



Somewhere between the bottom of the climb and the summit is the answer to the mystery of why we climb.

— Greg Child

## **Commonalities Between Alpinists & Investors Followed by Some Personal Reflections<sup>1</sup>**

In the words of the unequivocally wonderful institutional investor, Ana Marshall, CFA®, climbing a technically difficult mountain like Everest, K2, or Denali is similar to creating an excellent investment portfolio. Being excellent at investing is hard. Climbing to the top of Everest or Kilimanjaro is hard.

Thousands of alpinists make the attempt to reach the summit every year, both in mountain climbing and investing. Many fail to move successfully from base camp through to the summit.

Many institutional investment offices, such as our own, suggest there is one mountain worth climbing, one right way to do it, one definitive answer. I would argue that similar to ascending to a mountain summit, there is no single route or definitive guide to the top.

Every individual/family and organization has different goals, unique needs, operating requirements, and priorities.

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<sup>1</sup> Ana Marshal - [The Climb to Investment Excellence: A Practitioner's Guide to Building Exceptional Portfolios and Teams](#)

A long-term investment strategy provides a road map that rarely is able to anticipate the cyclical and secular hazards in capital markets and the economy. There are limitations to any climbing plan, and they must be overcome to reach the top.

The art of investing is how investors execute the plan in spite of the challenges on the way to the summit. My goal here is to outline the thoughtfulness of how we have constructed an excellent investment program along with the courage to adapt plans to reach the summit.<sup>1</sup>

Alpinism is similar to investing in that it is the interplay between the technical skills and endurance of the climber/investor and the conditions of the mountain/market that result in a successful summit. Before heading into any climb, having well-honed expert technique, the right climbing gear, and knowing the routes to ascend are essential requirements for a successful climb. However, skill and a plan are not enough. To climb successfully to the summit, one must be able to adapt quickly and be able to navigate under unexpected changes in the environment. The mountains and markets are full of cautionary tales. I've lived through several. The ultimate goal, besides success in making it to the top, is survival.<sup>1</sup>

I was blessed in 2007 with the opportunity to attempt a summit of Mount Kilimanjaro, Africa's highest peak (19,340 feet), in the country of Tanzania alongside my wife, Chelsea, and both of my parents. Certainly a once-in-a-lifetime opportunity that I will never forget. The climb (other than a few sketchy areas where ropes were used) is not technically difficult. The real challenge was adjusting to the altitude and the thinness of the air at 19,000+ feet above sea level. My mother suffered from a cerebral edema on the final ascent to the crater rim. A cerebral edema is a medical term for brain swelling, or swelling that happens in part or all of your brain because of excessive fluid buildup in the tissue. Your skull protects your brain, but it can't expand to hold extra fluid. She thankfully eventually recovered once we got inside the crater rim. My father suffered from a pulmonary edema the morning of the final ascent, which is a medical term for an abnormal buildup of fluid in the lungs. This buildup of fluid leads to shortness of breath and can be dangerous if the climber does not descend rapidly. He demonstrated incredible stamina, and finished the ascent with us. It was inspirational watching him struggle to climb that last 200 foot ascent to the top from out of the crater rim.



*View From Inside The Crater Rim of the Towering  
Glaciers Above the Clouds*



*Kilimanjaro Summit*

Investing and climbing involve repetitive processes of thinking, problem solving, and executing. Thinking outside traditional frameworks, solving problems, and then executing the solution a hundred times a year, and thousands of times in a career is how to build muscle memory. It takes years of practice and living at altitudes where the air is thin and ever changing, to be able to ascend and not succumb to the wear and tear of the climb.<sup>1</sup>

<sup>1</sup> Ana Marshal - [The Climb to Investment Excellence: A Practitioner's Guide to Building Exceptional Portfolios and Teams](#)

Importantly, one never climbs alone. Our curated team works together to improve the probability of making it to the summit. The leader of a team like ours is the expedition guide charged with the responsibility of making sure the team makes it to the summit. As with any intensive sport, discipline, hard work, and practice are essential. The leader must take a group of competitive individuals and form a team that is attuned to the tempo of the mountain and the hazards of storms. I'm grateful to work alongside lifelong learners, intellectually curious, and hard working individuals on our team.<sup>1</sup>

