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The Top 10 Networking and Electronics Stocks of 2010 by [Prince Damin](#)

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It's been a pretty kind year to stock investors, with the S&P showing a 12.7% gain in 2010. Of course, kindness might still feel relative after a lost decade of negative returns that included the nauseating depths and panic of the financial crisis.

However, while the general market might have edged up at a low double-digit pace last year, quite a few stocks poured in monster performances either by riding new trends or by rebounding much stronger than investors expected. 2010 was the year of the "little guy" in networking. No Cisco. No Juniper Networks. No Alcatel-Lucent. The winners of networking in 2010 came from niches like WAN optimization and load balancing, areas that were previously obscure to most anyone but skilled IT professionals.

If one thing catches the attention of the market it's taking market shares from larger rivals and showing heady growth rates. That's exactly what Riverbed Technologies and F5 Networks have done. Recent market share studies show F5 mopping the floor with Cisco in the application delivery controller (ADC) market, and Riverbed has held in better than smaller rival Blue Coat Systems in the WAN optimization market. Can the momentum carry through 2011? I wouldn't be surprised if these companies experienced a pull-back in 2011. While both Riverbed and F5 have had extremely successful years, their value is a bit too high for the markets they serve. Even if the companies keep running circles around Cisco and other rivals (which is hardly assured), their values are imposing relative to the total size of the end markets they serve. The term "overpriced for perfection" was built for stocks like Riverbed and F5 Networks.

Moving on to other areas of networking, Finisar rode a wave of optical network spending to a massive 225% return in 2011. Like many other technologies, optical networking was all the rage in the dot-com bubble, but the mania proved ahead of its time. Today, exploding amounts of data across networks and the increasing amount of bandwidth needed to handle that data have finally pushed optical networking over the edge. JDS Uniphase (Nasdaq: JDSU) would be the poster child for the industry's transformation. After 14 years of crushing unprofitability including a write-down fueled \$56 billion loss in 2001, the company finally has turned the corner in recent quarters and is showing a profit. Looking at some of the electronics stocks who made the list, Universal Display pops out. The company has integral patents for the OLED technology that's exploding across TV and smartphone displays. Colleague Anders Bylund has pounded the table again and again that the company is a screaming buy.

So what's on tap for 2011 in networking? Along with storage, it should remain one of the stronger areas of IT spending, which should help carry the industry forward. One of the trends I'll be watching is consolidation. In 2010 we saw massive consolidation across storage as companies attempted to fill their product portfolios to offer complete storage solutions. In the past, major IT firms had largely left the networking space to its 800-pound gorilla, Cisco, to control. However, after Cisco's decision to create a server system that competed directly with many of its partners, companies like Hewlett-Packard and Dell have increasingly cast an eye to their own networking solutions. Much the same as storage, we're seeing some smaller companies creating very advanced technology to fill niches not covered by industry giants like Cisco and Juniper. Will the mega-cap tech companies stalking networking go on a buyout spree that's similar to what was seen in storage last year? I wouldn't rule out a laundry list of buyouts across networking in 2011.

If you're looking for some ideas for strong outperformers in the year ahead, The Motley Fool has created a brand new free report called "The Motley Fool's Top Stock for 2011." In it, we reveal the

little company set to profit from the broadband Internet expansion.

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