixed-income investments are in the U.S. government, U.S. corporate high yield, and foreign sectors.

<TABLE>

FUND PERFORMANCE (11/1/94 - 4/30/95)

<CAPTION>

INCEPTION 9/19/94	CLASS A	CLASS B	CLASS D
<S>	<C>	<C>	<C>
Distributions declared per share	\$0.135	\$0.116	\$0.112
Six-month total return, assuming reinvestment of all distributions and no sales charge or CDSC[1]	5.79%	5.70%	5.66%
Net asset value per share on 4/30/95	\$10.34	\$10.34	\$10.34

</TABLE>

ECONOMIC/MARKET OVERVIEW

Through much of 1994, investors were concerned that the U.S. economy's vigorous growth would reignite inflation. However, it appears that the Federal Reserve Board's monetary policy has reduced growth and kept inflation under

control. As a result, U.S. stock and bond markets have continued to improve, despite a decline in the value of the dollar. In fact, in recent months the United States has had one of the world's strongest stock markets. Japan's economy, however, has slowed, reflecting negative pressures from the unexpected strength of the yen and the impact of the Kobe earthquake. Many foreign markets, including those of Western Europe, have also improved.

During the semiannual period, activity in the world's equity markets reflected a change in investor sentiment. Driven by concerns about the short-term prospects for many of the world's economies and the weakness of the U.S. dollar, investors have directed investments toward large capitalization, blue chip stocks. Investors tend to prefer these stocks during periods of economic uncertainty because they generally have more predictable earnings patterns than their small capitalization and foreign counterparts.

[PICTURE]  
John A. McNeice, Jr.  
President

Like equity markets, fixed-income markets also were affected by economic uncertainty during the first part of the semiannual period. Yields for U.S. government securities, which are especially sensitive to inflation concerns, moved higher. Higher rates also had a negative impact on corporate high yield and foreign bonds. However, U.S. interest rates peaked in mid-November, and were moving lower by the beginning of 1995. As a result, U.S. bonds began to make up much of the ground that had been lost in preceding months, and many foreign markets also rallied.

Colonial Management believes that interest rates will decline further in 1995. Historically, declining interest rates have had a favorable impact on stock and bond prices.

Sincerely,

/s/ John A. McNeice, Jr.

John A. McNeice, Jr.  
President  
June 10, 1995

[1] Had the Adviser not waived or reimbursed a portion of expenses, total return would have been reduced.

Past performance cannot predict future results. Return and value of an investment will vary, resulting in a gain or loss on sale. All results shown assume reinvestment of distributions. Net asset value (NAV) return does not include sales charges or contingent deferred sales charges (CDSC). Performance for different share classes will vary based on differences in sales charges and fees associated with each class.

#### REPORT FROM COLONIAL MANAGEMENT

The first four months of 1995 marked a turnaround in the performance of the world's stock and bond markets. After reaching a high point in mid-November 1994, U.S. interest rates moved lower, and rates in many other countries followed suit. Although all economies did not perform equally well, many securities markets improved.

James Haynie and Carl Ericson, your Fund's lead portfolio managers, took advantage of favorable market conditions by maintaining a well diversified portfolio of stocks and bonds. They avoid the risks of making large bets in single sectors and individual securities. This should help the Fund maintain relatively steady returns over time.

EQUITY UPDATE: In the United States, technology stocks have been one of the best performing sectors, with diversified computer companies like Hewlett-Packard and IBM doing especially well. Because these companies were the Fund's top two holdings, the Fund participated fully when this sector improved. In absolute terms, the performance of foreign stocks has not been as attractive as that of U.S. stocks. However, the strength of foreign currencies relative to the dollar, including the yen and the Deutsche Mark, has enhanced returns. The Fund's exposure to emerging markets is limited, but there are small investments in Singapore, Mexico, Hong Kong, the Philippines, and Malaysia, allowing the Fund to maintain investments in a region that has

provided good long-term returns.

FIXED-INCOME UPDATE: Early in the period, interest rates moved higher, reflecting the strength of the U.S. economy and the inflation fear this generated. In that environment, U.S. government securities were maintained at approximately ten percent of total assets. Investments in corporate high yield and foreign bonds were increased, since those securities are less sensitive to inflation concerns.

Many European markets performed well, reflecting in large measure the strength of their respective currencies versus the dollar. Of all foreign fixed-income investments, the largest position was in Denmark (13.6% of total fixed-income investments). There were also relatively large positions in Germany and the United Kingdom.

Throughout the period, high yield corporate was the largest sector of the bond market represented in the portfolio approximately 40% of all fixed-income investments. These have recently been focused on such cyclical industries as forest products, metals, and chemicals. The Fund also has good representation in issues from the healthcare and cable television industries.