Every professional investor has identified attractive investment strategies only to be faced with unanticipated hazards. From my early days at Bear Stearns, I learned about the dangers of leverage on top of leverage, complacency, CDO<sup>2</sup>'s, counterparty risk, and ignorance (home prices will never decline!). During the late 2000's, I was recruited to summit a new, technically challenging peak: joining an alternative investment asset manager and thus investing in strategies and asset classes that fall outside of conventional stocks and bonds (i.e. leveraged buyouts, growth equity, venture capital, hedge funds, infrastructure, private credit, distressed strategies, pod shops, etc.). I learned about the dangers of fraud with the Madoff blowup. In fact, I still have what has probably become a valuable artifact (see accompanying graphic) from 16 years ago back in late 2008 when a firm called the Fairfield Greenwich came into our offices at Titan Advisors (the now Stamford, CT based alternative investment firm) to pitch us a direct feeder fund investing exclusively into Madoff's completely fictitious "split strike conversion strategy" which masked a \$50bn ponzi scheme. This occurred quite literally two weeks before the ponzi scheme blew up.

The presentation materials sit on my desk as a reminder to always be on guard and to trust but verify – and then verify again. We did not invest the capital our investors had entrusted us with because we went out to all of our contacts at big investment banks and market makers probing whether anyone knew of a \$50bn player moving S&P 100 options contracts – and the answer was unequivocally "no". That, in addition to the fact that he did not have a third-party custodian, administrator, and his auditing firm was located in a strip mall in upstate New York presented all the warning signs we needed. The collapse of Bear Stearns and then Madoff made for quite an entry into the capital markets space for me. No wonder I moved back here to the Midwest!



*Madoff Feeder Fund Marketing Presentation*

Wanting the challenges of a new adventure, I set my sights on moving back to the Midwest in pursuit of transforming our business into an true Chief Investment Office (OCIO) and multi-family office model while running sophisticated multi-asset class portfolios – myself for the first time. It'll be 13 years at Morgan Stanley next month and I plan to retire from this firm. I love it. We moved back here in 2011/2012 and I've found my work here to be tremendously intellectually stimulating and fun. As soon as I'd successfully integrated and then helped to build out the current team, I soon realized once again that company fundamentals could be blown off course by exogenous factors (i.e. the Greek debt crisis, the old economy mini-recession in 2015/2016, debt ceiling debates) that suddenly appeared and turned into stormy clouds similar to the Tequila Crisis (also known as the Mexican Peso crisis of 1994), the Asian Crisis of 1997, and the Russia Crisis of 1998. Once adjusted to the new environment, role, vision and after curating a team for such a vision, the strategic plan was, yet again, taken off course by a global health crisis and the effective policy-driven shutting down of most of the US economy.

<sup>1</sup> Ana Marshal - [The Climb to Investment Excellence: A Practitioner's Guide to Building Exceptional Portfolios and Teams](#)

**During this time, we saw the front-month WTI crude oil contract reach a stunning -\$37.63 per barrel. You read that right. The May 2020 contract lost more than 100% of its value, implying that one would have to PAY another party to take delivery of crude oil!** Successfully managing client portfolios during difficult times has increased our team’s resilience and ingrained a determination to survive whatever hazards came our way.

## Artificial Intelligence – Edge AI & Healthcare Innovation<sup>2</sup>

One of the most transformative trends in recent years has been the rapid advancement of artificial intelligence (AI). The AI arms race is intensifying, with major tech companies and sovereign nations investing heavily in AI research and development. China and the US are in an economic and technological war over semiconductors and other technological supremacy needed to shape the future of this technology and its applications worldwide. While “large language models” (LLMs) are garnering the most attention in the AI landscape at this time, not much attention has been directed to other ways that this next technological revolution is set to reshape how you live your daily lives, such as what is called “Edge AI”.