SECTOR WEIGHTINGS  
As a percentage of total investments  
4/30/95

[PIE CHART]

CSBF - PIE DATA

LABEL	A	B	C	D	E
LABEL	PORTFOLIO			PERCENT OF TOTAL FIXED INCOME INVESTMENTS	CSBF - PIE DATA
1	Other	2.3	Foreign	31.0%	
2	Fixed Income	37.1	U.S. Govt	28.6%	
3	Equity	60.6	High Yield	40.4%	

LABEL	F	G
LABEL	PERCENT OF TOTAL EQUITY INVESTMENTS	
1	Foreign	21.2%
2	Small Cap	20.5%
3	Large Cap	58.3%

2

<TABLE>  
INVESTMENT PORTFOLIO (unaudited, in thousands) APRIL 30, 1995  
<CAPTION>

COMMON STOCKS - 60.1%	COUNTRY ABBREV.	SHARES	VALUE
<S>	<C>	<C>	<C>
CONSTRUCTION - 0.3%			
HEAVY CONSTRUCTION-NON BUILDING CONSTRUCTION			
Yondenko Corp. (a)	Ja	9	\$ 93
FINANCE, INSURANCE & REAL ESTATE - 10.1%			
DEPOSITORY INSTITUTIONS - 4.7%			
Bank New York, Inc.		4	122
Bank of Boston Corp.		7	234
Bank of Montreal	Ca	4	82
BayBanks, Inc.		2	125
Citicorp		5	223
First Interstate Bancorp		2	115
HSBC Holdings PLC	HK	6	65
Kredietbank NV	Be	(b)	49
National Westminster Bank PLC	UK	9	74
Peoples Bank of Bridgeport		6	88
TCF Financial Corp.		3	133
			-----
			1,310

-----			
HOLDING & OTHER INVESTMENT COMPANIES - 0.2%			
First Australia Fund, Inc.	Au	3	22
First Phillipine Fund, Inc.	Ph	2	31
-----			
53			
-----			
INSURANCE AGENTS & BROKERS - 0.4%			
US Facilities Corp.		8	108
-----			
INSURANCE CARRIERS - 2.3%			
American Bankers Insurance Group, Inc.		3	95
Cigna Corp.		4	276
Fremont General Corp.		3	57
Life Re Corp.		3	58
Pacificare Health Systems, Inc. (a)		1	83
Protective Life Corp. (a)		2	73
Selective Insurance Group, Inc.	(b)		9
-----			
651			
-----			
NONDEPOSITORY CREDIT INSTITUTIONS - 2.2%			
Foothill Group, Inc., Class A		4	87
Green Tree Financial Corp.		5	205
Loews Corp.		2	234
The Money Store, Inc.		3	70
-----			
596			
-----			
SECURITY BROKERS & DEALERS - 0.3%			
Alex Brown, Inc.		2	94
-----			
MANUFACTURING - 36.5%			
APPAREL - 0.6%			
Nautica Enterprises, Inc. (a)		3	77
Norton Mcaughton, Inc. (a)		5	86
-----			
163			
-----			
CHEMICALS - 2.9%			
BASF AG	G	1	134
DSM N V	Ne	1	59
E.I. DuPont De Nemours & Co.		1	92
Eli Lilly & Co.		1	75
Helene Curtis Industries, Inc.		2	52
Merck AG (a)	Sz	(b)	102
Norsk Hydro A.S.	No	2	60
Union Carbide Corp.		8	243
-----			
817			
-----			
ELECTRONIC & ELECTRICAL EQUIPMENT - 4.7%			
Applied Materials, Inc. (a)		1	86
Aspect Communications (a)		2	84
Dovatron International, Inc. (a)		2	48
Duracraft Corp. (a)		2	63
HADCO Corp. (a)		7	123
Harman International Industries,		2	77
International Rectifier Corp. (a)		4	99
Lam Research Corp. (a)		2	76
Micron Technology, Inc.		2	189
Motorola, Inc.		2	125
Park Electrochemical Corp.		2	67
Philips Electronics NV	Ne	3	122
Proteon, Inc. (a)		9	59
Sanmina Corp. (a)		2	82
-----			
1,300			
-----			
FABRICATED METAL - 0.9%			
Buderus Ag	G	(b)	106
GFI Industries SA	Fr	1	87
Oriental Holdings Berhad	Ma	5	24
Shelter Components Corp.		4	42
-----			
259			
-----			
FOOD & KINDRED PRODUCTS - 3.3%			
Archer Daniels Midland Co.		13	228
Hudson Foods, Inc.		9	147

IBP, Inc.		4	130
Phillip Morris Co., Inc.		3	183
Saint Louis Bouchon	Fr	(b)	96
Smithfield Foods, Inc. (a)		2	55
Superfos AS	De	1	74
			-----
			913
			-----
LEATHER - 0.4%			
Wolverine World Wide, Inc.		4	117
			-----
LUMBER & WOOD PRODUCTS - 0.2%			
Oakwood Homes Corp.		3	65
			-----

</TABLE>  
See notes to investment portfolio.

3

<TABLE>  
INVESTMENT PORTFOLIO - continued  
<CAPTION>

COMMON STOCKS - cont.	COUNTRY ABBREV.	SHARES	VALUE
-----			
<S>	<C>	<C>	<C>
MACHINERY & COMPUTER EQUIPMENT - 9.7%			
AGCO Corp.		2	\$ 59
Apple Computer, Inc.		5	191
Bay Networks, Inc. (a)		3	91
Brunswick Corp.		4	75
Caterpillar, Inc.		3	146
Compaq Computer Corp. (a)		4	152
Deere & Co.		1	74
EMC Corp. (a)		7	131
Esterline Technologies Corp. (a)		2	25
Exabyte Corp. (a)		3	38
Fujitsu Ltd.	Ja	4	41
Hewlett-Packard Co.		4	284
Hitachi Ltd	Ja	14	142
International Business Machines Corp.		3	322
JLG Industries, Inc.		5	100
Mylex Corp. (a)		8	89
NACCO Industries, Inc.		1	44
Oki Electric Industry Co. (a)	Ja	14	99
Outboard Marine Corp.		1	26
Seagate Technology, Inc. (a)		8	239
Strattec Strategy Corp. (a)		(b)	6
Sun Microsystems, Inc. (a)		6	243
Toro Co.		3	87
			-----
			2,704
			-----
MEASURING & ANALYZING INSTRUMENTS - 3.0%			
Amsco International, Inc. (a)		7	88
Bio-Rad Laboratories, Inc., Class A (a)		4	121
Cordis Corp. (a)		1	101
Eastman Chemical Co.		4	216
Fuji Photo Film Co. Ltd.	Ja	5	123
Medtronic, Inc.		2	141
Quickturn Design Systems, Inc. (a)		5	39
			-----
			829
			-----
MISCELLANEOUS MANUFACTURING - 0.4%			
Callaway Golf, Inc. (a)		6	79
Haw Par Brothers International	Si	20	41
			-----
			120
			-----
PAPER & PAPER MILLS - 1.0%			
Norske Skogindustrie	No	2	68
Sca Lakkirchen AG	As	(b)	153
Shorewood Packaging Corp. (a)		3	49
			-----
			270
			-----

PETROLEUM REFINING - 1.7%			
British Petroleum Co. PLC	UK	1	96
Exxon Corp.		1	70
Lyondell Petrochemical Co.		9	221
Phillips Petroleum Co.		3	87
			-----
			474
			-----
PRIMARY METAL - 1.9%			
Alcan Aluminum Ltd.		5	128
Aluminum Company of America		1	63
British Steel PLC	UK	29	78
National Steel Corp. (a)		6	80
Texas Industries, Inc.		2	79
Titan Wheel International, Inc.		5	104
			-----
			532
			-----
PRIMARY SMELTING - 0.2%			
Phelps Dodge Corp.		1	68
			-----
RUBBER & PLASTIC - 0.8%			
Applied Extrusion Technologies, I		7	119
Continental AG	G	1	111
			-----
			230
			-----
STONE, CLAY, GLASS & CONCRETE - 1.2%			
Armstrong World Industries, Inc.		2	87
Desimpel Korte	Be	2	109
Owens-Corning Fiberglas Corp. (a)		3	110
Vitro Sa	Mx	10	34
			-----
			340
			-----
TEXTILE MILL PRODUCTS - 0.3%			
Fieldcrest Cannon, Inc.		3	73
			-----
TOBACCO PRODUCTS - 0.4%			
Imasco Ltd.	Ca	4	123
			-----
TRANSPORTATION EQUIPMENT - 2.9%			
Borg-Warner Automotive, Inc.		6	144
Chrysler Corp.		3	147
Coachmen Industries, Inc.		4	64
Fleetwood Enterprises, Inc.		3	78
Ford Motor Co.		6	162
Honda Motor Co. Ltd.	Ja	2	32
Volvo AB ADR	Sw	5	94
Varlen Corp.		3	71
			-----
			792
			-----
MINING & ENERGY - 0.6%			
METAL MINING - 0.4%			
Magma Copper Co., Class B (a)		6	101
			-----
NONMETALLIC, EXCEPT FUELS - 0.2%			
Potash Corp. of Saskatchewan, Inc.	Ca	1	64
			-----
RETAIL TRADE - 3.3%			
APPAREL & ACCESSORY STORES - 0.2%			
J. Baker, Inc.		4	50
			-----

</TABLE>  
See notes to investment portfolio.

4

<TABLE>  
INVESTMENT PORTFOLIO - continued  
<CAPTION>

COMMON STOCKS - cont.	COUNTRY ABBREV.	SHARES	VALUE
			-----
<S>	<C>	<C>	<C>
RETAIL TRADE - CONT.			