### Edge AI<sup>2</sup>

Edge AI is effectively going to be a significantly enhanced personal assistant by providing real-time, context-aware services directly on devices like your iPhone. Here are some of the most exciting use cases:

1. **Real-Time Language Translation & Instant Communication:** Translate conversations in multiple languages in real-time, facilitating seamless travel and international communication, even offline.
2. **Health and Fitness Monitoring & Emergency Alerts:** Detect anomalies in vital signs and send instant alerts to users or emergency contacts, **potentially saving lives.**
3. **Smart Home Automation & Proactive Adjustments:** Control smart home devices in real-time, adjusting lighting, temperature, and security settings based on user preferences **and routines.**
4. **Enhanced Productivity & Voice-Activated Commands:** Manage schedules, set reminders, and organize tasks efficiently with faster response times **using voice commands.** This could be an incredible use case because if we all add up the hours we all take during a calendar year in setting up meetings, Zoom calls and organizing calendars – I think we’d be shocked and the number would reach multiple weeks in length.
5. **Personalized Shopping Experiences & Instant Price Comparisons:** Scan and compare product prices in real-time, ensuring users get the best deals without cloud dependency. Take a photo of any product and it automatically tells you what it is and where to buy it, which is a use case available today from ChatGPT 4o.
6. **Enhanced Security & Voice/Facial Recognition:** Use secure, on-device voice and face recognition to ensure only authorized users access sensitive information and services.
7. **Contextual Awareness & Location-Based Services:** Provide context-aware recommendations based on the user’s current location, like nearby restaurants, traffic updates, or weather alerts.
8. **Travel Assistance & Navigation/Traffic Updates:** Offer real-time navigation and traffic updates, suggesting alternate routes to avoid congestion and helpful alerts around leaving on time to ensure timely arrivals. Imagine being able to instruct verbally your iPhone to change your flight from O’Hare to Laganardia to the 6:30 AM departure on the following day as it was originally booked, and it automatically and seamlessly occurring.
9. **Learning/Development & Language Learning:** Assist with language learning and understanding by providing real-time pronunciation corrections, vocabulary suggestions, and interactive practice sessions.

<sup>2</sup> Morgan Stanley Research – Edge AI

10. **Personalized Financial Management & Real-Time Budget Tracking:** Monitor spending and provide real-time updates on budget status, helping users manage their finances more effectively. As the first capital markets commercial customer of OpenAI, Morgan Stanley has leaned into integrating AI tools like this to better enhance our ability to serve our clients.

Edge AI empowers personal assistants to be more responsive, intuitive, and context-aware, significantly enhancing the user experience across various aspects of daily life. To learn more about Edge AI, click [here](#) for a brief article on the concept from our firm. Please feel to request a deeper white paper on the topic, if interested.

## [AI + Healthcare Innovation<sup>2</sup>](#)

The other super exciting AI revolution is taking place in healthcare. AI is revolutionizing healthcare in multiple ways, including but not limited to the list below:

1. **Enhanced Diagnostics and Personalized Medicine**

AI algorithms can analyze vast amounts of medical data to identify patterns that are often invisible to the human eye. This capability enables more accurate and early diagnoses, leading to personalized treatment plans tailored to individual patients' genetic profiles and health histories. For example, AI-driven diagnostic tools are improving the detection rates of diseases such as cancer, diabetes, and cardiovascular conditions.

2. **Drug Discovery and Development**

The process of discovering and developing new drugs is traditionally time-consuming and expensive. AI is accelerating this process by predicting how different compounds will interact with biological targets, thus identifying potential new drugs more efficiently. This not only reduces the time and cost involved but also opens up possibilities for treatments of previously untreatable conditions.

3. **Operational Efficiency**

AI is streamlining administrative processes in healthcare, from scheduling and billing to patient management. By automating routine tasks, healthcare providers can focus more on patient care, improving overall efficiency and reducing operational costs. AI-powered predictive analytics also help in managing hospital resources, such as staffing and equipment, more effectively.

4. **Telemedicine and Remote Monitoring**

The COVID-19 pandemic has accelerated the adoption of telemedicine, and AI is enhancing its capabilities. AI-driven platforms can monitor patients remotely, analyzing data from wearable devices and alerting healthcare providers to any signs of deterioration. This continuous monitoring is particularly beneficial for managing chronic conditions and providing care to patients in remote areas.

5. **Robotic Surgery**

AI-powered robotic systems are enhancing the precision and safety of surgical procedures. These systems can perform complex surgeries with minimal invasion, reducing recovery times and improving patient outcomes. I have a friend that is having robotic heart surgery in two months or so. Wild.