FOOD STORES - 0.6%			
Safeway, Inc. (a)		5	\$ 176
-----			
GENERAL MERCHANDISE STORES - 1.6%			
Dayton Hudson Corp.		2	101
Dollar General Corp.		3	58
Federated Department Stores, Inc. (a)		6	125
Jardine Strategic Holdings	HK	22	75
Waban, Inc. (a)		6	96
-----			
455			
-----			
HOME FURNISHINGS & EQUIPMENT - 0.4%			
Circuit City Stores, Inc.		4	106
-----			
MISCELLANEOUS RETAIL - 0.5%			
Blair Corp.		2	52
Office Depot, Inc. (a)		4	91
-----			
143			
-----			
SERVICES - 3.9%			
BUSINESS SERVICES - 2.1%			
Computer Associates International, Inc.		3	193
Comverse Technology, Inc. (a)		4	63
Filenet Corp. (a)		3	84
Manpower, Inc.		3	90
Norrell Corp.		4	84
Software Spectrum, Inc.		4	56
-----			
570			
-----			
ENGLISH, ACCOUNTING, RESEARCH & MANAGEMENT - 0.2%			
International-Muller NV	Ne	1	54
-----			
HEALTH SERVICES - 1.3%			
Humana, Inc.		6	117
Integrated Health Services		3	104
Maxicare Health Plan (a)		4	62
Rotech Medical Corp. (a)		3	81
-----			
364			
-----			
HOTELS, CAMPS & LODGING - 0.3%			
Hospitality Franchise Systems, Inc. (a)		3	91
-----			
TRANSPORTATION, COMMUNICATION, ELECTRIC, GAS & SANITARY SERVICES - 4.1%			
AIR TRANSPORTATION - 0.8%			
British Airways PLC	UK	1	65
Comair Holdings, Inc.		4	101
Lufthansa (a)	G	1	66
-----			
232			
-----			
COMMUNICATIONS - 0.8%			
Southwestern Bell Corp.		2	101
Sprint Corp.		2	76
Telefonos de Mexico SA	Mx	1	33
-----			
210			
-----			
ELECTRIC SERVICES - 1.2%			
Duke Power Co.		2	79
Empresa Nacional de Electr	Sp	1	52
Kyushu Electric Power	Ja	4	121
Northeast Utilities		4	94
-----			
346			
-----			
MOTOR FREIGHT & WAREHOUSING - 0.2%			
Carolina Freight Corp. (a)		5	46
-----			
SANITARY SERVICES - 0.3%			
Yorkshire Water PLC	UK	8	70
-----			
TRANSPORTATION SERVICES - 0.5%			
Air Express International Corp.		4	92

Pittston Services Group		2	54
			-----
			146
			-----
WATER TRANSPORTATION - 0.3%			
DFDS	De	(b)	75
-----			
WHOLESALE TRADE - 1.3%			
DURABLE GOODS - 1.0%			
Beers N V (a)	Ne	1	64
Nordstrom, Inc.		2	58
Pioneer Standard Electronics, Inc.		5	98
Radiotechnique	Fr	(b)	45
			-----
			265
			-----
NONDURABLE GOODS - 0.3%			
Dalgety PLC	UK	11	73
-----			
Total common stocks (cost \$15,696)			16,731
-----			

BONDS & NOTES - 37.0%			PAR
-----			
CORPORATE FIXED-INCOME BONDS & NOTES - 14.6%			
-----			
CONSTRUCTION - 0.4%			
USG Corp.,			
	9.250%	09/15/01	\$100 99
-----			
FINANCE, INSURANCE & REAL ESTATE - 0.7%			
FINANCIAL SERVICES - 0.4%			
Comdata Network, Inc.,			
	13.250%	12/15/02	100 110
-----			
INSURANCE CARRIERS - 0.3%			
Reliance Group Holdings,			
	9.000%	11/15/00	100 95
-----			

</TABLE>  
See notes to investment portfolio.

5

<TABLE>  
INVESTMENT PORTFOLIO - continued  
<CAPTION>

BONDS & NOTES - CONT.			CURRENCY ABBREV.	PAR	VALUE
<S>	<C>	<C>	<C>	<C>	<C>
-----					
MANUFACTURING - 6.8%					
CHEMICALS - 1.5%					
Agricultural Minerals Co., LP,					
	10.750%	09/30/03		\$100	\$104
Huntsman Corp.,					
	11.000%	04/15/04		100	108
N.L. Industries, Inc.,					
	11.750%	10/15/03		100	106
Revlon Worldwide,					
	(c)	03/15/98		150	95
					-----
					413
					-----
ELECTRONIC & ELECTRICAL EQUIPMENT - 0.8%					
Amphenol Corp.,					
	12.750%	12/15/02		100	113
Exide Corp.,					
	10.750%	12/15/02		100	104
					-----
					217
					-----
LUMBER & WOOD PRODUCTS - 0.4%					
Triangle Pacific Corp.,					
	10.500%	08/01/03		100	100
					-----
MACHINERY & COMPUTER EQUIPMENT - 0.4%					
SPX, Inc.,					
	11.750%	06/01/02		100	107
					-----

MISCELLANEOUS MANUFACTURING - 0.8%				
American Standard Co.,	9.875%	06/01/01	100	102
Coleman Holdings Co., Series B,	(c)	05/27/98	150	108
				-----
				210
				-----
PAPER PRODUCTS - 1.1%				
Repap Wisconsin Inc.,	9.250%	02/01/02	100	97
SD Warren Co.,	12.000%	12/15/04	100	108
Stone Container Corp.,	9.875%	02/01/01	100	99
				-----
				304
				-----
PRIMARY METAL - 0.8%				
A.K. Steel Corp.,	10.750%	04/01/04	100	104
Magma Copper Co.,	12.000%	12/15/01	100	110
				-----
				214
				-----
PRINTING & PUBLISHING - 0.4%				
American Media Operations,	11.625%	11/15/04	100	107
				-----
STONE, CLAY, GLASS & CONCRETE - 0.4%				
Owens-Illinois, Inc.,	10.500%	06/15/02	100	103
				-----
TRANSPORTATION EQUIPMENT - 0.4%				
Aftermarket Technology Corp.,	12.000%	08/01/04	100	106
				-----
-----				
MINING & ENERGY - 1.4%				
CRUDE PETROLEUM & NATURAL GAS - 0.7%				
Ferrellgas L.P./Finance Corp.,	10.000%	08/01/01	100	103
Triton Energy Corp.,	(c)	11/01/97	100	80
				-----
				183
				-----
OIL & GAS EXTRACTION - 0.7%				
Gulf Canada Resources Ltd.,	9.250%	01/15/04	Ca	100
Santa Fe Energy Resources, Inc.,	11.000%	05/15/04	100	105
				-----
				201
				-----
-----				
RETAIL TRADE - 0.7%				
FOOD STORES - 0.3%				
Pathmark Stores, Inc.,	9.625%	05/01/03	100	96
				-----
MISCELLANEOUS RETAIL - 0.4%				
Thrifty Payless Holdings, Inc.,	11.750%	04/15/03	100	106
				-----
-----				
SERVICES - 2.4%				
Amusement & recreation - 0.4%				
Boyd Gaming Corp.,	10.750%	09/01/03	100	101
				-----
HEALTH SERVICES - 1.5%				
Healthtrust, Inc.,	10.750%	05/01/02	100	110
Hillhaven Corp.,	10.125%	09/01/01	100	104
Integrated Health Services, Inc.,	10.750%	07/15/04	100	105
National Medical Enterprises,	10.125%	03/01/05	100	104
				-----
				423



&lt;FN&gt;

Notes to investment portfolio:

- (a) Non-income producing.
- (b) Rounds to less than one.
- (c) Zero coupon bond.
- (d) Currently zero coupon. Shown parenthetically is the interest rate to be paid and the date the Fund will begin accruing this rate.
- (e) Cost for federal income tax purposes is the same.

&lt;/TABLE&gt;

&lt;TABLE&gt;

## SUMMARY OF SECURITIES BY COUNTRY/CURRENCY

&lt;CAPTION&gt;

Country	Currency abbrev.	Country abbrev.	Value	% of total securities at value
<S>	<C>	<C>	<C>	<C>
United States.....	\$		\$20,177	74.6
Denmark.....	DK	De	1,536	5.7
United Kingdom.....	BP	UK	1,336	5.0
Germany.....	DM	G	1,010	3.7
Japan.....		Ja	651	2.4
Australia.....	A\$	Au	447	1.7
Canada.....		Ca	365	1.3
Netherlands.....		Ne	299	1.1
France.....		Fr	228	0.8
Belgium.....		Be	158	0.6
Austria.....		As	153	0.6
Hong Kong.....		HK	140	0.5
Norway.....		No	128	0.5
Switzerland.....		Sz	102	0.4
Sweden.....		Sw	94	0.3
Mexico.....		Mx	67	0.2
Spain.....		Sp	52	0.2
Singapore.....		Si	41	0.2
Philippines.....		Ph	31	0.1
Malaysia.....		Ma	24	0.1
			-----	-----
			\$27,039	100.0
			-----	-----

&lt;FN&gt;

Certain securities are listed by country of underlying exposure but may trade predominantly on other exchanges.

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

Acronym	Name
<S>	<C>
ADR	American Depository Receipt

See notes to financial statements.

7

## FINANCIAL STATEMENTS

&lt;TABLE&gt;

## STATEMENT OF ASSETS &amp; LIABILITIES (UNAUDITED)

April 30, 1995

(in thousands except for per share amounts and footnote)

<S>	<C>	<C>
ASSETS		
Investments at value (cost \$25,612).....	\$27,039	
Short-term obligations .....	919	
	-----	
Cash held in foreign banks	27,958	

(cost \$271).....	\$ 271	
Receivable for:		
Investments sold.....	489	
Interest.....	333	
Fund shares sold.....	267	
Dividends.....	26	
Foreign tax reclaims.....	2	
Expense reimbursement due from adviser.....	3	
Deferred organization expenses.....	63	
Other.....	16	1,470
	-----	-----
Total assets.....		29,428
Liabilities		
Payable for:		
Investments purchased.....	1,568	
Fund shares repurchased.....	18	
	-----	
Total liabilities.....		1,586
	-----	-----
Net assets.....		\$27,842
		=====
Net asset value & redemption price per share - Class A (\$11,935/1,154).....		\$ 10.34
		=====
Maximum offering price per share - Class A (\$10.34/0.9525).....		\$ 10.86*
		=====
Net asset value & offering price per share - Class B (\$12,586/1,218).....		\$ 10.34
		=====
Net asset value & redemption price per share - Class D (\$3,321/321).....		\$ 10.34
		=====
Maximum offering price per share - Class D (\$10.34/0.9900).....		\$ 10.44
		=====

<FN>

\* On sales of \$50,000 or more the offering price is reduced

</TABLE>

<TABLE>

STATEMENT OF OPERATIONS (UNAUDITED)

Six months ended April 30, 1995

(in thousands)

	-----	
<S>	<C>	<C>
Investment income		
Interest.....		\$ 449
Dividends.....		92
		-----
Total investment income (net of nonrebatable foreign taxes withheld at source which amounted to \$4).....		541
Expenses		
Management fee.....	\$ 78	
Service fee.....	28	
Distribution fee - Class A.....	14	
Distribution fee - Class B.....	37	
Distribution fee - Class D.....	11	
Transfer agent.....	36	
Bookkeeping fee.....	13	
Custodian fee.....	11	
Audit fee.....	5	
Trustees fee.....	3	
Registration fee.....	7	
Reports to shareholders .....	3	
Legal fee.....	7	
Amortization of deferred organization expenses.....	7	
Other.....	4	
	-----	
	264	
Fees waived by the adviser.....	(52)	212
	-----	-----
Net investment income.....		329
		-----
Net realized and unrealized gain (loss) on portfolio positions		
Net realized loss on:		

Investments.....	(184)	
Foreign currency transactions.....	(4)	
	-----	
Net realized loss.....		(188)
Net unrealized appreciation		
during the period on:		
Investments.....	1,505	
Foreign currency transactions.....	5	
	-----	
Net unrealized appreciation.....		1,510
		-----
Net gain.....		1,322
		-----
Net increase in net assets from		
operations.....		\$1,651
		=====

</TABLE>

See notes to financial statements.