While this has been the year of AI, it remains to be seen what the return on investment (ROI) on AI ends up landing at. It will undoubtedly improve productivity, but who at the governmental, corporate or individual level will these benefits and value creation accrue to. This is a very fluid situation that we've spent vast amounts of time on because we anticipate the technology will be ubiquitous very quickly. Per MS Research, after a technological breakthrough like ChatGPT is released – it takes approximately two years for a company to develop that “killer” app, which could be Apple Intelligence, the AI already built into and allowing full self driving from a company like Tesla.

<sup>2</sup> Morgan Stanley Research – Healthcare + AI

## Book Recommendation

### [The Anxious Generation](#) by Jonathan Haidt

“We’ve been overprotective of our children in the physical world and underprotective of our children in the online world.”

– Jonathan Haidt

I have been telling everyone and their mother (plus their mother-in-law) about this book, so I apologize in advance if I’ve already sent you a copy or demanded that you read it! As a parent of young children, it should be required reading in my humble view. It was the last book I’ve read in a very long time that caused a visceral reaction in me to take action based off of what I learned. This has come in the form of myself and others on my kids’ school board sort of boldly making us one of the first schools in Iowa to ban devices of all shapes, sizes, and forms (phones, smart watches, etc.) for this next school year and on an ongoing basis. There was actually recent news coverage about it that you can read about [here](#). Haidt argues why others should follow suit. Big tech very intentionally hacked our biological systems to profit from software designed to trigger dopamine hits. The book explores the surge in mental health issues among Gen Z, attributing much of the blame to the rise of smartphones and the decline of free, unsupervised play. Haidt, a social psychologist, combines extensive research with his expertise in moral psychology to analyze these trends and propose solutions.

### Key Book Themes

#### 1. The Decline of Free Play

Haidt argues that from the 1980s onwards, children in the Anglo world experienced a significant reduction in unsupervised outdoor play. This decline has deprived them of essential experiences needed to build resilience, confidence, and social skills. Free play allows children to test their limits, take risks, and learn to navigate the world independently.

#### 2. The Rise of Smartphone Use

The early 2010s saw a dramatic shift as children and teenagers began using smartphones extensively. This “Great Rewiring” of childhood involved an increase in social media use, which Haidt links to various mental health issues. He discusses how smartphones and social media contribute to social deprivation, sleep deprivation, attention fragmentation, and addiction.

#### 3. Mental Health Crisis

Haidt presents data showing a sharp rise in anxiety, depression, and self-harm among adolescents, particularly between 2010 and 2015. He highlights how these trends are more pronounced among girls, due to the pressures of social comparison and relational aggression facilitated by social media.

#### 4. Collective Action Problems

Haidt stresses that the mental health crisis is a societal issue requiring collective action from parents, schools, tech companies, and governments. He proposes several reforms, such as banning smartphones before high school, promoting phone-free schools, and encouraging more unsupervised play.

### Key Recommendations

I very much applauded Jonathan Haidt coming not just with a detailed scientific approach to assessing the problem, but also delivering very actionable steps that can be taken to protect our children from the dangers of early social media use and its addictive tendencies:

- Delay giving children smartphones until high school
- Encourage **outdoor and unsupervised** play and community involvement
- Implement phone-free policies in schools
- Promote legislative action to protect children online

Haidt's book is a call to action for society to rethink how we allow digital technology to influence childhood and to take steps to restore a more natural, healthy development environment for future generations.

We can – at the same time – be excited about Edge AI and it's ability to transform and improve our productivity as adults and concurrently embrace the compelling message from Haidt's book. It is just that my children – and hopefully many across the country – won't get to allowed to enjoy Edge AI on their own device until they are in high school. Yes – I will be tremendously unpopular but I am adamant about digging my feet in on this one.

I hope everyone wakes up to this. I feel like there is a movement building across the country to realize not only are we the product of these social media companies – but the software and the devices themselves that lure us in as “the product” are all incredibly addictive, isolating, dangerous, not age appropriate, and should be regulated to a much greater degree by parents (many of whom – including myself – need to learn about), schools and the government (in my opinion). In the face of all of the powerful tech lobbying, we need to mobilize collective action to lobby and be vocal about banning smart phones at schools, and strongly consider a ban of smart phone ownership until the age of at least 13. About half of US children get their first smartphone by age 11, and that terrifies me. Warning labels I believe will prove ineffective, but we need to figure this out because it is negatively impacting the mental health of our future leaders.