8

FINANCIAL STATEMENTS - CONTINUED

<TABLE>  
STATEMENT OF CHANGES IN NET ASSETS  
(in thousands)

<CAPTION>

	(unaudited) Six months ended April 30 =====	Period ended October 31 =====
	1995 =====	1994 (a) =====
	<C>	<C>
<S>		
INCREASE (DECREASE) IN NET ASSETS		
Operations		
Net investment income.....	\$ 329	\$ 37
Net realized loss.....	(188)	(2)
Net unrealized appreciation (depreciation).....	1,510	(80)
	-----	-----
Net increase (decrease) from operations.....	1,651	(45)
	-----	-----
Distributions from		
Net investment income - Class A.....	(132)	
Net investment income - Class B.....	(116)	
Net investment income - Class D.....	(33)	
	-----	-----
	1,370	(45)
	-----	-----
Fund share transactions		
Receipts for shares sold - Class A.....	5,266	6,427
Value of distributions reinvested - Class A.....	122	
Cost of shares repurchased - Class A.....	(441)	(5)
	-----	-----
	4,947	6,422
	-----	-----
Receipts for shares sold - Class B.....	6,162	6,364
Value of distributions reinvested - Class B.....	109	
Cost of shares repurchased - Class B.....	(630)	(33)
	-----	-----
	5,641	6,331
	-----	-----
Receipts for shares sold - Class D.....	950	2,249
Value of distributions reinvested - Class D.....	32	
Cost of shares repurchased - Class D.....	(55)	
	-----	-----
	927	2,249
	-----	-----
Net increase from Fund share transactions.....	11,515	15,002
	-----	-----
Total increase.....	12,885	14,957
NET ASSETS		
Beginning of period.....	14,957	
	-----	-----
End of period (including undistributed net investment income of \$51 and \$35 respectively.....)	\$27,842	\$14,957

<FN>

(a) The Fund commenced investment operations on September 19, 1994.

</TABLE>

See notes to financial statements.

FINANCIAL STATEMENTS - CONTINUED

<TABLE>

STATEMENT OF CHANGES IN NET ASSETS - CONTINUED

(in thousands)

<CAPTION>

	(unaudited) Six months ended April 30 =====	Period ended October 31 =====
	1995 =====	1994 (a) =====
<S>	<C>	<C>
<b>NUMBER OF FUND SHARES</b>		
Sold - Class A.....	540	646
Issued for distributions reinvested - Class A.....	13	
Repurchased - Class A.....	(44)	(1)
	-----	-----
	509	645
	-----	-----
Sold - Class B.....	631	643
Issued for distributions reinvested - Class B.....	11	
Repurchased - Class B.....	(64)	(3)
	-----	-----
	578	640
	-----	-----
Sold - Class D.....	98	225
Issued for distributions reinvested - Class D.....	3	
Repurchased - Class D.....	(5)	
	-----	-----
	96	225
	-----	-----
Net increase in shares outstanding.....	1,183	1,510
Outstanding at		
Beginning of period.....	1,510	
	-----	-----
End of period.....	2,693	1,510
	=====	=====

<FN>

(a) The Fund commenced investment operations on September 19, 1994.

</TABLE>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. INTERIM FINANCIAL STATEMENTS

In the opinion of management of Colonial Strategic Balanced Fund (the Fund), a series of Colonial Trust III, the accompanying financial statements contain all normal and recurring adjustments necessary for the fair presentation of the financial position of the Fund at April 30, 1995, and the results of its operations, the changes in its net assets and the financial highlights for the six months then ended.

NOTE 2. ACCOUNTING POLICIES

The Fund is a Massachusetts business trust, registered under the Investment Company Act of 1940, as amended, as a diversified, open-end, management investment company. The Fund may issue an unlimited number of shares. The Fund offers three classes of shares; Class A Class B, and Class D. Class A shares are sold with a front-end sales charge and a continuing distribution fee; Class B shares are offered at net asset value plus a distribution fee and a declining contingent deferred sales charge on

redemptions made within six years after purchase; and Class D shares are offered at net asset value plus a reduced front-end sales charge, a contingent deferred sales charge on redemptions made within one year after purchase and a continuing distribution fee. Class B shares will convert to Class A shares when they have been outstanding approximately eight years. The following significant accounting policies are consistently followed by the Fund in the preparation of its financial statements and conform to generally accepted accounting principles.

---

#### SECURITY VALUATION AND TRANSACTIONS

Equity securities are valued at the last sale price or, in the case of unlisted or listed securities for which there were no sales during the day, at current quoted bid prices.

Debt securities generally are valued by a pricing service based upon market transactions for normal, institutional-size trading units of similar securities. When management deems it appropriate, an over-the-counter or exchange bid quotation is used.

Forward currency contracts are valued based on the weighted value of the exchange traded contracts with similar durations.

Short-term obligations with a maturity of 60 days or less are valued at amortized cost.

The value of all assets and liabilities quoted in foreign currencies are translated into U.S. dollars at that day's exchange rates.

Portfolio positions which cannot be valued as set forth above are valued at fair value under procedures approved by the Trustees.

Security transactions are accounted for on the date the securities are purchased or sold.

Cost is determined and gains and losses are based upon the specific identification method for both financial statement and federal income tax purposes.

---

#### DETERMINATION OF CLASS NET ASSET VALUES AND FINANCIAL HIGHLIGHTS

All income, expenses (other than the Class A, Class B and Class D distribution fees), realized and unrealized gains (losses) are allocated to each class proportionately on a daily basis for purposes of determining the net asset value of each class.

The per share data was calculated using the average shares outstanding during the period. In addition, Class A, Class B and Class D net investment income per share data reflect the distribution fee applicable to each class.

Class A, Class B and Class D ratios are calculated by adjusting the expense and net investment income ratios for the Fund for the entire period by the distribution fee applicable to Class A, Class B and Class D shares.

---

#### NOTES TO FINANCIAL STATEMENTS - CONTINUED

---

##### FEDERAL INCOME TAXES

Consistent with the Fund's policy to qualify as a regulated investment company and to distribute all of its taxable income, no federal income tax has been accrued.

---

##### INTEREST INCOME, DEBT DISCOUNT AND PREMIUM

Interest income is recorded on the accrual basis. Original issue discount is accreted to interest income over the life of a security with a corresponding increase in the cost basis; premium and market discount are not amortized or accreted.

---

##### DEFERRED ORGANIZATION EXPENSES

The Fund incurred \$69,500 of expenses in connection with its organization, initial registration with the Securities and Exchange Commission and with various states, and the initial public offering of its shares. These expenses were deferred and are being amortized on a straight-line basis over five years.

---

##### DISTRIBUTIONS TO SHAREHOLDERS

Distributions to shareholders are recorded on the ex-date. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from generally accepted accounting principles.

---

##### FOREIGN CURRENCY CONTRACTS

The Fund has adopted Statement of Position 93-4, Foreign Currency Accounting and Financial Statement Presentation for Investment Companies. Accordingly, net realized and un-realized gain (loss) on foreign currency

trans-actions includes the fluctuation in exchangerates on gains and losses between trade andsettlement dates on securities transactions,gains and losses arising from the dispositionof foreign currency, and currency gains andlosses between the accrual and payment dateson dividend and interest income and foreign withholding taxes.

The Fund does not distinguish that portion of gains and losses on investments which isdue to changes in foreign exchange rates fromthat which is due to changes in market pricesof the investments. Such fluctuations areincluded with the net realized and unrealizedgains and losses from investments.

---

FORWARD CURRENCY CONTRACTS

The Fund may enter into forward currencycontracts to purchase or sell foreign currenciesat predetermined exchange rates in connectionwith the settlement of purchases and sales ofsecurities. The Fund may also enter into forward currency contracts to hedge certain other foreign currency denominated assets. The contracts are used to minimize the exposure to foreign exchange rate fluctuations during theperiod between trade and settlement date ofthe contracts. All contracts are marked-to-market daily, resulting in unrealized gains or losses which become realized at the timethe forward currency contracts are closed or mature. Realized and unrealized gains (losses)arising from such transactions are included in net realized and unrealized gains (losses)on foreign currency transactions. Forwardcurrency contracts do not eliminate fluctuations in the prices of the Fund's portfolio securities. While the maximum potential loss from such contracts is the aggregate face value in U.S. dollars at the time the contract was opened, the actual exposure is typically limited to the change in value of the contract (in U.S. dollars) over the period it remains open. Risks may also arise if counterparties fail to perform their obligations under the contracts.

---

OTHER

Corporate actions are recorded on the ex-date (except for certain foreign securities which are recorded as soon after the ex-date as the Fund

---

NOTES TO FINANCIAL STATEMENTS - CONTINUED

becomes aware of such) net of nonrebataable tax withholdings. Where a high level of uncertainty as to collection exists, income on securities is recorded net of all tax withholdings with any rebates recorded when received.

The Fund's custodian takes possession through the federal book-entry system of securities collateralizing repurchase agreements. Collateral is marked-to-market daily to ensure that the market value of the underlying assets remains sufficient to protect the Fund. The Fund may experience costs and delays in liquidating the collateral if the issuer defaults or enters bankruptcy.

---

NOTE 3. FEES AND COMPENSATION PAID TO AFFILIATES  
MANAGEMENT FEE

Colonial Management Associates, Inc. (the Adviser) is the investment adviser of the Fund and furnishes accounting and other services and office facilities for a monthly fee equal to 0.70% annually of the Fund's average net assets.

---

BOOKKEEPING FEE

The Adviser provides bookkeeping and pricing services for \$27,000 per year plus 0.035% of the Fund's average net assets over \$50 million.