## Team Update

I couldn't be more proud of the team we're assembled over the years. We are a strong, disciplined, process oriented, united and prudently growing group because exceedingly more complex people and organizations seem to appreciate the vastness of what we can offer along it in a way that is entirely curated for their specific needs. We are not a volume shop. No two clients are alike, so what we deliver is not cookie cutter, never will be, and **therefore we proudly run one of the least scalable businesses in America.** With that said, we are up to ~\$2.25bn in assets under management (as of July 2024) and have been able to hone in on, grow and further develop skills, knowledge and experience in working with larger and more complex organizations (primarily faith-based, social service, healthcare and higher education non-profits) and founders/entrepreneurs or business owners with complex and usually taxable estates. At times, these include some semblance of an accompanying family office, which in many cases we can help establish and institutionalize. Every member of our team shares a common passion: achieving client outcomes within pre-determined risk and liquidity constraints and doing so with impeccable service you'd expect from a small boutique (which, of course, we are – but with the backing of a global capital markets leader).

We have hired Tom Pierson to replace Mackenzie McCarthy as she departed to change industries and the type of work she wants to pursue in her early career. We wish her the best! Tom's email address is [tom.pierson@msggraystone.com](mailto:tom.pierson@msggraystone.com) if you want to shoot him a note introducing yourself and welcoming him to his new role. Tom is very experienced with almost 20 years of investment operations experience, and as importantly he is a terrific cultural fit. He started on Monday, July 22<sup>nd</sup> and we already know we've hired a rockstar. He will be a tremendous co-pilot alongside Deb in providing mission-critical operational support for our clients. Tom brings a background of 20 years of finance and investment operations experience and support to our team. After graduating from Augustana College, he spent the first decade of his career at JPMorgan Chase throughout Chicago before moving to Denver and joining Wells Fargo Private Bank. After relocating to Des Moines in 2022, he pivoted his

career to the investment side with Merrill Lynch where he became fully registered and fostered a resolve to be part of something greater within the private wealth management, multi-family office and endowment management industries. Happy to be back in the heartland his focus here is facilitating the operational component of our business and creating a seamless experience within all facets of our clients' relationship. Outside of work, Tom enjoys a good book, song, or movie (as long as it doesn't ruin the book) as well as hiking, biking, and lounging with his wife, dog, and chickens (interesting fact about Tom – his chickens do have names). I also want to wish one of our Client Service Associates, Charley Crowley, a huge congratulations on getting engaged recently to his now fiancé, Leah. He surprised her with a new puppy and had the puppy deliver the ring. The kid did well! He did even better when they named the puppy "Cy".



Congratulations to our very own Group Director, Deb Kearney, for the birth of another grandchild! Please welcome little Nolan Jeffrey to the world! There are substantiated reports that Nolan may have been named after the famous baseball pitcher, Nolan Ryan, from back in the 1990s. Nolan came into this world at 7 lbs and 3 oz while rocking a strong 20 inches in length. Both mom and baby are doing well! Congratulations to Deb, her daughter (Carrie) and his husband, and the rest of her family while living through these amazing life moments! Rumor has it that Nolan is a Cyclone fan as well. It brings me back to the magical and truly unmatched moment of welcoming your own child into this world. What a surreal experience.

Reed Bailey, now officially a PWM Analyst, has been promoted after years and years of intellectual curiosity and both broad *and* deep experience across asset classes has placed him in a perfect position to assist us with responsibilities like manager sourcing and selection along with research of underlying direct co-investment opportunities into growing, private businesses. I took him to New York City for the first time in his life last week. It was fun showing him the city in which I used to live. We together visited a long-only small cap value manager, a leading growth equity manager at the forefront of AI's integration into B2B software, a multi-strategy hedge fund, along with a number of groups at Morgan Stanley's HQs. I also took him by the last apartment building and neighborhood that I lived in 15-20 years ago along with the World Trade Center Memorial fountains.

Our focus remains on taking care of our current clients and investors first and foremost, and we remain steadfast in this mission. We appreciate your trust and hope you are all having a wonderful summer.

Be well,

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