---

TRANSFER AGENT

Colonial Investors Service Center, Inc. (the Transfer Agent), an affiliate of the Adviser, provides shareholder services for a monthly fee equal to 0.25% annually of the Fund's average net assets and receives a reimbursement for certain out of pocket expenses.

---

UNDERWRITING DISCOUNTS, SERVICE AND DISTRIBUTION FEES

The Adviser, through Colonial Investment Services, Inc., (the Distributor), is the Fund's principal underwriter. During the six months ended April 30, 1995, the Distributor retained net underwriting discounts of \$4,616 on sales of the Fund's Class A shares and received contingent deferred sales charges (CDSC) of \$10,377 and \$477 on Class B and Class D share redemptions, respectively.

The Fund has adopted a 12b-1 plan which requires it to pay the Distributor a service fee equal to 0.25% annually of the Fund's net assets as of the 20th of each month. The plan also requires the payment of a distribution fee to the Distributor equal to 0.30% for Class A and 0.75% for Class B and

Class D , of the average net assets attributable to Class A, Class B, and Class D shares, respectively.

The CDSC and the fees received from the 12b-1 plan are used principally as repayment to the Distributor for amounts paid by the Distributor to dealers who sold such shares.

-----  
EXPENSE LIMITS

The Adviser has agreed, until further notice, to waive fees and bear certain Fund expenses to the extent that total expenses (exclusive of service fees, distribution fees, brokerage commissions, interest, taxes, and extraordinary expenses, if any) exceed 1.10% annually of the Fund's average net assets.

-----  
OTHER

The Fund pays no compensation to its officers, all of whom are employees of the Adviser.

The Fund's Trustees may participate in a deferred compensation plan which may be terminated at any time. Obligations of the plan will be paid solely out of the Fund's assets.

-----  
NOTE 4. PORTFOLIO INFORMATION

During the six months ended April 30, 1995, purchases and sales of investments, other than short-term obligations, were \$17,498,401 and \$6,034,106, respectively, of which \$ 3,174,705 and \$1,768,413, respectively, were U.S. government securities.

-----  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

<TABLE>

Unrealized appreciation (depreciation) at April 30, 1995, based on cost of investments for both financial statement and federal income tax purposes was:

<S>	<C>
Gross unrealized appreciation.....	\$2,033,381
Gross unrealized depreciation.....	(606,573)
	-----
Net unrealized appreciation.....	\$1,426,808
	=====

</TABLE>

-----  
OTHER

There are certain additional risks involved when investing in foreign securities that are not inherent with investments in domestic securities. These risks may involve foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention of currency exchange or other foreign governmental laws or restrictions.

The Fund may focus its investments in certain industries, subjecting it to greater risk than a fund that is more diversified.

-----  
NOTE 5. RESULTS OF SPECIAL SHAREHOLDERS MEETING

On February 15, 1995, a special meeting of shareholders was held and a new Management Agreement between the Trust and Colonial Management Associates, Inc. was approved that became effective upon the completion of the merger of The Colonial Group, Inc. and Apple Merger Corporation, a subsidiary of Liberty Financial Companies, Inc. on March 24, 1995. Out of the shares of beneficial interest outstanding on December 9, 1994, 1,546,639 voted for the new Management Agreement, 7,252 voted against and 43,771 abstained. Of the shares of beneficial interest outstanding that abstained 4,936, represented broker non-votes.

<TABLE>

NOTE 6. COMPOSITION OF NET ASSETS

At April 30 1995, net assets consisted of:

<S>	<C>
Capital paid in.....	\$26,517
Undistributed net investment income.....	51
Accumulated net realized loss.....	(156)
Net unrealized appreciation on:	
Investments.....	1,427
Foreign currency transactions.....	3
	-----
	\$27,842

</TABLE>

ABOUT OUR COVER...

The symbol on the cover of this Report represent the Fund's primary investment focus on common stocks and bonds.

[GRAPHIC]

Colonial Strategic Balanced Fund mails one shareholder report to each shareholder address. If you would like more than one report, please call our Literature Department at 1-800-248-2828 and additional reports will be sent to you.

SHAREHOLDER SERVICES AND TRANSFER AGENT
Colonial Investors Service Center, Inc.
P.O. Box 1722
Boston, MA 02105-1722
1-800-345-6611

This material may be used with potential investors if it is preceded or accompanied by a current Fund prospectus containing more complete information including fees, risks, and expenses.

<TABLE>

FINANCIAL HIGHLIGHTS (B)

Selected data for a share of each class outstanding throughout each period are as follows:

<CAPTION>

Table with columns for (UNAUDITED) SIX MONTHS ENDED APRIL 30 and PERIOD ENDED OCTOBER 31. Rows include Net asset value, Income (loss) from investment operations, Less distributions declared to shareholders, Net asset value - End of period, and Total return (d) (e). Includes sub-headers for CLASS A, CLASS B, CLASS D and <C>.

<FN>

- (a) Net of fees waived or borne by the adviser which amounted to...
(b) Per share data was calculated using average shares outstanding during the period.
(c) The Fund commenced investment operations on September 19, 1994.
(d) Total return at net asset value assuming all distributions reinvested and no initial sales charge or CDSC.
(e) Had the adviser not waived or reimbursed a portion of expenses total return would have been reduced.
(f) Not annualized.

(g) Annualized.

</TABLE>